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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION

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U.S. DISTRICT COURT
WESTERN DISTRICT OF N.C.

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

FREDERICK J. GILLILAND,

Defendant,

and

MM ACMC BANQUE DE COMMERCE, INC.,

Relief Defendant.

CIVIL ACTION FILE

NO. 3:02cv128-H

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

The plaintiff, Securities and Exchange Commission ("Commission" or the "Plaintiff"), files this complaint and alleges the following:

SUMMARY

1. This case involves a multimillion-dollar, prime bank securities fraud promoted by Defendant Frederick J. Gilliland ("Gilliland") throughout the United States, Canada and the United Kingdom. Relief Defendant MM ACMC Banque De Commerce, Inc. ("MBC"), a North Carolina corporation controlled by an acquaintance of Gilliland, was unjustly enriched by the receipt of \$20 million of the ill-gotten gains Gilliland raised through his fraudulent schemes.

2. From at least mid-1997 until at least November 1998, Gilliland, a Canadian citizen at the time residing in Florida, solicited over \$20 million from more than 200 investors throughout the United States, Canada and the United Kingdom to invest in his fraudulent "bank debenture" and "high yield" trading programs. He promoted these prime bank investment programs by presentations to individuals and groups and by encouraging investors to raise additional funds from their friends.

3. In order to induce investors to invest in the fraudulent investment programs he promoted, Gilliland made material misrepresentations and omissions of fact to investors concerning, among other things, the existence of the trading programs, unreasonable claims of expected profits from the programs, the purported required minimum investments for entry into the programs, and the purported safe, risk-free nature of the programs. For example, Gilliland led investors to expect profits of between 30% per month to 130% per ten days in purported trading programs where the investments were purportedly fully secured by U.S. Treasury bills. In fact, such programs do not exist.

4. To facilitate his fraudulent scheme, Gilliland formed Sterling Management Services, Inc. ("Sterling Management"), a foreign corporation organized in the Turks and Caicos Islands, and Sterling Asset Services, Ltd. ("Sterling Asset"), an international business corporation organized in the Isle of Man. Gilliland deposited the money raised from investors in his fraudulent schemes into several bank accounts he controlled in the names of Sterling Management and Sterling Asset. Gilliland transferred \$20 million of

investor funds from Sterling Asset into MBC's account at NationsBank, N.A., in Charlotte, North Carolina. Gilliland transferred another \$4 million of investor money to a Sterling Management account at Paramount Insurance Ltd., a business entity located in Auckland, New Zealand.

5. The Commission brings this action to enjoin Gilliland from violations of the federal securities laws, for disgorgement of his ill-gotten gains, civil penalties and other relief. Plaintiff also brings this action to compel Relief Defendant MBC to disgorge the ill-gotten gains it received from a Sterling Asset account Gilliland controlled at the Allied Dunbar Bank on the Isle of Man.

6. By virtue of his conduct, Gilliland directly or indirectly, has engaged and, unless enjoined, will continue to engage, in violations of Sections 5(a) and 5(c) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a) and 77e(c)], Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Sections 10(b) and 15(a) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b) and 78o(a)(1)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

7. Relief Defendant MBC, by virtue of its conduct, directly or indirectly, was unjustly enriched and holds proceeds from Gilliland's frauds, which it has no equitable basis to retain.

JURISDICTION AND VENUE

8. The Commission brings this action pursuant to Sections 20(b), (c) and (d) of the Securities Act [15 U.S.C. §§ 77t(b)-(d)] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d)-(e)], to enjoin the Defendant from engaging in the transactions, acts, practices and courses of business alleged in this Complaint, and transactions, acts, practices and courses of business of similar purport and object, for disgorgement of ill-gotten gains, civil penalties and other relief and for disgorgement of unjust enrichment by the relief defendant.

9. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d) and 77v(a)] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. 78u(d), 78u(e) and 78aa].

10. The Defendant and the Relief Defendant, directly and indirectly, have made use of the mails, the means and instrumentalities of transportation and communication in interstate commerce, and the means and instruments of interstate commerce, in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

11. Venue lies in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa], because certain of the transactions, acts, practices and courses of business constituting violations of the Securities Act and Exchange Act have occurred within the Western District of North Carolina. Funds from investors who have purchased investments in Gilliland's fraudulent

bank debenture and high-yield trading programs were transferred to the Relief Defendant at its bank account in the Western District of North Carolina. Investors in the Western District of Carolina have been solicited to purchase, and have purchased, investments in Gilliland's bank debenture and high-yield trading programs.

THE DEFENDANT

12. **Frederick J. Gilliland**, age 49, is a Canadian citizen, who resided in Florida during the period at issue and did business within the Western District of North Carolina individually and through Sterling Asset and Sterling Management. Gilliland was indicted by the U.S. Attorney for the Northern District of Florida, Pensacola Division, for securities fraud, mail fraud and wire fraud arising out of the same conduct at issue in this complaint. Gilliland is now purportedly living in the vicinity of Vancouver, British Columbia, Canada.

THE RELIEF DEFENDANT

13. **MM APMC Banque de Commerce, Inc.**, a purported international business corporation, was incorporated on December 12, 1997, in North Carolina. The controlling person of MDC was criminally convicted in Norway, in part, for conduct related to Gilliland's transfer of funds to MDC. As set forth below, MBC obtained money that Gilliland fraudulently raised from investors and would be unjustly enriched if allowed to retain it.

FACTS

Gilliland's Investment Schemes

14. From at least mid-1997 through at least November 1998, Gilliland raised more than \$20 million from over 200 investors throughout the United States, Canada, and the United Kingdom, purportedly for investment in the fraudulent "bank debenture" and "high-yield" trading programs discussed below.
15. Gilliland represented to investors that they were investing in bank debenture or high-yield trading programs.
16. Gilliland represented to investors that investor funds will be used to purchase and trade discounted financial instruments issued by purported prime banks, a term referring to the Top 250 or "Prime" world banks, sometimes the "Top 100" world banks, in a clandestine overseas market to generate huge returns for the investor.
17. According to Gilliland, this highly profitable trading occurs in a little-known trading market where a few traders buy and sell deeply discounted bank instruments through a series of prearranged trades. Gilliland and the materials he presented to investors claimed that profits from this trading were purportedly guaranteed because the traders did not purchase the discounted financial instruments until they had prearranged a transaction to sell them on a profitable basis.
18. Gilliland told investors that very few people knew about these purportedly secret trading markets. He required investors to execute "non-disclosure/non-circumvention"

agreements that purportedly prohibited the investor from disclosing any information about the purported investment or from using any information gained from the promoter or purported trader to circumvent the program. According to these agreements, information about the purported trading programs was “highly sensitive, proprietary and confidential” and included “knowledge pertaining to sensitive banking and trade relationships and programs.”

Huge Purported Profits

19. Gilliland told prospective investors that they were guaranteed high rates of return ranging from 30% per month to as high as 130% per 10 days. Despite these extraordinary returns, Gilliland assured investors there was no risk to their investment principal.

20. Gilliland explained to one investor that the reason the trading program was able to pay such attractive returns was because the purported trading group was earning 1000% to 2000% per year on the money by participating in a secret high-yield trading program that involved “bank paper.”

21. In the fall of 1998, Gilliland met with a group of investors. He provided an investor in attendance with a document that described Gilliland’s purported trading program in detail.

22. According to that document, the purported trading program is “an investment vehicle for the continuous purchase and resale of bank-issued debenture instruments.”

23. Further, the document stated that “[o]nly the worlds [sic] most powerful and stable Money Centre Banks take part in these programs” and that “these highly controlled, guaranteed programs must follow strict procedures, rules and regulations known as ICC 500 and 600 – promulgated by the 100-year-old, worldwide regulatory body for the international banking community, the International Chamber of Commerce in Paris.”

24. The document explained the need for strict secrecy for these programs: “While these programs have been available for years, strict secrecy and non-disclosure agreements are enforced. Therefore, publicity is forbidden and any ‘marketing’ is strictly by cautious word of mouth. The SEC’s and the Treasury Department’s official positions are that the programs do not exist. Think of what would happen to the stock market if this much safer, much higher yielding alternative were known.”

25. Gilliland provided a brochure entitled All You Wanted to Know About Bank Debentures Trading Programs But Did Not Dare Ask to a Florida businessman who invested over \$10 million with him. According to this brochure, these Medium Term Notes or debentures are issued by Money Center Banks that comprised the top 250 banks worldwide. The brochure explains that the purported trading programs that traded these types of instruments were conducted under the specific guidelines set up by the International Chamber of Commerce, “the regulatory body for the world’s great Money Center Banks in Paris, France” and they were risk free. The brochure described the purported development and history of these purportedly secret trading programs and

included specific examples of discounted bond trades that purportedly produced the huge profits.

26. The purported trading programs Gilliland described to investors in his presentations and written materials do not exist. Banks, large and small, trade bonds, debentures and other financial instruments. Banks, whether international or in the United States, large or small, do not sell bonds or other financial instruments at discounts like those which Gilliland represented to investors would produce the huge, unrealistic rates of return that he promised them.

27. Many of the terms and descriptions in Gilliland's presentations and promotional materials have no accepted commercial meaning. Gilliland also falsely described well-known commercial practices to help establish the reality of his program. For example, the regulations of the International Chamber of Commerce referred to by Gilliland and the written materials he provided to investors establish rules for well-known commercial transactions but have no relationship with the purported secret trading market Gilliland described to investors.

Investor Agreements

28. Gilliland required investors to sign investment agreements with Sterling Management, or, in at least one instance, Sterling Asset. Among other things, these agreements provided: (1) that investor funds would be pooled with other monies provided by Sterling Management or Sterling Asset to meet the purported minimum amount

necessary to participate in the investment; (2) that the principal investment purportedly would be fully collateralized by U.S. Treasury bills and, hence, there would be no risk to the investor's principal; and (3) that the full principal would be returned to the investor at the termination of the agreement.

29. In addition, each agreement included a payment schedule that incorporated the purportedly huge returns Gilliland promised to the specific investor.

30. Gilliland signed the agreements on behalf of either Sterling Management or Sterling Asset.

31. Gilliland promised different, but always unrealistic, rates of return to the individuals who invested with him.

Solicitation of Investors

32. Gilliland promoted his bank debenture and high-yield trading programs by presentations to individuals and groups of investors. He also promoted his schemes by encouraging individuals who had invested with him to raise additional money for Gilliland's schemes from their friends. His presentations and written materials explained how the purported bank-debenture trading programs worked, the purported history of the programs, the need for secrecy and the reasons why, according to Gilliland, banks and regulators denied the existence of the programs.

33. Gilliland encouraged investors to create offshore corporations and to open offshore bank accounts in order to invest in his programs.

34. Gilliland encouraged individuals who invested with him to solicit other investors to pool their funds in order to raise the minimum amounts he claimed were required to participate in these purported trading programs.

35. Gilliland paid several investors portions of the purported profits he had promised them while they collected money from their friends to invest in Gilliland's fraudulent schemes.

36. Gilliland's payments of purported profits from his schemes to investors created the false appearance that the trading programs were successful and encouraged other victims to invest.

Sterling Management/Sterling Asset

37. To facilitate his fraudulent schemes, Gilliland formed Sterling Management, a foreign corporation organized in the Turks and Caicos Islands, and Sterling Asset, an international business corporation organized in the Isle of Man. He opened offshore bank accounts in each of these companies' names.

38. Gilliland directed investors to send their money to several Sterling Management and Sterling Asset accounts, including one or more Sterling Management accounts at Barclays Bank PLC ("Barclays") in the Turks and Caicos Island, a Sterling Management account at the Bank of Butterfield ("Butterfield") in Bermuda and a Sterling Asset account at the Allied Dunbar Bank ("Allied Dunbar") in the Isle of Man.

39. Gilliland transferred investor money between these accounts and to various other Sterling Management and Sterling Asset accounts, including \$20 million to an account with MBC at NationsBank in Charlotte, North Carolina and approximately \$4 million to a Sterling Management account with Paramount Insurance, Ltd. in Auckland, New Zealand.

Investors

40. In late 1997, Gilliland persuaded a Tampa, Florida resident, to invest in his high-yield trading program. He assured her that the investment was risk free and that it would be secured by U.S. Treasury bills.

41. Gilliland explained to the investor that minimum investments were required to participate in this high-yield trading program and that her money would be pooled with other investor money to meet these minimum requirements.

42. Gilliland told this investor that the trading program paid a 60% return each month, and that her principal would be returned after one year.

43. Gilliland falsely told the investor that he had invested \$1 million of his own money in this program.

44. Based on Gilliland's assurances, the investor and several of her friends pooled their money and, through an off-shore company Gilliland had encouraged them to create, invested approximately \$1.2 million with Gilliland.

45. Pursuant to Gilliland's instructions, funds from these investors were wired to a Sterling Management account at a Barclays branch in the Turks and Caicos Islands.
46. Initially, the investors received some of the profits Gilliland promised on their investments and, thus, many of them elected to roll their monthly returns back into the trading program. By September 1998, the monthly returns ceased.
47. In late 1997 or early 1998, Gilliland approached a Lawrenceville, California investor to invest in his purported high-yield private trading program.
48. Gilliland explained to the California investor that her money would be lent to traders with the Barclays, that the investment would pay 50% per month for one year, and that there was no risk of loss to her investment principal because it would be fully secured by U.S. Treasury bills.
49. Before the California investor sent her money to Sterling Management, Gilliland persuaded her to create an offshore company and open off-shore accounts in its name at a Barclays branch in the Turks and Caicos Islands. He explained that this would make it easy for her to do internal transfers since Sterling Management also had an account there.
50. Following his instructions, the investor set up a Turks and Caicos Islands company and opened an account for that company at Barclays, which she used to transfer funds to Sterling Management.

51. In January 1998, based upon Gilliland's promises and assurances, the California investor, through her off-shore company, entered into a contract to invest \$10,000 with Sterling Management in Gilliland's purported high-yield trading program.
52. The terms of that contract included a non-disclosure/non-circumvention clause and a provision that the investment would be secured by U.S. Treasury bills.
53. After receiving the first monthly profit payment from this investment and based upon Gilliland's continued assurances that these investments were risk free, the California investor told her friends about Gilliland's program.
54. Between April 1, 1998 and June 1, 1998, the California investor and her friends pooled a total of \$290,000 of their money into the California investor's off-shore corporation, which then entered into three additional investment contracts with Sterling Management.
55. Each of these contracts contained non-disclosure/non-circumvention clauses and each stated that the investment would be secured by U.S. Treasury bills. The investments were purportedly to return 60% per month.
56. Pursuant to Gilliland's instructions, each of these investments was made via wire transfers into Sterling Management's account at Barclays in the Turks and Caicos Islands.
57. Gilliland ceased making monthly payments to this group of investors in July 1998.

58. In March 1998, Gilliland asked a Florida businessman to invest in a purported investment program. Gilliland told this investor that the purported trading program involved "Medium Term Notes" and required a minimum investment of \$25,000.

59. Gilliland promised the Florida businessman that there would be a minimum return of 25% per month and that the investment would be secured by U.S. Treasury bills. After some negotiations, the Florida businessman "convinced" Gilliland to raise the purported rate of return to 30%.

60. Beginning in May 1998, the Florida businessman invested \$100,000 a month for three consecutive months in this program.

61. Pursuant to Gilliland's instructions, the investor wired these funds to Sterling Management's account at Barclays in the Turks and Caicos Islands.

62. The investor received three payments of purported profits on the initial \$100,000 investment, two payments on the second \$100,000, and none on the third \$100,000 investment.

63. Before the payments to him stopped, Gilliland solicited the Florida businessman to invest money in different, but similar trading program. Gilliland falsely told the investor that he personally had made a great deal of money on similar overseas transactions.

64. Gilliland explained that this later investment would pay 60% per month and would also be secured by U.S. treasury bills.

65. In late 1998, based on these assurances and the fact that he had had received five payments of purported profits from the earlier investments he made, the Florida businessman invested an additional \$1 million of his money in Gilliland's program.
66. The investor never received any interest payments on this later investment.
67. Gilliland also persuaded the same investor to invest in a third trading program similar to the first but with a bank located on the Isle of Man. Gilliland told the Florida businessman that money he invested in this program would earn a 130% return during the first ten days the funds remained in the account.
68. Further, Gilliland falsely explained that both he and the investor would be placing funds in the account as equal partners in the investment and that the funds would remain in Gilliland's control.
69. In order to participate in the Isle of Man program, Gilliland required the investor to sign a commitment letter, to provide proof of his financial ability and proof of his identity.
70. Pursuant to Gilliland's instructions, on or about July 14, 1998, the Florida businessman transferred \$10.5 million to Sterling Management's account at Butterfield in Bermuda.
71. Again, pursuant to Gilliland's instructions, in August 1998, the investor transferred an additional \$2 million into Sterling Asset's account at Allied Dunbar in the Isle of Man.

72. The Florida businessman never received any interest payments on his \$12.5 million investment and his investment has not been returned. In August 1998, Gilliland transferred approximately \$11.2 million from the Sterling Management account at Butterfield in Bermuda to a Sterling Asset account at the Allied Dunbar.

Money Transfers

73. On or about September 16, 1998 Gilliland transferred approximately \$20 million from a Sterling Asset account at Allied Dunbar to the MBC account at NationsBank in Charlotte, North Carolina. MBC provided nothing of value in exchange for this money, has no legal or equitable claim to this money and would be unjustly enriched if allowed to retain it.

74. Gilliland also transferred approximately \$4 million from a Sterling Management account to an account in the name of Paramount Insurance Co., Ltd. ("Paramount") in Auckland, New Zealand. The assets of Paramount, totaling approximately \$10 million and including the \$4 million of Sterling Management funds, have been seized by the Solicitor-General of New Zealand. A receiver, called a "release auditor" in New Zealand, has been appointed to determine the identity of the parties with claims to those funds and to determine to whom they should be distributed. Solicitor-General of New Zealand v. Paramount Insurance Company Ltd, et al., In the High Court of New Zealand, Auckland Registry, Case No. M 1379/98(CO).

75. In December 1998, the Department of Justice seized approximately \$19 million of the funds held in the MBC account at NationsBank in Charlotte, North Carolina. In Re: All Funds on Deposit in Account Number 000669829075 in the Name of MM APMC Banque de Commerce, Inc. at Nationsbank, N.A., Consisting of \$18,756,420.97, More or Less, U.S.D.C., Western District of North Carolina, Charlotte Division, Case No. 3:98mc96-MU.

76. The Florida businessman filed a civil law suit against the United States and others in the same court to recover his investment from the seized funds. The court consolidated the matters and appointed a receiver who is instructed to recommend to the court a distribution plan for the money and to disburse the funds based upon the court's order. Rollar v. United States of America, et al., U.S.D.C., Western District of North Carolina, Charlotte Division, Case No. 3:01CV205-McK.

Gilliland's Misrepresentations and Omissions

77. Gilliland made misrepresentations and omissions of material fact to investors about his bank debenture and high-yield trading programs, including, among others, misrepresentations about the existence of the purported trading programs, the risks of the investment, the unrealistic and huge profits he promised to investors and the profitability of his own investments in the programs

78. Gilliland falsely represented to investors that the money they invested in his purported bank debenture and high-yield trading programs would be used to participate in

high-yield international banking transactions with major world banks such as the Barclays Bank. Gilliland represented that his prime bank securities schemes would produce huge, risk-free profits when, in fact, Gilliland knew or was severely reckless in not knowing, that such prime bank trading programs do not exist.

79. Gilliland signed investment agreements on behalf of Sterling Asset and Sterling Management with investors which falsely stated that investors' principal would be fully collateralized by U.S. Treasury bills.

80. Gilliland had no reasonable basis to guarantee investors profits of 30% per month to 130% per ten days in risk-free investments.

81. Gilliland falsely told investors that he made millions for himself by investing in these high-yield investment programs. For example, in one instance he told investors that he invested \$25,000 and made \$1 million. In another instance, he showed investors a check in the sum of \$250,000 and told them that he planned to invest it in the high-yield program he was promoting to the investor to add to the millions he had already made.

82. Gilliland made payments to investors that he falsely claimed were the purported profits from his investment program when, in fact, Gilliland knew that no such profits were earned by his schemes.

83. Gilliland knew he had not made the profits he claimed to investors because the investments he described do not exist.

84. By the conduct described above, Gilliland engaged in business as a broker-dealer and induced and attempted to induce the purchase and sale of securities. Gilliland was not registered with the Commission as a broker or dealer, and was not associated with any broker or dealer. Gilliland's business was not exclusively intrastate.

85. The investments that Gilliland to sell to prospective investors in the "high yield" trading program in which customers' funds would purportedly be placed, constitute securities, as that term is defined in in Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)], and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

86. No registration statement is in effect, nor has a registration statement been filed with the Commission, with respect to the securities sold by Gilliland.

COUNT I – FRAUD

Violations of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)]

87. Paragraphs 1 through 86 are hereby realleged and are incorporated herein by reference.

88. From at least mid-1997 through at least November 1998, Defendant Gilliland, in the offer and sale of the securities described herein, by the use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly, employed devices, schemes and artifices to defraud purchasers of such securities, all as more particularly described above.

89. In engaging in such conduct, the Defendant acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

90. By reason of the foregoing, the Defendant, directly and indirectly, has violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT II--FRAUD

**Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act
[15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]**

91. Paragraphs 1 through 86 are hereby realleged and are incorporated herein by reference.

92. From at least mid-1997 through at least November 1998, Defendant Gilliland, in the offer and sale of the securities described herein, by use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly:

- a) obtained money and property by means of untrue statements of material fact and omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

- b) engaged in transactions, practices and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities,

all as more particularly described above.

93. By reason of the foregoing, the Defendant, directly and indirectly, has violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

COUNT III--FRAUD

Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]

94. Paragraphs 1 through 86 are hereby realleged and are incorporated herein by reference.

95. From at least mid-1997 through at least November 1998, Defendant Gilliland, in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

- a) employed devices, schemes, and artifices to defraud;
- b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

c) engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

96. The Defendant knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, the Defendant acted with scienter, that is, with intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

97. By reason of the foregoing, the Defendant, directly and indirectly, has violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

COUNT IV--UNREGISTERED OFFERING OF SECURITIES
Violations of Sections 5(a) and 5(c) of the Securities Act
[15 U.S.C. §§ 77e(a) and 77e(c)]

98. Paragraphs 1 through 86 are hereby realleged and are incorporated herein by reference.

99. From at least mid-1997 through at least November 1998, the Defendant, directly and indirectly, has:

- a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell the securities described herein, through the use or medium of any prospectus or otherwise, when a registration statement was not in effect as to such securities;
- b) carried securities or caused such securities, as described herein, to be carried through the mails or in interstate commerce, by means or instruments of transportation, for the purpose of sale or for delivery after sale, when a registration statement was not in effect as to such securities; and
- c) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy, through the use or medium of any prospectus or otherwise, the securities described herein, without a registration statement having been filed as to such securities.

100. These acts include, but are not limited to, the activities described in paragraphs 1 through 86 of this Complaint.

101. By reason of the foregoing, Defendant, directly and indirectly, has violated and, unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

**COUNT V--EFFECTING SECURITIES TRANSACTIONS FOR
THE ACCOUNT THE OTHERS WITHOUT BEING REGISTERED
WITH THE COMMISSION AS A BROKER-DEALER**

**Violations of Section 15(a) of the Exchange Act
[15 U.S.C. § 78o(a)]**

102. Paragraphs 1 through 86 are hereby realleged and are incorporated herein by reference.

103. From at least mid-1997 through at least November 1998, defendant Gilliland used the mails and the means and instrumentalities of interstate commerce, to effect transactions in, or induced or attempted to induce the purchase or sale of securities, without registering with the Commission as a broker, as more particularly described above.

104. By reason of the transactions, acts, omissions, practices and courses of business set forth herein, Defendant Gilliland has violated, is violating or is about to violate Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Commission respectfully prays for:

I.

Findings of Fact and Conclusions of Law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that the Defendant named herein committed the violations alleged herein.

II.

A permanent injunction enjoining the Defendant, his officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with him who receive actual notice of the order of injunction, by personal service or otherwise, and each of them, whether as principals or as aiders and abettors, from violating, directly or indirectly, Sections 5(a), 5(c) and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)], and Sections 10(b) and 15(a) of the Exchange Act [15 U.S.C. § 78j(b) and 15 U.S.C. § 78o(a)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder.

III.

An order requiring the Defendants and the Relief Defendant to disgorge all ill-gotten gains or unjust enrichment, with prejudgment interest thereon, to effect the remedial purposes of the federal securities laws.

IV.

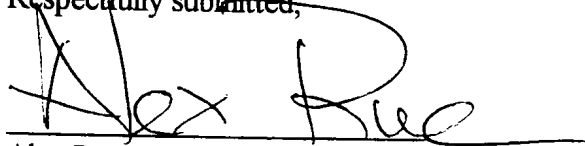
An order pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] imposing civil penalties against Defendant Gilliland.

V.

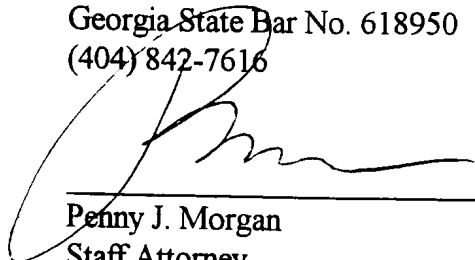
Such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

Dated: March 26, 2002

Respectfully submitted,



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Senior Trial Counsel
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