

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

MICHAEL J. QUILLING, Receiver for ABC §
VIATICALS, INC. and Related Entities, §

Plaintiff, §

vs. §

Civil Action No.: 3:07-CV-0421

INTERNATIONAL FIDELITY & SURETY §
LIMITED, INTERNATIONAL CONSULTANTS §
& MANAGEMENT LTD., SURETY §
MARKETING SOURCE, LLC, KPMG §
VANUATU, HAWKES LAW, KPMG §
INTERNATIONAL, BOSWELL, DERMOTT & §
PAWLETT, LLP, MOHAN & ASSOCIATES, §
DAVID A. GOLDENBERG, DAG §
INVESTMENTS, LLC, LPG INVESTMENTS, §
LLC, WED MARKETING, LLC, GALAX §
HOLDINGS, LTD., MARK WOLOK, LINDA §
WOLOK and ARIE KOTLER. §

ECF

Defendants §

DECLARATION OF MICHAEL J. QUILLING, RECEIVER

I, Michael J. Quilling, do hereby declare under penalty of perjury and in accordance with 28 U.S.C. §1746 that this declaration is made of my own personal knowledge, that I am competent to testify as to the matters stated herein, and that the following statements are all true and correct:

1. I am the appointed Receiver for ABC Viaticals, Inc. ("ABC") and the other entities named as defendants and relief defendants in *Securities and Exchange Commission v. ABC Viaticals, Inc., C. Keith LaMonda, and Jesse W. LaMonda, Jr., Defendants, and LaMonda Management Family Limited Partnership, Structured Life Settlements, Inc., Blue Water Trust, and Destiny Trust, Relief Defendants*, Civil Action No.: 3:06-CV-2136-P (N.D. Tex.).

2. In that capacity, I have investigated virtually all aspects of ABC's investment program involving life settlement policies. I have seized known corporate and escrow accounts, subpoenaed records, investigated the underlying transfers of investor funds, and interviewed numerous agents, employees, and investors.

3. Through these efforts, I have acquired knowledge of ABC's operations and the funds that it transferred to Defendants David A. Goldenberg, Mark Wolok, Surety Marketing Source LLC, DAG Investments LLC, WED Marketing LLC, and LPG Investments LLC.

4. Accordingly, I filed this lawsuit to recover investor funds that ABC transferred to the Defendants along with other damages caused by the Defendants' conduct. Defendants David A. Goldenberg, Mark Wolok, Surety Marketing Source LLC, DAG Investments, LLC, and LPG Investments, LLC have received service of process in this case. Those Defendants, however, have failed to timely answer or otherwise defend this lawsuit. I currently have requests pending with the Court Clerk to have those parties declared in default, so that I may seek judgment immediately under Fed. R. Civ. P. 55, other than as to Mark Wolok, who has filed bankruptcy proceedings.

5. Through my investigation, I have determined that Defendants David A. Goldenberg ("Goldenberg"), Mark Wolok ("Wolok"), and Arie Kotler operated a network of companies that marketed, sold, and guaranteed fraudulent bonds purchased by ABC. In exchange for those fraudulent bonds, the Defendants received more than \$3 million of investor funds, which they diverted to benefit themselves, their friends, and family.

6. Before going into receivership, ABC was involved in the "viatical" or "life settlement" business. ABC purchased insurance policies on the lives of third-party insureds and sold fractional interests in those policies to investors. ABC represented that each investor's

contribution would purchase a fractional interest in a single insurance policy and pay premiums
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on only that policy. However, I have obtained account records showing that ABC commingled all investor funds into a common account and used those funds to pay commissions, buy new policies, and make premium payments on numerous policies as they became due. ABC's principals eventually depleted the company's reserves by, among other things, transferring at least \$5 million to themselves. Therefore, to keep policies from lapsing, funds from new investors were used to pay the premiums on policies benefiting earlier investors. In reality, ABC was insolvent and relied on the contributions of new investors to sustain its operations.

7. ABC attracted investors by marketing insurance policies that were supposedly backed by a bonding company. Investors were told that, after a certain time, a bonding company would pay the death benefit due on a policy even if the insured had not yet died. This representation was designed to convince investors that death benefits would be paid by a particular date, even if the insured outlived their life expectancy. I have interviewed investors who insist that this representation was the single most important factor in deciding to invest with ABC. As a result, ABC raised approximately \$121 million from at least 3,300 investors.

8. ABC initially purchased its bonds through Defendant International Fidelity & Surety Limited ("IFS"). IFS claimed to be a legitimate bonding company operating out of a South Pacific island in the Republic of Vanuatu. Defendant Arie Kotler purported to serve as the managing director and beneficial owner of IFS and its holding company, International Consultants & Management Ltd. ("ICM").

9. Since their inception, IFS and ICM have represented that they maintain offices in Connecticut as well as the Republic of Vanuatu. However, neither of those companies maintains actual offices at either location. Instead, ICM and IFS have a mail drop box in Connecticut without any known employees, facilities, or assets. To date, my investigation indicates that IFS

and ICM exist only on paper as the alter egos of Defendants Arie Kotler, Goldenberg, and Wolok.

10. Beginning in 2001, Defendant Surety Marketing Source, LLC, ("SMS") then known as Unlimited Bond Source, represented that it was the exclusive marketing agent for IFS. While actively soliciting business for that company, SMS, Goldenberg, and Wolok represented that IFS and ICM were legitimate entities, financially sound, and that they had the financial resources to issue and honor bonds for a variety of purposes. Those marketing efforts were targeted toward the viatical industry in general and ABC in particular.

11. These representations by SMS, Goldenberg, and Wolok convinced ABC to purchase bonds from IFS. As part of their agreement, IFS issued two separate Blanket Performance Bonds to ABC in the amounts of \$50 million and \$20 million. Both bonds were effective as of August 1, 2004, and resulted from consolidated prior bonding commitments. The Blanket Performance Bonds acted as a line of credit, guaranteeing that ABC could purchase numerous smaller bonds as needed up to the limit of the Blanket Performance Bond. When ABC acquired a life insurance policy, it purchased a separate bond under the Blanket Performance Bond commitment for the face amount of that policy's death benefit. Over time, ABC purchased the following separate bonds:

<u>Bond No.</u>	<u>Bond Amount</u>	<u>Beneficiary</u>
180177	\$5,000,000.00	American Title Company of Orlando
181506	\$24,000,000.00	American Title Company of Orlando
181684	\$20,000,000.00	70069V Life Settlement Trust c/o Mills Potoczak & Co., Trustee
181840	\$4,000,000.00	70064-V Life Settlement Trust c/o Mills Potoczak & Co., Trustee
181841	\$2,000,000.00	70063-V Life Settlement Trust c/o Mills Potoczak & Co., Trustee
181842	\$2,000,000.00	70063-V Life Settlement Trust c/o Mills Potoczak & Co., Trustee
182200	\$5,000,000.00	V-70098 Life Settlement Trust c/o Erwin & Johnson, LLP, Trustee
182201	\$5,000,000.00	V-70099 Life Settlement Trust c/o Erwin & Johnson, LLP, Trustee
185114	\$3,875,000.00	American Title Company of Orlando
185118	\$5,000,000.00	American Title Company of Orlando
185119	\$5,000,000.00	American Title Company of Orlando
185152	\$1,750,000.00	American Title Company of Orlando

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185160	\$10,000,000.00	American Title Company of Orlando
185255	\$1,000,000.00	American Title Company of Orlando
185256	\$9,186,500.00	American Title Company of Orlando
185257	\$4,000,000.00	American Title Company of Orlando
185261	\$17,500,000.00	American Title Company of Orlando
185265	\$10,000,000.00	American Title Company of Orlando
TOTAL	\$134,311,500.00	

12. ABC, using investor money, paid substantial premiums for these bonds from IFS. Although the amount often varied, ABC typically paid a premium equal to 2.5% of the bond's face amount. The total known amount that ABC paid for these bonds is \$3,267,037.50, all of which was paid directly to SMS. Defendants Goldenberg and Wolok represented to ABC that they would deduct their commission from the premiums and forward the balance to IFS. That representation was false and known to be false by Goldenberg and Wolok. Instead of forwarding the balance to IFS, they systematically spent or divided it between themselves. A substantial amount of those funds were then diverted to accounts they controlled under their own names or through DAG Investments LLC, WED Marketing, LLC, and Excel Surety Agency. In effect, IFS and ICM are the alter egos for Goldenberg and Wolok and they treated the investor funds received from ABC as their own. Attached as Exhibit "A" and fully incorporated for all purposes is a flowchart that shows the funds received by SMS and the subsequent diversions of those funds. This flowchart was prepared based upon voluminous bank records that I subpoenaed in my capacity as Receiver and represents a summary of those records.

13. SMS, Goldenberg, and Wolok are continuing to use funds in these accounts to perpetuate the fraudulent existence of IFS and ICM. As recently as February 27, 2007, Goldenberg issued a check written on an SMS account to pay the rent on the "offices" maintained by IFS in Connecticut. A true and correct copy of that check is attached as Exhibit "B" and fully incorporated for all purposes.

14. Each of the foregoing bonds provides that the full face amount of the given insurance policy will be paid to ABC ninety days after the end of the insured's life expectancy. Based on these terms, on July 18, 2006, IFS and ICM had a contractual obligation to pay ABC \$44,811,500.00. Despite demand to do so, IFS and ICM failed to pay those bonds as they became due. True and correct copies of those demand letters (without exhibits) and the response of IFS are attached as Exhibit "C" and fully incorporated for all purposes. IFS and ICM will not and cannot pay the claims because they are fraudulent scams that exist only on paper and are really nothing more than Goldenberg and Wolok.

15. Not only are IFS and ICM scams, SMS is also a house of cards waiting to fall. The entity and its owners are under investigation by a number of state government agencies and civil litigation is starting to be filed.¹ On June 28, 2001, in an administrative proceeding, the Florida Department of Financial Services, Office of Insurance Regulation ("FDFS") (formerly the Florida Department of Insurance) issued an order for IFS to cease and desist from providing insurance as an unlicensed entity based on its involvement with bonding life settlements sold by Future First Financial Group, Inc. Then, on June 3, 2005, the FDFS ordered IFS to cease and desist from transacting insurance business in the State of Florida as a result of IFS issuing construction performance bonds to a Florida corporation in July 2002. *In the Matter of IFS, et al.*, Case No. 79842-05-CO. Attached hereto as Exhibit "D" is a true and correct copy of the Cease and Desist Order issued by FDFS.

16. Also, on February 9, 2006, in an administrative proceeding, the Texas Department of Insurance ordered IFS to cease and desist from transacting insurance business in the State of

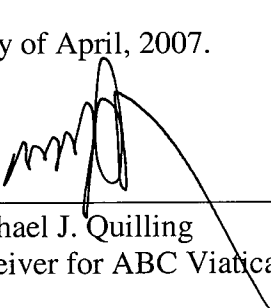
¹ See, e.g., *National Viatical, Inc. v. United Fidelity Corporation, et al.*, Civil Action No. 2:07-CV-10484-JAC-VMM (E.D. Mich.); *C.F. Jordan, L.P. v. Southern American Insurance Agency, Inc. and C.A. McClure*, Cause No. 2006C111289, pending in the 407th Judicial District Court of Bexar County, Texas (IFS added as a third-party defendant).

Texas based on its writing of construction performance bonds without being licensed. *In the Matter of IFS, et al.*, Case No. 06-0147. Attached hereto as Exhibit "E" is a true and correct copy of the Cease and Desist Order issued by the Texas Department of Insurance. Finally, on December 11, 2006, in a case styled the State of Texas v. International Fidelity & Surety LTD, ICM Group LLC and Melanie Grenwald, the 250th Judicial District Court of Travis County, Texas issued a permanent injunction against IFS, enjoining them from engaging in the business of insurance in Texas. Attached hereto as Exhibit "F" is a true and correct copy of the Permanent Injunction issued by the 250th Judicial District Court of Travis County, Texas.

17. Based upon my investigation to date, I believe that it is exceedingly unlikely that Defendants could respond in damages should the Court enter a final disgorgement order for the full amount sought—totaling nearly \$3 million. The need to preserve funds in bank accounts controlled by the Defendants is underscored by the Defendants' apparent efforts to quickly transfer or spend the funds at issue in this case. For example, the SMS account where Defendants received nearly \$3 million in premiums from ABC, as of November 30, 2006, had a balance of \$89.41 and I am not aware of any known account that has a current balance exceeding \$1,500.00. I also believe that, to the extent the funds are recoverable, they have been diverted to other unidentified accounts at National City Bank, First Place Bank (a/k/a Franklin Bank), LaSalle Bank (a/k/a Standard Federal Bank), and Bank of Birmingham.

I declare under penalty of perjury and in accordance with 28 U.S.C. § 1746 that the foregoing is true and correct.

EXECUTED in Dallas, Texas this 15th day of April, 2007.



 Michael J. Quilling
 Receiver for ABC Viaticals, Inc., et al.