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

JAN 21 1999

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

VS.

FUNDING RESOURCE GROUP, a/k/a FRG Trust;
QUENTIN HIX; GENE COULTER; STEVEN C.
ROBERTS; MVP NETWORK, INC., a Texas corporation,
a/k/a MVP Network (Trust); FMCI TRUST; FUNDERS
MARKETING COMPANY, INC., a Texas corporation;
RAYMOND G. PARR; WILLARD VEARL SMITH;
EARL D. McKINNEY; FORTUNE INVESTMENTS,
LTD., a Nevada corporation; ROBERT CORD, a/k/a
Robert F. Schoonover, Jr.; WINTERHAWK WEST
INDIES, INC.; IGW TRUST; CAROLYN
DON HICKS; and CARL LaDANE WEAVER,

Defendants,

and

HOWE FINANCIAL TRUST, an Indiana corporation;
TREDS FINANCIAL TRUST; and
MARY ANN BAUCE,

Defendants Solely for Purposes
of Equitable Relief.

NANCY A. HENRY, CLERK

CIVIL ACTION NO.
3:98-CV-2689-X

DECLARATION

I, Michael J. Quilling, make this Declaration under penalty of perjury under the laws of the United States.

1. "My name is Michael J. Quilling. I am the Receiver appointed in the above-referenced case as to each of the Defendants and each of the Equity Relief Defendants. One of the Equity Relief Defendants for whom I act as Receiver is Howe Financial Trust.

2. Beginning in early 1998 and continuing throughout the year, Howe Financial Trust entered into a series of transactions with Hammersmith Trust, L.L.C. ("Hammersmith Trust"). Each of the transactions was structured as a loan by Howe Financial Trust to Hammersmith Trust, pursuant to which Hammersmith Trust obligated itself to pay monthly interest payments on each of the series of loans in an amount varying from 480 percent per annum to 600 percent per annum. Attached hereto as Exhibit "A" and incorporated herein by reference for all purposes is the statement of the relevant details of each loan transaction between Howe Financial Trust and Hammersmith Trust.

3. The total of the loans made by Howe Financial Trust to Hammersmith Trust is \$2.745 million. By virtue of the terms of the loans, Hammersmith Trust is obligated to make monthly interest payments in the amount of approximately \$1.3 million per month. Hammersmith Trust has failed to make the required loan payments for the months of November 1998, December 1998 and January 1999.

4. Subsequent to my appointment as Receiver, I met personally with representatives of Hammersmith Trust and their counsel to discuss the loan arrearages and a resolution of the contract defaults by Hammersmith Trust. Attached hereto as Exhibit "B" and incorporated by reference for all purposes is a true and correct copy of a letter from counsel for Hammersmith Trust reflecting the tentative terms of a proposed resolution.

5. The face-to-face meeting with representatives of Hammersmith Trust occurred on December 15, 1998. Pursuant to that meeting and the letter agreement attached hereto, Hammersmith was supposed to have liquidated certain treasury bills and was to have sent the proceeds of that liquidation to me as Receiver. It was contemplated by the parties that such liquidation would occur within a few days after December 15, 1998. As of today, despite repeated

promises and every conceivable excuse known, I have not yet received the promised funds. During the meeting, I was told that Hammersmith Trust either had or was in the process of transferring all of its assets and business affairs to Nevis in the West Indies. I have since been told that Hammersmith Trust has some of its accounts in Antigua.

6. Earlier today, I was advised by counsel for Hammersmith Trust that, this morning, representatives of various federal agencies served search warrants upon Hammersmith Trust and related entities in Bluewater, Florida and that, therefore, Hammersmith Trust would not be making the promised payments and might never make those payments. Upon learning such information, I called the U. S. Attorney's office in Bluewater, Florida and was told that search warrants had been issued and were in the process of being served. I was further advised by the U. S. Attorney's office that a preliminary review indicated there was in excess of 50 locations in the United States and abroad where Hammersmith Trust and its affiliates had funds on deposit. I was also advised that Hammersmith Trust apparently utilized its own bank or a related entity bank known as American Pacific Bank & Trust, Inc. located in Antigua to conduct some of its business affairs.

7. Based upon the foregoing, it is my belief that, unless Hammersmith Trust and its affiliates are immediately restrained from transferring any funds or otherwise moving or dissipating any of its assets, that it will, in fact, do so and my ability to recover the monies owed by Hammersmith Trust to Howe Financial Trust will be seriously compromised and/or eliminated entirely.


8. Since my appointment as Receiver for Howe Financial Trust, I have learned additional information about the other entities and individuals who invested funds with Howe Financial Trust, which Howe Financial Trust in turn loaned to Hammersmith Trust. In many

instances, those investors are persons of very limited income and in many instances are aged and infirm and are very reliant upon the interest payments from Hammersmith Trust.

9. Prior to seeking relief from the Court, I talked to counsel for Hammersmith Trust in Little Rock, Arkansas, but we were unable to agree on the relief requested."

Further Declarant saith naught.

Dated: January 21, 1999.



Michael J. Quilling

HFT LOANS TO HAMMERSMITH

Date of Loan	Amount of Loan	Interest Rate	Monthly Payment	Maturity Date	CUSIP # (T-bill Trading No.)	Paid thru (date last payment made)
Feb. 26, 1998	\$250,000.00	480%	\$100,000.00	March 27, 1999	912795BU4 ¹	
Feb. 26, 1998	\$500,000.00	480%	\$200,000.00	April 13, 1999	912795BU4 ²	
June 8, 1998	\$250,000.00	480%	\$100,000.00	July 9, 1999	91281QE16 ³	
July 30, 1998	\$270,000.00	480%	\$108,000.00	Aug. 30, 1999		
July 30, 1998	\$620,000.00	600%	\$310,000.00	Aug. 30, 1999	912795CA7	
Aug. 27, 1998	\$1,125,000.00	600%	\$562,500.00	Sept. 28, 1998	912795CB5	

EXHIBIT
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* Information shown according to Schedules A-1 ("Promissory Note"). Schedule C (Declaration of Trust) information is slightly different with respect to dates. The Declarations provide the CUSIP numbers. Contemporaneously with each Promissory Note executed after the original agreement (this appears to be the original loan dated 2/26/98 in the amt. of \$250,000, above) or soon thereafter, the parties would execute a "Hammersmith Modification Agreement" (HMA) which aggregated the newest loan amount with the existing loan and conditionally extended the term of the original agreement except for the promissory note attached to the original agreement, which "shall mature on the date first written..." In two instances, the HMAs also increased the interest rates on "all contracts ... to a total annual return of 600% per annum." These two instances are: (1) the loan dated 7/30/98 for \$620,000 and (2) the loan dated 8/27/98, above. Of course, there was no HMA executed after the original agreement.

** The loan dated 7/30/98 for \$270,000 is odd because there is no CUSIP number attached to it, and it throws off the total loan amount as indicated in subsequent HMAs. The total loan amount *without* this loan is \$2,745,000.00. *With* this loan the total is \$3,015,000.00. There is no Declaration of Trust accompanying the loan documents here.

- 1 I assume. There is no Declaration of Trust accompanying the Promissory Note.
- 2 See FN 1.
- 3 See FN 1.

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*BOARD RECOGNIZED TAX
LAW SPECIALIST

December 21, 1998

Clark B. Will, Esq.
Quilling, Selander, Cummiskey
Clutts & Lownds
One Dallas Centre
350 North St. Paul, Suite 2800
Dallas, TX 75201-4240

Re: Hammersmith Trust, LLC ("Hammersmith")

Dear Mr. Will:

Thank you for your letter dated December 16, 1998. The terms which we discussed in Ft. Lauderdale were designed as a settlement. The terms of the settlement were as follows:

1. Hammersmith will agree to pay to Mr. Quilling, as receiver for Howe Financial Trust ("Howe Trust"), the principal sum of \$2,745,000.00 together with simple interest at the rate of 15% per month (180% per annum) from November 1, 1998, until such time as all principal and accrued interest are fully paid.
2. Hammersmith will either liquidate the T-Bills assigned to the Howe Trust account and remit the net proceeds (after payment of all margin debt with respect thereto) to Mr. Quilling or will transfer the T-Bills to a stateside depository institution selected by Mr. Quilling. The proceeds from the T-Bills will constitute principal and interest payments when received by Mr. Quilling.
3. Hammersmith will proceed as quickly as possible, but the time required to "unwind" the investments could take as long as 15 to 45 banking days. We will advise you as to when you can expect the payment of principal and interest.



Clark B. Will, Esq.
December 21, 1998
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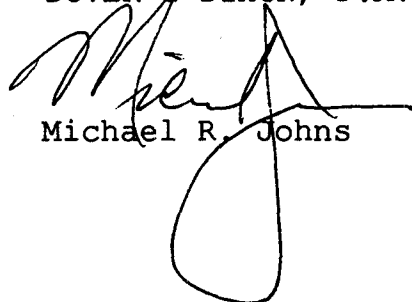
4. In exchange for the above-described payments, Hammersmith will receive a complete release by Mr. Quilling, both on behalf of the Howe Trust and in his capacity as receiver, from any and all claims arising out of or in any way connected to the loans in question. In addition, Mr. Quilling will use his best efforts to obtain a "claims bar" order from the Federal District Judge barring any third person from asserting claims against Hammersmith arising out of these transactions.

The terms described in your letter were substantially correct except that you failed to properly describe the understanding as a settlement and you failed to provide for the release and best efforts attempt to obtain a claims bar order.

If you feel that I have misstated to understanding please so advise.

Very truly yours,

DOVER & DIXON, P.A.



Michael R. Johns

MRJ:bs

cc: David Gilliland
Jerrold Gunn