

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF NORTH CAROLINA**

Michael J. Quilling, Receiver for)
 Frederick J. Gilliland,)
)
 Plaintiff,)
)
 v.)
)
 Grand Street Trust, Heartland)
 Control Trust, Future Control)
 Trust, Marie Margarite Gueco)
 Mercado Paquette, Rein Evans)
 Sestanovich, L.L.P. f/k/a Dressler)
 Rein Evans & Sestanovich, L.L.P.,)
 Melrose Escrow, Inc., and Paul J.)
 Cohen,)
)
 Defendants.)
 _____)

Case No. 3:04-CV-251

**DECLARATION OF PETER DAVIDSON
 IN SUPPORT OF MOTION OF
 REIN EVANS SESTANOVICH, L.L.P.
 FOR DEFAULT JUDGMENT AGAINST
 GRAND STREET TRUST, HEARTLAND
 CONTROL TRUST, FUTURE CONTROL
 TRUST AND MARIE MARGARITE
 GUECO MERCADO PAQUETTE**

I, PETER DAVIDSON, declare as follows:

1. I am an attorney at law duly licensed to practice law before all courts in the State of California. I am the managing partner of the law firm of Moldo Davidson Fraioli Seror & Sestanovich LLP, a California limited liability partnership formerly known as Rein Evans & Sestanovich LLP, and before that, known as Dressler Rein Evans & Sestanovich LLP (hereafter referred to as the "Firm") a defendant, counterclaimant and cross-claimant in the above-entitled action commenced by Michael J. Quilling, Receiver for Frederick J. Gilliland (hereafter referred to as the "Receiver").

2. In my capacity as the managing partner of the Firm, I have custody and control of the business records of the Firm, including the Firm's invoices for work performed and services rendered by the Firm as they relate and pertain to the clients of the Firm, including, co-defendant and cross-defendant Marie Margarite Gueco Mercado Paquette also known as Marie Mercado

(hereafter referred to as "Mercado Paquette") sued upon in the Firm's Answer, Counterclaim and Cross-Claim filed on September 22, 2005 in the above-entitled action.

3. All matters contained herein in my declaration are based upon my personal knowledge and/or my personal review of the client and business records of the Firm as they pertain to Mercado Paquette and to her business entities: Grand Street Trust, Heartland Control Trust, and Future Control Trust (collectively referred to with Mercado Paquette as the "Mercado Defendants"). If called as a witness I could and would competently testify thereto.

4. I am very familiar with the manner in which those client and business records are compiled. I am also familiar with the identity and mode of preparation of the documents which comprise the Firm's claim for money against Mercado Paquette and the Firm's claim for declaratory relief against Grand Street Trust, Heartland Control Trust, Future Control Trust and Mercado Paquette.

5. I have knowledge of and certify that the entries upon the client accounts of Mercado Paquette were made in the regular course of the Firm's business at or about the time of the actual transaction or event. I know that the Firm's business records are made and kept in a careful and business like fashion in the manner described herein. All entries that are made on these business account records, including those involved in this civil action, are made at or about the time legal services are rendered or provided by attorneys and staff of the Firm, by said persons with personal knowledge of the services rendered and provided, and whose duty it is to make such entries. It is the business practice of the Firm to make and keep careful records of all legal services rendered and payments made by the Firm's clients on its client accounts and these business records are audited regularly to preserve their accuracy.

6. I have personally examined each document attached as an exhibit to the Firm's Answer, Counterclaim and Cross-Claim and to my Declaration. I certify and declare that each document was removed at my instruction from the file for the Firm's client accounts of Mercado Paquette and were copied by me, or at my instruction, and that each copy is a true and correct copy of its original that are maintained and stored at the Firm.

7. I have personal knowledge of the fact that the Firm maintains all of its client account data in a computer system and it has done so for in excess of ten (10) years. It is the Firm's business practice to enter each debit and/or credit applicable to a particular client account, including the client accounts for Mercado Paquette, at or about the date such event occurred by a person whose duty it is to so, including the attorneys or paralegal performing legal services.

8. The computer system utilized by the Firm is serviced regularly, and if any operator encounters a mechanical or technical problem, it is promptly repaired. I have personally reviewed the Firm's business records as they relate to the instant lawsuit and to the client accounts of Mercado Paquette, and make this Declaration based upon that personal review and knowledge.

9. I submit this declaration in support of Firm's application to this court for entry of default judgment against the Mercado Defendants.

CONTRACT

10. On or about February 22, 1998, at Los Angeles, California, the Firm entered into a written contract ("Contract") in which the Firm agreed to provide legal services at the request of Mercado Paquette for the benefit of Mercado Paquette, her affiliated companies, and/or any other person or entity designated by Mercado Paquette, including Grand Street Trust, Heartland Control Trust, Future Control Trust. Mercado Paquette agreed to pay the Firm for these legal

services rendered by the Firm and to reimburse the Firm for all costs and expenses associated or related to the legal services provided by the Firm at the behest of Mercado Paquette.

11. At the behest and request of Mercado Paquette, the Firm handled a number of legal matters for Mercado Paquette. Ms. Paquette's client number with the Firm was 433 and each file opened by the Firm was designated a matter number. The Firm represented Mercado Paquette until 2001.

12. Under the terms of the Contract, monthly invoices were sent to Mercado Paquette that detail the work and services provided to her, or her entities, the date the tasks were performed, the initials of the attorney or paralegal who performed the task, the amount of time spent on each task, and the value of the time spent on each task based on the hourly rate of the attorney or paralegal performing the task. The invoices also set forth the balance due each month and any payments received from Mercado Paquette or credits provide to her by the Firm. The Contract provides for an award of interest on all outstanding balances at the rate of ten percent (10.00%) per annum on any outstanding balance.

13. Provided below is a table setting forth the client matters, file numbers, principal due and accrued interest for each outstanding client matter of Mercado Paquette:

MATTER NAME	FILE NUMBER	FEES AND EXPENSES DUE	ACCRUED INTEREST
General Matters	443.00001	\$86,881.04	\$49,914.94
Old Street Barn	443.00007	\$2,568.90	\$1,703.21
Sale of Condominium	443.00009	\$17,405.60	\$9,999.87
Polasek v. Bank of America	443.00011	\$1,594.72	\$916.19
TOTAL		\$108,450.26	\$62,534.21

14. The Firm ceased its representation of Mercado Paquette and her entities Grand Street Trust, Heartland Control Trust, Future Control Trust in 2001 because of her failure to pay the legal fees and expenses incurred by the Firm at the behest and for the benefit of Mercado Paquette and her business entities, including Grand Street Trust, Heartland Control Trust, Future Control Trust.

15. The Firm performed all the acts, services, and conditions required by the Contract to be performed on its part.

16. In rendering the services herein alleged, the Firm incurred costs and expenses on behalf of Mercado Paquette and her business entities, Grand Street Trust, Heartland Control Trust, Future Control Trust, totaling \$108,450.26, plus accrued interest through December 26, 2006, in the amount of \$62,534.21. None of these fees and costs has been paid by Mercado Paquette.

17. The Firm demanded payment from Mercado Paquette for its costs and expenses in the amount of at least \$108,450.26. The Firm has served on Mercado Paquette a Notice of Client's Right to Arbitration as required under California law.

18. No response was received to the Notice of Client's Right to Arbitration. Mercado Paquette has failed and refused to make payment, and there is now due and owing from Mercado Paquette to the Firm the sum of \$108,450.26, plus interest at the legal rate as permitted under the Contract.

19. Furthermore, in order to resolve this action, the Firm was required to make a payment of \$24,000 to the Receiver, and incurred legal fees of \$50,000. The Firm is entitled to indemnification / contribution from the Mercado Defendants for this amount.

Executed this 3rd day of January, 2007, at Los Angeles, California, I declare under penalty of perjury under the laws of the United States of America and the laws of the State of North Carolina that the forgoing is true and correct.



PETER DAVIDSON

CERTIFICATE OF SERVICE

This is to certify that on this date I served the foregoing by first class mail addressed as follows:

Michael J. Quilling
Quilling Selander Cummiskey & Lownds, PC
2001 Bryan Street, Suite 1800
Dallas, Texas 75201

Robert Spencer Adden, Jr.
Ruff, Bond, Cobb Wade & Bethune
Suite 860
831 East Morehead Street
Charlotte, North Carolina 28202

Marie Margarite Gueco Mercado Paquette
Grand Street Trust, Heartland Control Trust
and Future Control Trust
2701 Cartier Street
Calgary, Alberta, Canada T2T 3J5

Paul J. Cohen
9100 Wilshire Blvd., Suite 505 East
Beverly Hills, CA 90210

This 3 day of January, 2007

/s/ William L. Esser IV
William L. Esser IV
Three Wachovia Center, Suite 3000
401 South Tryon Street
Charlotte, NC 28202
(704) 372-9000
(704) 334-4706 (facsimile)