

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SECURITIES EXCHANGE ACT OF 1934
Release No. 51381/March 16, 2005

ADMINISTRATIVE PROCEEDING
File No. 3-11745

In the Matter of	:	
	:	ORDER MAKING FINDINGS
	:	AND IMPOSING REMEDIAL
FREDERICK J. GILLILAND	:	SANCTION BY DEFAULT
	:	

The Securities and Exchange Commission (Commission) issued its Order Instituting Proceedings (OIP) on November 23, 2004, pursuant to Section 15(b) of the Securities Exchange Act of 1934 (Exchange Act). Respondent Frederick J. Gilliland (Gilliland) was served with the OIP on January 21, 2005, and his Answer was due by February 10, 2005. See 17 C.F.R. § 201.220(b); OIP at 2. As of today, Gilliland has failed to file an Answer.

On February 16, 2005, the Division of Enforcement (Division) filed a motion for entry of a default order against Gilliland. The motion has as attachments: Exhibit 1, a Declaration by Randie Mills attesting to personal service on Gilliland; Exhibit 2, documents showing that an envelope the Division sent to Gilliland's address was delivered on January 19, 2005; Exhibit 3, the complaint in SEC v. Gilliland, Civ. No. 3:02-CV-128-H (W.D.N.C. Mar. 27, 2002); and Exhibit 4, final judgment in SEC v. Gilliland, Civ. No. 3:02-CV-128-McK (W.D.N.C. Oct. 26, 2004). I admit these exhibits into evidence. 17 C.F.R. § 201.111. To date, Gilliland has failed to respond to the Division's motion.

Gilliland is in default for failing to file an Answer within the time permitted and for failing to respond to a dispositive motion.¹ See 17 C.F.R. §§ 201.155(a), 220(f). As authorized by Rule 155(a) of the Commission's Rules of Practice, 17 C.F.R. § 201.155(a), I find the following allegations in the OIP to be true.

Gilliland, age fifty-two, is a resident of Vancouver, British Columbia, Canada. For a portion of the time in which he engaged in the conduct underlying the complaint described below, Gilliland resided in Florida and acted as an unregistered broker-dealer.

¹ In my judgment, there is no need for a show cause order because Gilliland failed to answer the complaint in the underlying injunctive action, and has failed to answer the OIP and the Division of Enforcement's motion for entry of default in this proceeding.

On October 26, 2004, the United States District Court for the Western District of North Carolina entered a final judgment against Gilliland, permanently enjoining him from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 and Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder.² SEC v. Gilliland, Civ. No. 3:02-CV-128-McK.

The Commission's complaint in the civil action alleged that, between at least mid-1997 through November 1998, Gilliland sold more than \$29 million in interests in a succession of nonexistent prime bank trading programs to more than 200 investors. In connection with his scheme, Gilliland misrepresented and omitted material facts concerning: (1) the existence of the trading programs; (2) the use of investor funds; (3) the promised return; and (4) the safety of the funds invested. For example, the investment agreements that Gilliland's investors typically signed referred to the investment programs as a "high-yield banking transaction." Most of these programs guaranteed rates of return ranging from 30 percent per month to as high as 130 percent per ten days. According to the Commission's complaint, Gilliland also misrepresented that the investments were safe because they would be fully collateralized by U.S. Treasury bills. The complaint also alleged that the prime bank interests were securities, the sale of which was required to be registered under the federal securities laws, and that Gilliland acted as an unregistered broker-dealer in selling these securities.

Based on these findings, I find it in the public interest to bar Gilliland from association with any broker or dealer.

ORDER

IT IS ORDERED THAT, pursuant to Section 15(b) of the Securities Exchange Act of 1934, Frederick J. Gilliland is hereby BARRED from association with any broker or dealer.

Brenda P. Murray
Chief Administrative Law Judge

² The court's final judgment also ordered Gilliland to disgorge \$9.4 million, representing profits gained as a result of his conduct together with prejudgment interest of \$635,179.31, and ordered him to pay a civil penalty of \$110,000.