

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

SECURITIES AND EXCHANGE COMMISSION, §

Plaintiff, §

v. §

Civil Action No. 3:05-CV-1328-L

MEGAFUND CORPORATION, STANLEY A. §

LEITNER, SARDAUKAR HOLDINGS, IBC., §

BRADLEY C. STARK, CIG, LTD., and §

JAMES A. RUMPF, Individually and d/b/a §

CILAK INTERNATIONAL, §

Defendants, §

and §

PAMELA C. STARK, §

Relief Defendant. §

**RECEIVER’S MOTION TO MAKE INTERIM
DISTRIBUTION (SARDAUKAR HOLDINGS RECEIVERSHIP ESTATE)**

TO THE HONORABLE JEFF A. KAPLAN, UNITED STATES MAGISTRATE JUDGE:

The Receiver appointed in these proceedings, Michael J. Quilling (“Receiver”), files this his Motion to Make Interim Distribution (Sardaukar Holdings Receivership Estate), and in support of such would respectfully show unto the Court as follows:

1. On July 5, 2005, the Court appointed the Receiver in these proceedings. Since his appointment, the Receiver has obtained possession of all known physical assets and has liquidated most of them to cash. He has also filed a number of lawsuits designed to collect additional monies, all of which are either still pending before this Court or have been resolved by prior Orders of the Court. Although there are still several matters to be pursued and resolved, they should yield additional funds to the Receivership Estate. Regardless of the outcome of those efforts, the Receiver

is currently in possession of enough cash to make a meaningful distribution to the holders of allowed claims.

2. Since his appointment, the Receiver has also been diligently trying to establish the rightful claimants against the Receivership Estate. The Court is familiar with those efforts and they have culminated in the Receiver's filing of an Amended First Motion to Allow "A" Claims and Disallow Potential "A" Claims (Sardaukar Holdings Receivership Estate) ("Claims Motion"), which was filed on January 11, 2007 [Dkt. No. 250]. By Order dated January 12, 2007, the Court has established February 2, 2007 as the date by which any objections to the Claims Motion are to be filed. Given the refusal of the potential "A" claimants to communicate with the Receiver, it is doubtful that any of them will file objections to the motion nor are any other objections by third parties anticipated. **This Motion presumes and is expressly conditioned upon the Court approving the Claims Motion as filed.**

3. The Receiver currently has on hand, including interest accruals through December 31, 2006, \$2,227,146.73 on behalf of the Sardaukar Holdings Receivership Estate. **This amount does not include amounts the Receiver has on deposit for the Megafund Receivership Estate and the Lancorp Receivership Estate.**

4. On October 6, 2006, the Receiver filed his Fourth Application for Allowance of Attorneys' Fees and Expenses [Dkt. No. 214] in the amount of \$51,755.56 and accounting fees in the amount of \$3,160.00, which was denied without prejudice pending proposal of an interim distribution by the Receiver. Those amounts, plus additional attorneys' fees for the months of November and December of 2006 (\$25,900.11) need to be reserved. In addition, there are accounting fees and expenses that have accrued and that will continue to accrue through closure of the case. There will certainly be additional attorneys' fees as the remaining litigation is concluded.

Although the Receiver anticipates that there will be recoveries out of the litigation, no reliable estimate can be given to the Court as to what the litigation will yield at this time. Accordingly, so as to establish sufficient reserves for the accrued and unpaid administrative expenses and those expected to be incurred in the future, the Receiver proposes that he distribute \$1,900,000.00 at this time.¹ Any additional collections by the Receiver, as well as any unused reserves, will be available for a final and meaningful distribution.

5. In summary, the Court has been requested to approve claims against the Sardaukar Holdings Receivership Estate in the aggregate amount of \$6,288,266.38. The Receiver is requesting that \$1,900,000.00 be distributed pro-rata to the holders of the claims that he has proposed be approved. Assuming that those numbers are acceptable to the Court, the distribution amount to each holder of an allowed claim is calculated by dividing the amount of the distribution (\$1,900,000.00) by the amount of the claims (\$6,288,266.38) for a distribution percentage of 30.215%. Attached hereto as Exhibit "1" is a schedule that reflects the exact amount each holder of an allowed claim will receive if the distribution is approved.

6. **This motion relates to the Sardaukar Holdings Receivership Estate and only the Sardaukar Holdings Receivership Estate. It does not relate to the Megafund Receivership Estate or the Lancorp Receivership Estate.**

¹ This amount will also allow the Receiver and the Court to deal with any additional claims that may be filed when potential claimants realize others are receiving funds from the Receivership Estate. Those claims, if they materialize, can be paid out of the reserve.

WHEREFORE, PREMISES CONSIDERED, the Receiver prays that upon final consideration of this motion and as conditioned above that the Court grant the motion and allow the Receiver to make the requested interim distribution, and for such other and further relief, general or special, at law or in equity, to which the Receiver may show himself justly entitled.

Respectfully submitted,

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