

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-(BD)

§

MEGAFUND CORPORATION, STANLEY A. §

LEITNER, SARDAUKAR HOLDINGS, IBC., §

and BRADLEY C. STARK, CIG, LTD., and §

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

CILAK INTERNATIONAL, §

§

Defendants, §

and §

§

PAMELA C. STARK, §

§

Relief Defendant. §

§

**ECF
Referred to the U.S. Magistrate Judge**

**RECEIVER’S MOTION TO MAKE INTERIM DISTRIBUTION
(LANCORP FINANCIAL RECEIVERSHIP ESTATE)**

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

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

1. On July 1, 2005, the Securities and Exchange Commission initiated these proceedings and sought the appointment of a Receiver. On July 5, 2005, the Court issued its Order Appointing Receiver [Docket No. 9]. On July 19, 2005, the Court issued an Amended Order Appointing Receiver [Docket No. 36] to include additional persons and entities. On January 20, 2006 and

March 1, 2006, the Court entered Orders [Docket Nos. 84 and 98] further expanding the receivership to include Lancorp Financial and related entities.

2. On August 12, 2005 and January 20, 2006, the Court entered Orders [Docket Nos. 50 and 84] designating the receivership estates for purposes of claims and distributions, pursuant to which these proceedings were divided into three separate receivership estates, one of which is the Lancorp Financial Receivership Estate. In connection with fulfilling his duties, the Receiver sent a Court-approved claim form to all potential claimants of the Lancorp Financial Receivership Estate. Those claim forms have been returned and processed by the Receiver and the claims have been approved by the Court by virtue of an Order entered December 28, 2006 [Dkt. No. 246].

3. As a result of the foregoing Orders, 130 claims totaling \$10,568,053.02 have been allowed as to the Lancorp Receivership Estate. It is possible, although unlikely, that additional claims will be filed.

4. As of January 22, 2007, the Receiver is currently holding \$1,247,396.47, including interest accruals through December 31, 2006, in interest-bearing accounts. On January 19, 2007, the Receiver filed a Motion to Make Interim Distribution with respect to the Sardaukar Holdings Receivership Estate [Dkt. No. 255]. The Court has established February 2, 2007 as the deadline by which any party must file objections with respect to the motion [Order No. 261]. No objections are anticipated by the Receiver. If granted, the Megafund Receivership Estate would receive an interim distribution from the Sardaukar Holdings Receivership Estate of \$1,832,016.24. On January 20, 2007, the Receiver filed a Motion to Make Interim Distribution with respect to the Megafund Receivership Estate [Dkt. No. 258]. The Court has established February 12, 2007 as the date by which any party must file objections to that motion [Dkt. No. 259]. No objections are anticipated

by the Receiver. If that motion is granted, the Lancorp Financial Receivership Estate would receive an interim distribution of \$1,566,136.27 from the Megafund Receivership Estate. Assuming that each of the foregoing interim distributions are allowed, the end result would be that the Receiver would then be holding \$2,813,532.74 of funds on behalf of the Lancorp Financial Receivership Estate.

5. On October 6, 2006, the Receiver filed his Fourth Application for Allowance of Attorneys' Fees and Expenses [Dkt. No. 213] in the amount of \$22,796.64, 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 (\$6,806.45) 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 investigations and potential litigation are 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 \$2,500,000.00 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.

6. In summary, the Court has approved claims against the Lancorp Financial Receivership Estate in the aggregate amount of \$10,568,053.02. The Receiver is requesting that

¹ This amount will also allow the Receiver and the Court to deal with any additional claims that may be filed.

\$2,500,00.00 be distributed pro-rata to the holders of the allowed claims. 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 (\$2,500,000.00) by the amount of the claims (\$10,568,053.02) for a distribution percentage of 23.66%. 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 does not relate to the Sardaukar Holdings or the Megafund Receivership Estates.**

WHEREFORE, PREMISES CONSIDERED, the Receiver requests that the Court approve the foregoing 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.

DATED this 22nd day of January, 2007.

Respectfully submitted,

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By: /s/ Michael J. Quilling

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ATTORNEYS FOR RECEIVER

CERTIFICATE OF SERVICE

This is to certify that on the 22nd day of January, 2007, a true a correct copy of the above and foregoing has been served on the attorneys for the parties in this matter via electronic notice and on all parties on the attached list via first class mail with full and proper postage prepaid thereon.

/s/ Michael J. Quilling

This Motion will also be posted on the Receiver's website, www.secreceiver.com after filing.