

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

SECURITIES AND EXCHANGE COMMISSION, §
§
Plaintiff, § Civil Action No. 3:05-CV-1328(BD)
§
v. § ECF
§
MEGAFUND CORPORATION, STANLEY A. § **Case 3:05-cv-01328 Document 311 Filed 04/27/2007 Page 1 of 4**
LEITNER, SARDAUKAR HOLDINGS, IBC., § **Referred to the U.S. Magistrate Judge**
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 APPROVE
SETTLEMENT WITH KENNETH W. HUMPHRIES**

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

COMES NOW, Michael J. Quilling as the Receiver for Megafund Corporation and Lancorp Financial Group, LLC ("Receiver") and files this his Motion to Approve Settlement with Kenneth W. Humphries and, in support of such, would respectfully show the Court as follows:

1. On July 1, 2005, the Securities and Exchange Commission ("SEC") initiated these proceedings against numerous defendants purportedly involved in a fraudulent investment scheme. *See Complaint* [Dkt. No. 1]. By order of July 5, 2005 this Court appointed Michael J. Quilling as Receiver for the Defendants and Relief Defendant and he has since continued to function in that capacity. *See Order Appointing Temporary Receiver* ("Order Appointing Receiver") [Dkt. No. 9],

as amended July 19, 2005 [Dkt. No. 36].

2. The Order Appointing Receiver expressly authorizes legal action to recover funds transferred out of the Receivership Estate:

The Receiver is hereby authorized to institute such actions or proceedings to impose a constructive trust, obtain possession and/or recover judgment with respect to persons or entities who received assets or funds traceable to investor monies.

Case 3:06-cv-01328 Document 311 Filed 04/27/2007 Page 2 of 4

Id. [Dkt. No. 36] at ¶ 13.

3. On February 16, 2006 the Receiver filed a Complaint against Kenneth W. Humphries (“Humphries”). *Complaint* [Dkt. No. 1] (3:06-CV-0299). The Receiver alleged that Humphries received \$19,000.00 in funds fraudulently transferred from Megafund Corporation and that he negligently caused Lancorp Financial Group, LLC to suffer losses in excess of \$9 million. *Id.* Humphries asserted a counterclaim against the Receivership Estate for misrepresentations that Megafund made to him. *Defendant’s Response to Receiver’s Original Complaint* [Dkt. No. 9] (3:06-CV-0299).

4. Humphries and the Receiver have since entered into a Compromise and Settlement Agreement to resolve the claims and defenses at issue in that lawsuit. As part of that settlement, Humphries has agreed to pay the Receivership Estate a total of \$10,000.00 by May 1, 2007, and to continue making monthly payments until this Court closes these Receivership Proceedings. He also agrees to dismiss his counterclaim and bring this litigation to a close. A true and correct copy of this Settlement Agreement is attached as Exhibit “1” and fully incorporated for all purposes.

5. At the Receiver’s request, Humphries appeared before this Court on April 13, 2007, and testified at a Show Cause Hearing. Humphries’ testimony revealed that he does not have

sufficient assets to pay the full judgment amount entered against him. The Receiver, therefore, submits that this Settlement Agreement is in the Receivership Estate's best interests because it effectively recovers all amounts that Humphries can afford to pay with minimal expense to the Receivership Estate. It also provides for the dismissal of Humphries' counterclaim, which saves the Receivership Estate from further litigation costs in this case.

Case 3:05-cv-01328 Document 311 Filed 04/27/2007 Page 3 of 4
WHEREFORE, PREMISES CONSIDERED, the Receiver requests that this Court enter an

Order approving the proposed Settlement Agreement attached as Exhibit "1" and awarding the Receiver such other and further relief, general or special, at law or in equity, to which he may show himself justly entitled.

Respectfully submitted,

QUILLING SELANDER CUMMISKEY & LOWNDS, P.C.
2001 Bryan Street, Suite 1800
Dallas, Texas 75201-4240
(214) 871-2100 (Telephone)
(214) 871-2111 (Facsimile)

By: /s/ Brent J. Rodine

Michael J. Quilling
Texas State Bar No. 16432300
Email: mquilling@qsclpc.com
Brent J. Rodine
Texas State Bar No. 24048770
Email: brodine@qsclpc.com

ATTORNEYS FOR RECEIVER

CERTIFICATE OF CONFERENCE

Pursuant to Local Civil Rule 7.1, the Receiver's counsel participated in a telephone conference with Kenneth W. Humphries on April 24, 2007 and it was determined that the parties agreed to the relief stated herein.

/s/ Brent J. Rodine

Case 3:05-cv-01328 Document 311 Filed 04/27/2007 Page 4 of 4
CERTIFICATE OF SERVICE

This is to certify that on April 27, 2007, a true a correct copy of this motion was served on the parties in this matter by electronic notice and by U.S. mail, with first-class postage pre-paid, to:

Kenneth W. Humphries
P.O. Box 74
110 East Ninth Street
Hopkinsville, Kentucky 42241-0074

/s/ Brent J. Rodine

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