

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, §

ECF
Referred to the U.S. Magistrate Judge

Defendants, §

and §

PAMELA C. STARK, §

Relief Defendant. §

RECEIVER'S INTERIM REPORT
(SARDAUKAR HOLDINGS RECEIVERSHIP ESTATE)

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

Pursuant to the Court's Order of March 27, 2006, the Receiver in these proceedings, Michael J. Quilling, submits this Interim Report incident to his Sixth Interim Fee Application covering the period from May 1, 2007 to July 31, 2007.

DESCRIPTION OF THE ACTIONS TAKEN DURING THIS PERIOD

1. During the period covered by this Application, the Receiver has undertaken the following generally described activities:

- a. Continuing to prosecute/settle pending lawsuits;
- b. Cooperating with law enforcement agencies;
- c. Cooperating with and communicating with the SEC regarding case issues;

- d. Reconciling receivership bank accounts;
- e. Pursuing sales of receivership assets;
- f. Performing website updates;
- g. Communicating with investors;
- h. Handling matters incident to making an interim distribution; and
- i. Handling general/administrative matters relating to the estate.

MONEY AND ASSETS RECOVERED DURING THIS PERIOD

2. From May 1, 2007 through July 31, 2007 the Receiver has recovered \$121,437.03 including interest.

TOTAL RECOVERIES TO DATE

3. From inception of the receivership estate through July 31, 2007 the Receiver has recovered \$2,984,792.59 including interest. \$1.9 million has been distributed to investors pursuant to an interim distribution.

ANTICIPATED ACTIONS DURING THE NEXT PERIOD

4. During the next three-month period, the Receiver anticipates undertaking at least the following activities:

- a. Continuing to prosecute/settle pending lawsuits;
- b. Cooperating with law enforcement agencies;
- c. Cooperating with and communicating with the SEC regarding case issues;
- d. Reconciling receivership bank accounts;
- e. Pursuing sales of receivership assets;
- f. Performing website updates;
- g. Communicating with investors; and

h. Handling general/administrative matters relating to the estate.

ITEMS TO BE COMPLETED BEFORE THE ESTATE CAN BE CLOSED

5. In order to position the receivership estate for closing, the following items must be completed:

- The Glenn Stark litigation must be concluded and collection efforts completed. The Receiver has filed a lawsuit against Glenn Stark to recover a fraudulent transfer, Cause No. 3:06-CV-1435, pending before United States District Judge David Godbey. On March 5, 2007, the Receiver filed a Motion for Summary Judgment to which the Defendant responded. As of the date of this report, no ruling has been issued by the Court. The Receiver does not know when the Court will rule, but once it does so, the Receiver will begin collection efforts.
- The Schonsky appeal must be concluded. The Receiver filed a lawsuit against Jeffrey Marc Schonsky to recover fraudulent transfers, Cause No. 3:05-CV-2122. After this Court ruled in favor of the Receiver, Schonsky filed a Notice of Appeal with the Fifth Circuit. Schonsky has failed to prosecute the appeal and the Receiver has been advised by Fifth Circuit personnel that the Court will take action. The Receiver does not know when such action will occur, but is hopeful that the appeal will be dismissed for want of prosecution.
- Collection efforts against Jimmy Heard must be concluded. The Receiver has filed a Motion for Show Cause against Chrystylar, Inc. and Jimmy Heard. Heard failed to appear at the hearing and the Court has issued Findings and Recommendation that a bench warrant be issued. As of this date, no action has been taken by Judge Lindsay with respect to the matter. The Receiver does not know what the final outcome of this matter will be or how long it will take.

- Collection efforts against Dean Steeves must be concluded. The Receiver has filed a Motion for Show Cause against Dean Steeves. Steeves failed to appear at the hearing and the Court has issued Findings and Recommendation that a bench warrant be issued. As of this date, no action has been taken by Judge Lindsay with respect to the matter. The Receiver does not know what the final outcome of this matter will be or how long it will take.
- An IRS refund must be received. The accountants for the Receiver are working on obtaining a refund from the IRS in the approximate amount of \$137,000. The Receiver is uncertain how long the process will take, but it is underway.
- The moondoggie stock must be liquidated. The Court-approved sale by the Receiver of moondoggie stock has not been consummated due to the inability of the company to obtain funds to do so. The Receiver has recently been advised that new prospects exist and the company is still hopeful of purchasing the stock. The Receiver does not know how long the process will take or if it will be successful.
- Artwork must be liquidated. The Receiver's efforts to sell the artwork on ebay proved too costly and the efforts were abandoned. The Receiver is exploring consignment, bulk sale and/or abandonment options. Once a decision is made a motion to approve will be filed. Assuming approval, the disposal efforts should not take a long time.
- A final report and proposed distribution plan must be approved. This receivership estate cannot be closed until a final report and proposed distribution plan is approved after all of the foregoing activities are completed.

DATED this 9th day of August, 2007.

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/ Michael J. Quilling
Michael J. Quilling
State Bar No. 16432300
Email: mquilling@qsclpc.com

ATTORNEYS FOR RECEIVER

CERTIFICATE OF SERVICE

This is to certify that on the 9th day of August, 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.

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

/s/ Michael J. Quilling