

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., §

and 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 FINAL REPORT AND PROPOSED
DISTRIBUTION PLAN (MEGAFUND CORPORATION RECEIVERSHIP ESTATE)**

TO THE HONORABLE JEFF KAPLAN, UNITED STATES MAGISTRATE JUDGE:

COMES NOW, Michael J. Quilling ("Receiver") and files this his Final Report and Proposed Distribution Plan (Megafund Corporation Receivership Estate) and in support of such would show unto the Court as follows:

Background Facts

1. On July 1, 2005, the Securities and Exchange Commission ("SEC") filed a Complaint in these proceedings and requested the appointment of a receiver. On July 5, 2005, the Court issued its Order Appointing Receiver pursuant to which Michael J. Quilling was appointed to serve as Receiver in this case.

2. Since his appointment, the Receiver has reconstructed all relevant bank accounts, has identified all rightful claimants and has liquidated all assets of the receivership estate to cash. The estate is now ready to be closed.

Approved Investor Claims

3. On August 16, 2005, the Receiver filed his Unopposed Motion to Establish Claim Procedures and to Approve Claim Form [Docket No. 51]. On August 19, 2005, the Court issued an Order [Docket No. 53] approving an official claim form to be used in these proceedings and established procedures by which claims would be processed by the Receiver. A total of 183 claims were submitted to the Receiver with respect to this estate. 179 of them totaling \$13,352,925.00 were approved by previous Orders of the Court [Docket Nos. 217, 247 and 291], three (3) claims totaling \$62,200.00 have been recommended for approval [Docket No. 380] and one (1) claim has been recommended for disapproval [Docket No. 379].

Cash Receipts and Disbursements

4. Attached hereto as Exhibit "A" and incorporated herein by reference is a Summary of Cash Receipts and Disbursements into and out of the receivership estate through April 30, 2008. Attached hereto as Exhibit "B" and incorporated herein by reference is a Detail of Cash Receipts and Disbursements which is a detailed statement of the categories identified on Exhibit "A". As indicated on Exhibit "A" and as discussed below, there are legal fees outstanding to the Receiver's law firm and his accountants.

Pending and Unpaid Legal Fees

5. By virtue of six prior fee applications, all fees and expenses owed to the Receiver and his firm through July, 2007 have been approved and paid (with minor modifications). Since August 1, 2007 through March 31, 2008, the Receiver and his firm have incurred additional legal fees and expenses in the aggregate amount of \$47,765.51. A detail of those fees and expenses are set forth in the Receiver's Final Fee Application filed contemporaneously with this report. As part of this Report, the Receiver requests that the Court consider and authorize payment of such legal fees and expenses.

Pending and Unpaid Accounting Fees

6. In connection with performing his duties, the Receiver hired the accounting firm of Litzler, Segner, Shaw & McKenney to perform forensic accounting services such as reconstruction of bank records. Those services are complete and no fees have been previously paid to the accountants. A detail of these fees and expenses totaling \$418.50 are set forth in the Application to Pay Accounting Fees filed contemporaneously herewith. As part of this Report, the Receiver requests that the Court consider and authorize payment of the accounting fees.

**Allocation of Attorney's Fees, Accounting Fees
and Expenses to Close Receivership Estate**

7. Even if the Receiver's Final Fee Application is approved (as is or with modifications), there will still be several matters which will require attention by the Receiver and his lawyers. In addition to those matters, the Receiver will have to prepare and mail distribution checks, reconcile bank accounts and respond to investor inquiries. The Receiver proposes that the Court allocate \$10,000.00 of fees to cover the cost of addressing those matters. In performing his duties, the

Receiver has taken possession of voluminous books and records which will need to be maintained for a prudent period of time. The cost to store the books and records is \$40.00 per month. The Receiver proposes that he store the records for a four-year period and that the Court allocate \$1,920.00 to pay the storage costs. Finally, the accountants for the Receiver have to file final tax returns for the receivership estate and have agreed to do so for a flat fee of \$7,500.00 which the Receiver requests authority to pay.

Outstanding Issues which Impact Closing the Estate

9. The receivership holds a large claim in another receivership but when or how much will be paid on account of the claim is unknown but will not occur before this Report is approved. If funds are ever received, the estate can be reopened to distribute those funds to holders of allowed claims. Finally, this estate cannot be closed until the distribution from the Sardaukar estate is received but an estimate of the distribution is included in this Report.

Additional Claims

10. The Receiver has filed a motion to disallow a claim in the amount of \$29,000.00 and to allow claims totaling \$62,200.00, and to allow an immediate interim distribution of \$11,645.39 on account of these claims, if approved. This Report assumes each of those things will occur as proposed by the Receiver.

Proposed Final Distribution Amount

11. As reflected on Exhibits "A" and "B", through April 30, 2008 the Receiver has \$873,514.92 of cash on hand¹ (\$4,081,740.09 total receipts less \$3,208,225.17 total disbursements)

¹ Including a projected final distribution from the Sardaukar estate of \$384,887.18.

plus any additional interest which will continue to accrue through approval of this Report. If the request to pay legal fees, storage costs and accounting fees set forth in this Report and detailed in the Final Fee Applications is granted then the amount is reduced to \$797,067.03. The Receiver proposes that \$797,067.03 be distributed as a final distribution to all persons/entities which hold an allowed claim against the receivership estate. Accordingly, the percentage amount to be paid to each holder of an allowed claim as a result of this final distribution is calculated as follows:

$$\frac{\text{Cash Available to Distribute}}{\text{Total Allowed Claims}} = \text{Distribution Percentage}$$

$$\frac{\$797,067.03}{\$13,415,125.00} = 5.941\%$$

Attached hereto as Exhibit "C" and incorporated herein by reference is a schedule which sets forth the amount to be paid to each holder of an allowed claim against the receivership estate if the Court approves the foregoing final distribution analysis². As soon as the distribution percentage and amount is approved, the Receiver is ready to begin the issuance of final distribution checks immediately.

12. In connection with making the distributions, the Receiver proposes that each distribution check issued by the Receiver will state on its face that it is void unless cashed within forty-five (45) days from the date issued. In light of the claims handling process, the Receiver believes that the proper address for each claimant is known and that no checks will be returned. Therefore, forty-five (45) days should be more than adequate to allow claimants to receive and cash

² These amounts will change very slightly by virtue of additional interest accruals, funds received and/or modifications to this Report.

their checks. The Receiver also requests authority to send a letter along with each check to the holders of allowed claims in the form attached hereto as Exhibit "D".

**Record Abandonment, Closure of Estate,
Discharge of Receiver and Release of Bond**

13. After all distribution checks are cashed, the Receiver will file a motion which:
- Authorizes the Receiver to abandon and destroy all records relating to the receivership estate at such time as the Receiver, in his discretion, deems proper;
 - Closes the receivership estate to any further proceedings, absent good cause shown;
 - Discharges the Receiver from any further service or responsibility as to the receivership estate; and
 - Releases the Bond posted by the Receiver in these proceedings.

Summary

14. Since his appointment, the Receiver has taken possession of and administered cash and other assets totaling \$4,081,740.09. The cost of administration totals \$773,027.67 or 18.9% in the aggregate.³ Each claimant with an allowed claim will receive 24.654% of their claim by virtue of the Receiver's proposed final distribution and the previous interim distribution.

³ Assuming all attorney's fees and accountant's fees requested herein are approved.

Respectfully submitted,
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ATTORNEYS FOR RECEIVER

CERTIFICATE OF SERVICE

A true and correct copy of this pleading will be served upon all interested parties through the Court's electronic filing system.

 /s/ Michael J. Quilling
Michael J. Quilling

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