

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 UNOPPOSED FIRST INTERIM APPLICATION TO ALLOW AND  
PAY (1) RECEIVER’S FEES AND EXPENSES AND (2) ATTORNEYS’ FEES  
AND EXPENSES AND BRIEF IN SUPPORT  
(MEGAFUND CORPORATION/CIG, LTD. RECEIVERSHIP ESTATE)**

TO THE HONORABLE SAM A. LINDSAY, UNITED STATES DISTRICT JUDGE:

Michael J. Quilling, Receiver, files this his Unopposed First Interim Application to Allow and Pay (1) Receiver’s Fees and Expenses and (2) Attorneys’ Fees and Expenses (Megafund Corporation/CIG, Ltd. Receivership Estate) and in support of such would respectfully show unto the Court as follows:

**BACKGROUND**

1. On July 1, 2005 the Securities and Exchange Commission (“SEC”) filed its Complaint and request for 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. On July 18, 2005 the SEC filed an Amended Complaint and sought to add other individuals and entities to the receivership. On July 19, 2005 the Court issued an Amended Order Appointing Receiver. The Receivership Order applies to Megafund Corporation and CILAK International and its related entities, CIG, Ltd. and CILAK Properties.

2. Pursuant to the terms of the Orders Appointing Receiver, the Receiver was authorized to employ such attorneys as is necessary and proper in connection with the claims process. Subsequent to his appointment, the Receiver employed the law firm of Quilling Selander Cummiskey & Lownds, P.C. ("QSCL") as his general counsel. The Receiver is an attorney and a shareholder of the law firm and has rendered many of the legal services which are the subject of this Application as well as performing his duties as the Receiver.

3. On August 12, 2005 the Receiver filed an Unopposed Motion to Designate Receivership Estates [Docket No. 48]. On August 15, 2005 the Court entered an Order [Docket No. 50] pursuant to which two receivership estates were established with regard to these proceedings, the Megafund Corporation/CIG, Ltd. Receivership Estate and the Sardaukar Holdings Receivership Estate.

4. This Application seeks approval and payment of the fees and reimbursement of expenses for the Receiver and QSCL for the time period from July 1, 2005 through October 31, 2005 as to the Megafund Corporation/CIG, Ltd. Receivership Estate and only that estate.

**5. Pursuant to paragraph 16 of the Order Appointing Receiver, the Receiver has paid himself and QSCL 90% of the fees (\$159,740.10) and 100% of the expenses (\$6,258.29). The purpose of this Application is to request Court approval of all of the fees and expenses and to allow payment of the 10% fee holdback (\$17,748.90).**

6. During the period covered by this Application, the Receiver has incurred fees and expenses with respect to his activities as Receiver and with respect to QSCL as to these proceedings on a monthly basis as follows:

<b>Month</b>	<b>Fees</b>	<b>Expenses</b>
July 2005	\$49,008.50	\$2,484.67
August 2005	\$65,698.00	\$781.69
September 2005	\$23,286.50	\$1,624.46
October 2005	\$39,496.00	\$1,367.47
<b>TOTAL:</b>	<b>\$177,489.00</b>	<b>\$6,258.29</b>

7. Exhibit "A," which is attached hereto and incorporated herein by reference for all purposes conveys the following information for the time period of July 1, 2005 through October 31, 2005: (a) the number of hours worked by each attorney and staff member on a particular day; (b) the manner and type of work performed by each attorney and staff member; (c) the customary billing rate for each person rendering service in this matter; and (d) the monetary value assigned to each task performed by a given attorney and/or staff member. Each of the invoices attached hereto as Exhibit "A" reflect aggregate expenses by category during a given month.

### **JOHNSON FACTORS**

8. In support of this request for allowance of compensation and reimbursement of expenses, the Receiver and QSCL respectfully direct this Court's attention to those factors generally considered by courts in awarding compensation to professionals for services performed in connection with the administration of a receivership estate. As stated by the Fifth Circuit Court of Appeals in *Migis v. Pearle Vision, Inc.*, 135 F.3d 1041, 1047 (5th Cir. 1998) "The calculation of attorneys fees involves a well-established process. First, the court calculates a 'lodestar' fee by

multiplying the reasonable number of hours expended on the case by the reasonable hourly rates for the participating lawyers. (cite omitted.) The court then considers whether the lodestar figure should be adjusted upward or downward depending on the circumstances of the case. In making a lodestar adjustment the court should look at twelve factors, known as the Johnson factors, after *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714 (5th Cir. 1974).” Those factors as applied to the services rendered in this case by the Receiver and QSCL are addressed below.

(a) The Time and Labor Required. The Receiver and QSCL respectfully refer the Court’s attention to Exhibit “A” which details the involvement of the Receiver and QSCL’s attorneys in this case during the four month period covered by this Application during which a total of more than 875 hours of attorney, Receiver and paraprofessional time have been expended.

(b) The Novelty and Difficulty of the Questions. Many of the tasks reflected in Exhibit “A” involved factual and legal questions which were of substantial complexity.

(c) The Skill Requisite to Perform the Service. The Receiver believes that the services performed in this case have required individuals possessing considerable experience in asset seizure, tracing and liquidation. Both the Receiver and QSCL have considerable experience in such areas.

(d) The Preclusion of Other Employment Due to Acceptance of the Case. The Receiver and QSCL have not declined any representation solely because of their services as Receiver and counsel for the Receiver.

(e) The Customary Fee. The hourly rates sought herein are commensurate with or lower than the rates charged by other practitioners of similar experience levels in the Northern District of Texas. During the course of these proceedings, the following lawyers at QSCL have performed legal services on behalf of the Receiver with respect to these proceedings: Michael J. Quilling (\$350.00 per hour), licensed in Texas in 1982 and Texas Board Certified in Business Bankruptcy

Law and Civil Trial Law; D. Dee Raibourn (\$225.00 per hour) licensed in Texas in 1998; Michael D. Clark (\$225.00 per hour) licensed in Texas in 1997; and Hudson Jobe (\$185.00 per hour) licensed in Texas in 2003.

(f) Whether the Fee is Fixed or Contingent. The Receiver's and QSCL's fees are fixed insofar as monies exist by way of Receivership Assets from which to pay such fees. Payment of such fees, however, is subject to Court approval.

(g) Time Limitations Imposed by the Client or Other Circumstances. The time requirements during the period covered by this Application have been normal.

(h) The Amount Involved and the Results Obtained. As to the Megafund Corporation/CIG, Ltd. Receivership Estate, the primary assets are located in Flower Mound, Texas. The Receiver has seized a couple of vehicles, three houses and office contents and furnishings. The Receiver has also seized all known computer and hard copy books and records.

Megafund Corporation received at least \$17 million of investor funds, much of which was improperly diverted before about \$11 million was passed along to CILAK International and CIG, Ltd. which also diverted funds and sent the balance of about \$9.5 million to Sardaukar Holdings. The Receiver is in the process of liquidating the vehicles, houses and office contents.

(i) The Experience, Reputation and Ability of the Attorneys. QSCL has several attorneys who specialize exclusively in the practice of civil trial law. The practice of those attorneys regularly includes the representation of bankruptcy trustees and receivers. The reputation of QSCL's attorneys is recognized and respected in their community in Texas.

(j) The Undesirability of the Case. The representation of the Receiver incident to this case has not been undesirable.

(k) The Nature and Length of the Professional Relationship with the Client. QSCL did not represent the Receiver in these proceedings prior to being retained in these proceedings.

(l) Award in Similar Cases. QSCL believes that the fees requested in this case are less than or equal to those which have been awarded in similar cases in this District.

WHEREFORE, the Receiver respectfully requests that the Court allow the requested compensation for professional services and expenses rendered by the Receiver and QSCL and authorize the Receiver to pay the 10% fee holdback of \$17,748.90, as per itemization in Exhibit "A" attached hereto and for such other and further relief, general or special, at law or in equity, to which the Receiver and QSCL may show themselves 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: \_\_\_\_\_

Michael J. Quilling  
State Bar No. 16432300

ATTORNEYS FOR RECEIVER

### **CERTIFICATE OF CONFERENCE**

Prior to filing this Application, I conferred with all counsel of record. None of them oppose the Application.

\_\_\_\_\_  
Michael J. Quilling

**CERTIFICATE OF SERVICE**

This is to certify that on the \_\_\_\_\_ day of November, 2005, a true and correct copy of the above and foregoing Application was served, via first class mail, with full and proper postage prepaid thereon, to:

Stephen J. Korotash Securities and Exchange Commission 801 Cherry Street, Suite 1900 Fort Worth, Texas 76102	Scott Baker 10830 North Central Expressway Suite 475, B4 Dallas, Texas 75231
Jeffrey Henderson Henderson & Lyman 175 West Jackson Boulevard, Suite 240 Chicago, Illinois 60604	CIG, Ltd. c/o James Rumpf 1802 Pleasant Valley Drive, Suite 100-149 Garland, Texas 75040
James Rumpf, Individually and d/b/a CILAK International 1802 Pleasant Valley Drive, Suite 100-149 Garland, Texas 75040	Steve Smoot Smoot Law Firm, P.C. 4545 Mt. Vernon Houston, Texas 77006

This Application will also be posted on the Receiver's website, [www.secreceiver.com](http://www.secreceiver.com) after filing.

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Michael J. Quilling