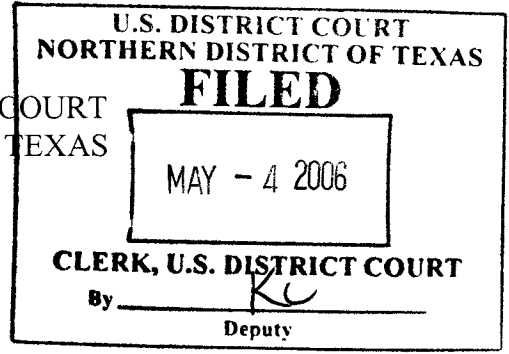


BD w/o ORIGINAL

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



SECURITIES AND EXCHANGE COMMISSION, §
§
Plaintiff, §

v. §

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. §

Civil Action No. 3:05-CV-1328-L

**EXPEDITED CONSIDERATION
REQUESTED**

MOTION FOR ORDER REAPPOINTING RECEIVER AND BRIEF IN SUPPORT

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

COMES NOW, Michael J. Quilling, the Receiver appointed in these proceedings and files this his Motion for Order Reappointing Receiver and, in support of such, would show unto the Court as follows:

BACKGROUND FACTS

1. On July 1, 2005 the United States Securities and Exchange Commission ("SEC") initiated these proceedings and sought the appointment of a Receiver for the named Defendants. The Court issued an Order appointing Michael J. Quilling as Receiver on July 5, 2005. After the SEC amended its Complaint to include additional Defendants, the Court expanded the Receivership Estate on July 19, 2005. Michael J. Quilling is now the acting Receiver for the Defendants and Relief

Defendant named in the caption above. On January 17, 2006 the Receiver filed an Agreed Motion to Expand Receivership [Docket No. 83] to add Lancorp Financial Group, LLC to the receivership. On January 20, 2006 the Court entered an Agreed Order Expanding Receivership and Appointing Receiver [Docket No. 84].

2. Before the SEC initiated these proceedings, Bradley C. Stark (“Stark”) owned and controlled Sardaukar Holdings, IBC (“Sardaukar”). Sardaukar has never had offices or employees but was simply a *Ponzi* scheme that existed on Stark’s personal computer. Investors sent funds to Sardaukar with the understanding that Stark would supervise those funds and apply them towards various investments. Stark, however, systemically diverted large sums of investor money to support an extravagant lifestyle and to personally benefit himself, his friends, and his family. The few investments that Stark did attempt consisted of purchasing stock in start-up entities that did not generate anywhere near the returns necessary to sustain the *Ponzi* scheme.

3. Stanley A. Leitner (“Leitner”) cooperated in the *Ponzi* scheme through an entity called Megafund Corporation (“Megafund”). Megafund’s bank records indicate that the company’s assets consisted of money received from investors as well as purported “investment returns” from Sardaukar. These bank records also show that, like Sardaukar, Megafund assets were used by Leitner to make numerous purchases not connected with legitimate investments.

4. Under 28 U.S.C. § 754, this Court has jurisdiction over all parties and receivership assets located in federal court districts where, within ten days of his appointment, the Receiver files copies of the Complaint and the Order of Appointment (or reappointment). The Receiver in this case made the appropriate § 754 filings in the eleven United States District Courts where he reasonably anticipated as of that time that receivership assets might be located within ten (10) days of his

appointment on July 5, 2005. On January 30, 2006 the Receiver, anticipating that receivership assets might be located in an additional four federal districts, filed his Unopposed Motion for Order Reappointing Receiver [Docket No. 85] and, upon issuance of the Order Reappointing Receiver on February 2, 2006 [Docket No. 86], made the appropriate § 754 filings within ten (10) days of his reappointment. Since that time, however, as the Receiver and his attorneys/accountants have continued to trace the diverted funds, it appears that receivership assets may exist and/or potential ancillary defendants may reside in additional federal districts. Accordingly, the Receiver brings this motion for an Order of Reappointment to obtain a new ten-day period to make § 754 filings in these additional Districts.

5. There are potential statute of limitation issues and/or the possibility that suspected assets may be put beyond the reach of the Receiver if the new lawsuits are not filed quickly. The lawsuits cannot be filed until the new § 754 filings are made. Accordingly, the Receiver requests expedited consideration of this motion.

ARGUMENTS AND AUTHORITIES

It is the stated policy of Congress that United States District Courts overseeing receivership cases should “manage all claims regarding receivership property in a single forum.” *Quilling v. Grand Street Trust*, Case No. 3:04-CV-251, 2005 WL 1983879, *2 (W.D.N.C. Aug. 12, 2005); *Terry v. June*, No. 3:03-CV-52, 2003 WL 22125300, *5 (W.D. Va. Sept. 12, 2003). To that end, 28 U.S.C. § 754 and § 1692 allow this Court to properly exercise jurisdiction over all receivership assets and ancillary defendants, so long as the Receiver observes the procedures set out in those statutes. Accordingly, the Receiver brings this motion for an Order of Reappointment so that he may comply

with 28 U.S.C. § 754 in expanding this Court's jurisdiction over newly-discovered receivership assets and potential ancillary defendants.

In receivership cases, two federal statutes extend a District Court's jurisdiction to other districts. First, 28 U.S.C. § 754 extends the jurisdiction of the receivership court to any territory where property of the receivership estate is present. Specifically, § 754 provides:

A receiver appointed in any civil action or proceeding involving property, real, personal or mixed, situated in different districts shall, upon giving bond as required by the court, be vested with complete jurisdiction and control of all such property with the right to take possession thereof.

* * *

Such receiver shall, within ten days after the entry of the order of appointment, file copies of the complaint and such order of appointment in the district court for each district in which property is located.

Second, 28 U.S.C. § 1692 provides for service of process in any district where § 754 filings are properly made. Section 1692 provides in pertinent part:

In proceedings in a district court where a receiver is appointed for property, real, personal or mixed, situated in different districts, process may issue and be executed in any such district, but orders affecting the property shall be entered of record in each such district.

Through the interaction of § 754 and § 1692, the receivership court acquires both *in rem* and *in personam* jurisdictions in all districts where § 754 filings are made. *Vision Comm., Inc.*, 74 F.3d at 290; *Haile*, 657 F.2d at 823-24. However, courts can only expect the Receiver to make § 754 filings in districts where property is known to exist at the time of filing. *Securities and Exchange Commission v. Equity Service Corp.*, 632 F.2d 1092, 1095 (3d Cir. 1980). As the Receiver's investigation reveals new receivership assets and ancillary defendants, the Court can assume

jurisdiction over those districts through later filings amounting to “substantial compliance” with § 754. *Id.* at 1094.

One method for obtaining jurisdiction over recently discovered assets in additional districts is to issue a second Order of Appointment, thereby resetting the ten-day filing period under § 754. *See SEC v. Vision Communications, Inc.*, 74 F.3d 287, 291 (D.C. Cir.1996) (“the court may reappoint the receiver and start the ten-day clock of § 754 ticking once again”); *see also S.E.C. v. American Capital Investments, Inc.*, 98 F.3d 1133, 1143 (9th Cir. 1996) (“Even if [the Receiver] should have filed notice after his temporary appointment . . . his permanent appointment order set a new 10-day period running”). This kind of relief is consistent with the purpose of § 754 so long as the affected parties cannot demonstrate that it results in prejudice. *Equity Service Corp.*, 632 F.2d at 1095.

In this case, the Court already has jurisdiction over parties and assets in the fifteen federal court districts where the Receiver made § 754 filings after his original appointment and subsequent reappointment as Receiver. Since that time, however, evidence suggests that additional assets of the Receivership Estate and potential ancillary defendants are located in other federal court districts. The Receiver intends to pursue claims against that property and, therefore, seeks an Order Reappointing Receiver to comply with the procedural requirements of § 754.

It is doubtful that any of the Defendants named above or in future complaints can demonstrate real prejudice resulting from an Order Reappointing Receiver. To the contrary, federal case law makes it clear that this kind of order is permitted under § 754 – the very statute setting due process standards to protect the Defendants. Equity also requires issuing such an order so that potential defendants cannot use federal court procedures to aid them in diverting or hiding investor

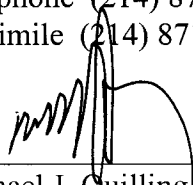
funds obtained by fraud. Accordingly, the Order Reappointing Receiver would not only be proper but prudent in this instance.

WHEREFORE, PREMISES CONSIDERED, the Receiver prays that this Court issue an Order Reappointing Receiver and for such other and further relief, general or special, at law or in equity, to which the Receiver may show himself justly entitled.

Respectfully submitted,

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ATTORNEYS FOR RECEIVER

CERTIFICATE OF SERVICE

This is to certify that on the 4th day of May, 2006, a true and correct copy of the above and foregoing motion was sent, 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

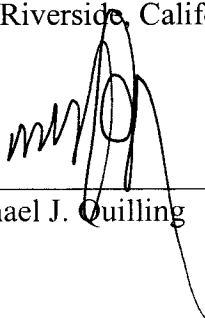
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