

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

**EMERGENCY EX PARTE MOTION TO FREEZE
ACCOUNTS AND BRIEF IN SUPPORT**

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

COMES NOW, Michael J. Quilling, the Receiver in this action (“Receiver”), and files this his Emergency *Ex Parte* Motion to Freeze Accounts and Brief in Support and, in support of such, would respectfully show unto the Court as follows:

1. The United States District Court for the Northern District of Texas has appointed Michael J. Quilling as Receiver for Megafund Corporation (“Megafund”), Lancorp Financial Group LLC (“Lancorp”), and other related individuals and entities.
2. On July 5, 2005 this Court issued its *Order Appointing Temporary Receiver* (“Order

Appointing Receiver”), which expressly freezes all Receivership Estate assets held by Defendants or those in active concert or participation with them:

All persons, including Defendants and Relief Defendant, and their officers, agents, servants, employees, brokers, facilitators, attorneys, and all persons in active concert or participation with them who receive actual notice of this Amended Order by personal service or otherwise . . . shall promptly deliver to the Receiver all Receivership Assets in the possession or under the control of any one or more of them and shall promptly surrender all Receivership Records.

Order Appointing Receiver [Dkt. 5] at ¶ 3.

3. On that same day, this Court also issued its *Ex Parte Temporary Restraining Order and Order Freezing Assets and Granting Other Emergency Relief* (“Temporary Restraining Order”), which also freezes all Receivership Estate assets held for the benefit of Defendants or their associates:

Defendants, Relief Defendants, and their officers, agents, employees, servants, attorneys and all persons in active concert or participation with them, who receive actual notice of this Order by personal service or otherwise, are restrained and enjoined from, directly or indirectly, making any payment or expenditure of funds . . . and from assigning, conveying, transferring, encumbering, disbursing, dissipating, selling, hypothecating or concealing any assets, monies, or other property owned by or in the actual or constructive possession of these Defendants or Relief Defendants, pending a showing to this Court that they have sufficient funds or assets to satisfy all claims arising from the violations alleged in the Complaint, pending the posting of a bond or surety sufficient to assure payment of any such claim, or until further order of this Court. Further, any bank, trust company, broker-dealer or other depository institution holding accounts for or on behalf of the Defendants or Relief Defendants shall make no transaction in securities . . . and no disbursements of funds or securities . . . pending further order of this Court.

Temporary Restraining Order [Dkt. No. 10] at Part IV.

The bank records of Megafund show unequivocally that Receivership Estate funds were sent to accounts maintained at Cash Cards International, Inc. ("CCI") and held in the name of MexBank S.A. de C.V. ("MexBank"). On April 26, 2005, Megafund sent \$175,835.00 to CCI for deposit in V-Cash Account no. 336463, in the name of MexBank. *See* Fund Transfer Request Form, Exhibit "A". Additionally, Lancorp sent \$128,437.58 to MexBank's account at Union Bank of California on March 29, 2005. *See* E-mail from Gary McDuff (Mar. 23, 2005), Exhibit "B"; Fund Transfer Request (Mar. 29, 2005), Exhibit "C"; Lancorp Account Statement (Mar. 31, 2005), Exhibit "D".

4. The Receiver and his attorneys have conducted interviews with Stan Leitner, the director of Megafund, and Gary Lancaster, the director of Lancorp, who have both confirmed that those transfers were made for the benefit of Gary McDuff ("McDuff"). They explained that McDuff was instrumental in recruiting contributors into their respective investment programs and that these payments amounted to compensation for his efforts. *See, e.g.*, Lancorp Records Regarding McDuff/MexBank, Exhibit "E". The Receiver, with help from the Securities and Exchange Commission (the "Commission"), has also conferred with the appropriate banking authorities in Mexico and confirmed that MexBank is neither a bank nor a legitimate financial institution licensed there.

5. Based upon the bank records and these interviews, both the Receiver and an attorney from the Commission traveled to Minneapolis, Minnesota on May 12, 2006 to depose CCI's President and meet with its legal counsel. At that time, CCI was notified that some of its accounts contained assets belonging to the Receivership Estate. That announcement was made on the record by the Receiver and confirmed in a letter dated May 16, 2006, a copy of which is attached hereto as Exhibit "F". CCI also produced account records at that meeting confirming that various accounts

received proceeds of Receivership Estate assets from MexBank.

6. CCI's account records show that, once MexBank received the funds from Megafund, they were distributed to other accounts at CCI. The supporting account records are voluminous and, therefore, a diagram of these transfers is attached as Exhibit "G" and fully incorporated herein for all purposes. As explained above, Lancorp records show that the \$128,437.58 was sent to Union Bank of California. From there, \$70,000.00 was routed to CCI in an account in the name of First Global Foundation, an off-shore entity controlled by McDuff. See Email from Sean Shiff (May 16, 2006), Exhibit "H". McDuff then transferred at least some of those funds to the following accounts at CCI:

<u>Account Name</u>	<u>V-Cash Account Number</u>
Secured Clearing Corporation / Shannon McDuff	186077
Shiloh McDuff	335856
Robert Reese / Excel Financial Inc.	335851

Megafund assets were also distributed through various CCI accounts. As explained above, Megafund transferred \$176,835.00 to one of MexBank's CCI accounts on April 26, 2005. The next day, \$170,000.00 was sent to a CCI account held jointly by Gary McDuff and Southern Trust Company. From there, McDuff forwarded a portion of those assets to the following accounts:

<u>Account Name</u>	<u>V-Cash Account Number</u>
Secured Clearing Corporation / Shannon McDuff	186077
Shiloh McDuff	335856

7. After meeting with the Receiver and the Commission, CCI agreed to temporarily freeze the following accounts relating to MexBank and Gary McDuff:

<u>First Global Foundation Portal</u>	<u>MexBank Portal</u>
1. Gary McDuff	1. Shiloh McDuff
2. Southern Trust Company	2. MexBank S.A. de C.V.
3. Secured Clearing Corporation	3. Robert Reese
4. Excel Financial, Inc.	
5. Shiloh McDuff	
6. First Global Foundation	
7. Global Vision, Ltd.	
8. Value Asset Management	
9. MexBank Fiduciary Services	
10. MexBank S.A. de C.V.	

See E-mail from Sean Shiff (May 15, 2006), Exhibit "T". Each of these accounts are controlled by McDuff, his wife Shannon McDuff, or his close associate Robert Reese.

8. The decision to freeze these accounts was based on the Orders of this Court as well as assurances that the Receiver can, in fact, trace Receivership Estate assets to those accounts. *See id.* CCI has since explained that the freeze is temporary pending an *Ex Parte* Order Freezing Assets and that it may allow account activity to proceed in the very near future if the Receiver is unable to obtain such an Order.

9. In further telephone conversations on May 16, 2006, CCI's legal counsel revealed that various account holders have threatened the company's President should the accounts remain frozen without a specific Court Order. CCI has, therefore, asked that the Receiver seek relief through an expedited motion to prevent account holders from filing extraneous litigation relating to these

Receivership Estate assets.

10. Upon further investigation, the Receiver has decided that some of the accounts need to be released from the temporary freeze because, although they undoubtedly relate to a new financial scam, they do not hold funds traceable to Megafund. Accordingly, the Receiver now moves for an *Ex Parte* Order freezing the following accounts, each of which received funds traceable to Megafund and/or Lancorp:

CCI ACCOUNTS

Account Name	V-Cash Number
Secured Clearing Corporation	186077
Robert Reese	335851
Shiloh McDuff	335856
MexBank S.A. de C.V.	336463
Southern Trust Company	186074
Robert Reese	356274
First Global Foundation	175165

UNION BANK OF CALIFORNIA ACCOUNTS

Account Name	Account Number
MexBank S.A. de C.V. / Ribadeo Casa de Cambio S.A. de C.V.	2161011776

These accounts will most certainly be cleared out by the account holders if given an opportunity. Such relief will aid the Receiver in preserving identifiable assets before they can be hidden and will also encourage CCI to continue cooperating with Court Orders without fear of additional threats from MexBank, McDuff, or Robert Reese. Finally, this relief is only temporary and the Receiver

anticipates a full evidentiary hearing and the opportunity to fully document how those funds are traced to the Receivership Estate.

11. This Court's authority to issue an expedited *Ex Parte* Order Freezing Assets stems from the discretionary powers given District Courts overseeing receivership cases. It is a recognized principle of law that this Court has broad powers and wide discretion to determine the appropriate relief in an equity receivership. *S.E.C. v. Safety Fin. Serv., Inc.*, 674 F.2d 368, 372-73 (5th Cir. 1982), citing *S.E.C. v. Lincoln Thrift Ass'n*, 577 F.2d 600, 606 (9th Cir. 1978). Accordingly, "any action by the trial court in supervising an equity receivership is committed to his sound discretion . . ." *Id.*, citing *S.E.C. v. Ark. Loan & Thrift Corp.*, 427 F.2d 1171, 1172 (8th Cir. 1970). These discretionary powers specifically include the use of expedited proceedings in hearing a request for equitable relief. *See S.E.C. v. Wencke*, 783 F.2d 829, 836 (9th Cir. 1986) ("the use of summary proceedings in equity receiverships, as opposed to plenary proceedings . . . is within the jurisdictional authority of a district court"); *F.D.I.C. v. Bernstein*, 786 F.Supp. 170, 177 (E.D.N.Y. 1992). Such procedures, in fact, benefit the Receivership Estate by promoting judicial efficiency and reducing litigation costs to the receivership. *Wencke*, 783 F.2d at 837 n.9.

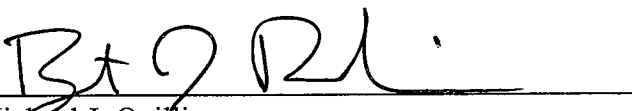
WHEREFORE, PREMISES CONSIDERED, the Receiver respectfully prays that this Court issue an expedited *Ex Parte* Order Freezing Assets that would (1) temporarily freeze the following CCI accounts and sub-accounts pending further orders from this Court: Secured Clearing Corporation (V-Cash acct. no. 186077); Robert Reese (V-Cash acct. no. 335851); Shiloh McDuff (V-Cash acct. no. 335856); MexBank S.A. de C.V. (V-Cash acct. no. 336463); Southern Trust Company (V-Cash acct. no. 186074); Robert Reese (V-Cash acct. no. 356274); and First Global Foundation (V-Cash acct. no. 175165), (2) temporarily freeze account number 2161011776 at Union

Bank of California, Los Angeles, in the name of MexBank SA de C.V., (3) set a date for this Court to conduct an evidentiary hearing for all interested parties to appear and show cause why the freeze should not remain in effect pending further orders of this Court, and (4) grant 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,

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ATTORNEYS FOR RECEIVER

CERTIFICATE OF SERVICE

This is to certify that on the 17 day of May, 2006, a true and correct copy of the above and foregoing Motion 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
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