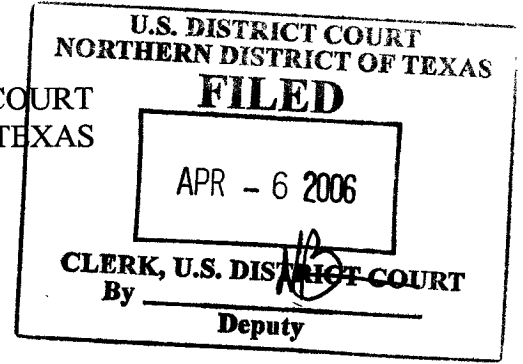


ORIGINAL

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
✓

**RECEIVER'S MOTION TO SELL REAL PROPERTY AT PRIVATE SALE
FREE AND CLEAR OF ALL LIENS, CLAIMS AND
ENCUMBRANCES AND BRIEF IN SUPPORT
(GENTLE DRIVE)**

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

COMES NOW, Michael J. Quilling ("Receiver"), and files his Unopposed Motion to Sell Real Property at Private Sale Free and Clear of all Liens, Claims and Encumbrances and Brief in Support (Gentle Drive) and in support of such would respectfully 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, in connection therewith, sought the appointment of a receiver. On July 5, 2005 the Court issued an Order appointing Michael J. Quilling Receiver as to the Defendants and the Equity Relief Defendants named in the Complaint at that time. 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. One of the entities to which the Receivership Order applies is CILAK International and its related entities, CILAK Properties I and CILAK Properties II, all of which are owned and controlled by James Rumpf (collectively "CILAK").

2. Subsequent to his appointment, the Receiver has taken control and possession of certain real property in which CILAK has an interest located in Denton County, Texas, having a street address of 2608 Gentle Drive, Flower Mound, Texas (the "Property"), more particularly described as Lot 31, Block D, of Wichita Creek Phase II, an Addition to the Town of Flower Mound, Denton County, Texas, according to the map or plat thereof recorded in Cabinet I, Page 187, of the Plat Records of Denton County, Texas.

3. On September 26, 2005 [Docket No. 62] the Receiver filed his Unopposed Motion to Sell Property at Private Sale and to Appoint Appraisers and Brief in Support. By Order dated September 27, 2005 [Docket No. 64] the Court authorized the Receiver to begin efforts to sell the Property through a private sale.

4. On February 27, 2006 the receiver filed an Unopposed Motion to Sell Real Property at Private Sale [Docket No. 95] which the Court approved by Order of March 3, 2006 [Docket No. 103]. The sale did not close and the Property was put back on the market.

5. The Receiver has now received an offer from Darick G. Martin and Valerie Martin to purchase the Property for \$620,000.00, which the Receiver has accepted subject to court approval. The written Contract for Sale is the result of substantial arms-length negotiation between the Receiver and the proposed buyer. Pursuant to the Contract for Sale, real estate commissions and normal closing costs are to be deducted from the gross sale proceeds at closing.

Argument and Authorities

6. 28 U.S.C. § 2001 provides that a Receiver may sell property at private sale if certain conditions are satisfied. First, a sale must be for at least two-thirds of the appraised value as established by three disinterested persons appointed by the Court to appraise the Property. The appointment of those appraisers is the subject of the Receiver's Motion which was filed on September 26, 2005 [Docket No. 62] and granted on September 27, 2005 [Docket No. 64]. Pursuant to that Order, the Receiver engaged the services of three appraisers and each of them have provided written appraisals to the Receiver. The average amount of the three appraisals is \$644,000.00. Accordingly, the proposed sale price (\$620,000.00) is well within the allowable two-thirds range.

7. The Court must also find that the proposed sale is such that the best interests of estate will be conserved thereby. This condition is easily satisfied because of the proposed sale. A sale now will allow future maintenance and insurance costs as well as taxes and utilities to be avoided by the estate. Assuming the Court grants this Motion and the ten-day notice period with respect to the notice which must be published in the newspaper (discussed below) has expired, the Contract for Sale is set to close on or before June 1, 2006.

8. The Court cannot confirm the private sale until the terms of the sale are published in a newspaper of general circulation. The Receiver is advised that the newspaper of general circulation in the area is *The News Connection*. The Receiver requests that the Court direct and order that the terms of the proposed private sale of the Property be published in *The News Connection* for ten (10) days. In that regard, the Receiver proposes to use the language in the form set forth in Exhibit "A" attached hereto.

9. 28 U.S.C. § 2001 also provides that the sale cannot be approved if a bona fide offer is received which is at least 10% more than the proposed published sale price. The Receiver requests

that if no such increased offer is received after publication of the proposed sale that he be allowed to close the proposed sale.

10. The district court has wide discretion in judging whether a receiver's sale is fair in terms and result and serves the best interests of the estate. *Fleet National Bank v. H&D Entertainment, Inc.*, 96 F.3d 532 (1st Cir. 1996), citing *United States v. Peter*, 777 F.2d 1294, 1298 n.6 (7th Cir. 1985) and *United States v. Branch Coal*, 390 F.2d 7, 10 (3rd Cir.), cert. Denied, 391 U.S. 966, 88 S.Ct. 2034 (1968). The court has broad discretion in setting the terms of conditions of a sale under 28 USC §2001. *United States v. Hundwardsen*, 39 F.Supp.2d 1157 (N.D. Iowa 1999), citing *United States v. Branch Coal Corp.*, 390 F.2d 7, 10 (3rd Cir.), cert. Denied, 391 U.S. 966, 88 S.Ct. 2034 (1968); see *United States v. Garcia*, 474 F.2d 1202, 1206 (5th Cir. 1973). The court must decide whether, based on the record made by the parties, the best interest of the estate will be served by a public or a private sale. *Id.* However, section 2001(b) "limits the receiver's ability to sell foreclosed property at a private sale for an unfair price" by setting in place appraisal procedures and acceptable price limits. *United States v. Stonehill*, 83 F.3d 1156 (9th Cir. 1996). Section 2001 "contemplates compliance with certain procedures designed to protect the best interest of the estate" *Tanzier v. Huffines*, 412 F.2d 221 (3rd Cir. 1969).

11. In general, the court has broad discretion to set the terms of a public sale; whereas it must generally follow the procedures in place for a private sale. See *Tanzier v. Huffines*, 412 F.2d 221 (3rd Cir. 1969)(federal statute expresses preferential course to be followed in connection with a court authorized sale of *personal property* and district court should not order otherwise except *under extraordinary circumstances*). In cases involving the private sale of realty, the courts have consistently adhered to the procedures outlined in section 2001(b). See *United States v. Garcia*, 474 f.2d 1202 (5th Cir. 1973)(court scrupulously adhered to statutory requirements of section 2001 for

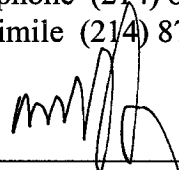
judicial sale of realty); *U.S. v. "A" Manufacturing Company*, 541 F.2d 504 (5th Cir. 1976)(affirming court confirmation of realty sale for greater price than highest appraisal value). Consequently, broad discretion of the court does not include bypassing the specific procedures set out in section 2001(b). To bypass the stringent requirements of 2001(b), the court can order a public sale under 2001(a) and set the terms and conditions as it so desires.

WHEREFORE, PREMISES CONSIDERED, the Receiver respectfully prays that upon final hearing and consideration of this matter that the Court approve a private sale of the real property located at 2608 Gentle Drive, Flower Mound, Texas, free and clear of all liens, claims and encumbrances, and that the Receiver be authorized to publish the proposed sale in *The News Connection*, and for such other and further relief, general or special, at law or in equity, to which the Receiver may show himself to be justly entitled.

Respectfully submitted,

QUILLING SELANDER CUMMISKEY & LOWNDS, P.C.
2001 Bryan Street, Suite 1800
Dallas, Texas 75201-4240
Telephone (214) 871-2100
Facsimile (214) 871-2111

By: _____

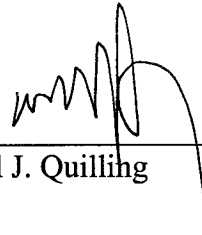

Michael J. Quilling, SBN 16432300
Email: mquilling@qsclpc.com
D. Dee Raibourn, III, SBN 24009495
Email: draibourn@qsclpc.com

ATTORNEYS FOR RECEIVER

CERTIFICATE OF SERVICE

This is to certify that on the 6th day of April, 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
Steve Smoot Smoot Law Firm, P.C. 4545 Mt. Vernon Houston, Texas 77006	Bradley C. Stark 16960 Washington Street Riverside, California 92504
Pamela C. Stark 16960 Washington Street Riverside, California 92504	



Michael J. Quilling

Exhibit “A”

Legal Notice

Notice of Private Sale

Notice is given pursuant to 28 U.S.C. § 2001 in the case styled *Securities and Exchange Commission 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, in the Northern District of Texas, Dallas Division, that the Receiver for James A. Rumpf and CILAK International obtained Court approval on _____, 2006 to sell the following real property at private sale:

Lot 31, Block D, of Wichita Creek Phase II, an Addition to the Town of Flower Mound, Denton County, Texas, according to the map or plat thereof recorded in Cabint I, Page 187, of the Plat Records of Denton County, Texas.

More commonly known as: 2608 Gentle Drive, Flower Mound, Texas.

The sale shall be “as is” and “where is.”

Bona fide offers in accordance with 28 U.S.C. § 2001 must be received in writing on or before 5:00 p.m. on _____, 2006. All persons having claims against the property are required to present them within the time and in the manner prescribed by law and advise the Receiver of same in writing on or before 5:00 p.m. on _____, 2006.

Dated this _____ day of _____, 2006.

Direct correspondence to:

Michael J. Quilling, Receiver
Quilling Selander Cumiskey & Lownds, P.C.
2001 Bryan Street, Suite 1800
Dallas, Texas 75201
(214) 871-2100

(All blanks to be completed after the Court approves the form.)