

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

SECURITIES AND EXCHANGE	§	
COMMISSION	§	
	§	
Plaintiff,	§	
	§	
VS.	§	NO. 3-05-CV-1328-L
	§	
MEGAFUND CORPORATION,	§	
ET AL.	§	
	§	
Defendants.	§	

**ORDER**

Michael J. Quilling, as Receiver for Megafund Corporation, Lancorp Financial Group, and Sardaukar Holdings, IBC, has filed interim applications for the payment of fees and expenses incurred on behalf of each Receivership Estate. After reviewing the applications, the court notes the following deficiencies:

1. The fee applications do not provide any information with respect to the experience and billing rates of certain lawyers and legal assistants who billed time during the relevant period. By way of example, invoices attached to the fee application in the Megafund Corporation Receivership Estate list a total of 13 legal professionals who billed time at rates ranging from \$85.00 per hour to \$350.00 per hour. However, the application itself only contains information about the experience and the typical billing rates of five timekeepers--Michael Quilling, Clark Will, Dee Raibourn, Michael Clark, and Brent Rodine. (*See* Megafund Fee App. at 5, ¶9(e)). In addition, no information is provided regarding the experience and typical billing rates of the accountants retained by the Receiver. The fee applications in the Lancorp Financial Group and Sardaukar Holdings Receivership Estates suffer from the same deficiency.

2. In its order establishing procedures for the payment of fees and expenses, the court instructed the Receiver to provide receipts for any out-of-pocket expense item of more than \$500.00. *See Order, 3/27/06 at 2, ¶ 1.* The fee applications and invoices submitted by the Receiver seek reimbursement for multiple expense items in excess of \$500.00, such as travel, lodging, photocopying, and other services rendered by third-parties. None of these out-of-pocket expenses are supported by receipts.

3. The Receiver and his attorneys have charged their full hourly billing rate for time spent traveling to and from Dallas, Texas on various matters. Courts in this circuit typically compensate travel time at one-half of the attorney's hourly rate absent evidence that any legal work was performed during such travel. *See Tasch, Inc. v. Unified Staffing & Assoc., Inc.*, No. Civ. A. 02-3531, 2003 WL 23109790 at \*6 (E.D. La. Dec. 30, 2003) (citing cases). Unless the Receiver and his attorneys performed legal work on behalf of the Estates while traveling to and from Dallas, the court will compensate travel time at one-half their typical hourly rate.

4. Finally, certain time entries are inadequately documented or appear to be excessive, redundant, or unnecessary. *See Hensley v. Eckerhart*, 461 U.S. 424, 103 S.Ct. 1933, 1939, 76 L.Ed.2d 40 (1983) (court must review billing records and exclude all time that is excessive, duplicative, or inadequately documented). In particular:

(a) Megafund Corporation Receivership Estate. The Receiver and his attorneys have billed a total of 22.0 hours on "intra-office conferences" with no further explanation. At a blended hourly rate of \$255.00 per hour, this accounts for \$5,610.00 in fees. In addition, Dee Raibourn has charged a total of 5.3 hours, or \$1,325.00, for "review[ing] and respond[ing] to general case correspondence and e-mails." Without a more detailed description, the court is unable to determine whether such charges are reasonable and necessary.

(b) Lancorp Financial Group. The Receiver and his attorneys have billed a total of 7.0 hours on "intra-office conferences" with no further explanation. At a blended hourly rate of \$250.00 per hour, this accounts for \$1,750.00 in fees. In addition, three different lawyers prepared for and attended the deposition of Gary Lancaster on March 25, 2006. The court is not inclined to compensate more than one lawyer for deposing this witness.

(c) Sardaukar Holdings, IBC. The Receiver and his attorneys have billed a total of 49.3 hours on "intra-office conferences" with no further explanation. At a blended hourly rate of \$260.00 per hour, this accounts for \$12,818.00 in fees. In addition, Stephen Tomasky spent 385.9 hours, or \$42,449.00, packing, shipping, and listing personal property items for sale on eBay. Without additional evidence, including the amount of money recovered by the Estate from the sale of these items, the court is unable to determine whether such fees were reasonable and necessary for managing the eBay auction.

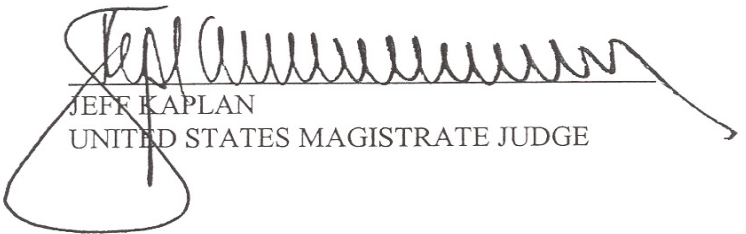
Rather than rule on the fee applications in their present form, the court determines that the Receiver should be given an opportunity to cure each of the deficiencies identified herein. Accordingly, the Receiver shall file amended applications for the payment of fees and expenses incurred on behalf of the Megafund Corporation, Lancorp Financial Group, and Sardaukar Holdings Receivership Estates by **May 18, 2006**. The amended fee applications should cover the same time period as the interim fee applications filed on April 10, 2006. No fees or expenses incurred in preparing these amended fee applications shall be charged to the Receivership Estates.

The court also vacates that portion of its July 19, 2005 order authorizing the Receiver to pay himself and his law firm up to 90% of professional fees on a monthly basis. *See* Order, 7/19/05 at 6-7, ¶ 16. Upon further consideration, the court deems it unadvisable for the Receiver to pay himself legal fees without prior judicial review and authorization. The court has established a procedure for

the payment of fees on a quarterly basis, which should be more than adequate to safeguard the financial interests of the Receiver and his law firm. The Receiver may continue to pay 100% of his expenses on a monthly basis, provided statements are sent to the SEC each month, no objections thereto have been presented, and the quarterly fee applications are filed as required.

SO ORDERED.

DATED: May 8, 2006.



JEFF KAPLAN  
UNITED STATES MAGISTRATE JUDGE