

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

MICHAEL J. QUILLING, RECEIVER
FOR MEGAFUND CORPORATION and
STANLEY A. LEITNER,

Plaintiff,

v.

MI-TY PRODUCTIONS, INC.,

Defendant.

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CIVIL ACTION NO. 3:06-CV-0355-L

ECF

**MOTION FOR AUTHORITY TO
ENTER INTO CONTRACT SATISFYING JUDGMENT**

TO THE HONORABLE JEFF KAPLAN, UNITED STATES MAGISTRATE JUDGE:

COMES NOW, Michael J. Quilling, in his capacity as Receiver for Megafund Corporation and Stanley A. Leitner, (“Plaintiff” or “Receiver”) and files this his Motion for Authority to Enter into Contract Satisfying Judgment. In support of this motion, the Receiver would respectfully show the Court as follows:

1. On July 1, 2005 the Securities and Exchange Commission (“SEC”) initiated *SEC v. Megafund Corporation, et al.*, Civil Action No. 3:05-CV-1328-L. In connection therewith, the SEC sought to have a Receiver appointed for the defendants and relief defendant in that case. The Court appointed Michael J. Quilling as Receiver on July 5, 2005, and he has since continued to function in that capacity. *Order Appointing Temporary Receiver* (“Order Appointing Receiver”) [Dkt. No. 9] (3:05-CV-1328).

2. The Order Appointing Receiver expressly authorized the Receiver to file lawsuits as

necessary to collect or reclaim assets on behalf of the Receivership Estate:

The Receiver is hereby authorized to institute, defend, compromise or adjust such actions or proceedings in state or federal courts now pending and hereafter instituted, as may in his discretion be advisable or proper for the protection of the Receivership Assets or proceeds therefrom, and to institute, prosecute, compromise or adjust such actions or proceedings in state or federal court as may in his judgment be necessary or proper for the collection, preservation and maintenance of the Receivership Assets.

Order Appointing Receiver [Dkt. No. 9] at ¶ 12 (3:05-CV-1328).

3. The Receiver commenced this lawsuit against MI-TY Productions (“Defendant”) to recover \$967,500.00, or its equivalent value, that Megafund paid as underwriting producer for the film *Steppin: The Movie* (the “Film”). Receivership records show that Megafund paid Defendant that amount to shoot, edit, and market the Film. Defendant, however, never completed the Film and the master negatives, digital data masters, mini DV copies, digi beta copies, audio, video, sound, and other elements are still being held by Defendant and various other production studios in California. These items were purchased with the \$967,500.00 from Megafund and are, therefore, the proceeds of money fraudulently transferred out of a *Ponzi* scheme.

5. On June 5, 2006, this Court awarded the Receiver a Default Judgment against Defendant for \$967,500.00 plus costs, fees, and pre- and post-judgment interest. *Order of Final Default Judgment* [Dkt. No. 14].

6. Since that time, Soul to Sole Ventures, Inc. (“STS”) has approached the Receiver about purchasing Megafund’s interest in the Film. The Receiver and STS have negotiated a sale that would realize \$350,000.00 for the Receivership Estate. A true and correct copy of the parties’ executed Letter of Intent is attached as Exhibit “A” and fully incorporated for all purposes.

7. In STS’s estimation, the Film is only about 75% complete and requires an additional

\$214,450.00 in production and distribution costs alone. STS intends to purchase all of Megafund's rights in the Film, obtain the necessary financing, complete the Film and then oversee its post-production work, marketing, and distribution.

8. The Receiver believes that selling Megafund's rights in the Film is in the best interests of the Receivership Estate. In their current state the master negatives, digital data masters, mini DV copies, digi beta copies, audio, video, sound, and other elements of the Film have little or no value to Megafund. STS is the only entity that has engaged the Receiver in discussions to purchase the Film as-is and has demonstrated that it produced, marketed, and distributed similar films in the past. The Receiver, therefore, believes that STS's proposal presents the best chance to liquidate these assets and realize a recovery that satisfies the judgment entered in this case.

WHEREFORE, PREMISES CONSIDERED, the Receiver requests that the Court enter an order authorizing him to (1) enter into a contract with Soul to Sole Ventures, Inc. regarding the sale of *Steppin: The Movie* and (2) credit all amounts received from that sale against the Default Judgment amount entered in this case. The Receiver also requests 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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By: /s/ Michael J. Quilling

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ATTORNEYS FOR PLAINTIFF

CERTIFICATE OF CONFERENCE

The Receiver was unable to confer with Defendant as required by Local Civil Rule 7.1 because (1) Defendant has not entered an appearance in this case and (2) Stanley A. Leitner has been unable to provide the Receiver with Defendant's current contact information.

/s/ Michael J. Quilling

CERTIFICATE OF SERVICE

This is to certify that on the 19th day of October, 2006 a true and correct copy of the foregoing document was served via first class mail, with full and proper postage prepaid thereon, to:

Soul to Sole Ventures, Inc.
c/o Kevin S. Wiley, Sr.
2707 S. Cooper, Suite 119
Arlington, Texas 76015

MI-TY Productions, Inc.
c/o CSC - Lawyers Incorporating Service
2730 Gateway Oaks Drive, Suite 100
Sacramento, California 95833

/s/ Michael J. Quilling