

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

SECURITIES AND EXCHANGE  
COMMISSION

Plaintiff,

VS.

MEGAFUND CORPORATION,  
ET AL.

Defendants.

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NO. 3-05-CV-1328-L

**ORDER**

On April 10, 2006, Michael J. Quilling, as Receiver for Sardaukar Holdings, IBC, filed a second interim application for payment of \$169,344.00 in fees and \$4,123.87 in expenses incurred by his law firm, Quilling Selander Cummiskey & Lownds, P.C., from November 1, 2005 through March 31, 2006. The Receiver also requested authority to pay \$67,493.00 in fees and \$6,657.15 in expenses incurred by his accountants, Litzler, Segner, Shaw & McKenney, LLP, from June 30, 2005 through March 31, 2006. [Doc. #123]. The court conducted a preliminary review of the fee application and noted several deficiencies, including: (1) the failure to provide information regarding the experience and billing rates of certain lawyers and legal assistants who recorded time during the relevant period; (2) the failure to attach receipts for out-of-pocket expense items of more than \$500.00; (3) charging travel time at the full hourly rate without any indication that legal work was performed during such travel; and (4) entries that were inadequately documented or appeared to be excessive, redundant, or unnecessary. *See* Order, 5/8/06 at 1-3. The Receiver corrected these deficiencies and addressed the court's concerns in an amended second interim application for payment of fees and expenses filed on May 17, 2006. [Doc. #143]. In his amended fee application,

the Receiver seeks payment of \$166,664.00 in fees and \$4,123.87 in expenses incurred from November 1, 2005 through March 31, 2006, and authority to pay his accountants \$67,493.00 in fees and \$4,500.78 in expenses incurred from July 1, 2005 through March 31, 2006.<sup>1</sup>

The Receiver was ordered to post a copy of the fee application on his website with notice to all interested parties that any objections must be filed with the court by May 1, 2006. No written objections have been received.<sup>2</sup> The Securities and Exchange Commission, through its regional counsel, previously consented to payment of the amounts requested.

The court has reviewed the amended second interim fee application and the exhibits attached thereto, and finds that most of the time spent, services performed, expenses incurred, and hourly rates charged by the Receiver are justified under the factors set forth in *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714 (5th Cir. 1974). However, the Receiver and four legal assistants charged their full hourly rate for 18.5 hours of travel time. Because there is no evidence that any legal work was performed during such travel, the court will allow compensation for travel time at one-half the stated hourly rates. 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). This results in a fee reduction of \$1,375.00. In addition, the Receiver seeks approval of \$42,449.00 in fees for managing an eBay auction that has netted only \$20,000. Although the Receiver remains optimistic that his continued efforts to sell various pieces of artwork and other property will "at least net more than is spent," the

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<sup>1</sup> The court previously authorized the Receiver to "pay up to 90% of the professional fees and 100% of the expenses on a monthly basis, provided statements are made on a monthly basis to the [SEC], no objections thereto have been presented and [fee] applications have been made as required." Order, 7/19/05 at 6-7, ¶ 16. As permitted by this order, the Receiver has paid himself and his law firm 90% of the fees, or \$121,501.80, and 100% of the expenses, or \$3,162.94, through February 28, 2006. The accountants likewise have been paid 90% of the fees, or \$58,111.20, and 100% of the expenses, or \$3,507.34, through August 30, 2005.

<sup>2</sup> After the fee application was filed, the court received letters from June Slinkard and Norman Mason, Reverend DuWayne Nelson, and Edward Sizer, generally complaining about the manner in which the Receiver is handling this case. However, none of those letters contain any specific objections to the fee application.

court will approve only \$10,000.00 of these fees until better results are obtained. The Receiver may seek the balance of any fees incurred in managing the eBay auction after additional property is sold.

The court further determines that the fees and expenses incurred by the accountants employed by the Receiver, as modified in the amended second interim fee application,<sup>3</sup> are reasonable and necessary in light of the factors set forth in *In re First Colonial Corp. of America*, 544 F.2d 1291 (5th Cir. 1977). To date, Receiver has recovered more than \$2.4 million for the Sardaukar Holdings Receivership Estate. With the approval of this fee application, the total fees and expenses paid to the Receiver and his accountants are \$391,714.80, which is manifestly reasonable in light of the complexities of this case and the results obtained for defrauded investors. The court therefore determines that no other adjustments to the fees requested by the Receiver are warranted at the present time.

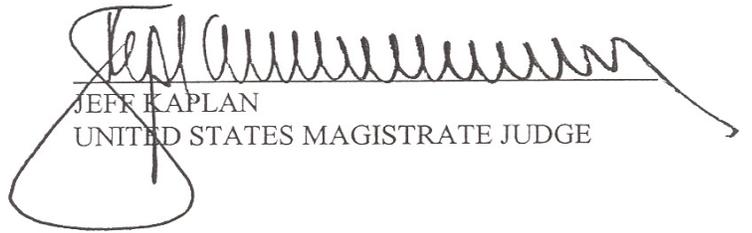
Accordingly, the Receiver's amended second interim application for payment of fees and expenses [Doc. #143] is approved as modified. The Receiver is authorized to pay the law firm of Quilling Selander Cummiskey & Lownds, P.C. the sum of \$132,840.00 in attorney's fees and \$4,123.87 in expenses incurred from November 1, 2005 through March 31, 2006. The Receiver is further authorized to pay the accounting firm of Litzler, Segner, Shaw & McKenney, LLP the sum of \$67,493.00 in fees and \$4,500.78 in expenses incurred from July 1, 2005 through March 31, 2006. All payments shall be chargeable to the Sardaukar Holdings Receivership Estate.

SO ORDERED.

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<sup>3</sup> The accountants revised their expense request due to an \$855.50 overpayment and other reductions totaling \$1,300.87.

DATED: June 1, 2006.



JEFF KAPLAN  
UNITED STATES MAGISTRATE JUDGE