

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 the Sardaukar Holdings Receivership Estate, has filed a third interim application for payment of \$78,855.00 in fees and \$4,578.81 in expenses incurred by the Receiver and his law firm, Quilling Selander Cummiskey & Lownds, P.C., from April 1, 2006 through June 30, 2006.¹ The Receiver also seeks authority to pay \$6,060.00 in fees incurred by his accountants, Litzler, Segner, Shaw & McKenney, LLP, during that time period. 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 July 31, 2006. John Blandi, a defrauded investor, timely filed written objections to the fee application. The Securities and Exchange Commission, through its regional counsel, has consented to payment of the amounts requested.

Blandi generally objects to the amount of fees charged by the Receiver and asks that he be paid on a contingent fee basis "since a criminal prosecutor will handle this case sometime in the future." (Blandi Ltr., 7/22/06 at 1). The court declines to modify the terms of the Receiver's

¹ The court previously authorized the Receiver "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." See Order, 5/8/06 at 4. As permitted by this order, the Receiver has reimbursed his law firm \$4,578.81 in expenses and now seeks court approval of that action.

compensation, which was established by orders dated July 5, 2005 and July 19, 2005. To date, the Receiver has collected more than \$5.2 million on behalf of the Megafund Corporation, Sardaukar Holdings, and Lancorp Financial Group Receivership Estates and has been paid just over \$775,000 for his services, excluding expenses and outside accounting fees. If the Receiver was allowed to recover one-third or even one-quarter of the amount collected on behalf of defrauded investors, a typical arrangement in a contingent fee case, his total compensation would far exceed the amount charged on an hourly basis. Such an arrangement would not be in the best interest of the Receivership Estates. For these reasons, Blandi's objections are overruled.²

The court has reviewed the third 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 court cannot approve \$6,050.00 in fees charged by Stephen Tomasky for services related to an eBay auction. The court previously approved \$10,000 in fees for managing this auction, which netted only \$20,000. Another \$32,000 in fees was disallowed. Although the Receiver was invited to seek "the balance of any fees incurred in managing the eBay auction after additional property is sold," *see* Order, 6/1/06 at 3, there is no evidence that the Receivership Estate has realized any additional proceeds from the sale of property through this online auction.

The court further determines that the fees and expenses incurred by the accountants employed by the Receiver 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, the Receiver has recovered

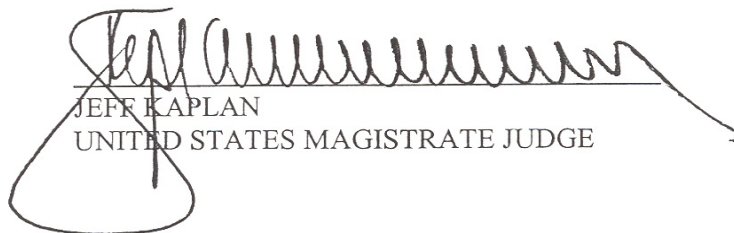
² Blandi also requests that all monies recovered by the Receiver be returned to investors immediately. The court will establish a procedure for the return of investor funds in due course.

more than \$2,521,477.55 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 \$475,158.61, 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 third interim application for payment of fees and expenses [Doc. #167] is approved as modified. The Receiver is authorized to pay the law firm of Quilling Selander Cummiskey & Lownds, P.C. the sum of \$72,805.00 in attorney's fees and \$4,578.81 in expenses incurred from April 1, 2006 through June 30, 2006. The Receiver is further authorized to pay the accounting firm of Litzler, Segner, Shaw & McKenney, LLP the sum of \$6,060.00 in fees incurred during that time period. All payments shall be chargeable to the Sardaukar Holdings Receivership Estate.

SO ORDERED.

DATED: August 14, 2006.


JEFF KAPLAN
UNITED STATES MAGISTRATE JUDGE