

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

**FINDINGS AND RECOMMENDATION OF THE
UNITED STATES MAGISTRATE JUDGE**

Michael J. Quilling, as Receiver for Megafund Corporation and related entities, has filed objections to a \$29,000 claim filed by Jan Leitner and a fourth motion to allow "A" claims against the Estate. For the reasons stated herein, the Receiver's objections should be sustained and the fourth motion to allow "A" claims should be granted.

I.

This is a civil action brought by the Securities and Exchange Commission ("SEC") against Bradley C. Stark, Stanley A. Leitner, James A. Rumpf and their respective companies, Sardaukar Holdings, IBC ("Sardaukar"), Megafund Corporation ("Megafund"), and CIG, Ltd. ("CIG"). In its complaint, the SEC alleges that the defendants raised approximately \$13.8 million from investors through the sale of unregistered securities by making false representations about the expected rate of return on their investments and by promising that a portion of the profits generated from the sale would be used to benefit charitable causes.

On July 5, 2005, the court appointed Michael J. Quilling as receiver for the various defendants and relief defendants, including Stanley A. Leitner and Megafund. In that capacity, Quilling was authorized to:

take[] exclusive jurisdiction and possession of the assets, monies, securities, claims in action, and properties, real and personal, tangible and intangible, of whatever kind and description, wherever situated, of [Leitner and Megafund] and any entities they control ("Receivership Assets"), and the books and records of Defendants and Relief Defendant ("Receivership Records").

See Order, 7/5/05 at 2, ¶ I(1). To date, the Receiver has collected nearly \$3.7 million in assets traceable to Megafund and related entities.

The Receiver was ordered to send court-approved claim forms to all known and possible claimants of the Megafund Receivership Estate.¹ The forms were to be completed and returned to the Receiver within 60 days of mailing. *See Order, 8/19/05 at 2.* The court previously granted one motion to approve 103 claims totaling \$2,709,790, a second motion to approve 62 claims totaling \$2,155,025, and a third motion to approve eight claims totaling \$52,510. *See Orders, 10/11/06, 1/9/07 & 2/28/07.* On March 14, 2008, the Receiver filed objections to a \$29,000 claim filed by Jan Leitner, the former spouse of Stanley A. Leitner,² and filed a motion to allow three claims totaling \$62,200. The Receiver was ordered to post a copy of these filings on his website, www.secreceiver.com, with notice to all interested parties that any objections must be filed with the court by April 7, 2008. That deadline has now passed and no objections have been received.

¹ By orders dated August 12, 2005 and January 20, 2006, the court authorized the Receiver to designate three Receivership Estates for the purpose of handling claims and making distributions to defrauded investors: (1) the Megafund Receivership Estate; (2) the Sardaukar Holdings Receivership Estate; and (3) the Lancorp Financial Group Receivership Estate. The instant motion address only claims filed against the Megafund Receivership Estate.

² Stanley Leitner was recently convicted by a federal jury in the Northern District of Texas on multiple counts of wire fraud, securities fraud, and money laundering related to his role in the Megafund investment scheme. *United States v. Leitner*, No. 3-07-CR-261-G. Sentencing is scheduled for May 27, 2008.

II.

The Receiver objects to a \$29,000 claim filed by Jan Leitner on the grounds that she actively participated in the investment scam or, alternatively, has already received at least \$55,000 from Megafund. In a letter to Jan Leitner dated August 29, 2007, the Receiver detailed evidence to support his position that she should be precluded from asserting a claim against the Estate because of her own inequitable conduct:

First, you did, in fact, receive money from Megafund. Our records show that you received at least \$55,000.00. Second, I was told that you were employed by and worked at the corporation's offices in Addison and that you were involved in its business operations. In fact, before working for Megafund, you worked at International Galleries--an earlier fraud operated by your husband. It is also apparent from the documents that you orchestrated a charade with your husband to disguise ownership of the house in Copper Canyon. Specifically, when I was appointed you did not reside in that house but Mr. Leitner did. Although the house was in your name, Mr. Leitner purchased it with Megafund investor funds and the debt service on it also came from Megafund. I have examined the documents relating to the closing of that house and find it noteworthy that, at the time of the purchase, you and Mr. Leitner held yourselves out as husband and wife on the deed and loan documents. . . . To the extent you now claim that [the] marriage dissolved twenty-five years ago, it appears that you have provided false information to a federally insured institution which may cause you some problems in the future.

(*See Rec. Obj., Exh. 1*). Jan Leitner has failed to refute any of this evidence and has not responded to the Receiver's objections. Accordingly, her claim should be disallowed.

III.

After considering the evidence and the written submissions of the parties, the court determines that the following additional claims against the Megafund Receivership Estate should be allowed:

<u>Claim No.</u>	<u>Claimant</u>	<u>Amount</u>
MFA-00350	Terry L. Nelson	\$ 10,000.00
MFA-00358	Henry A. Odonnell (G.W. Health Products LLC)	\$ 28,000.00
MFA-00359	Dusty A. Meehan	\$ 24,200.00
	Total:	\$ 62,200.00

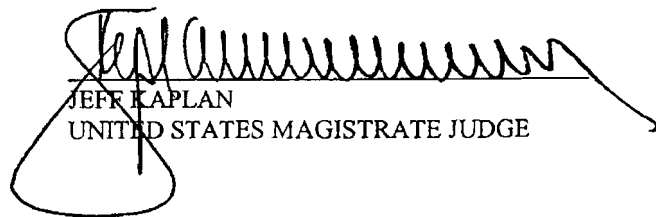
The priority of payment of such claims will be the subject of future orders.

RECOMMENDATION

The Receiver's objections to the \$29,000 claim filed by Jan Leitner [Doc. #379] should be sustained and this claim should be disallowed. The Receiver's fourth motion to allow "A" claims against the Megafund Receivership Estate [Doc. #380] should be granted. The investor claims identified in Exhibit "1" to the Receiver's motion, totaling \$62,200, should be allowed.

A copy of this report and recommendation shall be served on all parties in the manner provided by law. Any party may file written objections to the recommendation within 10 days after being served with a copy. *See* 28 U.S.C. § 636(b)(1); FED. R. CIV. P. 72(b). The failure to file written objections will bar the aggrieved party from appealing the factual findings and legal conclusions of the magistrate judge that are accepted or adopted by the district court, except upon grounds of plain error. *See Douglass v. United Services Automobile Ass'n*, 79 F.3d 1415, 1417 (5th Cir. 1996).

DATED: April 9, 2008.


 JEFF KAPLAN
 UNITED STATES MAGISTRATE JUDGE