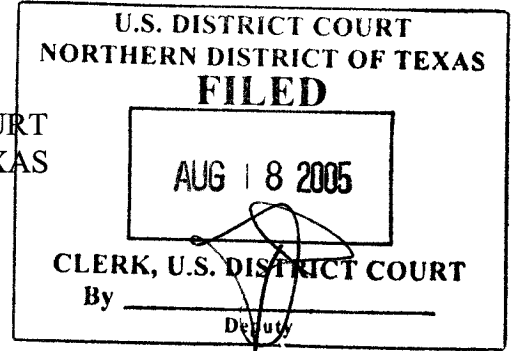


V

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



SECURITIES AND EXCHANGE COMMISSION, §
§
Plaintiff, §

v. ORIGINAL §

Civil Action No. 3:05-CV-1328-L

MEGAFUND CORPORATION, STANLEY A. §
LEITNER, SARDAUKAR HOLDINGS, IBC., §
and BRADLEY C. STARK, CIG, LTD., and §
JAMES A. RUMPF, Individually and d/b/a §
CILAK INTERNATIONAL, §
§
Defendants, §

and §

PAMELA C. STARK, §
§
Relief Defendant. §

RECEIVER'S PRELIMINARY REPORT

TO THE HONORABLE SAM A. LINDSAY, UNITED STATES DISTRICT JUDGE:

COMES NOW, Michael J. Quilling, the Receiver appointed in this case and, pursuant to paragraph 8 of the Court's Order of July 5, 2005 (Docket No.9) as amended by paragraph 8 of the Court's Order of July 19, 2005 (Docket No. 36), submits the following Report.

I. SARDAUKAR HOLDINGS, IBC, BRADLEY C. STARK and PAMELA C. STARK

General Overview

1. Sardaukar Holdings, IBC ("Sardaukar Holdings") is an entity owned and controlled by Bradley C. Stark ("Stark") which, from inception to present, has never had offices or employees and instead existed primarily on the computer of Stark at Stark's apartment. Although the Receiver

is still in the midst of his investigation and document gathering, it is clear that Sardaukar had its primary bank account at JP Morgan Chase Bank which account Stark used as little more than his personal piggy bank. The account was opened on October 26, 2004 and was frozen on July 5, 2005. During the eight-month period the account was open, deposits of \$16,061,811.00 were made and \$16,012,807.59 was spent.¹ Virtually all deposits represent funds submitted by investors. Stark did attempt to make some investments, however most of them were little more than buying shares of stock in start-up entities and none of them generated anywhere near the returns necessary to make the *Ponzi* payments which Stark made to investors.

2. Of the investor funds received, Stark spent the money in a number of general ways, all of which were entirely inappropriate and inconsistent with any legitimate investment philosophy. For example, investor funds were used for the following:

- \$ 110,000.00 was transferred to Stark's individual account;
- \$1,120,000.00 was transferred to Pam Stark's individual account;
- \$ 750,000.00 was transferred to Tesori Fine Art & Collectibles, a company owned by Pam Stark;
- \$ 99,214.37 was spent on home furnishings for Stark;
- \$ 45,733.04 was spent on computers for Stark and his family and friends;
- \$ 150,798.18 was spent on travel to places around the world by Stark, his four children, and his parents;
- \$ 97,647.45 was spent on a 2005 BMW 745i for Pam Stark;

¹ Unfortunately over \$100,000 of investor funds were diverted from the account during the three-day period between the time this case was filed and the Order Appointing Receiver was signed.

\$ 66,562.60 was spent on a 2005 Jaguar S-Type for Stark;

\$ 39,646.86 was spent on a 2005 Volvo S40 for Stark's teenage son;

\$ 59,787.15 was spent on a 2005 Audi S4 for another of Stark's sons;

\$ 60,460.16 was spent on a 2005 Navigator for Stark;

\$ 91,907.48 was spent on a 2005 BMW 745L for Stark's father;

\$ 141,675.71 was spent on a 2005 Maserati Quatraporte which Stark gave to his business cronies, Hans Tschebaum and Michael Tschebaum;

\$ 62,030.99 was spent on "artwork" from Disney and places in Italy and other places that Stark's travel took him;

\$ 40,716.21 was spent on jewelry for Stark, his family and friends, including \$18,000.00 for a money clip;

\$ 35,000.00 was spent on real property and home designs for Stark and each of his parents;

\$ 175,000.00 was given as a gift to Jeff Schousley, a friend of Stark.

Assets Seized by the Receiver

i. Bank/Financial Institution Accounts

3. The following accounts have been frozen and the proceeds have been transferred to the Receiver or are in the process of being transferred to the Receiver:

Institution Name	Account Name	Amount
Man Financial	Sardaukar Holdings	\$430,947.63
Man Financial	Sardaukar Holdings	\$323,629.79
Bank of America	Sardaukar Holdings	\$41,304.50

Institution Name	Account Name	Amount
Bank of America	Pamela C. Stark	\$20,650.24
Bank of America	Pamela C. Stark	\$513,537.04
Bank of America	Tesori Fine Art & Collectibles Corp.	\$744,430.46
Bank of America	Pamela C. Stark	\$2,917.89
Bank of America	Bradley C. Stark	\$36,256.86
Bank of America	Bradley C. Stark	\$24.13
JPMorgan Chase	Sardaukar Holdings	\$49,003.41
JPMorgan Chase	Sardaukar Holdings	\$590.75

ii. **Vehicles**

4. The Receiver has taken possession of the following vehicles:

2005 BMW 745i

2005 Jaguar S-Type

2005 Volvo S40

In addition, the Receiver has allowed Stark to retain possession the 2005 Navigator and for his son to retain the 2005 Audi S4 while a potential purchase is being negotiated using non-investor funds. Similarly, the Receiver has allowed Stark's father to retain possession of the 2005 BMW 745L while a sale is being negotiated. If the sales are not concluded by end of August, 2005, the Receiver intends to take possession of each of the vehicles.

iii. **Houses**

5. Although each of the houses on the lots referenced above were near completion at the time the Receiver was appointed, other than lot deposits and upgrade option deposits, they had not

yet been paid for. The Receiver decided to terminate the contracts in exchange for the return of all funds paid to the homebuilder (\$35,000.00).

iv. Storage Unit Contents

6. The Starks had two large storage units. The Receiver has taken possession of all of the contents which consist primarily of old personal belongings which the Receiver will abandon and new unopened home furnishings and “artwork.” The Receiver is in the process of opening and inventorying all such items and intends to liquidate them, either through Ebay sales or returns to the vendors.

v. Stock

7. The Receiver has taken possession of 2 million shares of common stock in Moondoggie, Inc. for which Stark paid \$2 million of investor funds. The company is a start-up technology company still in its utmost infancy stage. There is little or no value to the stock at this time. The Receiver has also taken possession of 100,000 shares of common stock in GZ Gourmet Food & Beverage Co., a start-up entity trying to develop and market an energy beverage which glows. There is little or no value to the stock at this time.

vi. Litigation

8. The Receiver has filed a lawsuit against Michael Tschebaum and Hans Tschebaum seeking to recover the value of the Maserati vehicle (\$141,675.71) plus \$334,237.00 paid to them by Stark. (*Michael J. Quilling, Receiver v. Hans Tschebaum and Michael Tschebaum*; Civil Action No. 3:05-CV-1465). The Receiver is in the process of preparing numerous additional lawsuits against numerous other persons and entities.

9. Based upon the foregoing, it is clear that the value of the assets of the Defendants do not exceed the amount of investor funds they received.

II. MEGAFUND CORPORATION AND STANLEY LEITNER

General Overview

10. Megafund Corporation (“Megafund”) is an entity owned and controlled by Stanley A. Leitner (“Leitner”) that had offices in Flower Mound, Texas. A few days before the Receiver was appointed, Megafund’s offices were closed and cleared out by Megafund’s employees. It is the Receiver’s understanding that Megafund had four employees, including Leitner. The Receiver is still conducting his investigation, however, it appears that Megafund had two accounts, one at SouthTrust Bank and one at Wells Fargo Bank. In addition, Leitner had a personal account at Wells Fargo Bank. The Wells Fargo Bank Megafund account was opened on April 16, 2004 and was frozen on July 5, 2005. During the fifteen-month period the account was open, deposits of \$17,975,433.06 were made and \$17,974,253.15 was spent. The SouthTrust Bank account was opened in December, 2004 and was frozen July 5, 2005. During the seven-month period the account was open, deposits of \$4,020,955.00 were made and \$3,981,144.97 was spent. Virtually all deposits were funds submitted by investors or were supposed “returns” from Sardaukar Holdings’ trading activities.

11. Of the investor funds received, almost \$12 million was sent to either CIG, Ltd. (“CIG”) and CILAK International (“CILAK”) for investment with Sardaukar Holdings. Megafund and Leitner also paid in excess of \$1.0 million to investors as “returns.” In addition, Megafund and Leitner spent money on other items and services which were inappropriate and inconsistent with a legitimate investment philosophy. For example, investor funds were used for the following:

\$ 58,000.00 was spent on a 2004 Cadillac XLR;
 \$ 3,959.00 was spent on a pool table;
 \$ 9,201.24 was spent on slot machines;
 \$1,000,000.00 approx., was spent on the production of a movie;

In addition, over \$100,000.00 was paid to numerous individuals as commissions for finding investors.

Assets Seized by the Receiver

i. Bank/Financial Institution Accounts

12. The following accounts have been frozen and the proceeds have been transferred to the Receiver or are in the process of being transferred to the Receiver.

Institution Name	Account Name	Amount
SouthTrust Bank	Megafund Corp.	\$651.16
Wells Fargo Bank	Megafund Corp.	\$1,323.69
Wells Fargo Bank	Stanley A. Leitner	\$1,179.91
Wells Fargo Bank	Urban American Entertainment	\$24,992.60
JPMorgan Chase	Clocktower, LLC	\$9,721.25
Ameritrade	Stanley A. Leitner	\$850.00

ii. Vehicles

13. The Receiver has taken possession of a 2004 Cadillac XLR. The Court has entered an order allowing the Receiver to sell the vehicle for \$54,500.00.

iii. Stock or Promissory Notes

14. Megafund transferred \$650,000.00 to Urban Television Network Corporation, a publicly traded company based in Arlington, Texas. The Receiver is still investigating the transaction, but it appears that it was for the purchase of stock or was a loan.

iv. Litigation

15. The Receiver has not yet filed any lawsuits in connection with Megafund or Leitner's activities. However, the Receiver is in the process of investigating numerous potential lawsuits against several persons and entities.

v. Other Property

16. The Receiver has taken possession of numerous items that were in Megafund's offices. In addition, the Receiver has located numerous pieces of furniture that were purchased by Megafund but are currently held by the vendor. The Receiver has negotiated a re-purchase of the items by the vendor for \$11,217.80.

17. Based upon the foregoing, it is clear that the value of the assets of the Defendants do not exceed the amount of investor funds they received.

III. CIG, LTD. AND JAMES A. RUMPF, Individually and d/b/a CILAK INTERNATIONAL

General Overview

18. CIG, Ltd. ("CIG") and CILAK International ("CILAK") are entities owned and controlled by James A. Rumpf ("Rumpf"). Based on the Receiver's review of documents and conversations with case witnesses, CIG never had any offices or employees. Instead, its activities and transfers of monies were entirely controlled by Rumpf. CILAK had offices in Dallas, Texas and employed four to ten people, including Rumpf, at different time. Prior to the appointment of the

Receiver for CILAK and Rumpf, the CILAK offices were closed and all documents removed. Rumpf also formed CILAK Properties and purchased various assets for his use through the entity. The Receiver is still conducting his investigation, however, it appears that CIG had one account at Rbtt Bank in the Netherland Antilles and CILAK had one account at First United Bank & Trust. The Receiver has been unable to identify any personal accounts for Mr. Rumpf. Although he admits to using an account at Rbtt Bank in the Netherland Antilles in the name of I AM, Ltd. for his personal needs. The Receiver is in the process of obtaining bank records for CIG and CILAK and continuing to determine how much money was collected and spent in each account. However, based on the bank records for the other Defendants, CIG collected at least \$11,455,000.00 and CILAK collected \$305,000.00 from Megafund. \$9,499,970.00 was transferred to Sardaukar from CIG and Sardaukar sent \$200,500.00 and \$2,712,000.00 to CIG.

19. While a large amount of money was sent from CIG and CILAK to Sardaukar, Rumpf caused CIG and CILAK to transfer funds for the purchase of property and services which were inconsistent with a legitimate investment philosophy. For example, investor funds were used for the following:

\$1,438,383.74 was spent on the purchase of three homes in Flower Mound, Texas and Argyle, Texas

\$ 39,246.79 was spent on a 2005 Infiniti FX35

In addition, Rumpf caused hundreds of thousands of dollars to be transferred from CIG and CILAK for the benefit of his family and friends. This included paying off debts, purchases of vehicles, and paying rent.

Assets Seized by the Receiver**i. Bank/Financial Institution Accounts**

20. The following accounts have been frozen and the proceeds are in the process of being transferred to the Receiver.

Institution Name	Account Name	Amount
Rbtt Bank	CIG, Ltd.	Appr. \$30,000.00
First United Bank & Trust	CILAK International	Appr. \$13,000.00

ii. Vehicles

21. The Receiver has taken possession of a 2005 Infiniti FX35. In addition, the Receiver has allowed Rumpf to retain possession of a 2001 BMW while a potential purchase is being negotiated.

iii. Houses

22. The Receiver has taken possession and control over the following houses:

Address	Purchase Price
110 Eagles Nest, Argyle, Texas	\$428,700.00
3405 Pecan Meadow Drive, Flower Mound, Texas	\$328,524.32
2608 Gentle Drive, Flower Mound, Texas	\$681,159.42

iv. Litigation

23. The Receiver has not yet filed any lawsuits in connection with CIG, CILAK or Rumpf's activities. However, the Receiver is in the process of investigating numerous potential lawsuits against several persons and entities.

v. **Other Property**

24. The Receiver has taken possession of numerous items of personal property that were in CILAK's offices and Rumpf's house, including \$11,000.00 cash from the trunk of Rumpf's vehicle.

25. Based upon the foregoing, it is clear that the value of the assets of the Defendants do not exceed the amount of investor funds they received.

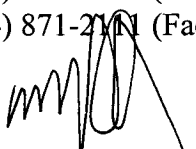
IV. RECOMMENDATION REGARDING BANKRUPTCY

26. The Receiver is Board Certified in the area of Business Bankruptcy Law and is fully versed in the advantages and disadvantages of bankruptcy proceedings. Based upon the Receiver's initial investigation, there is no advantage to be gained by initiating bankruptcy proceedings for any of the Defendants or Relief Defendant.

Respectfully submitted,

QUILLING SELANDER CUMMISKEY & LOWNDS, P.C.
2001 Bryan Street, Suite 1800
Dallas, Texas 75201-4240
(214) 871-2100 (Telephone)
(214) 871-2111 (Facsimile)

By: _____


Michael J. Quilling
Texas State Bar No. 16432300

ATTORNEYS FOR RECEIVER

CERTIFICATE OF SERVICE

This is certify that on the 18th day of August, 2005, a true and correct copy of the above and foregoing motion was sent via first class mail, with full and proper postage prepaid thereon, to:

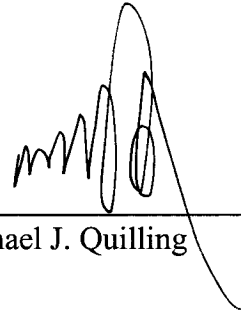
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CIG, Ltd.
c/o James Rumpf
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A handwritten signature in black ink, appearing to read "Michael J. Quilling", is written over a horizontal line. The signature is stylized with a large loop at the end.

Michael J. Quilling