



Money & Investing

Too Good To Be True

William P. Barrett, 07.12.05, 10:00 AM ET

Some might call this sheer stupidity. Others might call it gluttonous greed. But a just-filed U.S. Securities and Exchange Commission lawsuit suggests anew that the fruited plain is populated with investors who believe they can get a huge risk-free annual return, here 60% to 120% by putting money into something called **Megafund**.

The agency's lawsuit in Dallas is against two promoters alleged to have collected upwards of \$13.8 million from 70 investors by making promises of eye-popping returns with no chance of loss at all, and then siphoning off much of the loot for personal pursuits. The pleading, to which no response has been filed, brims with colorful allegations of fraudulent conduct, phony documents, a murky investment whiz, shadowy Caribbean entities and pitches more perfect than anything Don Larsen mustered in the 1956 World Series.

Plus this: According to the feds, most of the money came via one victim, **Lancorp Financial Group**, owned by **Gary Lancaster**. He's a West Linn, Ore., financial adviser whose resume suggests long experience in financial services and who once filed papers to operate his own closed-end mutual fund. Why would one with such a background fall for this money-grows-on-trees claim? "I have been advised not to comment," he says.

The primary individual defendants are **Stanley A. Leitner**, 66, of Argyle, Tex., and **Bradley C. Stark**, 30, of Riverside, Calif. Neither could be reached for comment. Among Stark's track record, he served hard prison time after being convicted two years ago in New York of possessing counterfeit government securities. In fact, the SEC alleges, Stark participated in this scheme while on probation.

According to the lawsuit, here's how this deal went down:

Starting in June 2004 with Leitner apparently the front man, prospective investors across the U.S. were solicited about a new, grandly named investment vehicle called Megafund, based first in Addison, Tex., and then Flower Mound, Tex. Many marks had religious affiliations and were advised that a portion of profits would go to humanitarian purposes. The potential investors were told that an unnamed "trader" specializing in "arbitrage" of Treasury bills and certificates of deposit could generate monthly returns of 5% to 10% with principal "never at risk." To help ensure this, funds would be placed into "an account at a major U.S. Brokerage firm."

From funds wired to Megafund accounts at a Texas branch of **Wells Fargo** (nyse: WFC - news - people) and another bank, \$11 million ended up in a bank account on the Caribbean island of St. Maarten in the name of "CIG Ltd.," listing a Netherlands Antilles address. "CIG Ltd. is not a 'major U.S. brokerage firm,'" the SEC deadpanned. Who owns CIG Ltd. isn't clear, but pretty soon \$9.5 million went to an account at **JPMorgan Chase** (nyse: JPM - news - people) in the name of Sandaukar Holdings, a British West Indies corporation formed by Stark, and, from that, \$2.6 million back to Megafund, controlled by Leitner. CIG Ltd. and Sandaukar are defendants in the SEC suit.

Leitner paid \$1 million to an unnamed California entertainment company to finance a movie and \$650,000 to a Texas cable television company. Stark spent \$350,000 on fancy cars and \$41,000 on jewelry, while transferring \$1 million to his wife, who is also a defendant.

At one point, the SEC says, defendants produced a bogus certificate of insurance and a phony letter from Megafund's "compliance counsel." Defendants allegedly lulled one investor seeking his money by saying the deal was "being held up by the Department of Homeland Security."

The SEC obtained an order from a federal judge freezing assets, appointing a receiver and barring defendants from traveling abroad. The agency seeks disgorgement of profits, although it's unclear how much money is left.

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