

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.**

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### Defendants.

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

Michael J. Quilling, as Receiver for Lancorp Financial Group, LLC and related entities, has filed objections to three claims totaling \$1,359,000 and a second motion to allow "A" claims against the Estate. For the reasons stated herein, the Receiver's objections should be sustained and the second 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 various defendants and relief defendants. The receivership was subsequently expanded to include Lancorp Financial

Group, LLC and Lancorp Financial Business Trust (the "Lancorp Financial Group Receivership Estate"). *See Orders, 1/20/06 & 3/1/06.* In his capacity as Receiver, 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 [Lancorp Financial Group] and any entities it controls ("Receivership Assets"), and the books and records of [Lancorp Financial Group] ("Receivership Records").

*See Order, 1/20/06 at 2, ¶ I(1)).* To date, the Receiver has collected more than \$3.8 million in assets traceable to Lancorp Financial Group and related entities.

The Receiver was ordered to send court-approved claim forms to all known and possible claimants of the Lancorp Financial Group Receivership Estate.<sup>1</sup> 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 approving 130 claims totaling \$10,568,053.02. *See Order, 12/28/06.* On March 14, 2008, the Receiver filed objections to three claims totaling \$1,359,000 and filed a motion to allow three claims totaling \$176,262.48. The Receiver was ordered to post a copy of these filings on his website, [www.secreceiver.com](http://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.

## II.

The Receiver objects to the following claims filed against the Estate: (1) a \$1,000,000 claim filed by Eckhard Alt; (2) a \$159,000 claim filed by Joseph Harker; and (3) a \$200,000 claim filed by Kathleen Crocker. As grounds for his objections, the Receiver contends that none of the monies

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<sup>1</sup> 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 Lancorp Financial Group Receivership Estate.

invested by these claimants was ever received by Lancorp. Instead, the claimants invested funds with an entity known as First National Bancorp. Although both Lancorp and First National Bancorp sent aggregated monies to Max International, a brokerage firm in New York, only the funds sent by Lancorp are the subject of this receivership action. The funds sent by First National Bancorp to Max International, including the monies invested by Alt, Harker, and Crocker, have been seized by the United States government in connection with a criminal prosecution pending in California. *Seizure Warrant for All Funds in Account No. M03-002704 at Max International*, No. 06-0134 (C.D. Cal.). Therefore, the Receiver maintains that the claimants should file claims against the funds held by the government in the California action, not the funds recovered on behalf of investors of the Lancorp Financial Group Receivership Estate.

The court agrees that the \$1,000,000 claim filed by Eckhard Alt, the \$159,000 claim filed by Joseph Harker, and the \$200,000 claim filed by Kathleen Crocker are not properly asserted against the Lancorp Financial Group Receivership Estate. Accordingly, those claims 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 Lancorp Financial Group Receivership Estate should be allowed:

| <u>Claim No.</u> | <u>Claimant</u>                                 | <u>Amount</u>       |
|------------------|---|---------------------|
| MFA-00354        | Vivian McDuff                                   | \$ 27,415.90        |
| MFA-00356        | Brian K. Gallagher                              | \$125,000.00        |
| MFA-00357        | Estate of Sara F. Hanan<br>(Open Alliance Inc.) | \$ 23,846.58        |
| <b>Total:</b>    |   | <b>\$176,262.48</b> |

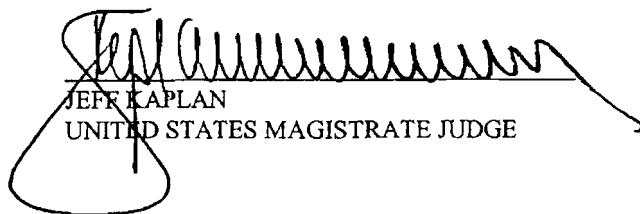
The priority of payment of such claims will be the subject of future orders.

## RECOMMENDATION

The Receiver's objections to the \$1,000,000 claim filed by Eckhard Alt, the \$159,000 claim filed by Joseph Harker, and the \$200,000 claim filed by Kathleen Crocker [Doc. #382] should be sustained and those claims should be disallowed. The Receiver's second motion to allow "A" claims against the Lancorp Financial Group Receivership Estate [Doc. #381] should be granted. The investor claims identified in Exhibit "1" to the Receiver's motion, totaling \$176,262.48, 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