

ORIGINAL

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

MICHAEL J. QUILLING, RECEIVER FOR MEGAFUND CORPORATION AND LANCORP FINANCIAL GROUP, LLC,

Plaintiff,

Civil Action No. 3-06CV0.299-R

vs.

KENNETH WAYNE HUMPHRIES

Defendant.

DEFENDANT'S RESPONSE TO RECEIVER'S ORIGINAL COMPLAINT

TO THE HONORABLE JUDGE OF SAID COURT:

COMES NOW the Defendant, Kenneth W. Humphries, pro se, and files the Response to the Original Complaint of the Receiver, Michael J. Quilling.

AFFIRMATIVE DEFENSES

Pursuant to Federal Rules of Civil Procedure 8 and 12(b), this Defendant asserts as affirmative defenses estoppel, contributory negligence, fraud, lack of jurisdiction over the person, improper venue, and failure to join a party under Rule 19.

COUNTERCLAIM

Pursuant to Federal Rule of Civil Procedure 13, this Defendant asserts this Counterclaim against Plaintiff as Receiver for Megafund Corporation.

1. Plaintiff Megafund, at all times believed to be operating by and through its duly authorized officer, Stanley Leitner, retained this Defendant to perform certain specific services.

2. This Defendant performed or endeavored to perform the requested services.

3. In performing those services, this Defendant at all times relied on the representations of the duly authorized representative of Plaintiff Megafund Corporation.

4. If in the performance of those services, this Defendant committed acts which constitute negligence, fraud, or a violation of any Federal or state law, said acts were performed wholly based on and in reliance upon the representations of the Megafund Corporation representative. Plaintiff Megafund Corporation's representative had a duty to disclose accurate and complete information to this Defendant, or to advise this Defendant of the need to further investigate the claims which formed the basis of the work performed and to be performed. Plaintiff Megafund Corporation's representative failed to disclose that the information conveyed to this Defendant was inaccurate, or that he had any reason to believe that it was inaccurate. To the contrary, Plaintiff Megafund Corporation's officer represented that he was in possession of documents and instruments to substantiate every representation he made. He made these representations for the purpose that this Defendant rely upon the representations, and this Defendant did in fact rely upon those representations.

5. Plaintiff Megafund Corporation is liable for the acts of its officers and agents.

6. Plaintiff Megafund Corporation is obligated and liable for all the damages of which Plaintiff complains, and is responsible to this Defendant for any and all damages

whatsoever owed to any person or entity, whether a party to the instant action or not, that may be awarded against this Defendant for services he rendered and acts he did at the direction of and on behalf of Plaintiff Megafund Corporation.

WHEREFORE, this Defendant prays for judgment against Plaintiff Megafund Corporation compensating this Defendant for all amounts adjudged and awarded against him, for costs incurred in defending this action, for his attorney fees, and for all other relief to which this Defendant may appear entitled.

This Defendant requests a jury trial on all issues so triable.

ANSWER TO RECEIVER'S ORIGINAL COMPLAINT

Comes the Defendant, and for his answer to the Receiver's Original Complaint, states and asserts as follows:

1. This Defendant is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 1 of the Complaint, and accordingly denies same.

2. This Defendant admits the averments of paragraph 2 of the Complaint.

3. This Defendant is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 3 of the Complaint, and accordingly denies same, but denies that this Court has in personam jurisdiction or in rem jurisdiction as such pertain to this Defendant.

4. This Defendant denies that venue for this action is proper for the Northern District of Texas, and is without knowledge or information sufficient to form a belief as to the truth of the remaining averments of paragraph 4 of the Complaint, and

accordingly denies same.

5. This Defendant is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 5 of the Complaint, and accordingly denies same.

6. This Defendant is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 6 of the Complaint, and accordingly denies same.

7. This Defendant is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 7 of the Complaint, and accordingly denies same.

8. This Defendant denies that he acted as counsel or general counsel in the solicitation of investors. This Defendant admits that he wrote the letter dated February 5, 2005, attached to the Complaint, and that the representations in the letter were incorrect, as he has subsequently been advised.

9. This Defendant is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 9 of the Complaint, and accordingly denies same.

10. This Defendant is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 10 of the Complaint, and accordingly denies same.

11. This Defendant is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 11 of the Complaint pertaining to

the actual details of the Megafund Corporation investment program or how the Megafund Corporations funds were spent, as this Defendant was never privy to those details, and accordingly denies same. This Defendant denies that any monies were paid to this Defendant for no or inadequate consideration. This Defendant admits that the sum of \$19,000.00 was paid to this Defendant, but denies that there was no benefit to Megafund Corporation or its investors. This Defendant denies all remaining material allegations of paragraph 11 of the Complaint.

12. This Defendant is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 12 of the Complaint, and accordingly denies same.

13. This Defendant denies the material averments of paragraph 13 of the Complaint. This Defendant was never retained or allowed to function as general counsel for Plaintiff Megafund Corporation. Material information was withheld either by mistake or on purpose from this Defendant by principals of Plaintiff Megafund Corporation. This Defendant was never in a position or at liberty to exercise or fulfill the duties Plaintiff would impose on a general counsel for Megafund Corporation, or an attorney retained to render advice and counsel on the matters sued upon in the Complaint. This Defendant was never asked for, nor did he offer to render advice or counsel to Plaintiff Megafund Corporation in its solicitation of funds.

14. This Defendant's responses to paragraphs 1 - 13 are incorporated herein by reference for all purposes.

15. As asserted in paragraph of the Complaint, this Defendant admits that

Lancorp was an intended beneficiary of his letter of February 5, 2005, and had a duty to properly perform services entrusted to him, letter that he had an opportunity to fully act as attorney or general counsel for Plaintiff Megafund or to exercise the requisite duty of care to fully and properly investigate and advise Plaintiffs.

16. This Defendant denies the allegations of paragraph 16 of the Complaint.

17. This Defendant is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 17 of the Complaint, and accordingly denies same.

18. This Defendant's responses to paragraphs 1 - 13 are incorporated herein by reference for all purposes.

19. The statements of the February 5, 2005, letter were inaccurate, false, and misleading, but this Defendant denies that was as a result of this Defendant's failure to properly investigate them as asserted in paragraph 19 of the Complaint. This defendant denies all remaining material allegations of the Complaint.

20. This Defendant is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 20 of the Complaint, and accordingly denies same.

21. This Defendant's responses to paragraphs 1 - 13 are incorporated herein by reference for all purposes.

22. This Defendant admits that the monies paid into Megafund were its corporate assets as asserted in paragraph 22 of the Complaint. This Defendant denies that it assisted in the prior management of Megafund, or in any management of

Megafund, or that he assisted in the wasting of its assets, or that he aided and abetted Megafund in the wasting of assets. This Defendant is without knowledge or information sufficient to form a belief as to the truth of the remaining averments of paragraph 22 of the Complaint, and accordingly denies same.

23. This Defendant denies the allegations of paragraph 23 of the Complaint.

24. This Defendant's responses to paragraphs 1 - 13 are incorporated herein by reference for all purposes.

25. This Defendant denies that he knowingly participated in Megafund's breach of fiducial duties to Lancorp and the other Megafund investors, and denies that he aided and abetted any breach of any duties owed by Megafund, as asserted in paragraph 25 of the Complaint. This Defendant is without knowledge or information sufficient to form a belief as to the truth of the remaining averments of paragraph 25 of the Complaint, and accordingly denies same.

26. This Defendant denies the allegations of paragraph 26 of the Complaint.

27. This Defendant's responses to paragraphs 1 - 13 are incorporated herein by reference for all purposes.

28. This Defendant denies the allegations of paragraph 28 of the Complaint.

29. This Defendant denies the allegations of paragraph 29 of the Complaint.

30. This Defendant's responses to paragraphs 1 - 13 are incorporated herein by reference for all purposes.

31. This Defendant denies the allegations of paragraph 31 of the Complaint.

32. This Defendant denies the allegations of paragraph 32 of the Complaint.

33. This Defendant's responses to paragraphs 1 - 13 are incorporated herein by reference for all purposes.

34. This Defendant denies the allegations of paragraph 34 of the Complaint.

35. This Defendant is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 35 of the Complaint, and accordingly denies same.

36. This Defendant's responses to paragraphs 1 - 13 are incorporated herein by reference for all purposes.

37. This Defendant is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 37 of the Complaint as to whether the Megafund investment program was a Ponzi scheme, and accordingly denies same. This Defendant denies that funds and benefits received from Megafund constitute fraudulent transfers.

38. This Defendant is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 38 of the Complaint, and accordingly denies same.

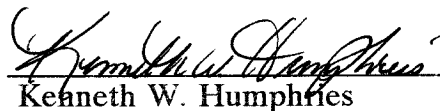
39. This Defendant's responses to paragraphs 1 - 13 are incorporated herein by reference for all purposes.

40. This Defendant denies the allegations of paragraph 40 of the Complaint.

41. This Defendant requests a trial by jury on all issues so triable.

WHEREFORE, this Defendant requests that the Complaint be dismissed and held for naught, that the Plaintiff take nothing thereby, and that this Defendant be awarded judgment in his favor, that he be awarded all his costs, and that he be reimbursed his attorney's fees.

Respectfully submitted,

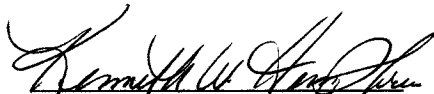


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CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a true and correct copy of the foregoing Response was served on James H. Moody, III, counsel for Plaintiff, by Federal Express, next day delivery, on this the 27th day of March, 2006.



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