

2. Defendant, Kenneth Wayne Humphries, is an individual attorney licensed to practice law in the Commonwealth of Kentucky. Mr. Humphries may be served with process at his place of business, 110 East 9th Street, Hopkinsville, Kentucky 42240.

JURISDICTION AND VENUE

3. This Court has jurisdiction over the subject matter of this action because the actions stated herein constitute Receivership Assets within the meaning of the Order Appointing the Receiver. The Court also has jurisdiction pursuant to 28 U.S.C. Section 1332(a). The Receiver is a citizen of Texas and the Defendant is a citizen of the Commonwealth of Kentucky. The amount in controversy is more than \$75,000.00, exclusive of interest and costs. Subject matter jurisdiction, in personam jurisdiction, and in rem jurisdiction also exists pursuant to 28 U.S.C. §§ 754 and 1692, and Fed. R. Civ. P. 4(k)(1)(D).

4. Venue for this action is proper in the Northern District of Texas because the SEC Action is pending in this district and this action is ancillary to it, the Receiver was appointed in this district, and this action involves Receivership Assets within the meaning of the Order Appointing the Receiver. Further, the Orders appointing the Receiver direct all actions such as this to be filed in the Northern District of Texas, Dallas Division.

BACKGROUND FACTS

5. On July 1, 2005, the United States Securities and Exchange Commission (the "SEC") instituted the SEC Action, pursuant to which the SEC alleged various counts of securities fraud by a number of individuals and entities, and in connection therewith, sought the appointment of a Receiver.

6. By Order dated July 5, 2005, as amended and supplemented by Orders dated July 19, 2005 and January 20, 2006, the Court, as part of the SEC Action, appointed Quilling the Receiver for Megafund and Lancorp, as well as other related individuals and entities.

7. Under the direction of Stanley A. Leitner, Megafund raised in excess of \$13.8 million dollars from over 70 investors throughout the nation, including Lancorp. Specifically, beginning in June of 2004, Leitner opened a Megafund bank account and began accepting investor funds. Leitner solicited investments through personal contact with prospective investors and through Megafund's written promotional materials. Said promotional materials represented that: (a) investors' funds will be pooled and placed into "an account at a major U.S. brokerage firm" wherein an unnamed "trader" will engage in "arbitrage" transactions involving the purchase and sale of "stocks, bonds, securities and derivatives of such on margin or otherwise" and "tri-party repurchase agreement transactions;" (b) investors will receive a "ten percent profit" per month and that their principal investment "is never at risk;" (c) investors must not discuss the investment with anyone without receiving permission from Megafund; and (d) a portion of trading profits will be used for humanitarian purposes.

8. Humphries acted as counsel for and/or general counsel of Megafund in connection with the solicitation of investors, including Lancorp. In particular, with respect to the solicitation of Lancorp, Humphries wrote a letter to Gary Lancaster, the president of Lancorp, on or about February 5, 2005, a true and correct copy of which is attached hereto as Exhibit A. Through this letter, Humphries falsely represented that "all funds involved in the "trading program" are secured in a brokerage account at a major investment institution and that the principal amount of any funds invested would be "insured against losses of every description".

9. Based upon the representations of Megafund and Humphries, Lancorp invested approximately \$9.5 million in Megafund.

10. For approximately two months after Lancorp invested with Megafund, Megafund paid purported “profits” to Lancorp not from any type of earnings but rather from funds of other investors and from funds it borrowed from another company. This practice was not disclosed to Lancorp or any of the other investors. Rather, they were lead to believe that the Megafund program was operating successfully.

11. In reality, the Megafund investment program was completely bogus. The offer and sale of the Megafund program was rife with false and misleading statements and numerous material facts were not disclosed. Rather than being invested as represented, investor funds were being used to pay for extravagant personal expenses and luxury items. Further, some of the funds were paid to individuals, such as Humphries, in exchange for no or inadequate consideration. Specifically, the records of Megafund reflect that over a period of 79 days, Humphries was paid at least \$19,000.00 without exchanging any benefit to Megafund or its investors. Furthermore, given Humphries fraudulent opinion letter to Lancorp, these payments cannot reasonably be considered attorney’s fees that were legitimately earned. Accordingly, Humphries has no right to retain any amount received from Megafund.

12. Furthermore, Megafund was nothing more than a huge *Ponzi* scheme. Any experienced attorney would know, or should have known, that there was no legitimate way that an entity can pay 120 percent annual interest. Additionally, any experienced attorney would have known, or should have known, that any investment which guarantees such a high rate of return while the investment funds are “insured against losses of every description,” is blatantly illegal.

13. Humphries, as Megafund's attorney/general counsel, owed a duty to Megafund to properly investigate the business of Megafund and to protect it against any illegal and/or unauthorized transactions. Humphries completely failed to do so, to the detriment of both Megafund, Lancorp and the other Megafund investors.

COUNT 1 – NEGLIGENCE

14. Paragraphs 1 - 13 are incorporated herein by reference for all purposes.

15. Humphries, acting as the attorney and/or general counsel for Megafund, owed Megafund and Lancorp, an entity that Humphries knew or should have known to be an intended beneficiary of Humphries's opinion letter of February 5, 2005, a duty of care to fully and properly perform his services and to properly investigate and advise Megafund and Lancorp as to matters entrusted to him.

16. The foregoing acts and omissions of Humphries constitute negligence as to his duties as an attorney. In the course of performing the acts and failing to perform the acts described above, Humphries failed to adhere to standards of care of a reasonable and prudent attorney under the same or similar circumstances.

17. As a direct and proximate cause of the negligence of Humphries, Megafund, Lancorp, and the other Megafund investors have been damaged in an amount equal to at least the amount invested in Megafund, for which amount the Receiver hereby sues.

COUNT 2 – NEGLIGENT MISREPRESENTATION

18. Paragraphs 1 - 13 are incorporated herein by reference for all purposes.

19. The statements in Humphries's letter to Lancorp dated February 5, 2005, were false and/or misleading as a result of Humphries' failure to properly investigate same. Therefore, such statements constitute negligent misrepresentations as to Lancorp.

20. As a direct and proximate result of said negligent misrepresentations, Lancorp has been damaged in an amount equal to at least to the amount it invested in Megafund, for which amount the Receiver hereby sues.

COUNT 3 – AIDING AND ABETTING CORPORATE WASTE

21. Paragraphs 1 - 13 are incorporated herein by reference for all purposes.

22. Monies paid by investors to Megafund constituted corporate assets of Megafund. The management of Megafund in place before the appointment of the Receiver wasted the assets by, among other things, using the corporate assets for personal and other purposes that were not disclosed to the investors. Humphries assisted the prior management of Megafund in wasting Megafund's assets, thereby aiding and abetting Megafund in the wasting of said assets.

23. As a result of the conduct of Humphries in aiding and abetting such corporate waste, Megafund, Lancorp and the other Megafund investors have been damaged in an amount equal to at least the amount of the money invested in Megafund, for which amount the Receiver hereby sues.

COUNT 4 – AIDING AND ABETTING BREACH OF FIDUCIARY DUTY

24. Paragraphs 1 - 13 are incorporated herein by reference for all purposes.

25. Megafund owed a fiduciary duty to Lancorp and the other Megafund investors. The prior management of Megafund breached Megafund's fiduciary duty to investors in numerous ways, including using investors' funds for personal and other purposes that were not disclosed to the investors. Humphries knowingly participated in Megafund's breach of fiduciary duty to Lancorp and the other Megafund investors, thereby aiding and abetting Megafund's breach.

26. As a result of the conduct of Humphries in aiding and abetting Megafund's breach of fiduciary duty, Megafund, Lancorp and the other Megafund investors have been damaged in an amount equal to at least the amount invested in Megafund, for which amount the Receiver hereby sues.

COUNT 5 – BREACH OF CONTRACT

27. Paragraphs 1 - 13 are incorporated herein by reference for all purposes.

28. Humphries was contractually obligated to assist in the solicitation of investors by, among other things, preparing letters which accurately reflected the consequences of investing in Megafund. The actions and inactions of Humphries constitute a breach of this contract, which breach caused Megafund's investors to invest in Megafund under false pretenses.

29. As a result of Humphries' breach of contract, Megafund, Lancorp and the other Megafund investors have been damaged in an amount equal to at least the amount invested in Megafund, for which the Receiver hereby sues.

COUNT 6 – CIVIL CONSPIRACY

30. Paragraphs 1 - 13 are incorporated herein by reference for all purposes.

31. Humphries knowingly agreed and conspired with Megafund to embark upon a course of action to accomplish the unlawful objectives described above by unlawful means. In that regard, Humphries and Megafund committed numerous unlawful overt acts.

32. As a direct and proximate result of the civil conspiracy between Humphries and Megafund, Lancorp and the other Megafund investors have been damaged in an amount at least equal to the amount invested in Megafund, for which amount the Receiver hereby sues.

COUNT 7 – FRAUD

33. Paragraphs 1 - 13 are incorporated herein by reference for all purposes.

34. In corresponding with Lancorp and other Megafund investors, Humphries made representations of material fact which were false of which Humphries knew or should have known were false. These representations were made by Humphries with the intent that Lancorp and the other Megafund investors rely on same and Lancorp and the other Megafund investors did in fact rely on Humphries' representations.

35. As a result of said reliance, Lancorp and the other Megafund investors have been damaged in an amount at least equal to the amount invested in Megafund, for which the Receiver hereby sues.

COUNT 8 FRAUDULENT TRANSFER

36. Paragraphs 1 - 13 are incorporated herein by reference for all purposes.

37. The Megafund investment program was fraudulent and a *Ponzi* scheme.

Consequently, all funds and benefits Humphries received from Megafund constitute fraudulent transfers.

38. As a result of the conduct described above, Lancorp and the other Megafund investors have been damaged in an amount at least equal to the amount paid by Megafund to Humphries, for which the Receiver hereby sues.

COUNT 9 – FEES, EXPENSES, COSTS AND INTEREST

39. Paragraphs 1 - 13 are incorporated herein by reference for all purposes.

40. As a direct result of Humphries' misconduct, as alleged hereinabove, it has been necessary for the Receiver to file this action. Such action necessarily requires the expenditure of litigation costs and expenses, and the hiring of attorneys. Further, equity requires that Humphries be required to pay the costs of this action, as well as pre-judgment and post-judgment interest on funds recovered at the highest lawful rate. The Receiver hereby sues for all such

costs, expenses, attorney's fees and pre-judgment and post-judgment interest to which he is entitled under the law or at equity.

JURY DEMAND

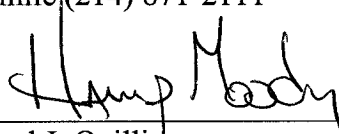
41. The Receiver respectfully requests that this case be tried before a jury.

WHEREFORE, PREMISES CONSIDERED, the Receiver prays that upon final trial of this matter that he recover judgment against Humphries in accordance with the foregoing, and for such other and further relief, general or special, at law or in equity, to which he may show himself to be justly entitled.

Respectfully submitted,

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

By:



Michael J. Quilling
Texas State Bar No. 16432300
James H. Moody, III
Texas State Bar No. 14307400

ATTORNEYS FOR PLAINTIFF

Exhibit “A”

LAW OFFICES
KENNETH W. HUMPHRIES

TELEPHONE
270-886-5848

POST OFFICE BOX 74
110 EAST NINTH STREET
HOPKINSVILLE, KENTUCKY 42241-0074

February 5, 2005

Mr. Gary Lancaster
President
Lancorp Financial Group, LLC
1382 Leigh Court
West Linn, Oregon 97068

Dear Mr. Lancaster:

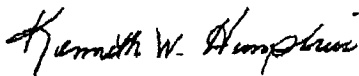
I have recently been appointed general counsel to Megafund Corporation and in that capacity can attest to and represent the following:

1. All funds involved in the "trading program" are secured in a brokerage account at a major investment institution.
2. The principal amount of the funds are insured against losses of every description.

Mr. Lancaster, I understand that Mr. Leitner, President of Megafund, has advised you that the name of the trader, the identities of the brokerage firm, and the insurance carrier are not to be divulged for reasons which he previously delineated. Accordingly, I am precluded from providing any information other than that which is contained herein.

I trust this information is helpful.

Sincerely,


Kenneth W. Humphries

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

I. (a) PLAINTIFFS: Michael J. Quilling, Receiver for Megafund Corporation and Lancorp Financial Group, LLC. DEFENDANTS: Kenneth Wayne Humphries. County of Residence of First Listed Plaintiff: Dallas. County of Residence of First Listed Defendant: (IN U.S. PLAINTIFF CASES ONLY). NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE LAND INVOLVED. Attorneys (If Known): 3-06CV0.299-R. Clerk, U.S. District Court, Northern District of Texas, 190 Bryan Street, Suite 1800, Dallas, Texas 75201, (214) 871-2100.

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)
1 US Government Plaintiff
2 US Government Defendant
3 Federal Question (U.S. Government Not a Party)
4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)
Citizen of This State: PTF 1, DEF 1
Citizen of Another State: PTF 2, DEF 2
Citizen or Subject of a Foreign Country: PTF 3, DEF 3
Incorporated or Principal Place of Business In This State: PTF 4, DEF 4
Incorporated and Principal Place of Business In Another State: PTF 5, DEF 5
Foreign Nation: PTF 6, DEF 6

IV. NATURE OF SUIT (Place an "X" in One Box Only)
CONTRACT: 110 Insurance, 120 Marine, 130 Miller Act, 140 Negotiable Instrument, 150 Recovery of Overpayment & Enforcement of Judgment, 151 Medicare Act, 152 Recovery of Defaulted Student Loans (Excl Veterans), 153 Recovery of Overpayment of Veteran's Benefits, 160 Stockholders' Suits, 190 Other Contract, 195 Contract Product Liability, 196 Franchise.
REAL PROPERTY: 210 Land Condemnation, 220 Foreclosure, 230 Rent Lease & Ejectment, 240 Torts to Land, 245 Tort Product Liability, 290 All Other Real Property.
TORTS: PERSONAL INJURY: 310 Airplane, 315 Airplane Product Liability, 320 Assault, Libel & Slander, 330 Federal Employers' Liability, 340 Marine, 345 Marine Product Liability, 350 Motor Vehicle, 355 Motor Vehicle Product Liability, 360 Other Personal Injury. PERSONAL INJURY: 362 Personal Injury - Med Malpractice, 365 Personal Injury - Product Liability, 368 Asbestos Personal Injury Product Liability, PERSONAL PROPERTY: 370 Other Fraud, 371 Truth in Lending, 380 Other Personal Property Damage, 385 Property Damage Product Liability. PRISONER PETITIONS: 510 Motions to Vacate Sentence, Habeas Corpus: 530 General, 535 Death Penalty, 540 Mandamus & Other, 550 Civil Rights, 555 Prison Condition.
FORFEITURE/PENALTY: 610 Agriculture, 620 Other Food & Drug, 625 Drug Related Seizure of Property 21 USC 881, 630 Liquor Laws, 640 R.R. & Truck, 650 Airline Regs., 660 Occupational Safety/Health, 690 Other.
LABOR: 710 Fair Labor Standards Act, 720 Labor/Mgmt. Relations, 730 Labor/Mgmt. Reporting & Disclosure Act, 740 Railway Labor Act, 790 Other Labor Litigation, 791 Empl. Ret. Inc. Security Act.
BANKRUPTCY: 422 Appeal 28 USC 158, 423 Withdrawal 28 USC 157.
PROPERTY RIGHTS: 820 Copyrights, 830 Patent, 840 Trademark.
SOCIAL SECURITY: 861 HIA (1395ff), 862 Black Lung (923), 863 DIWC/DIWW (405(g)), 864 SSID Title XVI, 865 RSI (405(g)).
FEDERAL TAX SUITS: 870 Taxes (U.S. Plaintiff or Defendant), 871 IRS—Third Party 26 USC 7609.
OTHER STATUTES: 400 State Reapportionment, 410 Annuity, 430 Banks and Banking, 450 Commerce, 460 Deportation, 470 Racketeer Influenced and Corrupt Organizations, 480 Consumer Credit, 490 Cable/Sat TV, 810 Selective Service, 850 Securities/Commodities/Exchange, 875 Customer Challenge 12 USC 3410, 890 Other Statutory Actions, 891 Agricultural Acts, 892 Economic Stabilization Act, 893 Environmental Matters, 894 Energy Allocation Act, 895 Freedom of Information Act, 900 Appeal of Fee Determination Under Equal Access to Justice, 950 Constitutionality of State Statutes.

V. ORIGIN (Place an "X" in One Box Only)
1 Original Proceeding
2 Removed from State Court
3 Remanded from Appellate Court
4 Reinstated or Reopened
5 Transferred from another district (specify)
6 Multidistrict Litigation
7 Appeal to District Judge from Magistrate Judgment

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):

VI. CAUSE OF ACTION
Brief description of cause: Legal malpractice

VII. REQUESTED IN COMPLAINT:
CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23
DEMAND \$ 10,000,000.00
CHECK YES only if demanded in complaint: JURY DEMAND: Yes No

VIII. RELATED CASE(S) IF ANY
(See instructions): JUDGE Sam A. Lindsay DOCKET NUMBER 3.05-CV-1328-L

DATE 2/16/06 SIGNATURE OF ATTORNEY OF RECORD James H. Massey

FOR OFFICE USE ONLY
RECEIPT # AMOUNT APPLYING IFP JUDGE MAG JUDGE