

LAW OFFICES
KENNETH W. HUMPHRIES

TELEPHONE
270-888-6840

POST OFFICE BOX 74
110 EAST NINTH STREET
HOPKINSVILLE, KENTUCKY 42401-0074

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
Kenneth W. Humphries

*140001E filed this
in the IL case on
Dec 17 2014 as
Exhibit E page 11 and 12*

App (edit of Leitner's cover page)

*In re Matter of Megafund
SLC 005 File No
FW-02975-A
Exhibit No 59*

1981-1982
 Owensboro, Kentucky
 Kentucky Court of Appeals
 Staff Attorney, William M. Carr, Judge

1980-1981
 Paducah, Kentucky
 Kentucky Court of Appeals
 Staff Attorney, I. William Howerton, Judge

Reviews and current work experience:

Currently licensed to practice law by the Kentucky Bar Association, and admitted to practice in Kentucky and before the United States District Court for the Western District of Kentucky and the Sixth Circuit Court of Appeals

Professional:

Ludington, Kentucky
 University of Kentucky College of Law
 Doctor of Jurisprudence, 1980

Major in Biology
 Minor in Biochemistry
 Bowling Green, Kentucky
 Western Kentucky University
 Bachelor of Science Degree, 1977

Hopkinsville, Kentucky
 Hopkinsville Community College
 Associates of Science Degree, 1974

Education:

Kenneth W. Humphries
 P. O. Box 74
 110 East Ninth Street
 Hopkinsville, Kentucky 42241-0074
 (770) 886-5649

Page ID 6

02/07/2005 13:05 FAX 9729192728

Kenneth Bushries

5000

1000-2005

Cardy, Kentucky

Kenneth Bushries Church

Adult Sunday School Class

Sunday School Teacher

Incorporator and former member of board of directors

Hopkinsville, Kentucky

d/b/a Herring's Christmas Academy

Christmas Kleaton, Incorporated

Director, 1994-2005

Hopkinsville, Kentucky

Trinity's Christmas Community, Incorporated

Vice President, 2004-2005

Hopkinsville, Kentucky

DOXA Construction, Inc.

Vice President and Director, 1995-2005

Ocala Foundation, Incorporated

Other business, professional and civic involvements:

operators

Solo practice from September, 1989 to present, representing several business clients and individuals in a practice primarily concentrated in areas of general civil and business law and civil litigation, with an emphasis in construction litigation and environmental litigation, and municipal law and development by virtue of my position as the City Attorney for the City of White Plains, Kentucky. (The Kentucky Bar Association does not certify specialties in the practice of law.) The work and litigation in which I have been involved have allowed me to develop a competent degree of expertise and understanding of legal issues arising in civil and business contexts, as well as in natural resource development and negotiation (coal, oil, and natural gas), engineering, geology, hydrology, water disputes, traditional agricultural operations and commercial farming operations.

May, 1986-August, 1989

Central City, Kentucky, and Eldon, Kentucky

Faxon and Kuehl, PSC

August, 1983-March, 1986

Owensboro, Kentucky

Loewen and Lamm, Attorneys at Law

1982-August, 1983

Frankfort, Kentucky

Kentucky Court of Appeals

Staff Attorney, Central Office

02/07/2005 13:05 9729192728 02/07/2005 18:35 9729192728

161 CSR FAX 161 CSR FAX

PAGE 04 PAGE 03



MEGAFUND
CORPORATION

January 31, 2005

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

Dear Mr. Lancaster,

Pursuant to our various discussions I have advised the trader that you require an attorney's opinion letter stipulating: 1) that the funds are secured in a top-tier banking institution/brokerage account and 2) that the principal amount of your investment is insured by a major insurance carrier against any and all losses including fraud.

I've been advised that the opinion letter is forthcoming. In the interim, please accept this letter as validation of those points.

Upon receipt of the opinion letter I will fax a copy to you and overnight the original.

I'm sorry for the delay.

Best of physical and fiscal health.

Sincerely,

Stan Leitner
President

EXCERPT

8

11:54

1 sent a letter from the United States Attorney's Office?

2 A Yes, sir.

3 Q Is the substance of that letter that he is the
4 target or subject of an investigation by this United
5 States Attorney's Office?

6 A Yes, sir.

7 Q And has there been similar communications with
8 Mr. Rumpf?

9 A Mr. Rumpf has come in for an interview, and I
10 believe he has an understanding of his situation.

11 Q He's aware of the fact that the United States
12 Attorney's Office here is looking into his transactions?

13 A Yes, sir.

14 THE COURT: Anything further, Mr. Ogan?

11:54

15 MR. OGAN: No further questions.

16 THE COURT: Mr. Loecker, you may step down.

17 Thank you. Who is the government's next witness?

18 MR. STOKES: Your Honor, the government calls
19 Ken Humphries.

20 KEN HUMPHRIES

21 DIRECT EXAMINATION

22 BY MR. STOKES:

23 Q Would you state your name and spell the last
24 name for the court reporter?

25 A Kenneth Wayne Humphries, H-u-m-p-h-r-i-e-s.

11:56

1 Q What is your profession or occupation?

2 A I'm an attorney.

3 Q Where do you practice?

4 A The State of Kentucky.

5 Q Where in Kentucky?

6 A Hopkinsville, Kentucky is where my office
7 located. I have a general practice that practices in
8 several counties in the western part and some in the
9 central part of the state.

10 Q Can you tell us a little bit about your
11 professional and educational background?

11:57

12 A I graduated from Christian County High School in
13 Hopkinsville, Kentucky in 1972. Went to the community
14 college there for two years. Got an associate's degree
15 and went on to the Western Kentucky University and
16 graduated from there in 1975 with a BS in biology -- a BS
17 major in biology -- minor in biophysics. Was accepted to
18 law school at the University of Kentucky College of Law in
19 1977. Graduated from Western in 1977. Went to UK Law
20 College in 1977. Graduated in 1980 with a JD from the
21 University of Kentucky College of Law.

22 Q What is the nature of your current practice?

23 A Primarily general business. A good bit of it is
24 environmental. We have a lot of coal mining in Western
25 Kentucky so I have represented and do represent some land

11:57

1 owners who have problems with coal mining and coal
2 companies. I do some construction litigation representing
3 homeowner's and people who have problems with contractors.
4 I do a little criminal work, not much. Wills, a few
5 trusts, nothing complicated.

6 Q Let me direct your attention to February of
7 2005. Did you have occasion to contract as general
8 counsel for Megafund Corporation?

9 A Yes.

10 Q How did that come about?

11 A It was Saturday, February 5th, 2005. I got a
12 call from a friend of mine named Gordon Brown. I had
13 known him since I practiced in Owensburg, Kentucky. I had
14 worked for him over the years and considered him to be a
15 good friend. Still do. He called me as I was walking to
16 my office. I live pretty close. It's about half a mile
17 to my office. So I was walking, and he called my cell
18 phone, and he said he had gotten to know a Stan Leitner,
19 and he was head of a business called Megafund, and the
20 business was growing, would I be interested in legal
21 counsel for Megafund. And I was. I had done a lot of
22 work for one client up to about November of 2004, and that
23 client -- I wasn't working for that client anymore. So
24 there was an opportunity in my practice because I had some
25 additional time that I could then devote to a new client,

11:58

CASSIDI L. CASEY, CSR, 214-354-3139
UNITED STATES DISTRICT COURT

12:04

1 were placed so that they could be traded.

2 Q Was Megafund Corporation what he meant by the
3 aggregator of these other funds?

4 A That's correct.

5 Q So at the time of the phone call he was
6 currently operating Megafund and aggregating investments?

7 A Yes.

8 Q Did he give any figures as to the type of money
9 he was going through?

10 A Well, first of all, dates. It's my
11 understanding that Megafund was created and Megafund's
12 first investments were made in June of 2004 and the first
13 pay out was made in July of 2004. And the company had
14 continued to grow. At some point in time, he contacted
12:05 15 Gordon Brown to see if he knew any other people who could
16 invest in Megafund.

17 Q Let's go back to you and your relationship with
18 Megafund.

19 A Yes.

20 Q Why was he telling you all of this? What
21 purpose? An attorney in Kentucky?

22 A Well, number one, he was looking for general
23 counsel.

24 Q What did he describe the general counsel wanted
25 to do? Let me retract that question. In addition to

12:07

1 secondly, the money or the principal was going to be
2 insured against loss. Couldn't be lost.

3 Q Did he indicate who was requiring this letter?

4 A Yeah, Mr. Lancaster.

5 Q Who was making this large investment?

6 A Yes.

7 Q Did he tell you --

8 THE COURT: Mr. Stokes, let's save that
9 question. It's time to take our midday recess. Ladies
10 and Gentlemen, please continue to observe the instructions
11 I have given you regarding your conduct as jurors while
12 we're apart for lunch. We'll be in recess until 1:30.

13 (Recess)

14 THE COURT: Go ahead.

13:38

15 BY MR. STOKES:

16 Q Before the break you were telling us that Mr.
17 Leitner requested a letter for Mr. Lancaster. What did he
18 request the letter contain?

19 A Understood the letter was to contain two
20 assurances, one the funds that he would be investing would
21 be held in a brokerage account in a major brokerage house
22 and that they would be insured against loss.

23 Q Did Mr. Leitner discuss the nature of this major
24 brokerage account, institution that he was at, with you?

25 A Do you mean by that did he identify --

CASSIDI L. CASEY, CSR, 214-354-3139
UNITED STATES DISTRICT COURT

13:41

1 little. The very, very top of the page up here. Now,
2 that is for lack of a better word a fax typewritten date
3 evidencing this document was faxed. Is that correct, sir?

4 A That's correct.

5 Q And it shows on February 5th at 5:54 p.m. it was
6 faxed by you to Megafund Corporation. Is that correct?

7 A Yes, assuming the identity was correct, it came
8 from Megafund Corporation, yes.

9 Q Let's go back and look at the text of the
10 letter. Let's look at the whole letter. This is what you
11 received by fax from Mr. Leitner?

12 A That's correct.

13 Q Would you read the handwritten lettering at the
14 bottom of the page?

13:42

15 A Down at the bottom it is written "Ken -- If this
16 letter is acceptable, kindly give me your e-mail, and I'll
17 send it to you," and an exclamation mark.

18 Q So everything -- This was actually the letter
19 that you eventually signed; is that correct?

20 A That's correct.

21 Q It was drafted entirely at Mr. Leitner's
22 request. He sent it, correct?

23 A That's correct.

24 Q Did he indicate it was acceptable after
25 receiving this fax?

13:44

1 A I believe it is.

2 Q What did you do with this?

3 A Well, once I had it in this format, I could
4 print it off on my letterhead.

5 Q Did you do so?

6 A I don't remember specifically if I did download
7 it, but I know that I did end up typing a letter that
8 contained this language verbatim. Either I downloaded it
9 or typed it onto my letterhead.

10 Q Once you did that, did you sign it and return to
11 Mr. Leitner?

12 A I did.

13 Q How did you return it?

14 A By fax.

13:45

15 Q And there should be an exhibit marked
16 Government's Exhibit 18.

17 A Yes.

18 Q What is that?

19 A A fax letter from my office.

20 Q And attached to that, is that a second document?

21 A Yes.

22 Q And what is that?

23 A That's the letter that Mr. Leitner asked me to
24 have put on my letterhead that I returned to Mr. Leitner
25 which was addressed to Gary Lancaster.

13:45

1 MR. STOKES: We offer at this time Government's
2 Exhibit 18, your Honor.

3 MR. OGAN: No objection to that.

4 THE COURT: Government's Exhibit 18 is
5 admitted.

6 BY MR. STOKES:

7 Q Tell us what the first page is of this exhibit.

8 A 18?

9 Q 18.

10 A It's a fax cover sheet that I prepared. It's
11 addressed to Mr. Stan Leitner at the fax number he gave
12 me. It's from me dated February 5th, 2005. The subject
13 of the letter was Gary Lancaster and the Lancaster
14 Corporation Financial Group, LLC. The fax consisted of
13:46 15 two pages as is indicated on this fax cover sheet. One
16 page being the cover sheet and the second page being the
17 letter addressed to Mr. Lancaster.

18 Q Let's look at the second page of that exhibit.
19 Again, is this the completed, finalized, signed letter you
20 faxed back to Mr. Leitner?

21 A Yes, sir, it is.

22 Q And is the signature yours?

23 A That is mine.

24 Q At the time you drafted this on February 5th,
25 2005, had Mr. Leitner provided you with a brokerage

CASSIDI L. CASEY, CSR, 214-354-3139
UNITED STATES DISTRICT COURT

CR-08-00261

16-10691.825

13:49

1 Flower Mound or were in the process of moving to Flower
2 Mound. At least a week a month initially. But that may
3 have been coming to Dallas or Flower Mound more than once.
4 I might be down more than a couple of days. But at least
5 a week a month and available the rest of the month.

6 Q Did you receive any money from Mr. Leitner for
7 your services?

8 A I did.

9 Q How much?

10 A A total of \$19,000.

11 Q And do you recall when you received your first
12 payment?

13 A In February, shortly after.

14 Q And how much was that?

13:50

15 A \$5,000.

16 Q By the time you drafted this letter and sent it,
17 what was your understanding who this letter was going to
18 be distributed to? What did Mr. Leitner tell you about
19 what he was going to do?

20 A The letter wasn't going to be distributed to
21 anyone. It was going to be sent to Mr. Lancaster.

22 Q I am going to show you a document presented in
23 evidence as Government's Exhibit 20. It should show up on
24 your screen in a moment.

25 A Yes, sir.

14:00

1 think.

2 Q So you continued to work through June and July?

3 A Well, I mean I worked on that agreement, and
4 then I got something faxed to me the end of June. So that
5 was the last time I was asked to do any work for Megafund.

6 Q You said the money you received was in the
7 neighborhood of \$16,000?

8 A \$19,000.

9 Q And have you had to return those fees to the SEC
10 receiver in this case?

11 A I have, yes.

12 Q You have disgorged yourself of any money?

13 A That's correct.

14 Q Do you see the individual you know as Stan
15 Leitner in the courtroom today?

16 A I do.

17 Q Would you describe him?

18 A Almost directly behind you from where I'm
19 sitting.

20 Q And which of the three gentlemen?

21 A The white-haired gentlemen.

22 MR. STOKES: If the record would reflect the
23 witness identified the defendant.

24 THE COURT: The record will so reflect.

25 Mr. Ogan, do you have questions?

CASSIDI L. CASEY, CSR, 214-354-3139
UNITED STATES DISTRICT COURT

14:01

1 MR. OGAN: Yes, your Honor.

2 CROSS EXAMINATION

3 BY MR. OGAN:

4 Q Other than returning the attorneys' fees that
5 you had gotten from Megafund, was there any other
6 disciplinary action taken against you?

7 A A complaint was filed with the Kentucky Bar
8 Association which is currently pending based in part on
9 the outcome of whether or not I complied with and continue
10 to comply with the agreement that was reached between the
11 receiver and me, the agreement that he and I reached. The
12 agreement here in Dallas was that I would repay the
13 \$19,000. Plus, I'm allowed to keep income up to about
14 \$8,000 a month for the operation of the office. Any
15 income I generate in excess of that is to be paid back to
16 the receiver. And also for a period of time until the
17 general proceedings that the receiver is prosecuting on
18 behalf of the SEC are complete in his attempt to recover
19 and recoup funds that were paid out by Megafund for the
20 benefit of the investors. And also a judgment was entered
21 against me for my professional negligence and the way I
22 represented Megafund in the amount of about \$12,000,000.

14:02

23 Q And so are you still practicing law?

24 A I am, yes.

25 Q And you are trying to comply with what the

CASSIDI L. CASEY, CSR, 214-354-3139
UNITED STATES DISTRICT COURT