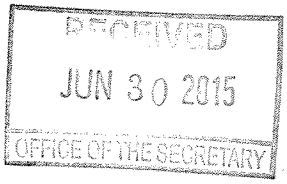
June 1, 2015



Commission Secretary
Elizabeth M. Murphy FBO
Office of Administrative Law Judge
U.S. Securities and Exchange Commission
100 F. Street, N.E., Mail Stop 2557
Washington, D.C. 20549

3-15746

RE: File No. 3-15746; In the Matter of Gary L. McDuff, Respondent; Respondent's Supplemental Briefing and Additional Evidence, Pursuant to the Administrative Judge's Order Dated April 30, 2015.

Dear Ms. Murphy:

Please find herewith an original plus three (3) copies of "Respondent's Supplemental Briefing and Additional Evidence" which I request that you file and docket in the normal course. I have enclosed copies as indicated below per your instructions.

Please return a file stamped copy of this letter for my files. I have enclosed a self-addressed stamped envelope for your use.

Thanking you in advance for your assistance in this matter.

Respectfully Submitted,

Gary L. McDuff
[redacted]
Beaumont, Texas [redacted]

cc: (with enclosures)

(1) Hon. Brenda P. Murphy
Chief Admin. Law Judge

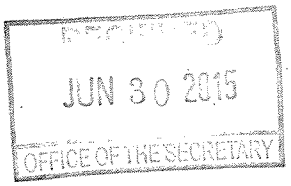
(2) Hon. Cameron Elliot
Admin. Law Judge
100 F. Street, N.E.
Mail Stop 1090
Washington, DC 20549
(courtesy copy)

(3) Janie L. Frank
Counsel for the Division of Enforcement
Ft. Worth Regional Office
801 Cherry Street, Suite 1900
Ft. Worth, Texas 76102-6882

UNITED STATES OF AMERICA

before the

SECURITIES AND EXCHANGE COMMISSION



In the Matter of GARY L. MCDUFF	ADMINISTRATIVE PROCEEDING File No. 3-15764

GARY L. MCDUFF'S SUPPLEMENTAL BRIEFING AND SUPPLEMENTAL EVIDENCE IN OPPOSITION TO THE SECURITIES AND EXCHANGE COMMISSION'S MOTION FOR SUMMARY DISPOSITION, AND IN SUPPORT OF MCDUFF'S MOTION FOR SUMMARY DISPOSITION DISMISSING THIS PROCEEDING

Dated: June 1, 2015

Respectfully Submitted,

Gary L. McDuff

[redacted]

Beaumont, Texas [redacted]

Gary L. McDuff (hereinafter referred to as McDuff) files the following "Supplemental Brief and Evidence" (1) in compliance with this Court's Order dated April 17, 2015, (2) in opposition to the Securities and Exchange Commission's Division of Enforcement (hereinafter DE) Motion for Summary Affirmance, and (3) in support of Respondent's Motion for Summary Disposition, dismissing this case, with prejudice against refiling and in support thereof would show the following:

1. McDuff filed a Federal Rules of Civil Procedure Rule 60(b)(2)(2)(3)(6) and Rule 60(d)(3) Motion to Vacate a Final Default Judgment in Civil Action No. 3:08-CV-526L in the United States District Court for the Northern District of Texas, styled, Securities and Exchange Commission v Gary L. McDuff et al. The above numbered and styled case is a primary case that the DE relied on as a basis for the sanctions requested from this Court.

   The Rule 60 Motion to Vacate Final Default Judgment (hereinafter Rule 60 Motion) is predicated on the following grounds:

   (i) default judgment is procedurally improper;

   (ii) newly discovered evidence which by due diligence could not have been discovered in time to move for a new trial under Rule 59(e);

   (iii) fraud (whether previously called intrinsic or extrinsic) misrepresentation, and/or misconduct by an opposing party which constitutes grounds for relief from a judgment;

   (iv) any other reason that justifies relief; and

   (v) fraud on the Court.

McDuff in support of the basis for relief from the Default Judgment filed with his Rule 60 Motion, thirty-four (34) exhibits and eight (8) affidavits, all of which are relevant to the issue before this Court. (See Appendix 1 herewith, McDuff's "MOTION PURSUANT TO RULE 60(b)(d) TO GRANT RELIEF FROM AND VACATE A FINAL DEFAULT JUDGMENT" plus Exhibits and Affidavits).

2. On or about March 31, 2015, the DE filed its Response to McDuff's Rule 60 Motion and on or about May 4, 2015, McDuff filed his reply to the DE's opposition to his Motion to Vacate. (See Appendix 1 hereto).

ISSUE I BEFORE THE ADMINISTRATIVE LAW JUDGE

DID MCDUFF ACT AS A BROKER, DEALER OR SELLER OF SECURITIES WITH REGARD TO THE SALE OF LANCORP FINANCIAL FUND BUSINESS TRUST (HEREINAFTER "LANCORP FUND") SHARES OF STOCK TO LANCORP FUND SHAREHOLDER'S?

3. McDuff is alleged to have committed certain misconduct in relationship to the sale of shares of "Lancorp Fund" to investors, by the DE in this proceeding. Specifically the DE alleged the following misconduct:

(i) (a) alleged that McDuff was the "mastermind" behind a scheme to create and operate an entity named Lancorp Fund Business Trust ("Lancorp Fund");

(b) through Lancorp Fund and its afiliated entities McDuff materially misrepresented to investors the nature of the offering, the risks, and the use of proceeds;

(c) McDuff and two associates, Gary L. Lancaster and Robert T. Reese, raised more than $11 million;

(d) McDuff falsly represented that Lancorp Fund would invest

only in A+ or A1 rated bonds;

(e) that the principal of each investment would be insured and never at risk;

(f) that Lancaster had experience operating this type of investment; and

(g) McDuff failed to disclose his prior conviction.

(ii) The DE filed its Motion for Summary Disposition on about April 25, 2014, alleging the following in support of its Motion:

Alleged "Statement of Facts" and
Allegations Relevant to This Proceeding

(a) alleged that McDuff raised more than $11 million from 105 investors;

(b) alleged that McDuff and two others "he recruited" organized "Lancorp Fund";

(c) alleged "They represented that "Lancorp Fund" would only invest in highly rated debt securities; and that no commissions would be paid on the initial investments";

(d) "Lancorp Fund" invested in a Ponzi scheme known as 'Megafund';

(e) alleged that "Lancorp Fund" secretly paid McDuff commissions;

(f) alleged that after returning to the United States to answer the Indictment, the SEC re-opened the civil case in the Northern District of Texas and had McDuff served with a summons while in custody;

(g) alleged the facts in Section II of the OIP are true, (emphasis ours)

Section II of the OIP, Numerical Paragraph 3 contain allegations (claimed to be Facts) by the DE that are demonstratatively false, as demonstrated by admissible evidence consisting of Lancaster's Sworn Declaration, Lancaster's Deposition testimony, affidavits, and business records introduced in McDuff's civil and criminal cases, and the Sworn Declaration/Affidavit of Gary L. McDuff, all of which was known to the DE lawyers and associates at the time of filing civil actions against McDuff.

Evidence that Controverts the SEC-DE's Allegations in this Proceeding

4. Previously filed with McDuff's Motion for Summary Disposition the following evidence controverts and is dispositive against the DE's allegations alleged to be "true" in Section II of the OIP, as follows:

(a) sworn statement (supplemented herewith, Exhibit A, McDuff's Supplemental Sworn Statement) that he (McDuff) had no control or authority over Lancorp Fund and did not sell or attempt to sell shares of Lancorp Fund to anyone;

(b) sworn statement refuting that he (McDuff) created "Lancorp Fund", plus Exhibit A Exhibits and Affidavits;

(c) sworn statement that he (McDuff) did not advise investors regarding the "Lancorp Fund" risks, or use of proceeds;

(d) sworn statement that he (McDuff) did not participate with Lancaster and Reese contacting investors to raise money for "Lancorp Fund";

(e) sworn statement that he (McDuff) did not represent what the "Lancorp Fund" may invest in or the nature of any such

investment;

(f) McDuff had established a website disclosing his prior non-fraud conviction via the internet;

(g) Sworn statement that he (McDuff) was at all relevant times unaware of any deviation from the express terms of the Private Placement Memorandum (PPM) as well as any deviation from Rule 506 Reg. D, 17 CFR § 203, 506 requirements as a result of Lancaster's management decisions;

With regard to the determination of whether or not McDuff could be considered a "control person" in relationship with "Lancorp Fund", the Fifth Circuit has established the following rule:

> "...The Fifth Circuit similarly construes the control person provisions of...15 USC § 77o and section 20(a) of the Securities Exchange Act of 1933, 15 USC § 78t(a) ..."..."...a plaintiff must at least show that a defendant had an ability to control a specific transaction or activity upon which the primary violation is based. (See West v United States; 579 Fed. Appx. 863; 2014 U.S. App. LEXIS 17445)."

The DE has not and cannot demonstrate with admissible evidence, that McDuff could be a "control person".

ISSUE II BEFORE THE ADMINISTRATIVE LAW JUDGE

IS THERE EVIDENCE TO SUPPORT A STATUTORY BASIS FOR IMPOSING A COLLATERAL BAR AGAINST GARY L. MCDUFF, AND IS A COLLATERAL BAR IN THE PUBLIC INTEREST UNDER THE FACTS OF THIS CASE.

5. McDuff's original answer and his Motion for Summary Affirmance provided factual details as well as admissible evidence that refutes the DE's allegations in its OIP and it's follow-on proceeding based on insufficient evidence, and in that regard McDuff files the following Supplemental evidence that consists of McDuff's Supplemental Declaration, the Rule 60 Motion filed in the United States District Court for the Northern District of Texas (Appendix 1 plus Exhibits),

and additional excerpts from the deposition testimony of Gary L. Lancaster, citations to twenty one (21) United States District Court opinions from 2007-2008 that find that Lancaster is a registered representative with O.N. Equity Sales Company, a registered broker-dealer at the time "Lancorp Fund" effectuated the sale of "Lancorp Fund" Securities at the times relevant to the DE cause of action in this Court. The Twenty-one (21) United States District Court cases and opinions therein generally find that Lancaster not aided by McDuff in any manner; for that matter, only Lancaster is ever identified as an owner, manager, registered representative, trustee, and/or a licensed Investment Advisor Representative. (See Exhibit G - O.N. Equity Sales Company v. Dean K. Steinke, 504 F.Supp.2d 913; 2007 U.S. Dist. LEXIS 64842 (C.D. Calif. Aug. 27, 2007) holding:

> "the amount paid by the investors for shares in the Lancorp Fund was initially...deposited into an escrow account"... "under the terms of the Private Placement Memorandum, the Lancorp Fund offering..."..."Lancaster became a registered representative of Plaintiff ONESCO on March 23, 2004..." "ONESCO is a full service retail broker-dealer with more than 1000 registered representatives."..."After becoming a registered representative of ONESCO Lancaster notified Defendants in April 2004 that a material condition of their investment had changed...shortly thereafter, each of the Defendants [investors in Lancorp Fund's subscription escrow] acknowledged the change in the offering and reconfirmed their subscriptions...The 'Lancorp Fund' officially became effective as of May 14, 2004."

The United States District Court after making the above findings regarding Lancaster and the Lancorp Fund made the following conclusion at law:

> "The actual investment using Defendant's [Lancorp Fund shares subscribers whose money was in escrow with Lancorp], investment of funds was not made until May of 2004, two months after Lancaster became a registered representative of ONESCO."

..."There was no sale of securities until May 2004..."

6. The DE has put forth insufficient evidence to support a finding in this proceeding that McDuff qualifies as a "broker-dealer", or an "associated person" regarding the "Lancorp Fund" sale of securities, as effectuated by Lancaster on or about May 14, 2004. Specifically, the DE has not offered evidence that would support a finding that McDuff engaged in the following conduct:

(i) effected the sale of shares of "Lancorp Fund" securities;

(ii) induced the purchase or sale of "Lancorp Fund" securities;

(iii) effected transactions in "Lancorp Fund" securities for the accounts of others;

(iv) was employed by "Lancorp Fund", the issuer of the securities;

(v) had a history of selling securities for others;

(vi) involved in giving advice to others regarding "Lancorp "Fund" securities; and

(vii) was paid a commission for the sale of "Lancorp Fund" securities, which sale occured on or about May 14, 2004.

(See United States Securities and Exchange Commission v. John J. Bravata, 3F.Supp.3d 638; 2014 U.S. Dist. LEXIS 28496 (ED Mich. 2014).

In contrast, McDuff offers as clear and convincing evidence the Sworn Declaration, and sworn testimony from two (2) depositions given by Lancaster to the DE in November 2005 and March 2006, Exhibit C and Exhibit D hereto, which demonstrate unconditionally that McDuff had no role, no control, and no participation in the operation of "Lancorp Fund" or the sale of Lancorp Fund securities.

Further, McDuff offers excerpts from Lancaster's deposition (Exhibit D hereto) that clearly establish that McDuff did not receive a commission for the sale of "Lancorp Fund" securities.

7. McDuff, with regard to contacts with third party potential investors in "Lancorp Fund" shares, did nothing more than introduce to Lancaster two (2) potential purchasers of "Lancorp Fund" securities; that is, Francis Lynn Benyo (Benyo) and Jay Biles (Biles). The evidence is clear and convincing that McDuff Did Not refer either Benyo or Biles to "Lancorp Fund". (See Benyo and Biles signed declaration of who referred them, Exhibit E and Exhibit F hereto).

(See Securities and Exchange Commission v. Kenneth R. Kramer; 778 F.Supp.2d 1320; 2011 U.S. Dist. LEXIS 38968 (MD Fla. 2011)) holding:

> "Merely bringing together the parties to transactions, even those involving the purchase and sale of securities, is not enough to warrant broker registration..." (citations ommitted.)

Further, the DE has offered no evidence to demonstrate that McDuff:

(i) Worked for "Lancorp Fund";

(ii) Received transaction-based commissions for the sale of "Lancorp Fund" securities;

(iii) Sold securities for some other broker-dealer; and

(iv) Actively (rather than passively) finds investors for "Lancorp Fund".

(See Kramer id).

8. McDuff is actively challenging the default Civil Judgement from the Northern District of Texas, as is demonstrated by Appendix 1 hereto. Further, McDuff has filed his direct appeal with the United States Court of Appeals for the Fifth Circuit, from the

Judgement, Conviction, and Sentence out of the United States District Court for the Northern District of Texas, Criminal Case Number: 4:09CR90, United States of America v. Gary Lynn McDuff et al. A copy of McDuff's opening brief and the Appendix thereto is filed herewith as Appendix 2. In as much as McDuff's criminal case is on direct appeal, it is not considered a final judgement, providing additional support for not considering the Superceding Indictment, judgement, and sentence in the criminal case as evidence in support of the DE allegations in this proceeding.

(See JGM Holdings LLC v. T-Mobile USA Incorporated, 568 Fed. Appx. 316; 2014 U.S. App. LEXIS 9387 (5th Cir. 2014)) holding:

> "...judgements pending appeal are not final for res judication purposes..."

Thus McDuff urges the Administrative Law Judge to give no preclusive effect to the fact that McDuff was convicted and sentenced in 2013, which conviction is on direct appeal. See Appendix 2 hereto.

For the foregoing reasons, McDuff requests the Administrative Law Judge to Deny DE's Motion for Summary Affirmance and to Grant McDuff's Motion for Summary Disposition and to Dismiss this proceeding with Prejudice against refiling.

Respectfully Submitted,

Dated: June 1, 2015.

Gary L. McDuff, Pro Se

[redacted]

Beaumont, Texas [redacted]

CERTIFICATE OF SERVICE

I, GARY L. MCDUFF, certify that in accordance with the Administrative Law Judge's Order, dated April 30, 2015, I am timely filing this Supplemental brief and Evidence by transmitting an original and four (4) copies of the foregoing, Brief, Exhibits, and Appendix, via priority mail service to:

(1) Honorable Judge Cameron Elliot
Administrative Law Judge
100 F. Street N.E., Mail Stop 1090
Washington, DC 20549;

and served a copy on:

Janie L. Frank
Counsel for the Division of Enforcement
Fort Worth Regional Office
801 Cherry Street, Suite 1900
Ft. Worth, Texas 76102-6882

Gary L. McDuff

EXHIBIT LIST

Exhibit	Description
A	Gary L. McDuff Supplemental Declaration.
B	Lancaster's Declaration dated June 30, 2005.
C	Excerpts from Lancaster's Deposition dated November 17, 2005.
D	Excerpts from Lancaster's Deposition dated March 25, 2006.
E	Page "SB-11" of investor Frances Lynn Benyo's Lancorp Fund Subscription Agreement showing Levoy Dewey as the "Referring Party".
F	Page "SB-11" of investor Jay Biles' Lancorp Fund Subscription Agreement showing Kevin and Salena Herring as the "Referring Party".
G	Federal Court's finding of no sales of Lancorp Fund shares until May 14, 2004; See O.N. Equity Sales Co. v Steinke, 504 F.Supp.2d 913; 2007 U.S. Dist. LEXIS 64842 (C.D. Calif. Aug. 27, 2007); affirmed by 21 different federal courts.
H	NASD-FINRA website reflecting Gary Lancaster's securities licenses.
I	Affidavit of Shinder Ganger dated February 18, 2014 confirming Gary McDuff was not the person who conceived the Lancorp Fund project or who sold shares in it or had any control over it or Mr. Lancaster.
J	Lancorp Fund 2003 FORM D filing with the Securities and Exchange Commission in Washington, DC.

Appendix	Description
1	Motion Pursuant To Rule 60(b)(d) To Grant Relief From And Vacate a Final Judgment Of This Court followed by Gary L. McDuff's Reply To The Securities And Exchange Commission's Opposition To Relief Requested Pursuant To Rule 60(b)(2)(3)(6) And Rule 60(d0(3), Federal Rules Of Civil Procedure.
2	Gary L. McDuff's Direct Appeal of his criminal conviction to the Fifth Circuit with all exhibits.

APPENDIX

1

- MOTION PURSUANT TO RULE 60 (b)(d) TO GRANT RELIEF FROM AND VACATE A FINAL JUDGMENT OF THIS COURT.
- GARY L. MCDUFF'S REPLY TO THE SECURITIES AND EXCHANGE COMMISSION'S OPPOSITION TO RELIEF REQUESTED PURSUANT TO RULE 60 (b)(2)(3)(6) AND RULE 60 (d)(3), FEDERAL RULES OF CIVIL PROCEDURE.

ORIGINAL

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

SECURITIES AND EXCHANGE COMMISSION, Plaintiff	§	Civil Action No.: 3:08-CV-5261
-vs-	§	
GARY LYNN MCDUFF et al, Defendants	§	

MOTION PURSUANT TO RULE 60(b)(d) TO GRANT RELIEF FROM AND VACATE A FINAL DEFAULT JUDGMENT OF THIS COURT

NOW COMES, GARY LYNN MCDUFF, (Hereinafter referred to as Petitioner), and files this his Motion pursuant to the Federal Rules of Civil Procedure, Rule 60(b)(2)(3) and (6) and Rule 60(d)(3) challenging the Judgment of this Court dated February 22, 2013, (Exhibit A hereto - copy of "FINAL DEFAULT JUDGMENT") and in support of this Motion, Petitioner would show the following:

A. Summary of Factual Basis For Relief Pursuant to Fed.R.Civ.P. Rule 60(b)(2)(3) and (6) and Rule 60(d)(3)

The Securities and Exchange Commission's lawyers, investigators, agents and employees acting in concert with Michael J. Quilling (Receiver for Megafund Corporation; Lancorp Financial Fund Business Trust; Lancorp Financial Group, LLC; CIG Ltd.; SARDAUKAR holdings IBC; and CILAK International) orchestrated and were involved in forum shopping this case out of the Northern District of Texas (See Affidavit 8 - Stephen Coffman, former ICE and Department of Homeland Security Agent, Affidavit) several court actions (violating the precepts of the Supreme Court's holding in United States v Kordel, 397 U.S. 1, 90 S.Ct. 763, 25 L.Ed.2d 1 (1970)) filed in different United States District Courts that were

designed and did in fact obscure the following facts:

(1) Until February 8, 2005, Lancorp Financial Fund Business Trust ("Lancorp Fund" established March 17, 2003) sustained no loss of investor funds;

(2) On or about February 8, 2005, Gary L. Lancaster (Lancaster) in reliance on a legal opinion from Kenneth Humphries (Megafund's President) transferred $5,000,000 to Megafund; ultimately Lancaster transferred a total of $9,365,000 to Megafund (See Exhibits B, C, and D - Lancaster's Declaration and excerpts of Lancaster's deposition testimony);

(3) At a time when Lancaster and Lancorp Fund were considered victims by the SEC*; Lancaster, on June 30, 2005, gave a sworn Declaration, and on November 17, 2005, and on March 25, 2006, gave deposition testimony to the SEC and Receiver Quilling; that he (Lancaster) alone had total control over Lancorp Fund's money and only he (Lancaster) could authorize the transfer of Lancorp Fund money (See Exhibits C pgs 37-38 and D pgs 2 & 10);

(4) That Petitioner (McDuff) had no control over any of the affairs of Lancorp Fund, nor did Petitioner (McDuff) have any management, consultancy, or advisory relationship with Lancorp Fund or Lancaster (Exhibit D pgs 2-4, 7-8, 10, 12; highlighted lines);

(5) That Petitioner's (McDuff) only connection to Megafund was that his parents had invested in Megafund (See Exhibit D pg 7-8);

(6) That Petitioner introduced Norman Reynolds, a securities lawyer, to Lancaster to represent Lancorp Fund, and to draft the PPM and to insure that Lancorp Fund was an exempt fund

* See Pleading excerpt - SEC v Megafund et al, Exhibit D pgs 15-16.

under Rule 506-D (Reg D exempt) and to file the proper Reg D filing which filings were made with the appropriate regulatory authorities and these filings were and are a matter of public record with the SEC (See Exhibits C, D, and M hereto);

Facts Known to Receiver Quilling and the SEC and not Disclosed to this Court

(7) That all $9,365,000 of Lancorp Fund's money is easily traced into Megafund and out to affiliates, and was recovered by Receiver Quilling from Megafund and its related affiliates, that is CIG, CILAK, SARDAUKAR and certain individual affiliated parties (See Exhibits E and F);

(8) That Receiver Quilling arbitrarily paid out Lancorp Fund money to Megafund claimants and other (related to Megafund) claimants, which is the proximate cause of the loss in Lancorp Fund, all in breach of Receiver Quilling's fiduciary duty owed to the Lancorp Fund investors (See Exhibits F, CC and EE);

(9) That before bringing suit against Petitioner the SEC lawyers, agents, and investigators knew, or should have known that approximately twenty (20) United States District Courts (the ONESCO litigation) had adjudicated the insurance issue (that is the lack of insurance) to not be a basis for a fraud liability or a misrepresentation claim, because of Lancaster's "Notice of Change in a Material Condition" given to all Lancorp Fund investors before breaking escrow and selling shares (See Exhibit G - a listing of all ONESCO cases that relate to Lancorp Fund, Lancaster and the proposed insurance for Lancorp Fund);

(10) That Petitioner made no material misrepresentations to any

Lancorp Fund investor, nor referred any investor to invest in Lancorp Fund, nor did Petitioner have a duty to disclose his prior felony conviction as he made no sale of a security to any Lancorp Fund investor;

(11) That the actions brought by Receiver Quilling and the SEC were barred by the applicable statute of limitations (See 15 USC § 77m and § 78r(c));

(12) That Receiver Quilling fraudulently misrepresented to this Court regarding the nature of Petitioner's relationship with MexBank, S.A. de C.V. (See Exhibits U and U1);

(13) That Receiver Quilling and the SEC lawyers gave false declarations in support of a Motion for Default Judgment, regarding Petitioner's role in Lancorp Fund as well as the requirements of 15 USC § 78(o) regarding disclosure of Petitioner's prior conviction; and

(14) Default Judgment is not procedurally proper in that Petitioner filed a Rule 12 Motion to Dismiss and an Answer albeit in a less than artful pleading.

B. Relevant Procedural History and Case Facts

1. The Securities and Exchange Commission (SEC), originally filed this action against Petitioner and two co-defendants, Gary L. Lancaster and Robert T. Reese. Both Gary L. Lancaster (hereinafter referred to as Lancaster) and Robert T. Reese (hereinafter referred to as Reese), agreed to judgments against them individually (See Exhibit H - Docket Sheet; Entry No. 7 as to Reese, and Entry No. 8 as to Lancaster). Whereas Petitioner filed the following pleadings in answer to the complaint:

(1) May 6, 2008 - "Notice of Special Appearance...";

(2) May 12, 2008 - "Corrected Attachment to Notice";

(3) May 12, 2008 - "Notice of Non Acceptance of Offer...";

(4) May 23, 2008 - "Notice of Agent and Principal..."; and

(5) may 23, 2008 - "Verified Notice of Non Response...".

(See Exhibit H - Docket Sheet; Entry Nos. 9, 10, 11, 12, and 13).

Background Facts

2. At the time of filing the above pleadings, in this case, Petitioner was living and working in Mexico City, Mexico. On the face of Petitioner's filings is the address for Petitioner at the time of the filings. Petitioner's employer was a Belize Corporation, Secured Clearing Corporation the sole shareholder was a Belize Trust, Southern Trust Company, the Grantor of the Trust was Sir George Brown and the Beneficiary is Roy Cadle, both citizens of Belize (See Exhibit I). Previously Secured Clearing Corporation was owned by a citizen of the United Kingdom, Terrance de 'Ath, who employed Petitioner as a Director of Secured Clearing Corporation. In early 2005, Terrance de 'Ath sold Secured Clearing Corporation to Southern Trust Company, pursuant to a transaction negotiated between Terrance de 'Ath and Sir George Brown. Petitioner's employment from June 2006 required that he work out of Mexico City, Mexico.

Civil Litigation Regarding Lancorp Fund, Gary L. Lancaster, Gary L. McDuff, and Robert T. Reese

2a. On or about March 10, 2006, the SEC filed an action for civil contempt (1st civil action) against Petitioner over the Petitioner's non-appearance at a deposition (SEC v. Gary L. McDuff; Case No. 4:06-MC-00011Y; United States District Court for the

Northern District of Texas, Fort Worth Division, Judge Means presiding). The contempt case was "closed" by Court Order on or about April 17, 2006, just prior to Petitioner moving to Mexico City, Mexico.

2b. The next case (2nd civil action) involving Petitioner was; Filed: May 30, 2006, and styled:

Michael J. Quilling, Receiver for Megafund Corporation and Lancorp Financial Group, LLC, Plaintiff

v

Gary L. McDuff, Individually and d/b/a Southern Trust Company and First Global Foundation; Robert T. Reese, Individually and d/b/a Excel Financial, Inc., and Shannon [redacted]*, Individually and d/b/a Secured Clearing Corporation, Defendants, Case No. 3:06 CV 0959-L; In the United States District Court, for the Northern District of Texas, Dallas Division, Judge Sam Lindsay presiding.

2c. On or about June 7, 2006, Petitioner moved to Mexico City, Mexico, to continue his employment with Secured Clearing Corporation, [redacted] and any such assertion is a false representation without a basis in fact. At the time of Petitioner's move to Mexico City, Mexico, there existed no Court Order, injunction or other legal restriction imposed on Petitioner to prevent his move out of the United States. There is no basis in fact to allege as the Receiver Quilling and the SEC alleged in subsequent filings, that Petitioner "fled" the jurisdiction

FN1 *Shannon [redacted] is Gary L. McDuff's [redacted] and has never done business as Secured Clearing Corporation, nor had any ownership interest in Secured Clearing Corporation. She was paid by Secured Clearing Corporation for accounting work.

to avoid prosecution.

2d. On or about January 23, 2007, Michael J.Quilling (hereinafter referred to as Receiver Quilling and/or Receiver) as Receiver for Megafund Corporation and Lancorp Financial Group, LLC, filed a Motion for Summary Judgment against the Defendants in Case No. 3:06-CV-0959-L, which was granted, (fraudulent conveyance).

2e. On or about March 26, 2008, (the instant case, 3rd civil action) the SEC filed a case styled and numbered as follows: Case No. 3:08-CV-526-L; In the United States District Court for the Northern District of Texas, Dallas Division;

Securities and Exchange Commission, Plaintiff

v

Gary L. McDuff,

Gary L. Lancaster, and

Robert T. Reese, Defendants

Both the Receiver's case and the SEC's case are barred by limitations, pursuant to 15 USC § 78r(c). The civil actions brought against Petitioner by the SEC (the instant case), are based on events and occurrences that were concluded on or about February 8, 2005, that is, the previously adjudicated date of the first transfer of funds to Megafund Corporation, or alternatively the last date of the alleged fraud, would be the date of the last transfer from Lancorp Fund to Megafund Corporation, that is, May 4, 2005, which exceeds the one (1) year limitations period set out by statute in 15 USC § 78r(c) which is applicable to the securities transactions made the basis of the SEC litigation and Receiver Quilling's litigation. Alternatively Lancorp Fund was by Court Order taken

over by Receiver Quilling on or about July 5, 2005, (See Quilling v McDuff, 2006 U.S. Dist. LEXIS 76973; (USDC N.D. Texas, Dallas; 2006) which finds that McDuff's Rule 12(b) Motion to Dismiss based on a jurisdictional challenge is denied on October 23, 2006), which would be the latest time from which limitation should run, and still this case is barred by limitations.

2f. On or about March 27, 2008, (one day after filing and before service on Petitioner, who was living and working in Mexico City, Mexico) the SEC and Defendants Gary L. Lancaster (hereinafter Lancaster) and Robert T. Reese (hereinafter Reese) entered into AGREED JUDGMENTS (See Exhibit J - "Final Judgment as to Defendant Gary L. Lancaster; also Exhibit H - docket sheet);

3. In the three (3) (one N.D. Texas, Ft. Worth Division, and two N.D. Texas, Dallas Division) civil cases filed against Petitioner, the underlying transactions and fact situations giving rise to the actions are all based on the same alleged frauds. That is, the events and occurrences surrounding:

(i) the establishment of an investment opportunity described in a Private Placement Memorandum (PPM) titled Lancorp Financial Fund Business Trust (incorporated in Nevada by Gary L. Lancaster in 2003), and Lancorp Financial Group, LLC (an Oregon Limited Liability Company, incorporated by Gary L. Lancaster in June 1996); (See Exhibit K);

(ii) representations made in the PPM, (dated March 17, 2003), regarding fees, and duties of management; (See Exhibits L and L1 excerpts from the PPM);

(iii) the extent to which Petitioner participated in the establishment, management, and control over Lancorp Financial Fund Business Trust (hereinafter referred to as "Lancorp Fund" dated March 17, 2003);

(iv) Lancaster's unilateral and without Petitioner's knowledge and involvement, in the creation of Lancorp Fund II (dated June 1, 2005), and related Cash Management Agreements (CMAs) (CMAs all dated August 31, 2005) that were issued to four (4) investors by Lancaster; (See Exhibit D pages 9-11, Lancaster's deposition testimony). The fact of the matter is that Lancaster, "cut, copied, and pasted" parts of documents prepared by a lawyer to create Lancorp Fund II (dated June 1, 2005) to do business with Robert Tringham, however, instead of using the document, Fund II, Lancaster created four (4) "Cash Management Agreements" (CMAs) to do the transaction with Robert Tringham. This entire course of conduct was controlled and executed by Lancaster, Petitioner had no knowledge of this two million dollar ($2,000,000) transaction, irrespective of the SEC and Quilling's allegations to the contrary. This fact was known to Quilling and the SEC as of March 26, 2006 (See Exhibit D pages 10-11);

(v) alleged violations by Petitioner, Lancaster, and Reese of Sections 5(a) and 5(c) of the Securities Act of 1933 (the Securities Act) as codified in 15 USC § 77e(a) and (c), that is, prescribing the sale of unregistered securities unless the statutory exemption is applicable; (See Exhibit M; SEC website information demonstrating Lancorp Fund's Reg D filing);

(vi) alleged violations of Section 17(a) of the Securities Act

as codified in 15 USC § 77q(a), that is, offering for sale any security by means of transportation or communication in interstate commerce, or by use of the mails employing:

(a) any device, scheme, or artifice to defraud;

(b) to obtain money or property by means of any untrue statement of a material fact or any omission of material fact or any omission of material fact necessary in order to make the statements made, in light of the circumstances under which they were made not misleading; or

(c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser;

(vii) violations of the fraud prohibitions contained in section 10(b) of the Securities Exchange Act of 1934 (the Exchange Act) codified in 15 USC § 78j(b) and Rule 10b-5 as promulgated in 17 C.F.R. § 240.10b-5; and

violations of section 15(a) of the Exchange Act as codified in 15 USC § 78o(a) dealing with brokers or dealers registrations, violations of the Investment Advisors Act and aiding and abetting such violations, sections 206(1) and 206(2) of the Investment Advisors Act of 1940 as codified in 15 USC § 80b-6(1) and § 80b-6(2) (See Exhibits B, C page 2 - Lancaster's deposition testimony regarding his license, and Exhibit N SEC website public notice filing);

SEC Factual Misrepresentation (Excluding Conclusionary Pleadings) In the United States District Court, Northern District of Texas,

Dallas Division, Honorable Sam L. Lindsay, Presiding

(viii) that the Lancorp Fund was a "fradulent unregistered offering through which they raised over $11 million from approximately 105 investors..." (See Exhibit O Lancorp Fund was stated to be unregistered and Exhibit M Lancorp Fund Exempt Filings);

(ix) that "McDuff was the mastermind behind the fraud..." and that "Lancaster a former registered representative was to be the "face" of the offering..." (See Exhibit D pgs 2-5, 8, 12 - Lancaster's sworn testimony of McDuff's non-role in Lancorp Fund); (See also Exhibit C pgs 15-16)

(x) that McDuff also recruited Reese, "his long standing partner" to be the primary salesman for the investment..." (See Exhibit P - Reese's statement to the FBI which refutes the SEC's allegations; and Shinder Gangar Affidavit #3);

(xi) that "...Lancorp Fund would invest only in highly rated debt securities..." (See Exhibit O - PPM cover page stating "investment objectives" not limitations);

(xii) "...Lancaster and McDuff agreed to have Lancorp Fund invest millions in the Megafund scheme." (See Exhibits B pg. 2, C & D - Lancaster declaration and deposition testimony refuting the SEC allegation and this Court's Order finding Lancaster relied on a legal opinion to make the investment; Exhibit Q; and Quilling v Humphries, 2006 U.S. Dist. LEXIS 74568 (N.D. Tex. 2006));

(xiii) "...Lancaster paid out over $300,000 in covert commissions to McDuff and Reese." (See Exhibit R - Payments to J.V. partners based on contract). In fact the Exhibit demonstrates no payment from Lancorp to Reese or Petitioner, but rather payments to entities controlled by third parties in regard to Petitoner;

(xiv) "...Lancaster was introduced to McDuff who was looking for a loan..."(See Exhibit C pgs. 4 & 5 - Lancaster's deposition testimony refuting this allegation; and See also Affidavit #4 - Lynn Hodge states under oath how Petitioner met Lancaster, and it was not McDuff "looking for a loan");

(xv) "...the bank elected not to do business with McDuff because of the 1994 money laundering conviction..."; There is no evidence to support this false statement;

(xvi) "Lancaster later went into business with McDuff, helping to manage investments with McDuff (See Exhibit D pg 2 of 16, (196 @ Line 16) - Lancaster testimony that he had no business relationship with McDuff);

(xvii) "...McDuff supplied Lancaster with a "broker" to sell the investment - Robert T. Reese..." (See Exhibit P - Reese's statement to the FBI); (See also Affidavit #3);

(xviii) "Specifically, the PPM states that the Lancorp Fund was only allowed to invest in original issue debt securities rated at least A+ by Standard and Poor's Corporation..." (See Exhibit O cover page - PPM does not state such limitations);

(xix) "...the PPM falsely stated that Lancaster was an investment advisor, registered with the Commission under the Investment Advisors Act of 1940 as amended."(See Exhibit B, C, and N demonstrating that Lancaster was a registered investment advisor);

(xx) "Investors were not provided with any financial information, audited or otherwise." (See Exhibit S - excerpts from PPM; audit statement for Lancorp Fund);

(xxi) "In January 2005, McDuff introduced Lancaster to Leitner and

the Megafund investment opportunity." (See Exhibit C pages 10-13 - Lancaster's deposition testimony);

(xxii) "McDuff showed Lancaster the Megafund offering documents..." (See Exhibit C page 12 - Lancaster deposition testimony stating that Stanley Leitner provided Megafund documents);

(xxiii) "After hearing a pitch on Megafund and McDuff's recommendation, on February 8, 2005, Lancaster directed the Lancorp Fund..." (See Exhibits B, C and D - Lancaster's declaration and deposition testimony that it was Leitner and Attorney Humphries who gave him the comfort level to invest; See also Exhibit Q - Court findings);

(xxiv) "Shortly after the Lancorp Fund's initial investment in Megafund however McDuff devised a plan to circumvent the Lancorp Fund's proscription on the payment of commissions." (See Exhibit D pages 6-7 - Lancaster's deposition testimony regarding paying MexBank);

(xxv) Exhibit D pages 4-5 - it was lawyer Norman Reynolds' advice that Lancorp Group, LLC, could payout participation interests pursuant to the fees and profits earned from managing the Lancorp Fund per Article 7.5 of the PPM; (See Exhibit K)

(xxvi) "McDuff caused an entity he controlled named MexBank S.A. de C.V. (MexBank) to enter into a joint venture..." (See Exhibits U and U1 - controverting statements regarding MexBank control);

(xxvii) "...Reese and McDuff had divided $304,272 through undisclosed compensation agreement." (See Exhibit R - accounting of the payments to MexBank, not McDuff); and

(xxix) "No money or profits were distributed to Lancorp Fund investors." (See Exhibit T - Lancorp Fund accounting published

by Quilling showing payments to Lancorp Fund investors, held in the client's name in a trust fund account, once paid in, Lancorp did not take back).

4. To be sure, the evidence that Petitioner has now been able to discover is not only evidence that the Receiver Quilling and the lawyers for the SEC perpetrated a fraud on this Court, they also managed a scheme, to "forum shop", the criminal case out of the Northern District of Texas Courts, and arrange to have Petitioner and Reese indicted in the Eastern District of Texas. Certainly there can be no question of jurisdiction and venue in the Northern District of Texas, which begs the question why move the criminal case to the Eastern District of Texas?(Affidavit #8)

5. Recently Petitioner filed his "Reply and Objections" to the SEC's request for Summary Affirmance in the Washington D.C. Administrative Proceeding File No. 3-15764, with the copies to counsel for the SEC (Janie L. Frank)(See Exhibit V (without exhibits))(The D.C. Administrative Action being the 4th Civil Action).

Prior to the filing Janie L. Frank had been cooperative with Petitioner's mother [redacted] regarding requests for documents pertaining to this case and the other cases involving Petitioner, however, after approximately January 9, 2015, Frank (SEC Lawyer), has refused to provide any further exculpatory documents to Petitioner (See Exhibit W - Affidavit of Vivian McDuff). The SEC's conduct in Petitioner's case, to some degree parallels the fraud, deceit, and trickery employed in the case of United States v Carriles, 486 F.Supp. 2nd 599; 2007 U.S. Dist. LEXIS 38444 (W.D. Tex. El Paso 2007) holding:

> "The Fifth Circuit was particularly concerned with the SEC's deceptive tactics,..."
> ..."Indeed, the Fifth Circuit's digust with the Government's conduct in EMS Government Securities, Inc. is best expressed in their own language: Decency, security, and liberty alike demand that government officials shall be subjected to the same rule of conduct that are commands to the citizen."...

6. In this case evidence is overwhelming that the SEC has improperly manipulated this Court with allegations and representations by officers of the Court, that were known to be false at the time alleged or represented to the Court. Specifically the SEC lawyers were well aware of the following facts when they brought this litigation:

(i) the litigation was barred by the statute of limitations as set out in 15 U.S.C. § 78r(c) (See Lampf, Pleva, Lipkind, Drupis & Petigrow v Gilberto et al, 501 U.S. 350, 115 L.Ed 2d 321, 111 S.Ct. 2773 (1991); See also 15 U.S.C. § 77m);

(ii) that Petitioner's only role regarding Lancorp Fund's management and operation was to have introduced Lancaster to his principals in Secured Clearing Corporation; such information is contained in Lancaster's depositions and sworn declarations; and the affidavits of: (1) Lance Rosenberg, Appendix #1; (2) Alen White, Appendix #2; (3) Shinder Gangar, Appendix #3; (4) Lynn Hodge, Appendix #4; (5) Gregg J.Harris, Appendix #5; (6) LeVoy Dewey, Appendix #6; (7) John [redacted], (Petitioner's [redacted], Appendix #7;

(iii) documents provided to the SEC by MexBank officers and directors, directly controvert the SEC's and Quilling's allegations regarding Petitioner's relationship with MexBank (Exhibits U & Ul);

(iv) documents from investors in Lancorp Fund, directly refute that Petitioner referred anyone to Lancorp Fund (Exhibits X & Y);

(v) the findings of twenty (20) United States District Courts, directly refute the SEC's and Quilling's allegations regarding insurance being a basis for fraud claims (Exhibit G);

(vi) the finding of this Court that Lancaster made the investment in Megafund in reliance on a legal opinion authored by Kenneth Humphries, (See Quilling v Humphries, 2006 U.S. Dist. LEXIS 74568, (N.D. Texas, Dal.) Exhibit Q hereto), directly refutes the SEC's allegations that Petitioner caused Lancaster to invest in Megafund;

Rule 60(b)(2) Basis For Relief

7. "Rule 60(b) provides, in relevant part, that: "On Motion and upon such terms that are just, the court may relieve a party... for the following reasons...(2) newly discovered evidence which by due diligence could not have been discovered in time to move for a new trial under Rule 59(b)." FED.R.CIV.P.60(b)(2).
To succeed on a motion for relief from a judgment based on newly discovered evidence, our law provides that a movant must demonstrate:
(1) that it exercised due diligence in obtaining the information;
(2) that the evidence is material and controlling and clearly would have produced a different result if presented before the original judgment."
(See Goldstein et al v MCI Worldcom et al, 340 F.3d 238; 2003 U.S. App. LEXIS 15001 (5th Cir. 2003)).

7a. Petitioner by virtue of the exhibits hereto has demonstrated by newly discovered (to him) evidence that would support a Rule 56 Motion For Summary Judgment against the SEC in this case. The facts known to the SEC and hidden from this Court and the Petitioner are contained in Lancaster's declaration and deposition testimony (Lancaster was forbidden by the SEC and the Government agents to communicate with Petitioner). Further Petitioner was living and working in Mexico City, Mexico, when the SEC, Quilling and the Government worked together to obtain an indictment in the Eastern District of

Texas, at a time which was parallel to the civil litigation being prosecuted in the Northern District of Texas. (See United States v Sester, 568 F.3d 482; 2009 U.S. App. LEXIS 10199 (5th Cir. 2009). The Sester case condemns the practices employed in this case against Petitioner.

The SEC and Quilling withheld exculpatory information from Petitioner, prevented those with knowledge from communicating with him, and used Petitioner's misplaced belief in advise from what can only be characterized as "quack practitioners" holding themselves out to be law professors and Adjudicators who "conned" Petitioner into believing that he did not have to defend any of the civil actions or the criminal indictment brought against him. Such conduct on behalf of the SEC is similar to that condemned in Kordel as well as Sester. Clearly Petitioner was never issued a target letter by the SEC or the U.S. Attorney; nor was Petitioner represented by competent counsel, during these cases.

The newly discovered evidence in Petitioner's case consisting of multiple United States District Court findings, Lancaster's deposition testimony (given at a time when Lancaster and Lancorp Fund were characterized by the SEC and Quilling as "Victims" of the Megafund fraud) and sworn declaration all held by the SEC or Quilling is credible, admissible and dispositive of the issues in favor of Petitioner.

7b. Rule 60(b)(3) states in part:

"(3) fraud (whether previously called intrinsic or extrinsic), misrepresentation, misconduct, by an opposing party"

constitutes grounds for relief from a judgment.

Petitioner has demonstrated that the SEC litigation against Petitioner is based on misrepresentations and misconduct by the lawyers and agents working with them against Petitioner. The exhibits hereto clearly demonstrate that the sworn statements used as support for the SEC request for Default Judgment are false. That is,:

(i) Lancorp Fund, in its PPM defrauded investors by promising that their investment would be covered by insurance against the risk of loss. However, the SEC and Quilling had actual knowledge of the ONESCO litigation and that in April 2004 a material change occurred which eliminated the insurance component for the Fund, and all investors were given an opportunity to receive their money back out of escrow. See The O.N.Equity Sales Company v Pals, 551 F.Supp. 2d 821; 2008 U.S. Dist. LEXIS 36676 (N.D. Texas, Western Div. 2008), finding:

> "As Pals has pointed out -- and ONESCO has failed to rebut -- the SEC and Receiver deposed Lancaster on November 17, 2005, and March 25, 2006, and the Receiver has sent a copy of the deposition to ONESCO's counsel..."

The persisting allegations by the SEC and the Receiver that the failure to provide insurance as a basis for a fraud claim against McDuff, is intellectually dishonest, and a fraudulent misrepresentation to this Court.

(ii) The SEC's argument that Lancaster did not hold the appropriate securities licenses in order to lawfully operate Lancorp Fund is misconduct and a misrepresentation by an opposing party. The SEC's own database demonstrates the false nature of such representations (See Exhibit N, Lancaster's license registrations);

(iii) The SEC's allegation that Lancorp Fund did not file its Reg D exemption is demonstratively false, and is a misrepresentation by an opposing party as well as misconduct (See Exhibit M, SEC's records reflecting Lancorp Fund filings as a Reg D exempt filing, including the SEC file stamp);

(iv) The SEC's claim that Petitioner is required to be licensed to discuss or introduce prospective investors to Lancorp Fund is controverted by the requirements of the statute. (See Exhibit X and Y, investor documents representing that someone other than Petitioner referred them to Lancorp Fund);

(v) The SEC attached as an exhibit to its Motion For Default Judgment against Petitioner a sworn Declaration of Michael J. Quilling (dated 18th February 2013) as Exhibit A to its Motion. The sworn Declaration of Michael J. Quilling misrepresents the following:

(1) Paragraph 4; "...that Gary Lynn McDuff (McDuff)...was centrally involved in Lancorp Fund affairs". Lancaster's sworn Declaration, and deposition testimony controverts this misrepresentation (See Exhibits B, C, and D);

(2) Paragraph 5; "...McDuff acted in his individual capacity as well as d/b/a Secured Clearing Corporation, First Global Foundation, Southern Trust Company and MexBank S.A. de C.V." (See Exhibits I, U page 7, for MexBank, U1; including deposition testimony of Steve Renner Exhibit Z regarding MexBank's, Cash Cards International online bank account, directly controverting these misrepresentations by Quilling) Such conclusions by Quilling are controverted by facts, known to Quilling, at the time his Declaration

was made. Further no d/b/a certificate support Quilling's claim, regarding Secured Clearing Corporation, exists.

(3) Paragraph 9 of Quilling's sworn Declaration is a total fabrication, as there is no evidence of Petitioner's introducing or referring potential investors to Lancorp Fund or Megafund (See Exhibits X and Y).

(4) Paragraph 11 of Quilling's sworn Declaration is refuted by his own accounting records attached to the sworn Declaration, that is, $304,272.78 was paid by Lancorp Group to MexBank as a joint venture participation and any claim of these funds, being commissions for referrals is rank speculation not based on fact (See Exhibit R).

(5) Paragraph 13; Quilling's claim that MexBank S.A. de C.V. is a "McDuff sham entity" is controverted by evidence known to Quilling prior to the date of his sworn Declaration (See Exhibit U and U1).

(6) Paragraph 15; Quilling's sworn Declaration that"

"...McDuff distributed $45,792.89 to Robert Reese"

is a false misrepresentation as the fact that Petitioner supplied wiring instructions for the payment of participations was from Petitioner in his capacity of an employee and director of Secured Clearing Corporation.

(7) Paragraph 16; Quilling's sworn Declaration that

> "McDuff used $155,401.55 to purchase a house from the Tipton Living Trust, for his son..."

is a total fabrication. The house was purchased as an investment for Southern Trust Company; (It should be noted that the corporate/trust business structure was

established, and of record in the Belize corporate records, as of 2000 some six (6) years before the complaint made by Quilling) and titled in Southern Trust Company's name. Petitioner's son never lived there and owned his own home in Webster, Texas. There is no evidence to support Quilling's false and misleading statement. It should be noted that Quilling later sold the home for approximately $122,000 creating a loss of approximately $32,000.

The misrepresentations of the above facts are clear and convincing evidence of the SEC's misrepresentations, and misconduct that is fraud. Petitioner's evidence satisfies the standard established by the Fifth Circuit for relief under Rule 60(b)(2) and (3).

See Brown v Bilak, 2009 LEXIS 73770; (5th Cir. 2009); holding:

"Rule 60(b) relief based on fraud upon the court is reserved for only the most egregious misconduct." Wilson v Johns-Manville Sales Company, 873 F.2d 869, 872 (5th Cir. 1998).

7c. Rule 60(b)(6) states in part:

"any other reason that justifies relief."

Clearly from the evidence supplied by the exhibits to this Motion there is sufficient justification to set aside the Court's Order granting judgment in this matter.

7d. Rule 60(d)(3) states in part:

Other Powers To Grant Relief

"This rule does not limit the Court's power to:
...(3) set aside a judgment for fraud on the court."

See Hughes III v Thaler, 2012 U.S. Dist. LEXIS 159804; (S.D.

Texas, Houston Division 2012), holding:

FN1 -

"Elsewhere, Rule 60(d)(3) gives a federal court power to "set aside a judgment for fraud on the court". No time limit impedes a federal court from granting relief under Rule 60(d)(3). See Buck v Thaler, 452 F. App 423, 431 (5th Cir. 2011)."

The fraud on this Court perpetrated by the SEC lawyers, and Receiver Quilling is pervasive throughout the multiple civil case filings and the criminal case tried in the Eastern District of Texas.

8. Throughout all of the SEC's and Quilling's case as Receiver, Petitioner's role has been fabricated to manage a perception that Petitioner was a control person in Lancorp Fund despite overwhelming evidence to the contrary, both testimonial and documentary. The loss attributed to Petitioner has been manufactured, as well as created by the actions of Quilling and associates. Specifically, Petitioner would show the following as evidence by exhibits hereto:

(i) Quilling at the request of the SEC sought orders from this Court to be appointed Receiver of Megafund Corporation, Lancorp Fund, CIG, Sarduakar, and CILAK;

(ii) Quilling as Receiver hired his own law-firm to represent the Receiver and to bill $1,253,969.44 for the combined receivorships, and receive payment from all the estates in total;

(iii) Quilling "easily" traced $9,365,000 transferred to Megafund from Lancorp Fund, by Lancaster relying on representations from Stanley Lietner (President of Megafund) and in reliance on a purported legal opinion letter from Kenneth Humphries (attorney for Megafund). (See Exhibit AA, Quilling's accounting and See Quilling v Humphries, Exhibit Q hereto);

(iv) Quilling participated in the ONESCO cases, the SEC cases, and the criminal case against Petitioner and was aware or should have been aware of the holdings in approximately twenty (20) district court cases as well as findings in various depositions, discovery, Megafund litigation, and public filings that:

(a) No loss in Lancorp Fund as of January 2005 (before Megafund investment);

(b) No insurance fraud issue in Lancorp Fund;

(c) Lancaster relied on representations from Lietner and Humphries, and transferred $9,365,000 to Megafund (See Exhibit AA);

(d) that Megafund and its affiliates CILAK, Sarduakar, and CIG were ponzi schemes that raised approximately $16,053,813.59 (Quilling's website); $9,365,000 from Lancorp Fund (See Exhibit AA & BB, Quillins's financial reports for Megafund, CILAK/CIG, and Sarduakar);

(e) that Quilling as receiver traced Megafund funds to CILAK/CIG and Sarduakar including all $9,365,000 of Lancorp Fund's money (See Exhibit BB, summary pages);

(f) that Megafund paid out as a ponzi payment to Lancorp Fund $1,000,000 total in 2005 (See Exhibit R);

(g) that Quilling recovered from Megafund, Sarduakar and CILAK/CIG more than $4,961,640 owed to Lancorp Fund (See Exhibit CC):

(h) that Quilling arbitrarily created a loss in Lancorp Fund by allocating Lancorp Fund money to the Megafund ponzi (See Exhibit CC, demonstrating Lancorp should have $7,270,783 available to its investors); and

(i) Quilling becoming Receiver for Lancorp Fund, combining it with the Megafund, CILAK/CIG, and Sarduakar receiverships established a conflict between Quilling and Lancorp Fund investors.

The Lancorp Fund monies was easily traced into and out of Megafund. Further, all of the money recovered from Megafund, CILAK/CIG, and Sarduakar was money that belonged to the Lancorp Fund estate. It is clear that Quilling's law firm's receipts from its representation was greatly and unlawfully enriched by charging fees to three (3) estates: Megafund, CILAK/CIG, Sarduakar, and Lancorp Fund, paid for with Lancorp Fund's money. (See Exhibit DD, payment of fees). Quilling as Receiver for Lancorp Fund owes a fiduciary duty to the Lancorp Fund investors, as well as to the Lancorp Fund estate. Circuit Court jurisprudence holds:

> "...that a receiver "is a trustee with the highest kind of fiduciary obligations"...these obligations are those that run "to all persons interested in the receivership estate"...The duty of a receiver's attorney, when seeking to recover monies for the estate, like that of all other attorneys, is the high one of, "integrity and honest dealing with the court, 7 Moore supra, at 513," See Kupforman v Consolidated Research and Manufacturing Corporation, 459 F.2d 1072; 1972 U.S. App. LEXIS 9764; (2nd Cir. 1972); See also Janvey v Stanford, 712 F.3d 185; 2013 U.S. App. LEXIS 5321 (5th Cir. 2013), holding:
>
> "Once the "zombie" corporations were under the control of the receiver, the receiver's only object was "to maximize the value of the corporations for the benefit of their investors (emphasis ours) and any creditors" ..."The district court's order appointing the Receiver invest him with full powers of an equity recevier under common law...". See also, In the Matter of: Schooler et al, 725 F.3d 498 (5th Cir. 2013), holding:
>
> ..."defining a bankruptcy trustee's official duties as the fiduciary of an estate by relying on federal common law."

Quilling's appointment as Receiver put him in the position of a fiduciary to the Lancorp Fund estate, and to allocate Lancorp Fund "easily traced" money to other

entities for which he was the receiver and had a fiduciary duty to recover for Lancorp Fund investors. Quilling, further breached his fiduciary duty to the Lancorp Fund estate and his duty of honesty to this Court, and has managed a perception that the loss to Lancorp Fund was a result of the conduct of Petitioner and Lancaster in an effort to bolster the SEC case against Petitioner. In fact the loss was established by the misallocation of funds by Quilling and not by the conduct of Petitioner. As demonstrated by the exhibits hereto Lancorp Fund could have recovered all of its investment had the Receiver been independent of obligations to Megafund, CILAK/CIG and Sarduakar, and had the Receiver not breached his fiduciary duty to the Lancorp Fund estate, and its investors. Had the SEC and Quilling presented the facts to the Court regarding Petitioner's non-capacity to manage the affairs of Lancorp Fund, as well as the facts that there is no evidence to support any claim brought by the SEC against Petitioner, this Court would have most likely not granted a Default Judgment.

CONCLUSION

For the foregoing reasons this Honorable Court should grant Petitioner's Rule 60(b)(2)(3)(6) and 60(d)(3) Motion to Vacate its judgment (Exhibit A hereto), with prejudice against reopening the SEC case against Petitioner. The conduct of the SEC, and its agent, Quilling, as detailed herein and the breach of fiduciary duty and the duty of honesty owed to this honorable Court, clearly demonstrates

that the requirements of Rule 60(b)(d) et seq are satisfied; relief should be granted to avert a miscarriage of justice.

Respectfully Submitted,

Gary Lynn McDuff pro se

[redacted]

Beaumont, Texas [redacted]

CERTIFICATE OF FILING AND SERVICE

I, GARY LYNN MCDUFF, do hereby certify that I have filed this Motion and exhibits by placing said Motion in a postage paid envelope deposited within the FCI Beaumont Low prison mail system on this the 18th day of February, 2015, and addressed to:

Clerk of the Court
United States District Court
Northern District of Texas
Dallas Division
U.S. Courthouse
1100 Commerce Street, Room 1452
Dallas, Texas 75242-1003

Further, I hereby certify that I mailed on this the 18th day of February, 2015, a copy of this Motion and exhibits in a postage paid envelope within the FCI Beaumont Low prison mail system addressed to the following:

(1) Counsel for SEC:

Jessica B. Magee
US Securities and Exchange Commission
Burnett Plaza, Suite 1900
801 Cherry Street, Unit 18
Fort Worth, Texas 76102

Gary Lynn McDuff
[redacted]
Beaumont, Texas [redacted]

EXHIBIT LIST

RULE 60(b)(d) MOTION

1. Exhibit A - Final Default Judgment;
2. Exhibit B - Lancaster Sworn Declaration to SEC; Dated: June 30, 2005;
3. Exhibit C - Lancaster Deposition excerpts - (Nov. 17, 2005);
4. Exhibit D - Lancaster Deposition excerpts - (Mar. 26, 2006) and Excerpt from Megafund pleading, pgs 15-16;
5. Exhibit E - Flow Chart—Produced by Receiver Quilling;
6. Exhibit F - Receiver's Financial Summary three estate recievierships--Produced from Receiver Quilling;
7. Exhibit G - ONESCO Litigation—Citation Listing
8. Exhibit H - Docket Sheet— Case No. 3:08-CV-526L; SEC v McDuff et al in the United States District Court for the Northern District of Texas, Honorable Sam L. Lindsay presiding;
9. Exhibit I - Corporate records (Belize filing) for Secured Clearing Corporation and Southern Trust Company;
10. Exhibit J - Final Agreed Judgment against Gary L. Lancaster;
11. Exhibit K - Lancorp Financial Group, LLC; K-1 Right to Contract with third party entities, excerpt PPM;
12. Exhibit L and L1 - Excerpts from March 17, 2003 Private Placement Memorandum; Duties and Fees;
13. Exhibit M - SEC Filing for "Lancorp Fund" pursuant to Rule 506 Reg D exemption;
14. Exhibit N - FINRA website listing of "Investment Advisor Representative Public Disclosure" Gary L. Lancaster, ID Number and Series 63 Securities License, and Series 65 Investment Advisor's License;
15. Exhibit O - Excerpts from Lancorp Fund (Mar. 17, 2003) Private Placement Memorandum (See page iii - stating that these securities are not registered);
16. Exhibit P, P1, P2 - FBI Form 302—Interview report for Robert T. Reese—controverting claim of SEC regarding McDuff's relationship with Reese;

EXHIBIT LISTING (continued)

RULE 60(b)(d) MOTION

17. Exhibit Q - Quilling v Humphries, 2006 U.S. Dist. LEXIS 74568 (N.D. Tex. Dal. Div. 2006);

18. Exhibit R - Money Flow Chart regarding payments from Lancorp to MexBank et al (Quilling accounting numbers);

19. Exhibit S - Audited Financial Statement, excerpt from the March 17, 2003 Private Placement Memorandum for Lancorp Fund;

20. Exhibit T - "Lancorp Fund" payments to clients; some funds paid directly to investors;

21. Exhibit U - MexBank Corp Document; Lancorp Fund joint venture documents;

22. Exhibit U1 - MexBank Statement regarding McDuff's non-capacity in MexBank;

23. Exhibit V - Washington D.C. Administrative File; SEC v McDuff's Objections to Summary Affirmance;

24. Exhibit W - Vivian McDuff's affidavit;

25. Exhibit X - Francis Benyo referral declaration regarding Lancorp Fund;

26. Exhibit Y - Jay Biles referral declaration regarding Lancorp Fund;

27. Exhibit Z - Deposition of Steve Renner, President of Cash Cards International (online banking firm) regarding McDuff's non-ownership of MexBank, S.A. de C.V.;

28. Exhibit AA - Receiver Quilling Pie Chart regarding Lancorp Fund money transferred to Megafund;

29. Exhibit BB - Quilling's Megafund ponzi payments (return of invested capital) to Lancorp Group—1,000,000 (Modified to reflect actual payees);

30. Exhibit BB - Tracing funds from Lancorp Fund to Megafund, to CIG/CILAK, SARDUAKAR;

31. Exhibit BB - Money Recovered by Receiver Quilling from CIG/CILAK, SARDUAKAR;

32. Exhibit CC - Receiver Quilling's arbitrary distribution of Lancorp Fund money; and

EXHIBIT LISTING (continued)

RULE 60(b)(d) MOTION

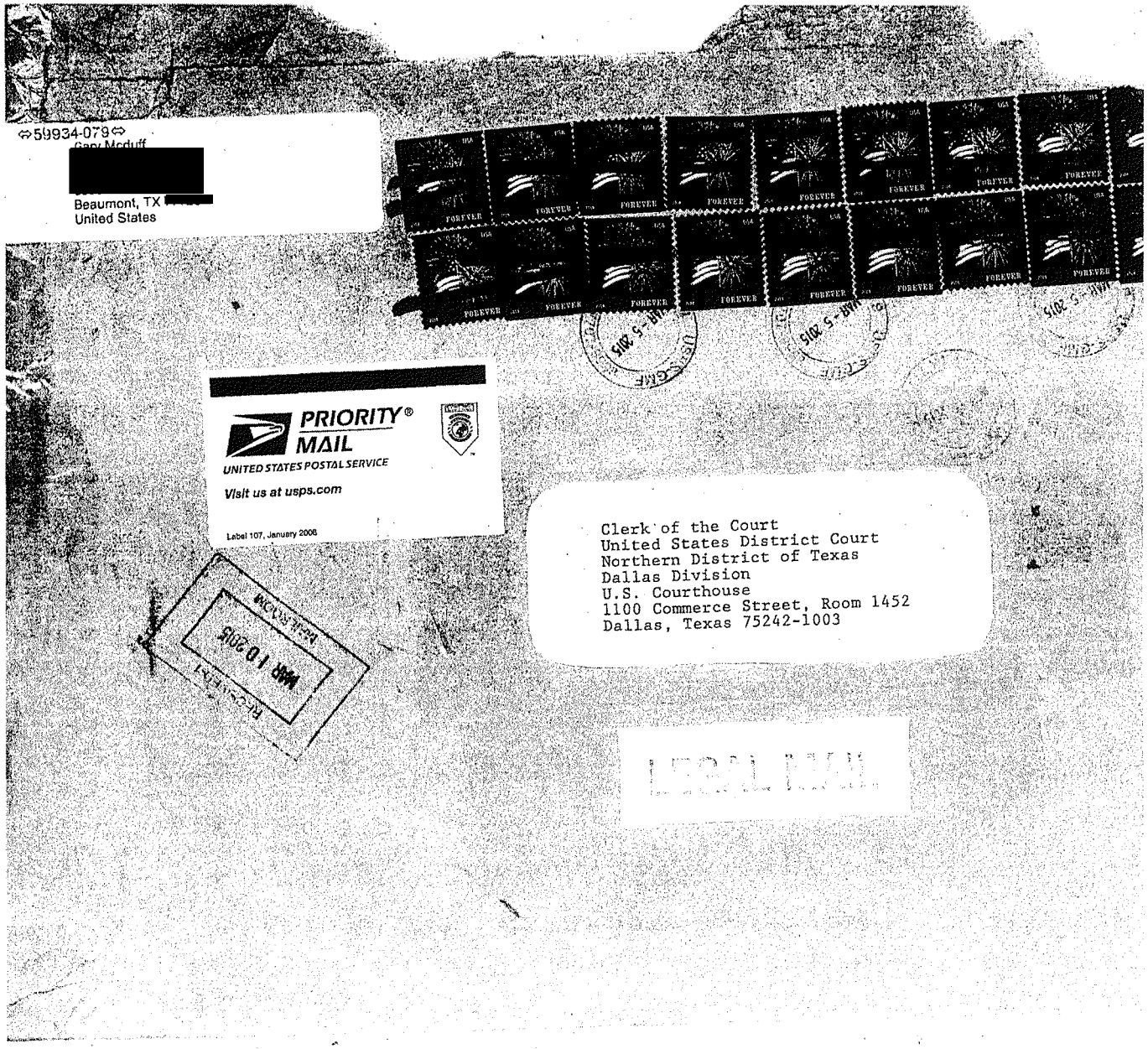
33. Exhibit DD - Summary of Reciever disclosure of fees paid to his law-firm from the receivership estate of Lancorp Fund, Megafund, Sarduakar, and CIG/CILAK. Date taken from Quilling's published reports.

34. Exhibit EE - Norman Reynold's deposition testimony (April 21, 2006) differentiation of paying fees out of the Lancorp Fund as opposed to paying fees, expenses, or profit participation out of Lancorp Financial Group, LLC.

APPENDIX

Rule 60(b)(d) Motion

AFFIDAVIT NUMBER	DESCRIPTION
1.	Lance Rosenburg - Managing Director of Tricom Equities Limited;
2.	Alan White - Dobb, White and Co. - UK Chartered Accounting Firm;
3.	Shinder Gangar - Partner in Dobb, White and Co.;
4.	Lynn Hodge - Chief Financial Officer for Morris Cerullo World Evangelism, also Chief Executive Officer;
5.	Rev. Gregg Harris - Advisor to Stanley Leitner;
6.	Rev. LeVoy Dewey - Referred Francis Benyo to Lancorp Fund and Megafund Corporation; and
7.	[redacted] John [redacted] - Petitioner's father.
8.	Jeffrey Stephen Coffman - former ICE and Department of Homeland Security Agent.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Gary Mcduff
[redacted]
Beaumont, TX [redacted]
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Northern District of Texas
Dallas Division
U.S. Courthouse
1100 Commerce Street, Room 1452
Dallas, Texas 75242-1003

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

SECURITIES AND EXCHANGE COMMISSION,	§	
Plaintiff,	§	
v.	§	**Civil Action No.: 3:08-CV-526-L**
GARY L. McDUFF,	§	
Defendant.	§	

FINAL DEFAULT JUDGMENT

Pursuant to its order filed earlier today, the court issues this Final Default Judgment in favor of the Securities and Exchange Commission ("Commission" or "SEC") and against Gary L. McDuff ("Defendant"). It is therefore, **ordered, adjudged,** and **decreed** as follows:

I.

Defendant and his agents, servants, employees, attorneys, and all persons in active concert or participation with him who receive actual notice of this Final Default Judgment by personal service or otherwise are permanently restrained and enjoined from violating Sections 5(a) and 5(c) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77e(a) and (c)] by, directly or indirectly, in the absence of any applicable exemption:

(a) Unless a registration statement is in effect as to a security, making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such security through the use or medium of any prospectus or otherwise;

(b) Making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use

Exhibit A

or medium of any prospectus or otherwise any security, unless a registration statement has been filed with the Commission as to such security, or while the registration statement is the subject of a refusal order or stop order or (prior to the effective date of the registration statement) any public proceeding or examination under Section 8 of the Securities Act [15 U.S.C. § 77h].

II.

Defendant and his agents, servants, employees, attorneys, and all persons in active concert or participation with him who receive actual notice of this Final Default Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

(a) to employ any device, scheme, or artifice to defraud;

(b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

III.

Defendant and his agents, servants, employees, attorneys, and all persons in active concert or participation with him who receive actual notice of this Final Default Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or

indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], directly or indirectly, in connection with the purchase or sale of a security, by making use of any means or instrumentality of interstate commerce, of the mails or of any facility of any national securities exchange:

(a) to use or employ any manipulative or deceptive device or contrivance;

(b) to employ any device, scheme, or artifice to defraud;

(c) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

(d) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

IV.

Defendant and his agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Default Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)], by using the mails or any means or instrumentality of interstate commerce, while acting as a broker or dealer, effecting transactions in or inducing or attempting to induce the purchase or sale of securities while not registered with the Commission as a broker or dealer or while not associated with an entity registered with the Commission as a broker or dealer.

Exhibit A
page 3 of 5

V.

Defendant and his agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Default Judgment by personal service or otherwise are permanently restrained and enjoined from aiding or abetting, directly or indirectly, Sections 206(1) and 206(2) the Investment Advisers Act of 1940 ("Advisers Act") [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

VI.

It is hereby further **ordered, adjudged,** and **decreed** that Defendant is liable for disgorgement of **$136,336.18**, representing profits gained as a result of the conduct alleged in the Complaint, together with prejudgment interest thereon in the amount of **$65,004.37**, and a civil penalty in the amount of **$125,000** pursuant to Section 20(d)(2)(C) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3)(B)(iii) of the Exchange Act [15 U.S.C. § 78u(d)]. Defendant shall satisfy this obligation by paying these sums within 14 days after entry of this Final Default Judgment to the Securities and Exchange Commission.

Defendant may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request. Payment may also be made directly from a bank account via Pay.gov through the SEC website at hpp://www.sec.gov/about/offices/ofm.htm. Defendant may also pay by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission, which shall be delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

and shall be accompanied by a letter identifying the case title, civil action number and name of this court; [Defendant's name] as a defendant in this action; and specifying that payment is made pursuant to this Final Judgment.

Defendant shall simultaneously transmit photocopies of such payment and letter to the Commission's counsel in this action. By making this payment, Defendant relinquishes all legal and equitable right, title, and interest in such funds, and no part of the funds shall be returned to Defendant. Defendant shall pay postjudgment interest on the total amount of this Final Default Judgment **($326,340.55)** pursuant to 28 USC § 1961 at the applicable federal rate of **.15%** from the date of its entry until it is paid in full.

VII.

It is further **ordered, adjudged**, and **decreed** that this court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Default Judgment.

VIII.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the clerk is ordered to enter this Final Default Judgment forthwith and without further notice. Finally, the clerk is directed to **close** this action.

Signed this 22nd day of February, 2013.

Sam A. Lindsay
United States District Judge

Exhibit A
page 5 of 5

DECLARATION OF GARY LYNN LANCASTER

I, Gary Lynn Lancaster, do hereby declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the following is true and correct, and further that this declaration is made on my personal knowledge and that I am competent to testify as to the matters stated herein:

1. I was born on [redacted] in the [redacted], in the United States of America. My current residence is Vancouver, Washington, where I have resided since April 2005. I once held Series 6, 7, 63 and 65 licenses with the National Association of Securities Dealers, however, those licenses are currently inactive. I have no NASD disciplinary history.

2. Currently, I am the owner and CEO of Lancorp Financial Group LLC ("Lancorp Financial Group"), a privately-held Oregon limited liability company, with its primary place of business located in Vancouver, Washington. Lancorp Financial Group runs a private investment fund that was offered pursuant to Rule 506 of Regulation D. The Lancorp Financial Group offering became effective in April 2004, and the fund currently has 100 investors.

3. In late 2004 or early 2005, I first learned about Megafund Corporation ("Megafund") from an individual named Gary McDuff. I was told that Mr. McDuff's father (who in an investor in the Lancorp Financial Group fund) has been a long time friend of Stanley Leitner, the President and CEO of Megafund.

4. In January 2005, I spoke several times with Mr. Leitner about the operations of Megafund. Leitner stated that all funds invested in Megafund would be "traded" through a non-depleting account at a major brokerage firm, and that all funds were completely insured against loss of any kind. Leitner also stated that he had personally conducted a background check on the "Trader," and that the Trader was a licensed broker and that he "checked out." Further, Leitner

REDACTED

Exhibit B
page 1 of 6

stated that investors in Megafund's MFC1025 offering would earn ten percent each month for a 12-month period.

5. During my conversations with Mr. Leitner, I asked about the propriety and legitimacy of the Megafund offering. In response to my inquiries, in early February I received a letter from Leitner dated January 31, 2005, wherein Leitner advises that the funds are secured in a top-tier banking institution/brokerage account and that the principal amount of the investment is insured by a major insurance carrier against any and all losses including fraud and that an attorney opinion letter about the Megafund offering would be forthcoming. A copy of that letter is attached hereto as Exhibit 1.

6. On February 2, 2005, I signed a joint venture agreement on behalf of Lancorp Financial Group to invest in the Megafund MFC1025 offering. A copy of the MFC1025 offering materials are attached hereto as Exhibit 2, and a copy of the signature page from the joint venture agreement is attached hereto as Exhibit 3.

7. On February 7, 2005, I received a facsimile from Leitner, attached to which was a letter dated February 5, 2005 from the law offices of Kenneth W. Humphries ("Humphries letter"). Both Leitner's facsimile and the Humphries letter are attached hereto as Exhibit 4. In his letter, Mr. Humphries states that he has been appointed general counsel to Megafund Corporation, and represents that: (1) all funds in the "trading program" are secured in a brokerage account at a major investment bank, and (2) the principal amount of the funds are insured against losses of every description. In his facsimile, Leitner states that the Humphries letter is intended as a "stop gap," and that a letter from the attorney representing the trader will be forthcoming.

8. After receiving the Humphries letter, I contacted Mr. Humphries via telephone. During this conversation, I asked Mr. Humphries for the name of the insurance company that

Exhibit B
page 2 of 6

purportedly insured all principal invested in Megafund and for the name of the brokerage firm where Megafund investment funds were being held. Mr. Humphries informed me that he was prohibited from disclosing that information by various confidentiality and non-disclosure agreements. I also asked Mr. Humphries to send me a "hard copy" of his letter for my files, because the facsimile version I received was not clearly legible. Mr. Humphries promised to do so, but I never received the letter.

9. On February 8, 2005, Lancorp Financial Group invested $5,000,000 in the Megafund MFC1025 investment plan. Pursuant to Leitner's instructions, I wired $5,000,000 to Wells Fargo bank account [redacted] held in the name of Megafund ("Wells Fargo bank account").

10. On February 9, 2005, I received an email from Leitner that attached a letter purported to be written by Lawrence H. Schoenbach, an attorney in New York. A copy of that letter is attached hereto as Exhibit 5. This letter, written to Lancaster Financial Group, LLC, claims to represent that money invested in Megafund will be secured in accounts at JPMorgan Chase Manhattan Bank, MAN Financial, or RefCO, Inc., and that principal investment amounts will be insured by Nationwide Financial Services.

11. According to the offering materials I received, interest payments for a specific month would be paid on or about the 20th of the following month. On or about March 23, 2005, I deposited a check in the amount of $500,000 payable on Megafund's Wells Fargo bank account, which represented the 10% earnings for the month of February for Lancorp Financial Group's $5 million initial investment.

12. On April 5, 2005, I wired $2,885,000 to Megafund's Wells Fargo bank account as an additional investment by Lancorp Financial Group in the Megafund MCF1025 investment plan.

13. On April 26, 2005, I received a wire transfer in the amount of $324,165 from an account at Southtrust Bank, held in the name of Megafund, for the March interest payment. The remainder of the $500,000 monthly interest payment was paid directly to a Lancorp Financial Group joint venture partner.

14. On May 4, 2005, I wired $1,480,000 to Megafund's Wells Fargo bank account as an additional investment by Lancorp Financial Group in the Megafund MCF1025 investment plan.

15. On or about May 20, I called Leitner to inquire about the April interest payment owed to Lancorp Financial Group. During this conversation, Leitner stated that Megafund's lawyer advised Megafund to change from a Joint Venture offering to an offering conducted pursuant to Rule 506 of Regulation D. As a result, Leitner's plan was for Megafund to close out the current offering, return all funds invested in Megafund, and then initiate a new offering under Regulation D. Mr. Leitner also told me that Lancorp Financial Group's funds would be returned in two steps – Megafund would first make the April interest payment, and then Megafund would return the invested principal amount of $7,885,000.00, followed by payment of the earnings/interest on the last invested deposit of $1.48 million, and then the return of the $1.48 million principal immediately thereafter.

16. Concerned about the viability of Megafund and the location of funds invested by Lancorp Financial Group, in or around early June 2005, I contacted Lawrence Schoenbach. At that time, Mr. Schoenbach stated that he did not know or represent Leitner, Megafund or any

entity doing business with them. Mr. Schoenbach immediately sent me a letter confirming his position. This letter is attached hereto as Exhibit 6.

17. On June 7, 2005, I sent an e-mail to Leitner requesting the return, pursuant to the terms of the Joint Venture agreement, of all funds invested by Lancorp Financial Group. That same day, Mr. Leitner sent me a response, via e-mail, stating that Lancorp Financial Group's "monies will be released incrementally over the next two weeks consistent [sic] with the terms and conditions relative to resolving the SEC inquiry." A copy of my e-mail to Leitner and his response are attached hereto as Exhibit 7.

18. From approximately May 20 through June 29, 2005, during numerous telephone conversations that took place between Mr. Leitner and me, Leitner provided several explanations as to why interest payments had not been made and investor funds had not been returned, including: (a) investor funds had been sent to the US in Euros, and had to be sent back and converted into dollars before being distributed; (b) the transfer investor funds was being delayed by the Department of Homeland Security; and (c) investor funds were frozen pursuant to a Temporary Restraining Order but that the facilitator, Trader and his attorney were working to have the freeze removed; and (d) an agreement was being negotiated with the Securities and Exchange Commission (SEC) whereby the return of investor funds by Megafund would resolve all SEC issues. Each time I talked to Leitner, he provided a date by which funds would be transferred to Lancorp Financial Group, but each deadline came and went without execution.

Exhibit B
page 5 of 6

19. Neither Lancorp Financial Group, nor any persons or entities affiliated with or related to Lancorp Financial Group, have received any funds from Megafund or Leitner since April 26, 2005.

I, Gary Lynn Lancaster, do hereby declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the foregoing is true and correct.

Executed on the 30 day of June 2005.

Gary L. Lancaster

Exhibit B
page 6 of 6

FW - 2975

COPY

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. FW-02975-A
MEGAFUND CORPORATION)

WITNESS: Gary Lynn Lancaster
PAGES: 1 through 156
PLACE: 1211 SW Fifth Avenue
Suite 1900
Portland, Oregon 97204

DATE: November 17, 2005

The above-entitled matter came on for hearing, pursuant to notice, at 9:20 a.m.

Exhibit C
page 1 of 23

Q What year are we in now?
A It ended --
Q What year did you start at US Bank?
A I think it was '99 to 2002. And then I left US Bank in 2002 and I've been self-employed under Lan Corp. Financial Group since then.
Q Where is Lan Corp. Financial Group incorporated?
A It was -- it was incorporated in Oregon. It has subsequently been moved to Washington. Registration --
Oh, I left out an employer. Universal Underwriters was my last employer.
Q What licenses do you hold?
A Life, health, Series 6, 63, 65 and 7 are the ones that I've qualified for.
Q Are any of them active?
A They have been -- all of them are active -- well, in fact, I've just learned that my securities license is now not being held.
Q When did you learn that?
A Last week.
Q And how did you learn that?
A By looking online for my registration.
(SEC Exhibit No. 16 was marked for identification.)
Q Prior to opening the record, I gave you a copy of

what I'm now marking as Exhibit 16, which is your declaration, which was submitted with the case that was filed in July. Have you had an opportunity to review that?

A I have.

Q Is there anything in that that you wish to change at this time?

A I don't think so, no.

Q And, for the record, your attorneys also had an opportunity to review that?

A Yes.

Q What was the first offering that you ever made from Lan Corp. or using Lan Corp.?

A Lan Corp. financial funds?

Q For example, the People's Avenger Fund, tell me about that.

A That was an attempt to register a fund as a public fund.

Q Attempt to register it with whom?

A With the SEC.

Q And what attempts did you make to do so?

A Retained legal counsel to create the fund and go through the legal process of registration.

Q And what happened in that case?

A It -- it was dragging on forever and it never came to fruition. It was terminated.

Exhibit C
page 3 of 23

Q What do you mean when you say it never came to fruition?

A It never got registered. It never -- never went effective or became registered.

Q When did you initiate the People's Avenger Fund?

A I -- I don't remember exactly. It was -- it was a work in progress that was transferred over to me.

Q By whom?

A By Secured Clearing.

Q And what is Secured Clearing?

A Secured Clearing is -- is a company that was owned by a gentleman in England who was -- had had a previous fund, as I understood it, and was going -- wanted to do a public fund to have an unlimited number of investors.

Q And what was that gentleman's name?

A Terrance D'Ath.

Q Could you spell that, please.

A T-e-r-r-a-n-c-e and I think it's D, apostrophe, A-t-h. I can't remember.

Q How did you meet him?

A I met him through Gary McDuff, who was a director for Secured Clearing in Houston, Texas.

Q How did you meet Gary McDuff?

A I met Gary McDuff through a client of US Bank that he was representing.

Exhibit C
page 4 of 23

Q And what was the client's name?
A Morris Cerello.
Q Could you spell the last name.
A C-e-r-e-l-l-o, I think.
Q And how long have you known Mr. McDuff?
A Since 2001, I think.
Q What is the current nature of your relationship with Mr. McDuff?
A Currently, I have no relationship with him. His interests -- he represented Secured Clearing and his interests were transferred to Mex Bank, so I have no direct dealings or relationship with him at all.
Q When was the last time you did have direct dealings or a relationship with him?
A At the time that the joint venture agreement was executed and all of Secured Clearing's interests were transferred and I don't remember that. You have that document.
Q When you said -- when you say at the time the joint venture agreement was executed, what joint venture agreement are you referring to?
A Joint venture -- joint venture agreement with Mex Bank for sharing the profits earned by Lan Corp. Financial Fund.
Q And how much money did Mex Bank contribute to Lan

first met him, he was with Jackson Walker.

Q Does -- do you still keep in touch with Mr. Reynolds?

A I have up until recently.

Q How much money did the People's Avengers Fund raise from investors?

A None. It never became effective. No money was raised for that fund.

Q No money was ever raised for that fund?

A No.

Q Did you prepare or issue investment documents for that fund?

A No.

Q You never prepared any documents for that fund?

A The only documents that were prepared were by Norman Reynolds to get the fund filed with the SEC.

MR. SELLERS: Can we go off for a minute?

MS. HUSEMAN: Off the record at 9:40.

(Whereupon, a recess was taken.)

MS. HUSEMAN: Back on the record at 9:45.

Q Mr. Lancaster, we were discussing the People's Avenger Fund and you said, just to recap, that you never raised any funds for that investment; is that correct?

A Correct.

Q And it was never actually registered or

Exhibit C
page 6 of 23

successfully registered with the SEC.

A That's correct.

Q What was the next fund that you attempted to initiate?

A Lan Corp. Financial Fund Business Trust.

Q And when did you initiate that?

A I think we began work on it in 2002 and the registration, I think, was complete in 2003.

Q When you say "we began," who began?

A Norman Reynolds.

Q And you were still working with Mr. Reynolds. Did he -- is he the one who prepared your offering documents?

A Norman Reynolds prepared absolutely everything. He has been legal counsel for me for all of Lan Corp.'s activity.

Q And when you said that you completed registration, who did you register the fund with?

A Well, Norman Reynolds did the registration.

Q With whom?

A The fund was registered in State of Nevada. It was a trust, so the trust was registered in Nevada.

Q Okay. But in terms of a securities offering, who did you register the securities offering with?

A I don't know. I'd have to ask Mr. Reynolds.

Q Okay.

Exhibit C
page 7 of 23

Did you register it with the Commission?

A I didn't.

Q Did you register it with any state?

A Yes. Every state where investors sent an application to purchase shares, registration was filed in each of those states.

Q What states were those?

A There's probably 20. I don't know. I couldn't recite them all to you without checking my records.

MS. HUSEMAN: Did you want to say something?

MR. SELLERS: Yeah. I'm -- I'm advised that those are not technically registrations in the sense that you're talking about, so I don't want the record to be misconstrued that my client is saying that he did a securities registration in those states. Those are simply the -- the state registration.

THE WITNESS: The Reg. D -- the Reg. D registration, is that what you're referring to?

BY MS. HUSEMAN:

Q I'm just asking -- you conducted a securities offering.

A Yes.

Q Either it has to be registered or there's an exemption.

A I see.

Q And I'm asking, did you register your securities offering with either the Commission or a state?

A Not that I know of. That question has to be directed to Mr. Reynolds.

Q Okay. But I'm just asking to the best of your knowledge.

A To the best of my knowledge, it was not registered, I guess, in the sense that you're talking about. The only registrations that occurred, to my knowledge, were the ones in each individual state with the Reg. D filing.

Q And what is Reg. D?

A The securities regulation that governs the fund, I guess. I can't define any of the --

Q Well, you're saying it's a Reg. D filing. What does that mean to you?

A That -- with a specific form that was supplied to me by each respective state to file the fund in that state.

Q And did you register the fund as a Reg. D --

A Yes.

Q -- under Reg. D?

A Correct.

Q Do you know what exemption you were going under?

A Not specifically.

MR. SELLERS: I'm going to instruct my client to answer the question as to -- the question poses what you did,

Q What did you do with the money you received from the clients?

A Placed it into the client trust account and then subsequently into a money market account.

Q And where is -- is it in that account today?

A It is.

Q How much is in there?

A A million six something.

Q And where is that account held?

A That account is held at Fidelity.

Q And how many investors have funds in that account currently?

A I don't know exactly without checking the list, but somewhere around 25.

Q Are you paying returns on that account of those investments?

A Not currently. I stopped doing anything subject to dealing with the current issue.

Q And what have you told your investors about their money that's sitting there?

A That I'm seeking guidance on the best way for me to handle the funds that came in to the fund after the last installment was made to Megafund.

Q Have you -- has anyone asked to be -- to have their money refunded to them?

A Yes. I've had -- I don't know how many, but a dozen, probably, requests for redemption.

Q And have you refunded their money to them?

A I have not. I have indicated to them that -- that I can't do anything with the funds until this issue is revolved.

Q When you say "this issue," what are you referring to?

A Well, the issue with Megafund.

Q And -- but none of those funds went into Megafund; correct?

A So you're specifically talking about the funds that did not go into Megafund.

Q Right.

A Okay. I've only had, of those people, three or four maybe that have requested redemption.

Q And have you paid -- have you given them their money back?

A I have not. I have indicated to them that I'm seeking legal counsel, guidance on what is or is not appropriate on how to handle the funds that were not part of the Megafund transaction.

Q Who introduced you to Megafund?

A I was introduced by Gary McDuff through his father, [redacted].

Q And when you say "through his father, [redacted]," who did [redacted] know?

A [redacted], as I understand it, had been personal friends with Stan Leitner, the principal of Megafund, for 15 plus years.

Q Did you ever meet Mr. Leitner?

A I did not.

Q Did you have any conversations or dealings with Mr. Leitner?

A Well, I've had numerous conversations with Mr. Leitner.

Q When did you first talk to Mr. Leitner about Megafund?

A Sometime in January.

Q Of?

A Of '05.

Q And what did Mr. Leitner tell you about Megafund?

A He sent me an outline of the scope of what the fund -- how it worked. There was two -- two specific plans that he was offering to investors.

Q Did he give you a choice of which plan he wanted to be a part of?

A Yes.

(SEC Exhibit No. 13 and 14 were marked for identification.)

Exhibit C
Page 12 of 23

Q I'm showing you what's been marked as Exhibit 13 and Exhibit 14. Are these the plans that he outlined to you?

A They are.

Q And which one did you invest your investors' money in?

A I invested in the MCF 1025 plan.

Q And how much money did you invest?

A All together?

Q Initially.

A Initially, 5 million.

Q And when did you send 5 million to Megafund?

A February of '05.

Q How much more did you invest?

A There were two other installments, one for 2,885,000 and another one for -- I think -- I'd have to do the math. The total was 9,365,000 all together.

Q And what did you understand you were investing your investors' money in?

A That they -- that the -- the investments -- he wasn't specific other than saying that he would comply with the permitted investment section of my memorandum.

Q What -- what does that mean?

A That means it could only be invested in specific things.

Q Okay. And what were those things?

A (Nods head.)

Q What percentage of your -- what -- what were you -- what did you think you were going to receive on a monthly basis?

A Up to 10 percent.

Q Monthly.

A Monthly.

Q Did it occur to you that any investment that pays up to 120 percent a year is probably -- there's probably something wrong with that?

A Not if they could prove it.

Q How did they prove it?

A Well, they would have to prove it by giving me the rate of return.

Q What due diligence did you do on Megafund before you invested 9.3 million, I believe? Is that correct?

A Correct.

The primary due diligence was just looking at the referral, the references from Stan Leitner and getting a letter in writing from legal counsel verifying that the money would be held as agreed and would be insured.

Q And who -- what legal counsel gave you that verification?

A A Mr. Humphries.

Q Did you speak to Mr. Humphries?

Exhibit C
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consistent with that?

A No.

Q So why did you take -- keep more than you were supposed to?

A Well, I structured an agreement prior to any arrangement with Megafund. To try and get a better rate of return, I had an agreement between Lan Corp. Financial Fund and Lan Corp. Financial Group that Lan Corp. Financial Group would take over the management of the fund and pay the fund up to a maximum of 22 percent --

Q Okay. Let me stop you right there. Who is Lan Corp. Financial Fund?

A Lan Corp. Financial Fund is the entity of the investment deal.

Q And who is an officer or a control person at Lan Corp. Financial Fund?

A I am.

Q Anyone else?

A No.

Q And the other thing -- Lan Corp. Financial Business Trust, is that what you called it?

A Lan Corp. Financial Fund Business Trust is the legal registered name.

Q And you structured an agreement with --

A Lan Corp. Financial Group, LLC.

Exhibit C
page 15 of 23

Q And who is the officer or control person of Lan Corp. Financial Group, LLC?

A I am.

Q So you structured an agreement with yourself, essentially.

A Correct.

Q And what was that agreement?

A That agreement was that Lan Corp. Financial Group would take over -- all management of the funds and pay the fund up to a maximum of 22 percent a year. The first 22 percent of all earnings would go to the fund.

Q And how did you make your investors aware of this arrangement?

A I didn't.

Q Is this arrangement in writing?

A Yes.

Q And where is that? Did you submit that to me?

A I don't know that I did.

Q Would you be willing to do so now?

A Absolutely.

Q I mean, not this second, but --

MS. HUSEMAN: Is that okay with you?

MR. SELLERS: Yes.

BY MS. HUSEMAN:

Q So this agreement is in writing. When did you

originally was, as I understand it, operating a fund that was going to be changed to a public offering and they paid for significant attorneys fees during that organizational process, which didn't result in anything.

Q Who raised the money for Secured Clearing?

A I have no idea.

Q What was Gary McDuff's association with Secured Clearing?

A He was a director of Secured Clearing and he was the contact person for Secured Clearing.

Q And how many directors did Secured Clearing have?

A I don't know.

Q Do you know of any directors besides Gary McDuff?

A I do not.

Q We have to be real careful not to talk on top of each other because it makes it hard for her to get.

And Secured Clearing's connection to Mex Bank is what?

A The only connection that I know of is that the interests of Secured Clearing in the fund were assigned to Mex Bank.

Q And do you know what -- why that occurred?

A I wasn't given any reason.

Q So is Mr. McDuff -- does Mr. McDuff know Mr. Trejo?

A I don't know. I'm presuming he does.

A Correct.
Q -- out of the goodness of his heart and you didn't compensate him in any way, shape or form.
A I did not compensate him. My -- my presumption was that by referring people to the fund where they would have success, that he would sell them other things.
Q He also, though, communicated to the investors about Lan Corp.; isn't that correct?
A I'm sure he did, yes.
Q What did he know about Lan Corp.?
A Just what the memorandum says.
Q So did you tell him when you invested with Megafund?
A No.
Q So did he know that you invested in Megafund? Did you ever tell him?
A No, not until the issues came up.
Q And when the issues came up, did you contact Mr. Rees?
A I've talked to Mr. Rees numerous times.
Q Okay. What have you talked -- when is the last time you talked to him?
A Earlier this month.
Q Does he know -- does he know that you're here today?

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relationship with him in a way that I can understand why he would do all this? I mean, almost every investor is recommended by Rees; isn't that true?

A Yes. And I'm presuming that he's part of, you know, the -- the Mex Bank group that's referring investors. That was their role. Their compensation was to bring investors to the fund.

Q I'm sorry. Their compensation was to bring investors --

A The 60/40 split, part of that was based on them bringing investors to the fund.

Q Okay. What was your 40 percent based on? What did you do for the fund?

A Managed the fund.

Q And what did that involve?

A Keeping track of all the investors, making sure everything is in compliance and doing my best efforts to attempt to provide the greatest return that I could for the investor.

Q What did you do in terms of making sure everything was in compliance?

A What I was instructed by counsel for filings.

Q Is that it?

A Yeah.

Q So you maintained a database with investors.

A Correct.

Q You placed the money with Megafund and you paid out two payments; is that correct?

A Correct.

Q And that's pretty much the extent of what you did.

A That was it, yeah.

Q And for that you were compensated 200 -- or excuse me -- approximately $325,000?

A Something like that.

Q When you say that Mex Bank contributed money up front, that that's what I'm hearing, is that what you mean to say, that they contributed money up front when you were setting up the fund?

A Secured Clearing did.

Q Secured Clearing --

A Yes.

Q -- excuse me.

And how much money did Secured Clearing contribute?

A I don't remember exactly. There were significant attorneys fees throughout the -- the process of attempting to get the People's Avenger Fund up and running.

Q When you say "significant attorneys fees," what do you mean?

A Thousands of dollars.

Q Okay. But, approximately, how much in total did

Q When you say you stepped into an existing situation, what do you mean?

A I was asked to be the fund manager for this fund, was introduced by Gary McDuff to Norman Reynolds and then briefed on all the activity that had occurred up to that point.

Q Why did they ask you to do this? Why did they ask you to be the fund manager?

A Because of my credentials, of my background and my working with the -- the client, Morris Cerello, that -- that introduced me that -- to Gary. That the way I conducted myself, they wanted somebody like me to manage the fund.

Q And they -- when they said they wanted you to manage the fund, how were you to be compensated for that management? Did they -- did they determine how you were compensated?

A No, that was determined by the -- the fund document.

Q That you executed with yourself.

A Correct.

Q Did they know how you were compensated?

A No.

Q Who did you send the money to Mex Bank -- who did you direct the payments to, Mr. --

A Trejo.

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Q Trejo?
A Yeah.
Q And how did you send that money to Mex Bank?
A I sent a wire. The second time -- the second payment went directly from Megafund to Mex Bank.
Q And how was that arrangement set up?
A I directed Stan Leitner to send 40 percent of the -- of the profits, which was a specified number.
Q Why did you do that?
A Convenience.
Q Did someone ask you to do that?
A No. It just seemed like it would be easier for me to send it direct than send it to me and then forward it.
Q Well, wouldn't it have been easier, then, to just send payments -- have Megafund send payments directly to your investors?
A I don't know.
Q I'm just wondering why -- why you changed the --
A They really couldn't -- they really couldn't because they wouldn't know --
Q The percentage.
A -- the percentages or who was accumulating or anything.
Q I'm just trying to determine why you would change -- did Stan Leitner ask you why Mex Bank was getting

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A Because the referrals that were coming in were supposed to be from like Bob Rees who knew what the outlines were and would only refer the kinds of people that are suitable for investment.

Q What reasons did you have to -- or what did you base your trust in Bob Rees on? And from what I've been able to ascertain, you didn't know him that well.

A Yeah, I didn't. I just made the presumption that -- that referrals that would be made to me for people in this would be screened people.

Q But what did you base that belief on?

A Representations made by Gary McDuff that, you know -- that the kinds of investors that they had been associating with were all, you know, pretty much sophisticated, high network people.

Q Did Gary McDuff make any representations to you about Mr. Rees?

A No, not specifically.

Q So you just kind of went on --

A I made the presumption that -- you know, that things were being done appropriately.

Q Now, you said that in the -- I'm sorry. On page 3, Roman numeral -- Roman numeral three, the bottom paragraph, "The investor shares have not been registered under the 1933 Act and are being offered pursuant to the private placement

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EXHIBIT D

1. Excerpt from March 25, 2006, Deposition of Gary L. Lancaster taken by: (1) Eric Werner BC; (2) Julia Huseman, Division of Enforcement - SEC; (3) Michael J. Quilling, Receiver for Megafund Corporation, Lancorp Financial Group, LLC et al; and (4) two attorneys from, Quilling Selander, Cummiskey Lownds, PC, Mr. James H. Moody III and Mr. Brent J. Rodine.

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. FW-01975-A
MEGAGUND CORPORATION)

WITNESS: Gary Lancaster
PAGES: 157 through 423
PLACE: Quilling, Selander, Cummiskey, Lownds, PC
Bryan Tower
2001 Bryan Street, Suite 1800
Dallas, TX

DATE: Saturday, March 25, 2006

The above-entitled matter came on for hearing, pursuant to notice, at 9:25 a.m.

APPEARANCES:

On behalf of the Securities and Exchange Commission:
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JULIA HUSEMAN, ESQ
Division of Enforcement
Securities and Exchange Commission
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On behalf of the Receiver:
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On behalf of the Witness:
GARY L. LANCASTER, Pro Se

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Q Okay. How long did it take you to raise five million dollars?
A It took almost a year.
Q So 2004?
A Yeah.
Q And at that time, is that when you invested with the Australian entity?
A Correct.
Q And were the investment documents that you sent to your investors that they filled out? Were they the same all the way through 2003 total —
A Yes. They never changed.
Q And who had drawn those up for you?
A Norman Reynolds.
Q And who — did Norman Reynolds physically hand you those documents and say, use these?
A He — they were provided directly to me from him, yes.
Q No. But I'm asking, did he hand, did he say to you here, use these for your investors?
A No. Because I never met him face to face.
Q So how did you know they were provided by him?
A Correspondence. I mean letters from him and subsequent bills for it.
Q So do you have copies of those bills?

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A Yeah.
Q I would like those too.
A Okay.
Q What part was Gary McDuff playing in this?
A He was like — he was like a liaison with Norman Reynolds. He seemed like he talked to Norman as much or more than I did. And then I got the results of that conversation
He and Norman Reynolds evidently had a previous relationship that went — that existed prior to and then for other activities that I don't know anything about.
Q Was Gary McDuff ever an officer of any of the Lancorp entities that you were aware of?
A No, no.
Q Did he ever ask to be?
A No.
Q Did he ask not to be?
A No. There was never a discussion. There was never any reason to have him be part of it.
In fact, I would not with -- with his background, I did not want him part of anything that would be attached to me that would go to the public.
He made a lot of claims that he had some — some contact with the Homeland Security and that he had taken great pains to do everything by the book, with legal counsel, advising every step of the way.

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Q He had a connection with Homeland Security?
A That is what he indicated, so —
Q Meaning that he knew someone that worked in Homeland Security?
A Someone that he had worked with or done something with before, that he had regular contact with.
Q And why would that matter in your situation?
A It didn't. Just that he — he was always checking with somebody to make sure everything was appropriate.
Q So he was checking with Homeland Security to make sure the Lancorp offering was okay?
A I guess.
Q Did that hit you — I mean I just — that doesn't hit you as strange?
A Well, it didn't have any impact on me because I was relying entirely on Norman Reynolds to take care of that part.
MS. HUSEMAN: Okay.
BY MR. WERNER:
Q I want to ask you just a couple of quick questions here and we can take a break. First, you mentioned earlier that U.S. Bank conducted an investigation into Mr. McDuff?
A Yes.
Q What was the reason for that? What was the impetus for them actually taking the effort and spending the time to

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investigate him? —
A Well, because his — his — I keep, had to keep records of everybody who was in attendance and who was doing what. And he was representing the transaction — well, part of the transaction was going to occur. And they routinely do a background check on everybody.
Q Okay. So it wasn't anything specific that he did. It was simply —
A No.
Q — just a matter of —
A No. It was routine.
Q Okay. I'm a little curious as to how you went from learning that Mr. McDuff had a criminal record to deciding that it would be, you know, good for you to do business with him?
A Well, I didn't do business with him, per se, because I was having everything done by Norman Reynolds.
His whole role and what subsequently became our agreement was, that there would be a profit sharing of earnings predicated on the investors that he was responsible for bringing to the fund.
Q And I understand that. But that seems to get a little ahead of the situation. As I understand the chronology of events you were working at U.S. Bank?
A Correct.

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Q Mr. McDuff comes in as part of a transaction that ultimately never goes through. The bank does an investigation into him. Finds out that he has a criminal record. Mr. McDuff then tells you a little bit more about it. Gives you his side of the story —

A Um-hum.

Q — and then you decide to work with him in some capacity.

I'm wondering what was going on in your mind to make you decide, okay, I either believe Mr. McDuff — or what was it about him that you thought it would be okay to engage in business with him, either as a partner or in some other capacity?

A Well, his explanation was reasonable to me. And as long as we were having everything done and reviewed by legal counsel to protect the entity and the activity, I didn't see any problem. You know, I mean people make mistakes.

I had no reason to believe, and with, you know, talking to Norman Reynolds, since he had been working with him for some period of time. As long as everything was being done correctly and being reviewed by legal counsel, if he could bring investors to the table and I could manage a fund, it looked to me like a viable opportunity.

Q Okay. Again, and I'm just thinking in my mind, that seems to get a little ahead of the situation. You find out this information about Mr. McDuff. At that point, does he say, don't worry about my past, I would like to do business with you?

I mean how did it come about that the two of you got involved in any sort of business enterprise? Was it your idea? Did you approach him and say, I know this didn't go through, but maybe we can do something ourselves?

A No. He — he was the instigator behind saying, look, we've got all of these investors. There's all of this money out there. He said he had the contacts to — through Secured Clearing and Terrence D'Ath and these guys to do a number of very large securities transactions that could be arranged for and be very profitable. But they needed somebody who had my background to be responsible for the fund.

Q To manage the fund?

A Manage the fund.

Q And in your mind at that time, did you think that you would be doing the day-to-day operations, handling the actual investment of the money, or all of the above?

A The day-to-day operations of the fund itself. That the transactions would be taken care of by a broker dealer or by some other licensed entity.

Q But was it your understanding that you would have discretion to invest or make the investments on behalf of the fund as you saw fit?

A Yes. I would be responsible for that, yes.

Q Was there any discussion with Mr. McDuff about how the responsibility for the investment decisions would be made in so far as it's solely up to you? Or, you are the point person, but there will be some other people involved in making those decisions with you?

A No. There was never any discussion of other people making decisions with me.

Q Okay. Did you have any prior experience running any sort of private placement or mutual fund?

A No.

Q Did you explain this to Mr. McDuff?

A Yeah. And his explanation was that, that actually that would not be a challenge because the transactions were very simple. If you buy a security and you re-sell the security you make the spread.

Q Did it concern you at all that he didn't have the necessary experience to do this?

A Only a little bit. And that is where I was relying on — on the other entities to — execute the transactions so that I would make certain that it was done correctly.

That's why the agreement was made with the Australian firm, Tri Com, because they were the one actually executing the deal.

Q What about the actual investment decisions, where to place the money, what to invest in?

I mean did you have experience in managing that amount of money and basically, investing that money —

A Not on that scale, no.

Q And did you explain that to Mr. McDuff?

A Yeah. He didn't see it as a problem.

Q Did you at any point say, I may not be the right person for this?

A Yeah. I mean I — you know, is there anything that I — more that I need to do or know that I'm not going to be getting direct assistance with until I'm completely competent I can do it all myself. It seemed pretty simple.

Q And what was Mr. McDuff's response?

A That Norman Reynolds and then the Australian firm would walk me right through.

Q Did you have the sense that even though your title or responsibility would be to manage and run the fund, that in actuality, Mr. McDuff and his crew of people would really be taken on the lion's share of the responsibility?

A No.

Q So your understanding was that it was your job?

A Yeah.

Q Okay.

A Their responsibility was to bring the investors. The rest of it would be taken care of by me and by legal counsel

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and by investor firms.
Q Other than the five million dollar minimum threshold at the outset, what were the -- what were the plans for the fund? What did you and Mr. McDuff have in mind for Lancorp?
A Just for it to -- to reach the 100 investor maximum and just execute trades and be profitable.
BY MS. HUSEMAN:
Q Why did you think that you had a 100 investor maximum?
A That was my understanding of the private placement, that the maximum number of investors you could have is a 100.
Q Who told you that?
A Norman Reynolds.
Q He told you that directly?
A Yeah. That is what -- is part of the provision under private placement for a fund. You can have 65 accredited and 35 non-accredited.
BY MR. WERNER:
Q And you had no prior experience with private placements to know whether or not that was true?
A No. I mean I had heard of them but no direct experience at all.
Q And did you do any personal investigation or due diligence to find out if that was in fact true?
A No. I relied entirely on counsel for that.

BY MS. HUSEMAN:
Q When did you stop having contact with Mr. Reynolds?
A It was probably the end of 2004. I had the one conversation with him about when -- I asked him about -- told him about what was going on with the investigation.
Q At the end of 2004?
A No. I mean I had that one conversation since then, but I can't -- I'm trying to remember. I can't remember the last conversation I had with him.
Q I guess what I'm trying to ascertain, you said that you placed a lot of reliance on legal counsel?
A Yes.
Q You didn't know what you were doing necessarily, but you relied on them to lead you through it?
A Right.
Q Once Norman Reynolds was gone, was no longer communicating with you on a pretty consistent basis, who did you rely on then?
A I didn't have anyone that I needed to rely on, I didn't think, at that point. The fund was up and running. There was no need for further counsel that I knew of.
Q Did you rely on Norman Reynolds when you were determining what your commission would be out of the fund?
A No.
Q So when he provided you the document that said that you got 50 points, that wasn't his representation to you that this is what you should be taking as a commission?
A Oh, yeah, that was the part of the fee to the fund itself, right.
Q Then why didn't you follow that recommendation?
A Well, I did up to a point. Up to a --
Q Yeah. You said the 50,000, and then you took a 100,000 on top of it. Why didn't you limit yourself to that recommendation if you were relying on legal counsel?
A Well, up to that point, that is when Gary McDuff had -- said he had a conversation with Norman Reynolds. And we did a conference call indicating that the profit sharing arrangement could be structured so that there was a maximum amount paid to the fund and then the rest would be profits that would be shared amongst --
Q You and Mr. McDuff?
A The two of us. But then I told him I can't pay him commissions. It's not legal.
And then he -- that is when he subsequently, I guess, made the arrangement with Bank of Mexico to sell his interest to them.
Q So you couldn't pay Gary McDuff commissions, but could pay Mex Bank commissions?
A Yes.
Q Why?

A Because according to -- well, and this is part of the conversation with Norman Reynolds on the conference call was that once profits were made, they could be distributed to anyone.
Q Why would you believe that? I give you my money and you invest it and you distribute the profits to your wife, you think that is okay?
A No, no. The -- my understanding was, that once profits were -- since it was separated, Lancorp Financial Group was the investment advisor for the fund, that the agreement between the fund and the group would specify how much would be paid to the fund.
And anything that was made above that, would be profit to the -- Lancorp Financial Group. Once that profit was made to Lancorp Financial Group, that any distribution of those profits could go to anyone.
Q Then why would it have to go to Mex Bank? Why couldn't it go directly to Gary McDuff?
A As far as I know it could, but that was not the arrangement that he --
Q But I thought -- not the arrangement who?
A That -- not the arrangement that he wanted to make. He sent me a document which I provided to Mike Quilling, and I think you have a copy of it too, saying that he had assigned all of his interest, Secured Clearing's interest to

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Mex Bank.
Q But why would he do that?
A I don't know.
Q If there is nothing wrong with this arrangement why would he do that? Did you ask him why?
A Not specifically, no.
MS. HUSEMAN: Okay. Off the record at 10:20.
(A recess was taken.)
MS. HUSEMAN: Back on the record at 10:35.
BY MS. HUSEMAN:
Q You said previous, before we went off the record, that you didn't do business with McDuff per se. What does that mean?
A It means we were not in business together as a partnership or entity or legally connected in any fashion.
Q Okay.
A Other than the agreement at the end where I agreed to send the requisite percentage of profits to Mex Bank.
BY MR. WERNER:
Q At the outset of the arrangement as Lancorp is being established, did you have any understanding or was there any discussion that Mr. McDuff would be compensated in any way as a result of the on going operations of the Lancorp private placement fund?
A Not him. But Secured Clearing, as the entity that

was bringing the clients, there was going to — there needed to be a profit sharing arrangement. And I didn't have a problem with it. It seemed reasonable that there should be, you know, compensation for participation, but it had to be legal.
Q I'm not entirely sure I understand what that means. Running the fund as the manager of the fund —
A Um-hum.
Q — the management company or manager would be compensated as set forth in the offering memorandum, is that correct?
A Correct.
Q Other than how the manager would be compensated, how else would anyone be compensated or would it come from the money paid to the manager?
A It would all come from the money paid to management. It was, as far as I knew, although there — there had been discussion about participating in the actual underwriting themselves, whether it be two segments. One that is paid to the investors' money. And a separate payment that is made for the actual underwriting itself.
Q Okay.
A But I had no, you know, direct connection to it.
Q Okay. So at the outset, did you have any say in terms of how you, as manager, would be compensated or were

the papers drawn up and you simply saw, oh, I'm going to receive X amount?
A They were drawn up and I was to receive X amount.
Q Okay. You had no say in that number?
A Correct.
Q And once you saw — it's 50 basis points, is that correct?
A Right.
Q And once you saw that number, did you talk to Mr. McDuff or anyone else to try to negotiate that figure higher?
A No. That, that to me, for that part of it, seemed reasonable.
Q Okay. And how often would you be, would the manager be compensated on 50 basis points? Would it be monthly and -
-
A At the end of each quarter.
Q And at the time, and again, talking about at the outset —
A Um-hum.
Q — before any money is put into the fund —
A Right.
Q — did you discuss or draw up any arrangement with Mr. McDuff on how he or others would be compensated?
A No.
Q At the time Lancorp received its first investor

funds, was there any other arrangement on how other people would be compensated?
A Not that I know of, not by me.
Q Okay. So any discussion or arrangement with Mr. McDuff or others came subsequent to the enrollment and initial investment into the fund?
A Yes.
BY MS. HUSEMAN:
Q When did you have your first discussion with Mr. McDuff about him getting, receiving money from the fund?
A Prior to it going effective, wanting to figure out some means by which that Secured Clearing could be compensated.
Q When you use the term, going effective, do you mean prior to it reaching the fulfillment point of whatever that was, five million —
A Yes.
Q — or ten million?
A Yes. Right.
Q When did this go effective?
A I think it was March of '04.
Q So prior to March of '04, you made an agreement with Mr. McDuff as per compensation, is that correct?
A No. We had no agreement. We had discussions about how could they be compensated legally.

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Q They who?
A Secured Clearing. Everything was Secured Clearing.
Q Who else was Secured Clearing besides Mr. McDuff?
A To my knowledge the only principals in Secured Clearing that I knew of for sure was Terrence D'Ath.
And then Gary McDuff was a director working for Mr. McDuff of Secured Clearing. So he was representing Secured Clearing.
So it wasn't him personally. It was a compensation arrangement with Secured Clearing to bring investors, bring these investors over.
Q Okay. I don't understand what you just said. The principal of Secured Clearing is Terrence D'Ath?
A That is my understanding.
Q And Gary McDuff worked for Terrence D'Ath?
A Yes. As a director of Secured Clearing.
Q But -- okay. So as the director of Secured Clearing, what was Secured Clearing going to be compensated for?
A For bringing the investors to the fund.
Q How many investors did Secured Clearing bring to the fund?
A I can't identify specifically. I'm presuming that the people who referred, which include the people that came from Bob Reese had -- because he -- my understanding is that Bob Reese and Gary McDuff had some kind of previous

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relationship.
And I don't know if that had -- I did not know or do not know if that had anything to do with the Avenger Fund or other arrangements.
Q So when you were compensating Secured Clearing, the money was going to Mr. McDuff and Mr. Reese?
A I don't know. It was just going to Mex Bank for the benefit of Secured Clearing, who would assign their interest there. That was my understanding.
Q The fund -- you testified previously that the fund went effective in March of 2004 --
A Yes.
Q -- is that correct? At that time how were you compensating Secured Clearing?
A I wasn't.
Q When was the first time you paid any compensation to Secured Clearing?
A March of '05. And it wasn't to Secured Clearing, it was to Mex Bank as part of the assignment of benefit.
There's a document that I provided to you and Mr. Quilling.
Q Showing you what I have marked as Exhibit 49.
(SEC Exhibit No. 49 was marked for identification.)
Is that what you are referring to?
A Yes. This joint venture -- yeah -- yeah.

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Q So you are paying, you are sending the money to Mex Bank who has taken over for Secured Clearing?
A Correct.
Q So you're still paying Secured Clearing?
A I suppose, indirectly. I don't know how that works.
Q What did you think was happening for that -- with that money that you were sending to Secured Clearing?
A I assumed that a payment arrangement was made between Secured Clearing and Mex Bank for the assignment.
Q And what do you base that assumption on?
A Well, I don't know how else it could work. I mean that is just my own assumption.
Q When you and Gary Lancaster (sic) had the discussion about how Secured Clearing would be compensated, what was your agreement?
A I didn't have any agreement. We never could come to terms on how it could be done legally until this agreement.
Q So by sending the money to Mex Bank that made it legal for Secured Clearing to be compensated. Is that what you are saying?
A I'm presuming, yeah. That was my assumption based on this that -- the joint venture agreement took over the interests that Secured Clearing had in the profits of the fund.
BY MR. WERNER:

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Q Let me step back here for a second because that assumes that Secured Clearing actually had an interest in the fund. Which it sounds to me like there were several discussions between March of '04, a little bit earlier into '05, when no one could get on the same page as to how Secured Clearing could be paid.
A Right.
Q So it doesn't sound like there actually was an interest to begin with.
A There was --
Q So let me take a step back here.
Could you go through some of the discussions that you had with Mr. McDuff or others about how to compensate Secured Clearing, and ultimately what happened with those discussions? Why it is that nothing actually went forward?
A Well, because -- the discussions were figured out some way that there could be a profit sharing arrangement for Secured Clearing having brought the funds in.
And they paid for originally -- I don't even know what the dollar amount was -- they paid a bunch of legal fees for Norman Reynolds during the early part of trying to do the People's Avenger Fund and then going into the trust itself.
Q Was there ever any discussion that Secured Clearing might want to be an investor in the fund and that is how they could share in the profits?

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anything? And he said, no.

Now I don't know what conversation or how he was indoctrinated or what conversation he had previously with Gary McDuff about it prior to that.

What I got was an e-mail saying that he, Gary McDuff, had spoken to Norman Reynolds and this was okay and this is how it would work. And so I insisted that we -- that I hear from Norman himself.

Q Is there any way that you can verify that the other person on the phone with Gary McDuff was Norman Reynolds?

A You know, that is a good question. I cannot because I have never met Norman, but I have talked to him numbers of times.

Q Did you call him directly at the firm?

A Yes.

Q Did you call him directly at Jackson Walker?

A At Jackson Walker and at Glast, Phillips and Murray.

Q Did it sound like the same person?

A Same guy every time. So yeah, I had no reason to think it wasn't him.

MS. HUSEMAN: Okay.

BY MR. WERNER:

Q Who sent you physically the copy of the joint venture agreement?

A Gary McDuff.

Q Okay. And when you signed it, who did you send it back to?

A Gary McDuff.

Q And so at no point in time did you receive or send a copy of the joint venture agreement to Mr. Reynolds?

A No.

Q Looking at Exhibit 49, the joint venture agreement, there is reference to not only how profits would be shared, but also directives as to how Lancorp would be investing its funds, specifically invest funds into Megafund.

It seems a little odd that a profit sharing event, that a joint venture agreement would include not only how profits would be shared, but how money would actually be invested.

Had there been any discussion about the fact that you were supposed to invest money into Megafund prior to you receiving the joint venture agreement?

A No. That had already been -- I can't remember. But I think I had already had contact with Stan Leitner and had already moved -- started to move forward on that.

Q So at the time the joint venture agreement arrives at your door, you already have an understanding that Lancorp would be investing in Megafund?

A Well, Lancorp had already made the first installment to Megafund before this was executed.

Q Okay. And did you find it unusual that as part of the joint venture agreement, the agreement actually directed how Lancorp was supposed to invest its funds?

Doesn't that sort of usurp your duties as manager of the fund?

A Okay. I guess I didn't -- for some reason I didn't catch that -- where is it in this document that it's been said -- oh, okay. Where does it say that -- that I will direct it to Megafund -- it just says that -- that an opportunity to Megafund is there.

Q Well, look at the bottom of page 1 of Exhibit 49.

A Okay.

Q Item 1.03.

A Um-hum.

Q It says, for the mutual benefit of MB and LG, MB shall direct LG to place the monies defined in 1.02 above into an investment with the Megafund Corporation.

That appears to me as though this document is directing Lancorp to invest its investors monies with Megafund?

A I guess I didn't -- I didn't view it in that fashion. He had -- and his, through he and his father and another friend of his father, Gary McDuff's father, had led me to Megafund.

I guess the way I was looking at this, the way I

read that is, since they were responsible for directing me to the Megafund investment, that the subsequent earnings from that would be paid subsequent to this agreement.

Q So was it your understanding that only profits from Megafund would be covered by the joint venture agreement or was it all profits from Lancorp private placement would go, would be distributed pursuant to the joint venture?

A Well, since there were no other investments of the fund, this was the -- at the time was the only investment in the fund.

Q Did you feel that you had the ability or authority to invest the Lancorp private placement funds outside of Megafund?

A Oh, absolutely.

Q Would that have caused any problems with how the joint venture agreement was handled or how profits would be distributed?

A No.

Q So let's assume that instead of investing all of the money into Megafund you decide that you have another investment that is worth while, you --

A Um-hum.

Q -- put, let's say a couple of million dollars there, as profits are coming in --

A Um-hum.

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Q— are those profits distributed pursuant to this joint venture agreement?
A Yeah.
BY MS. HUSEMAN:
Q So Mex Bank was aware that Gary McDuff was aware of your investment in First Ban Corp?
A I can't speak about Mex Bank, but Gary McDuff certainly was.
Q How was Gary McDuff aware of it?
A He was — now say that question again, ma'am? Maybe I didn't catch it right.
Q So Gary McDuff and I assume Mex Bank, since it had taken over for Secured Clearing and if it's your joint venture partner was aware of your investment in First Ban Corp?
A In First Ban Corp, no.
Q Why?
A Do you mean First National Ban Corp?
Q Um-hmm.
A There's no reason for me to disclose who I was making investments to. I could pull all the money out of Megafund and it wouldn't make any difference. I could go anywhere I wanted to. And that was my intention, was to take all of the money out of Megafund and engage it with First National Ban Corp.

Q And then just cut Mex Bank out?
A No. They would still continue to receive the joint venture agreement —
Q Percentage?
A — percentage.
Q Of any pay out?
A Any pay out.
Q So why didn't you tell them that you had made an investment in First Bank — First National Ban Corp or whatever it's called?
A I guess it never occurred to me that it was necessary.
Q It didn't occur to you that it was necessary to tell your joint venture partner that you redirected funds or directed funds in a new direction or directed funds to a new fund?
A No.
Q Why?
A Because I didn't feel it was necessary. They would receive their requisite share of whatever earnings the fund would make regardless of where I placed those funds.
Q Well, you said you did discuss this with Gary McDuff, then why did you discuss it with him?
A Once this was executed, I saw no reason to have any conversation with Gary McDuff.

Q I thought you said that you discussed your investment in First National Ban Corp with Gary McDuff?
A Oh, absolutely not.
Q You did not?
A I did not.
Q Does Gary McDuff know Robert Tringham?
A Not that I know of.
Q Did you ever discuss Gary McDuff with Robert Tringham?
A No.
Q Well, with regard to once the SEC investigation was initiated and you found out about it, did you call Gary McDuff or Mex Bank or Secured Clearing Corporation to tell them about it?
A I — yeah, well, I told Gary about it. He obviously knew because his dad was an investor in the fund. And I communicated with Mex Bank and made demands for return of the money that was sent to them.
Q Did you make demand in writing?
A Yeah. By e-mail.
Q Do you have a copy of that?
A Yeah.
Q Okay.
A And I received no response.
Q And was that Eduardo Trejo Comacho your contact at

Mex Bank?
A Yes.
Q Have you ever met him?
A No.
Q Have you ever talked to him on the phone?
A One time.
Q Who set up that call?
A Gary McDuff.
BY MR. WERNER:
Q At the time that you wrote — look at page 2 of Exhibit 49, is that your signature above your name?
A Yes.
Q And at the time you signed this document, did you read through it?
A Yeah.
Q I want to point you to item 1.04 on page 2 of Exhibit 49?
A Um-hum.
Q It reads, the mutual financial benefit of MB and LG shall be as follows. All of the gross profits earnings payable by the Megafund Corporation pursuant to 1.03 above and any future investment in the Megafund Corporation by LG or its affiliates shall be divided so that — it goes on to talk about percentages —
A Um-hum.

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A By September 1.
Q Right.
A Right.
Q So it — if you received those requests in August, what caused you not to redeem those shares?
A I don't recall. I don't know if I ever had any. I would have to look and see.
Q Would you have redeemed those shares?
A I would — there would be no reason not to.
MS. HUSEMAN: Okay.
BY MR. WERNER:
Q Well, I'm a little confused because it seems to me there are two classes of investors. The investors whose money was invested in Megafund.
A Yes.
Q And those who invested afterwards.
A Correct.
Q And your explanation to Ms. Huseman as to those given to some investors was that you were talking to Mr. Leitner. Everything was okay.
But it seems to me that would only pertain to the Megafund, if you would, investors, not the people who invested in after Megafund.
Now if one of those individuals, the non-Megafund investors, sent in a request for redemption, did you honor

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that request or did you give them an explanation as to why you were not going to give them the money back?
A The only thing that I remember is, is responding to their request for redemption at the end of the quarter.
Q In — in what fashion? Did you ever say, yes?
A I just acknowledged the receipt of their request for redemption and that it would be processed at the end of the quarter.
Q Did you ever redeem their request?
A I — I can't remember who I redeemed and who I didn't.
Q But did you redeem the investment for anyone?
A Not of that million six. Earlier, I had redeemed --
Q Okay. Well, let me — I want to talk about the million six here --
A Okay.
Q -- specifically. Did you receive, at any point in time, a request for redemption from any investor who did not have the funds put into Megafund?
A Yes.
Q And did you honor that redemption at any point?
A I did not make any redemptions and I don't know what the time frames were that I received the requests.
Q Of the requests that you did receive, did you respond back in any fashion saying, I've received your requests, but

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I can't honor it for X reason?
A I'm — I know I did that for some people but I don't remember who or how many.
Q And what was the reason you gave?
A That it was subsequent to the SEC investigation.
Q But how was the non-Megafund money in any way related to the SEC investigation as you saw it?
A It wasn't.
MS. HUSEMAN: So who was telling you that you couldn't give that money back?
BY MR. WERNER:
Q Or were you doing that on your own?
A Nobody was telling me not to give the money back. The only time that I remember being told not to give -- not to make redemption was by legal counsel at Schwabe.
BY MS. HUSEMAN:
Q And that was in October?
A In October.
Q So any decisions about that money prior to then would have been yours and yours alone?
A Yes.
Q And any representations that anyone might say that were made to them, that you were saying, the SEC won't let me, or the SEC said that I — said that it's frozen, they would be mistaken?

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A Say that again?
Q If some investor — say an investor calls me and said, I want — I tried to get my money back. My money didn't go to Megafund and he won't give it back. He said you have it frozen. The SEC has it frozen.
That would be wrong, correct?
A I don't know that I did — are you saying that an investor said I said that.
Q If an investor — hypothetically, if an investor said that you said that?
A If an investor said that I said that, I don't recall saying that, other than to indicate that all of the assets of everyone that was part of this — a part of the Megafund deal, their assets were all frozen.
I made couple of communications to investors to let them know what the status was.
BY MR. WERNER:
Q Did you give that explanation to all investors in Lancorp? Or did you actually get the name, check your list, figure out if that person's money was invested in Megafund, and only give that information to Megafund investors?
A At that point, you know, I can't say that I didn't do that. I was — I was in a totally responsive mode at that point. I was responding to people's requests in giving them as much information as I could.

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six, because I didn't need all of the million-six of the fund to make two million dollars, and put two million dollars into the account.

Q What cash management agreements did you have with these investors? Was it something that you drew up?

A It was something that I drew up specifically to each of them.

Q Okay. I apologize for not knowing the answer to this, but is that something that you provided to the Commission or it to Mr. Quilling?

A Yeah, correct.

Q And where did you get the data, the documentation or where did you come up with —

A It was really just —

BY MS. HUSEMAN:

Q I'm sorry to interrupt, when did you provide this to the Commission?

A I don't recall. It was part of everything that was provided on the CDs.

Q The Fund Two agreement that you drew up, yourself?

A Yeah. Without the Fund Two — the cash management agreements.

MR. WERNER: I guess, the quasi Fund One, Two.

BY MS. HUSEMAN:

Q Yeah, well, I'm sorry, I apologize —

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A Yeah.

Q — but the one that you drew up yourself, that you were responsible for putting together? Did anybody help you with it, no lawyer or anybody, you just cut and pasted it from other stuff?

A Well, I just took it really out of the private placement memorandum that permitted the business section of that and made a stand alone agreement.

Q Okay. I don't have a copy of that.

A Oh, really.

Q Okay. Did that — did that agreement specify that the money was going to be sent to the account in New York?

A It didn't specify where it was going. Just that it was following the permitted investments section and that they would get a return at the end of each quarter.

So that money — there was — I don't remember how much, 150, 550 — 580,000 of the two million that went to Max International was those investor's money.

So not all of the fund monies went. There was still investor's funds in the client trust account in Bank of America.

BY MR. WERNER:

Q Did you at any point in time talk about the client management agreements?

A Um-hum.

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Q What was it that made you think that you didn't need to lock that into a fund in order to manage their money? Or what was it that made you think you could simply sign an agreement directly with the client to invest the money on their behalf?

A Just that it's a separate investment agreement to manage the fund —

Q Did you, at any point in time, give consideration to registering as a broker dealer or investment advisor in order to manage their fund?

A I did not.

Q And did you in fact invest their funds with Mr. Tringham and Max International?

A Yes.

Q Do you know what dollar amount of those individual's funds —

A There was — one was 450, one was 50, one was 65, and one was 25. Now shortly thereafter —

Q Uh-huh.

A — with the — under advice of counsel, they told me I needed to wind down Fund Two and terminate it, which I then subsequently did. And then I also sent back to three of those four investors their funds.

Q Well, where did those funds come from? Were they already with Max International?

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A They were with Max International.

Q So you sent a request to Max International to retrieve those funds?

A No. I actually accounted for their funds and sent them their funds out of the client trust account, Bank of America.

Q Which client trust account is that?

A That is Ban Corp Financial Group client trust account.

Q So you had, you actually had significant assets — sufficient assets to reimburse these investors?

A Yes.

Q How much money was in the client trust at the time you reimbursed these investors?

A A couple hundred thousand.

Q And where did that money come from?

A That money was — the balance of earnings from money markets and investors funds that had not gone to Max International.

BY MS. HUSEMAN:

Q So you sent other investor's funds back to these people?

A I sent their funds back to them.

Q I thought their funds were in Max International?

A Well, the two million that was sent to Max

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1 added your name to it?
2 A My name was added to it. Because I don't know what
3 happened to the original paperwork that I completed.
4 Q Okay. So it was -- you added your name to an
5 existing account. There is already someone who is authorized
6 to trade and deal with that account, correct?
7 A Yes.
8 Q And did you know who that person was?
9 A That was Robert Tringham.
10 Q Okay. So it's not that Mr. Tringham added his name
11 to your account, it sounds like you added your name to his
12 account?
13 A Yeah. That's the way it turned out. Yes.
14 Q And is that something that you knew at the time that
15 you got involved with your account at Max International?
16 A I knew that I was being a signer on the FNB account,
17 yes.
18 Q Okay. And when you sent the money to Max
19 International, you sent it to the First National Ban Corp
20 account?
21 A Yes. With a separate account number for the benefit
22 of Lancorp Financial Group.
23 Q Well, was that a separate account? So it sounds like
24 you added your name to the First National Ban Corp account?
25 A Right.

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1 Q Did you then create another account --
2 A No.
3 Q -- at Max International?
4 A No. I had to ask to do that but that was never
5 executed.
6 Q Okay. So by sending money to Max International and
7 saying for the benefit of Lancorp, it still went into the
8 First National Ban Corp account?
9 A Correct.
10 Q Okay. Of which you and Mr. Tringham had authority
11 over?
12 A Correct.
13 Q Okay.
14 A And again, I was okay with that so long as Nigel was
15 the oversight person for it.
16 Q Okay. Now, did you at any point in time at the
17 outset try to establish your own account?
18 A Originally, I had completed paperwork and given it to
19 Mr. Tringham.
20 Q What happened with that?
21 A I don't know I never saw it again. And that account
22 never got opened in a separate bank.
23 Q Okay. So at the time you sent money to Max
24 International, did you follow up on whether or not your
25 separate account had been opened?

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1 A At the time I hadn't, no.
2 Q Why not?
3 A I didn't think it was necessary as long as it was
4 going into being credited for the benefit of Lancorp and
5 Nigel was --
6 Q But would it be credited for your benefit, if it's
7 going into an account in the name of First National Ban Corp,
8 over which you and Mr. Tringham have authority?
9 A Well, it's my understanding each of the -- it would
10 be in a sub account that was set aside just for Lancorp.
11 Q And how did you come to this understanding that this
12 would be a sub account?
13 A Well, this is what I was subsequently told by Mr.
14 Tringham, that there is a separate sub account being set up
15 so that everything is accounted for separately.
16 Q Other than Mr. Tringham's word, did you ever receive
17 any information or documentation that this sub account
18 existed?
19 A I did not.
20 Q So at the time you sent the 1.6 or the 2 million to
21 Max International, you were aware that the only account in
22 existence was the First National Ban Corp account?
23 A Yes.
24 Q And you sent it directly there?
25 A Correct.

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1 Q After you sent the money there, did you take any
2 steps to determine whether these funds had been placed in a
3 sub account or any other account in your name or over which
4 you only had control over?
5 A Not immediately. Not until I was not getting
6 statements from that when I inquired.
7 Q And at that point, that is when Mr. Gilbert tells you
8 he can't give you the money back?
9 A Correct.
10 Q Did he tell you that there was actually money in the
11 account that he couldn't give you? Or that he just wasn't --
12 there was none to give?
13 A He just said, until accounting was made, proper
14 accounting was made on the funds that Tringham wired out to
15 the -- to an account in another bank, and I can't remember
16 the name now.
17 Q Who had to do the accounting? Was it something that
18 Tringham had to do?
19 A He had indicated -- Nigel indicated that Mr. Tringham
20 had to provide him with the accounting?
21 Q Wasn't that Max International's job?
22 A Well, that was my thought. And he said that, you
23 know, that money went out to an account under Tringham's sole
24 control in -- in, I think Wilshire Bank he said. And that
25 there were third party wires that had come into Max

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A Correct.
Q And how long -- did you meet Stan Leitner in person?
A I've never met him. We made arrangements several times and it never happened.
Q Who backed out?
A Well, a couple of times he wanted -- that he was going to come to Portland and he couldn't make it. And I could never arrange to come to Dallas.
Q Why?
A I just had other things going on. For me to make a special trip just to meet him, I would prefer him to come and see me.
Q I understand that. I'm just trying to -- were you doing -- engaged in any other businesses beside the Lancorp Financial fund?
A Well, I was employed during '04.
Q I guess I'm referring more to '05. You didn't send any money to Megafund prior to '05, did you?
A No, correct.
Q So in '05, were you doing anything else?
A No.
Q So your main business was Lancorp?
A Yes.
Q But you still didn't see the need to go to Dallas and meet with Stan Leitner?

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A At the time I didn't, no.
Q What were you told about his background?
A Just that he was a very well respected businessman. Had a very successful art gallery business. And had been doing this for some time very successfully.
Q Did you conduct any independent research on the internet or use -- try to use any other source to try to find out information about him?
A I don't recall doing that. I got, got his resume and the resumes from the other guy.
Q Larry Fridd?
A Yeah, somebody else too. Three resumes that I got of the people who were --
Q But didn't those resumes kind of come as part of the investor packet as part of the prospectus for Megafund?
A Well, I never got a prospectus, per se. I got a sheet. And then when I asked for things they came kind of piecemeal. It didn't come as a package.
Q Okay.
A Evidently, I didn't get what other people got.
Q Did you ever have -- and yet you are the biggest investor --
A Um-hum.
Q -- or Lancorp was?
A Right.

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Q What did Gary McDuff tell you about Megafund prior to your investing it in?
A Just that it was the kind of investment strategy that fit with the fund and that had been successful.
Q Did he tell you it was debt securities?
A No.
Q And isn't that what you were supposed to be investing in?
A Well, he didn't tell me what specifically what the investment purchase was, that it conformed.
Q Okay. But isn't debt securities what you had told your investors you were going to invest --
A Yes.
Q -- in?
A -- that was one of the things --
Q Did McDuff, did Gary McDuff ever tell you that Megafund invested in debt securities?
A I don't remember him saying that, no.
Q So the answer is, no?
A Not specifically, no.
Q Okay. What did Gary McDuff tell you your expected returns could be from Megafund?
A As much as 10 percent a month.
Q So in other words, 120 percent a year?
A That was the possibility.

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Q So when you -- when you say as much as 10 percent, what was the least it could be a month?
A There was no minimum given. It could fall anywhere in the range.
Q When did you first -- when did -- how did Gary McDuff introduce you to Stan Leitner? Did he give you his phone number or --
A He was introduced I think on a conference call.
Q And so Gary was on the phone with you and Stan Leitner?
A Um-hum. As I recall, yeah.
Q What else, and I know we have been over this earlier, but I want to do it right now, have a concise list. Besides introducing you to Stan Leitner and bringing investors to you, what else did Gary McDuff do for Lancorp?
A Nothing. Well, he did the World Trackers. He did the World Tracker checks on the investors.
Q Why didn't -- are you, have you -- excuse me, have you worked on that site?
A I have not. There was going to be a -- there was a big fee that had to be paid and he had access for a period of time without additional costs. So he -- he said he could do it and it wouldn't cost anything.
Q On page 34 of your previous testimony which has been

Q Did this document influence your decision to make an investment with Megafund?
A It began the process.
Q I hand you now Exhibit 57.
(SEC Exhibit No. 57 was marked for identification.)
Confirm for me, sir, that this is a letter dated, January 31st, 2005, and it's a letter from Stan Leitner to you?
A Yes.
Q The letter states, pursuant to our various discussions I have advised the trader that you require an attorney's opinion letter stipulating, one, the funds are placed in a top tier banking institution brokerage account.
And two, that the principal amount of your investment is insured by major insurance carrier against any and all losses including fraud.
Do you see that?
A Yes.
Q What were the various discussions that you had?
A That without verification, without written verification from someone that that was the case, I would not proceed.
Q Had you required an attorney's opinion letter?
A Yes.

Q Did he indicate that would be problematic?
A No. In fact he said he would not only provide it for Megafund corporate counsel, he would provide it from the counsel representing the trader.
Q Who was the trader?
A That was -- he never disclosed that to me. That was part of his personal confidentiality agreement. He could not disclose it.
Q You wanted an assurance from an attorney that the funds were secured in a top tiered banking institution, brokerage account --
A Correct.
Q Did you get that assurance?
A I did.
Q From whom?
A From an attorney.
Q Kenneth Humphries?
A From Kenneth Humphries?
Q What account was identified? What institution or brokerage account?
A There were a couple listed -- a couple of them listed. I can't remember the -- Refco and the names of a brokerage firm and a bank.
Q That is in Mr. Humphries letter?
A Yes.

Q We'll get to that in a minute. The principal amount of your investment is insured by a major insurance carrier, did you receive such an assurance?
A In the letter from Humphries I also received the name of the insurance company. I believe it was Nationwide.
Q Did you -- were you ever provided with a copy of the policy?
A No. I asked for one and was told that also could not be provided. That all I could get was the letter from the attorney.
Q When you got the letter from the attorney, did you talk to him?
A Yes.
Q Okay. Hand you Exhibit No. 58.
(SEC Exhibit No. 58 was marked for identification.)
Verify for me this is a February 20 -- or February 7th, 2005 letter from Stan Leitner to you?
A Correct.
Q This was faxed to you?
A Yes.
Q Attached is a very poor quality copy of the letter from Kenneth Humphries, is that right?
A Correct.
Q Is this the letter that you are referring to?

A It is. I also, when I talked to Mr. Humphries, asked him to send me the original so that I would have a clean copy of this, which he never did.
Q I hand you now Exhibit No. 59.
(SEC Exhibit No. 59 was marked for identification.)
Is this a clean copy of the letter from Mr. Humphries?
A It is.
Q This attorney's address as stated on the letter is in Hopkinsville, Kentucky, is that right?
A Yes.
Q Did you ask questions of Mr. Leitner why corporate counsel for a company in Dallas would be using a Kentucky lawyer?
A I did and was told that there was some -- some connection and this was a top rate securities lawyer. Which I didn't find unusual, given that I was in Oregon and I was using an attorney in Houston, Texas. So it didn't seem out of the ordinary to me.
Q Can you remember any specifics of what the connection was?
A No.
Q Are they related by blood, marriage or some other way?

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Q What, sir, was your understanding of what these funds represented?
A These represented the second month's earnings.
Q Was it your understanding that the remaining portion of the 500,000 aggregate number had been wired directly to Mex Bank?
A Correct.
Q If you had not gotten the letter from Mr. Humphries, would you have invested with Megafund?
A I would not.
Q Can you say with certainty that the, it was a primary reason for you making the investment on behalf of Lancorp?
A Absolutely. Without that verification, I would not have moved forward.
Q I show you Exhibit No. 62.
(SEC Exhibit No. 62 was marked for identification.)
This -- would you verify for me, sir, that this an e-mail, letter, fax of some sort to you from Gary McDuff?
A Yes.
Q Do you recall the circumstances under which you received it?
A Yes. It was a follow up to the conversation that Gary McDuff had had with Norman Reynolds regarding making certain that the arrangement to pay the joint venture

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partnership share to Mex Bank would not be construed in any fashion as an inappropriate compensation.
Q You mentioned earlier in your testimony that you received an e-mail from Gary with respect to his conversations with Norman about payment of monies to the various parties.
Were you referring to this fax?
A Yes.
Q This is what you were talking --
A This is what I was referring to, yes.
Q Verify that this is a fax that you received?
A It is. And I subsequently talked to Gary McDuff on the phone regarding it.
Q And once you talked to him and, if I follow your testimony correctly, you also then had a conference call with Norman Reynolds?
A Yes. I wanted to have verification from Norman that he in fact had discussed this with him and that this was legal and appropriate.
Q Was Norman Reynolds representing Lancorp Financial at the time he was engaged in these discussions?
A Yes.
Q He had an existing attorney-client relationship with you at that time?
A Yes.

Page 355

Q Did he have an existing attorney-client relationship with Gary McDuff?
A I don't know.
Q How about Secured Clearinghouse?
A I don't know.
Q How about, Mex Bank?
A I don't know.
Q In the legal invoices that Mr. Reynolds sent to you, did he bill you for his time and work associated with this conversation?
A He did.
Q Do you have copies of those invoices?
A I do.
Q Will you provide all of those to us?
A I will.
Q Can you state for me with certainty, sir, that this as a result of this e-mail and your subsequent telephone conversation with Norman Reynolds, that you agreed to allow funds to go to the parties as they subsequently went --
A Correct.
Q -- i.e., money to Mex Bank?
A Yes.
Q And you taking the fees out that you took?
A Yes.
Q You did that as a result of legal advice given to you

Page 356

by Norman Reynolds?
A Correct.
Q I hand you Exhibit No. 63.
(SEC Exhibit No. 63 was marked for identification.)
This is a letter dated, March 17th, 2005, sent to you by telecopy from Secured Clearing Corporation, signed by Gary McDuff, director. Is that right?
A Yes.
Q This letter is dated one day prior to the e-mail or, excuse me, the fax which you received on March 18th?
A Yes.
Q Did you receive -- the telecopy header at the top of the Exhibit No. 63 has a date of March 18th, 2005.
Do you see that?
A I do.
Q Did you receive the March 17th, 2005 letter contemporaneous with receiving the fax that we just talked about as Exhibit No. 62 or --
A Yes.
Q -- yeah, 62?
A Yes.
Q So you got these documents at the same time?
A Yes.
Q Did you discuss with Mr. Reynolds in your telephone

ORIGINAL

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

SECURITIES AND EXCHANGE COMMISSION,	
Plaintiff,	
vs.	Civil Action No. 3:05-CV-1328-L
MEGAFUND CORPORATION, STANLEY A. LEITNER, SARDAUKAR HOLDINGS, IBC., BRADLEY C. STARK, CIG, LTD., and JAMES A. RUMPF, Individually and d/b/a CILAK INTERNATIONAL,	
Defendants,	
and	
PAMELA C. STARK,	
Relief Defendant.	

AMENDED COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission") files this case against Stanley A. Leitner, Megafund Corp., Bradley C. Stark, Sardaukar Holdings, IBC., James A. Rumpf, individually and d/b/a Cilak International, and CIG, Ltd. (collectively, "Defendants") and Relief Defendant Pamela Stark, and would respectfully show the Court as follows:

c. a representation that the investment funds are being held up by the Department of Homeland Security; and

d. a representation that investor funds in a New York account were frozen by the terms of a temporary restraining order.

D. Victims of the Scheme

36. Defendants have defrauded approximately 70 investors through this scheme.

37. From February through May 2005, Gary Lancaster, through Lancorp Financial Group, LLC, invested over $9.3 million in the Megafund program by wiring investment funds from Oregon to a Megafund bank account in Addison.

E. Receipt of Funds by Relief Defendant

38. The Relief Defendant received investor funds for no apparent consideration. From December 13, 2004 through April 15, 2005, Relief Defendant Pamela C. Stark received approximately $1 million from Defendants Sardaukar and Bradley C. Stark, to which she was not entitled, and for which she did not provide adequate consideration.

FIRST CLAIM
Violations of Section 17(a) of the Securities Act

39. Plaintiff Commission repeats and incorporates paragraphs 1 through 38 of this Complaint by reference as if set forth *verbatim*.

40. The Defendants, directly or indirectly, singly or in concert with others, in connection with the offer or sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails have: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts and omitted to state

On March 28, 2008, the Receiver filed his Final Report and Proposed Distribution Plan for the Lancorp Financial Group Receivership Estate. On June 2, 2008, the Court entered its Findings and Recommendation that the plan be approved. The Receiver is now awaiting a final order for the U.S. District Court Judge to approve the plan and authorize the distributions.

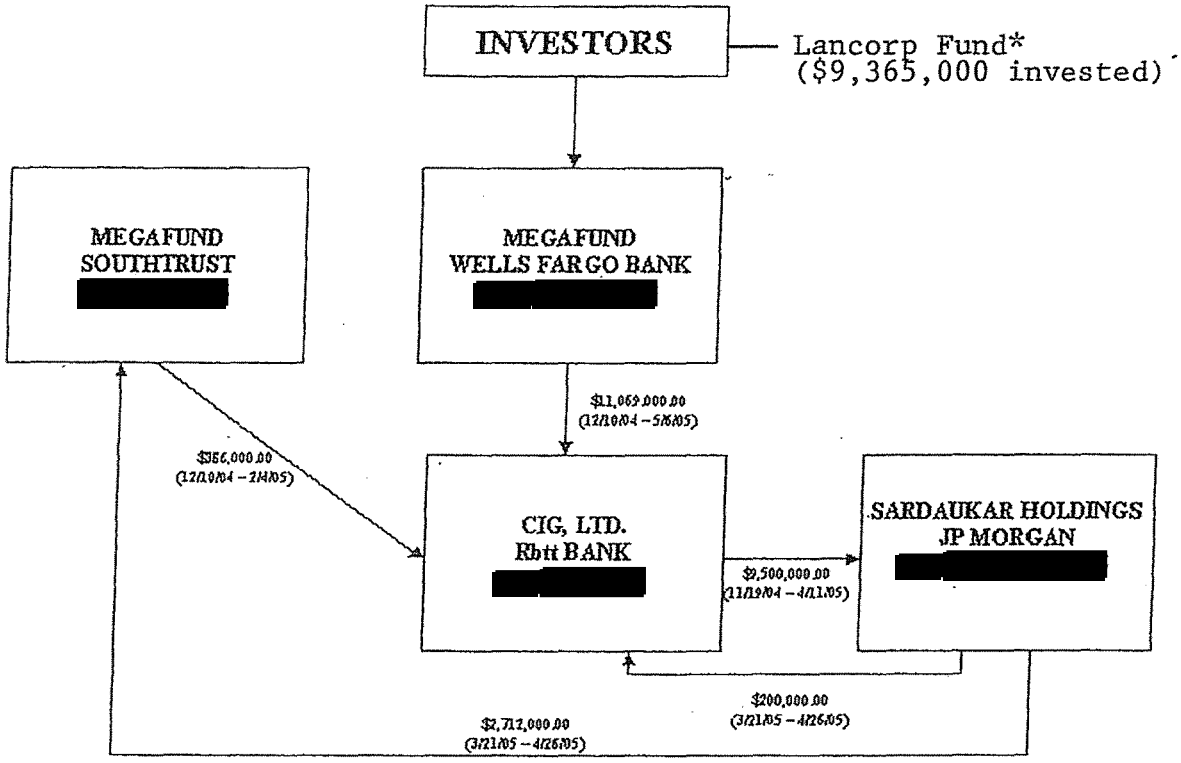
Flow of Funds

LAST UPDATE: AUGUST 15, 2005

Although the Receiver is still in the process of obtaining bank records, a general overview is clear from the records he does have as to how investor funds flowed through the accounts controlled by the Defendants.

Summary of Fund Transfers:

MEGAFUND
Flow Of Investment Funds



So What Happened to My Money?

LAST UPDATE: JANUARY 29, 2007

As you might expect, this is the most often asked question by investors. What is set forth below is designed to give a general overview of what happened to investor funds as a whole as they were sent to one of the entities in receivership. Depending on who you sent your funds to originally, you can see how investor money was spent.

* Modified from original by adding Lancorp Fund ($9,365,000 invested)

Exhibit E

CIVIL ACTION NO. 3:05-CV-1328-L

MEGAFUND CORPORATION RECEIVERSHIP ESTATE

Summary of Cash Receipts and Disbursements
(through April 30, 2008)

RECEIPTS:			
	Account Closures	$82,393.55	
	Distribution from Sardaukar	$2,216,903.42	
	Asset Sales	$1,455,683.74	
	Miscellaneous	104,215.45	
	Settlements	$188,752.32	
	Refunds	$8,120.94	
	Interest	$25,670.67	
			$4,081,740.09
DISBURSEMENTS:			
	Professional Fees		
	Legal	$516,206.21	
	Accounting	$74,904.91	
	Investigative	$15,623.49	
	Computer Forensics	$35,248.90	
	Distribution to Investors	$2,500,000.00	
	House Expenses	$60,411.47	
	Miscellaneous	$5,611.57	
	Bank Charges	$218.62	
			($3,208,225.17)
CASH ON HAND			$873,514.92
	Less administrative expenses:		
	QSCL (requested)	$44,964.00	
	QSCL (cost to close case)	$10,000.00	
	Litzler, Segner (requested)	$418.50	
	Interim distribution to 3 investors	$11,645.39	
	Storage Costs	$1,920.00	
	Tax return cost	$7,500.00	
			$76,447.89
NET CASH AVAILABLE FOR DISTRIBUTION			**$797,067.03**

Exh. 6.1 F
Page 1 of 3

CIVIL ACTION NO. 3:05-CV-1328-L

SARDAUKAR HOLDINGS RECEIVERSHIP ESTATE

Summary of Cash Receipts and Disbursements
(through April 30, 2008)

RECEIPTS:		
Account Closures	$2,112,530.99	
Asset Sales	$445,146.49	
Settlements	$385,085.81	
Miscellaneous	$55.46	
Refunds	$35,802.32	
Interest	$118,182.58	
		$3,096,803.65
DISBURSEMENTS:		
Professional Fees		
Legal	$565,366.83	
Accounting	$81,213.78	
Investigative	$19,503.56	
Computer Forensics	$46,835.32	
Distribution to Investors	$1,900,000.00	
Miscellaneous	$35,650.17	
Bank Charges	$82.38	
		($2,648,652.04)
CASH ON HAND		$448,151.61
Less administrative expenses:		
QSCL (requested)	$22,279.00	
QSCL (cost to close case)	$10,000.00	
Litzler, Segner (requested)	$7,282.75	
Storage Costs	$1,920.00	
Tax return cost	$7,500.00	
		$48,981.75
NET CASH AVAILABLE FOR DISTRIBUTION		**$399,169.86**

Exhibit F
page 2 of 3

CIVIL ACTION NO. 3:05-CV-1328-L

LANCORP FINANCIAL RECEIVERSHIP ESTATE

Summary of Cash Receipts and Disbursements
(through April 30, 2008)

RECEIPTS:		
Account Closures	$1,316,116.14	
Distribution from Megafund	$2,063,147.23	
Miscellaneous	$958,888.52	
Refunds	$220.27	
Interest	$33,918.55	
		$4,372,290.71
DISBURSEMENTS:		
Professional Fees		
Legal	$172,396.40	
Accounting	$5,487.00	
Distribution to Investors	$2,500,000.00	
Bank Charges	$70.64	
		($2,677,954.04)
CASH ON HAND		$1,694,336.67
Less administrative expenses:		
QSCL (requested)	$26,934.00	
QSCL (cost to close case)	$10,000.00	
Interim distribution to 3 investors	$41,697.01	
Storage Costs	$1,920.00	
Tax return cost	$7,500.00	
		$88,051.01
NET CASH AVAILABLE FOR DISTRIBUTION		**$1,606,285.66**

Exhibit F
page 3 of 3

O.N. Equity Sales Co. Cases

1. The O.N. Equity Sales Company v Steinke
504 F.Supp. 2d 913, August 27, 2007 U.S. Dist. LEXIS 64842
(Central District of California)

2. The O.N. Equity Sales Company v Pals
509 F.Supp.2d 761, September 6, 2007 U.S. Dist. LEXIS 66121
(Northern District of Iowa, WD)

3. The O.N. Equity Sales Company v Venrick
508 F.Supp. 2d 872, September 17, 2007 U.S. Dist. LEXIS 68866
(Western District of Washington)

4. The O.N. Equity Sales Company v Gibson
514 F. Supp 2d 857, October 1, 2007 U.S. Dist. LEXIS 74763
(S.D. of West Virginia)

5. The O.N. Equity Sales Company v Prins
519 F. Supp. 2d 1006, November 6, 2007 U.S. Dist. LEXIS 82748
(District of Minnesota)

6. The O.N. Equity Sales Company v Wallace
2007 U.S. Dist. LEXIS 84945
(S.D. California), November 15, 2007

7. The O.N. Equity Sales Company v Samuels
2007 U.S. Dist. LEXIS 90332
(M.D. Florida), November 30, 2007

8. The O.N. Equity Sales Company v Rahner
526 F. Supp. 2d 1195, November 30, 2007 U.S. Dist. LEXIS 90197
(District of Columbia)

9. The O.N. Equity Sales Company v Emmertz
526 F. Supp. 2d 523, December 19, 2007 U.S. Dist. LEXIS 93405
(Eastern District of Pennsylvania)

10. The O.N. Equity Sales Company v Thiers
590 F. Supp. 2d 1208, January 10, 2008 U.S. Dist. LEXIS 3765
(District of Arizona)

11. The O.N. Equity Sales Company v Cui
2008 U.S. Dist. LEXIS 6828
(N.D. of California), January 16, 2008

12. The O.N. Equity Sales Company v Charters
2008 U.S. Dist. LEXIS 74403
(M.D. of Pennsylvania), January 25, 2008

13. The O.N. Equity Sales Company v Nemes
2008 U.S. Dist. LEXIS 9189
(N.D. of California), January 28, 2008

Exhibit G
page 1 of 2

O.N. Equity Sales Co. Cases (continued)

14. The O.N. Equity Sales Company v Staudt
2008 U.S. Dist. LEXIS 7777
(District of Vermont), January 30, 2008

15. The O.N. Equity Sales Company v Cattan
2008 U.S. Dist. LEXIS 9827
(S.D. of Texas), February 8, 2008

16. The O.N. Equity Sales Company v Broderson
2008 U.S. Dist. LEXIS 11447
(E.D. Of Michigan), February 14, 2008

17. The O.N. Equity Sales Company v Pals
528 F.3d 564, March 10, 2008 U.S. App. LEXIS 12252
(Eighth Circuit Court of Appeals)

18. The O.N. Equity Sales Company v Stephens
2008 U.S. Dist. LEXIS 71623
(N.D. of Florida), March 28, 2008

19. The O.N. Equity Sales Company v Pals
551 F. Supp. 2d 821, May 5, 2008 U.S. Dist. LEXIS 36676
(N.D. of Iowa)

20. The O.N. Equity Sales Company v Gibson
553 F. Supp. 2d 652, May 15, 2008 U.S. Dist. LEXIS 39763
(S.D. of West Virginia)

21. The O.N. Equity Sales Company v Emmertz
2008 U.S. Dist. LEXIS 5219
(E.D. of Pennsylvania), July 30, 2008
71 Fed. R. Serv. 3d (Callaghan) 320

22. The O.N. Equity Sales Company v Robinson
2008 U.S. Dist. LEXIS 111778
(E.D. of Virginia), August 25, 2008

Exhibit G
page 2 of 2

U.S. District Court
Northern District of Texas (Dallas)
CIVIL DOCKET FOR CASE #: 3:08-cv-00526-L

Securities and Exchange Commission v. McDuff et al
Assigned to: Judge Sam A Lindsay
Cause: 15:77 Securities

Date Filed: 03/26/2008
Date Terminated: 02/22/2013
Jury Demand: None
Nature of Suit: 850 Securities/Commodities
Jurisdiction: U.S. Government Plaintiff

Plaintiff

Securities and Exchange Commission represented by **Jennifer D Brandt**
Securities and Exchange Commission
Burnett Plaza
801 Cherry Street Suite 1900
Fort Worth, TX 76102-6882
817/978-6442
Fax: 817/978-4927
Email: brandtj@sec.gov
LEAD ATTORNEY
ATTORNEY TO BE NOTICED
Bar Status: Admitted/In Good Standing

Jessica B Magee
United States Securities and Exchange Commission
801 Cherry Street
Suite 1900 Unit #18
Fort Worth, TX 76102
817/978-3821
Fax: 817/978-2809
Email: mageej@sec.gov
LEAD ATTORNEY
ATTORNEY TO BE NOTICED
Bar Status: Admitted/In Good Standing

Harold R Loftin , Jr
SNR Denton US LLP
2000 McKinney Ave
Suite 1900
Dallas, TX 75201
214/259-0900
Fax: 214/259-0910
Email: harold.loftin@snrdenton.com
TERMINATED: 01/31/2012

Exhibit H
page 1 of 5

V.

Defendant

Gary L McDuff

represented by **Gary L McDuff**
[redacted]
Bonham, TX 7[redacted]
[redacted]
PRO SE

Defendant

Gary L Lancaster

Defendant

Robert T Reese

Date Filed	#	Docket Text
03/26/2008	1	COMPLAINT against Gary L McDuff, Gary L Lancaster, Robert T Reese filed by Securities and Exchange Commission. (skt) (Entered: 03/27/2008)
03/26/2008	2	CERTIFICATE OF INTERESTED PARTIES by Securities and Exchange Commission. (skt) (Entered: 03/27/2008)
03/26/2008	3	Unopposed MOTION to Enter Agreed Final Judgments Against Gary L Lancaster and Robert T Reese by Securities and Exchange Commission. (skt) (Entered: 03/27/2008)
03/26/2008	4	NOTICE of Filing of Original Consents of Defendants Gary L Lancaster and Robert T Reese by Securities and Exchange Commission. (skt) (Entered: 03/27/2008)
03/26/2008	5	Summons Issued as to Gary L McDuff. (skt) (Entered: 03/27/2008)
03/27/2008	6	Standing Order Designating Case for ECF - see order for specifics. (Signed by Judge Sam A Lindsay on 3/27/2008) (skt) (Entered: 03/27/2008)
03/27/2008 ✳	7	Final Judgment as to Defendant Robert T. Reese. (See Order for specifics) (Signed by Judge Sam A Lindsay on 3/27/2008) (skt) (Entered: 03/28/2008)
03/27/2008 ✳	8	FINAL JUDGMENT as to Defendant Gary L. Lancaster. (See Order for specifics) (Signed by Judge Sam A Lindsay on 3/27/2008) (skt) (Entered: 03/28/2008)
05/06/2008 ✳	9	NOTICE of Special Appearance, Non Acceptance of Offer to Contract Entitled "Summons" filed by Gary L McDuff (mfw) (Entered: 05/06/2008)
05/12/2008 ✳	10	CORRECTED ATTACHMENT TO NOTICE of Special Appearance, Non Acceptance of Offer to Contract Entitled "Summons" re 5 Summons Issued filed by Gary L McDuff. (svc) (Entered: 05/13/2008)
05/12/2008 ✳	11	NOTICE of Non Acceptance of Offer Return of Complaint Dated 3/26/08 Demand for Credentials/Firm Offer to Settle filed by Gary L McDuff. (svc) (Entered: 05/13/2008)

05/12/2008		NOTICE of Docket Text/Document Modification by Deputy Clerk regarding #12 deleted due to docketing error. (svc) (Entered: 05/12/2008)
05/23/2008 ✳	12	NOTICE to Agent and Principal re: 11 NOTICE of Non Acceptance of Offer Return of Complaint filed by Gary L McDuff (mfw) (Entered: 05/29/2008)
05/23/2008 ✳	13	Verified NOTICE of Non-Response re 11 NOTICE of Non Acceptance of Offer Return of Complaint filed by Gary L McDuff (mfw) (Entered: 05/29/2008)
03/10/2010	14	Summons Reissued as to Gary L McDuff. (skt) (Entered: 03/11/2010)
09/30/2010	15	ORDER: Given the age of this case and that time continues to run against the three-year age of this case, no purpose is served by the case remaining active; the court therefore determines that it should be, and is hereby, administratively closed. (see order) (Ordered by Judge Sam A Lindsay on 9/30/2010) (mfw) (Entered: 10/01/2010)
10/01/2010		***Clerk's Notice of delivery: (see NEF for details) Docket No:15. Fri Oct 1 08:27:53 CDT 2010 (crt) (Entered: 10/01/2010)
10/14/2010	16	Administrative Record consisting of Letters Rogatory. (Forwarded to the US Embassy Mexico City by the Mexican Secretariat of Foreign Relations.) (One bound volume, see Records Department) (twd) (Entered: 10/15/2010)
01/04/2012	17	NOTICE of Tender for Setoff and a Request Regarding a Statement of Account filed by Gary L McDuff. (ykp) (Entered: 01/05/2012)
01/04/2012	18	NOTICE of Tender for Setoff filed by Gary L McDuff. (ykp) (Entered: 01/05/2012)
01/10/2012	19	NOTICE of Attorney Appearance by Jennifer D Brandt on behalf of Securities and Exchange Commission. (Brandt, Jennifer) (Entered: 01/10/2012)
01/10/2012	20	MOTION to Withdraw as Attorney *as to Harold R. Loftin, Jr.* filed by Securities and Exchange Commission (Attachments: # 1 Proposed Order) (Brandt, Jennifer) (Entered: 01/10/2012)
01/23/2012	21	2nd NOTICE of Fault, filed by Gary L McDuff. (ctf) (Entered: 01/23/2012)
01/23/2012	22	NOTICE of Fault filed by Gary L McDuff. (twd) (Entered: 01/24/2012)
01/30/2012	23	NOTICE of Default in Dishonor- Consent to Judgment filed by Gary L McDuff. (ykp) (Entered: 01/30/2012)
01/31/2012	24	ORDER granting 20 Motion to Withdraw as Attorney. Attorney Harold R Loftin, Jr terminated. (Ordered by Judge Sam A Lindsay on 1/31/2012) (ctf) (Entered: 01/31/2012)
01/31/2012		***Clerk's Notice of delivery: (see NEF for details) Docket No:24. Tue Jan 31 10:49:41 CST 2012 (crt) (Entered: 01/31/2012)
02/15/2012	25	NOTICE of Filing Foreign Judgment filed by Gary L McDuff. (skt) (Entered: 02/15/2012)
04/20/2012	26	NOTICE of Amended Filing Authenticated Foreign Judgment Record and Notice of Filing Original Certificate of Authentication of Notary filed by Gary L McDuff. (tln) (Entered: 04/20/2012)
04/20/2012	27	NOTICE of Amended Filing Authenticated Foreign Judgment Record and Notice of

		Filing Original Certificate of Authentication of Notary filed by Gary L McDuff. (tln) (Entered: 0[illegible]/2012)
06/19/2012	28	MOTION to Reopen Case filed by Securities and Exchange Commission (Attachments: # 1 Proposed Order) (Magee, Jessica) (Entered: 06/19/2012)
06/19/2012	29	MOTION to Reissue Summons filed by Securities and Exchange Commission (Attachments: # 1 Exhibit(s) ORDER OF DETENTION PENDING TRIAL, # 2 Proposed Order) (Magee, Jessica) (Entered: 06/19/2012)
06/26/2012	30	Notice of Mistake of Omission to File 1099A and 1096 filed by Gary L McDuff. (ctf) (Entered: 06/28/2012)
08/09/2012	31	Copy of Petitioner's Motion for Summary Judgment filed in Maricopa County by Gary L McDuff. (ykp) (Entered: 08/10/2012)
08/20/2012	32	ORDER granting 28 Motion to Reopen Case; granting 29 Motion to Reissue Summons to Defendant Gary L. McDuff. (Ordered by Judge Sam A Lindsay on 8/20/2012) (axm) Modified on 8/21/2012 (axm). (Entered: 08/21/2012)
08/21/2012		***Clerk's Notice of delivery: (see NEF for details) Docket No:32. Tue Aug 21 08:07:04 CDT 2012 (crt) (Entered: 08/21/2012)
08/21/2012	33	Summons Reissued as to Gary L McDuff. (axm) (Entered: 08/21/2012)
08/29/2012	34	*SUMMONS Returned Executed as to Gary L McDuff ; served on 8/23/2012.* (Magee, Jessica) (Entered: 08/29/2012)
09/24/2012	35	Request for Clerk to issue Clerk's Entry of Default filed by Securities and Exchange Commission. (Attachments: # 1 Clerk's Entry of Default) (Magee, Jessica) (Entered: 09/24/2012)
09/24/2012	36	***Disregard Filed in Error per Attorney*** MOTION for Default Judgment against Gary L McDuff filed by Securities and Exchange Commission (Attachments: # 1 Proposed Order) (Magee, Jessica) Modified on 9/24/2012 (ndt). (Entered: 09/24/2012)
09/24/2012	37	AFFIDAVIT re 35 Request for Clerk to Issue Document *Declaration of Jessica B. Magee In Support of Application For Clerk's Entry of Default As To Defendant McDuff* by Securities and Exchange Commission. (Magee, Jessica) (Entered: 09/24/2012)
09/24/2012	38	Clerk's ENTRY OF DEFAULT as to Gary L McDuff. (ctf) (Entered: 09/24/2012)
09/25/2012		***Clerk's Notice of delivery: (see NEF for details) Docket No:38. Tue Sep 25 08:48:59 CDT 2012 (crt) (Entered: 09/25/2012)
02/19/2013	39	MOTION for Default Judgment against Gary L McDuff filed by Securities and Exchange Commission with Brief/Memorandum in Support. (Attachments: # 1 Exhibit(s) A - Declaration of Michael Quilling, # 2 Exhibit(s) B - Declaration of Jessica Magee, # 3 Proposed Order Proposed Final Judgment by Default) (Magee, Jessica) (Entered: 02/19/2013)
02/22/2013	40	ORDER granting 39 Plaintiff's Motion for Default Judgment as to Defendant Gary L. McDuff. (Ordered by Judge Sam A Lindsay on 2/22/2013) (axm) (Entered: 02/22/2013)
02/22/2013	41	FINAL DEFAULT JUDGMENT: Pursuant to its order filed earlier today, the court issues this Final Default Judgment in favor of the Securities and Exchange Commission and against Gary L. McDuff. It is hereby further ordered that Defendant is liable for

		disgorgement of $136,336.18, representing profits gained as a result of the conduct alleged in the Complaint, together with prejudgment interest thereon in the amount of $65,004.37, and a civil penalty in the amount of $125,000 pursuant to Section 20(d)(2)(C) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3)(B)(iii) of the Exchange Act [15 U.S.C. § 78u(d)]. Defendant shall satisfy this obligation by paying these sums within 14 days after entry of this Final Default Judgment to the Securities and Exchange Commission. (Ordered by Judge Sam A Lindsay on 2/22/2013) (axm) (Entered: 02/22/2013)
02/22/2013		***Clerk's Notice of delivery: (see NEF for details) Docket No:40,41. Fri Feb 22 15:10:02 CST 2013 (crt) (Entered: 02/22/2013)

PACER Service Center			
Transaction Receipt			
06/07/2014 10:03:59			
PACER Login:	gm4797	**Client Code:**	
Description:	Docket Report	**Search Criteria:**	3:08-cv-00526-L
Billable Pages:	4	**Cost:**	0.40

Exhibit H
page 5 of 5

APPOSTILLE NOTART CERTIFICATION

FROM

LIONEL WELCH OF BELIZE

CONFIRMING

ROY CADLE

AS THE BENEFICIAL OWNER

OF SECURED CLEARING CORPORATION

AND SUTHERN TRUST COMPANY

Exhibit I
page 1 of 3

BD

3:06CV0959L

NOTARY CERTIFICATION

The undersigned Notary does hereby confirm possession of original and certified copies of a Secured Clearing Corporation Certificate of Good Standing, Southern Trust Company certification of Registrar, and the following facts;

Wilhelm Roy Cadle is the sole shareholder of Secured Clearing Corporation

Wilhelm Roy Cadle is the sole beneficiary of Southern Trust Company.

Wilhelm Roy Cadle is a natural born Belizean, who resides only in Belize.

Wilhelm Roy Cadle is a man personally known by me.

15th day of August, 2006

_____
Lionel LR Welch
Notary Public

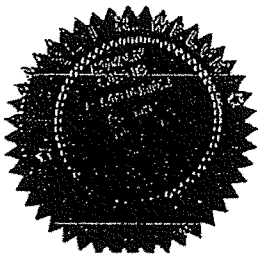


Exhibit I
page 2 of 3

APOSTILLE
(CONVENTION DE LA HAYE DIA 5 OCTUBRE 1961)

Country BELIZE

1. Public Documents NOTARY CERTIFICATION
2. Has been signed by LIONEL LR WELCH
3. Acting as NOTARY PUBLIC
4. Bearing the Seal/Stamp of LIONEL LR WELCH, NOTARY PUBLIC

CERTIFIED

5. At BELIZE CITY 6. On 15th August, 2006
7. By EDMUND O. PENNIL 8. Under No. 5785/2006
8. Seal 10. Signature

REGISTRAR GENERAL

DEPUTY REGISTRAR

Exhibit I
page 3 of 3

ORIGINAL

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

GARY L. MCDUFF, GARY L. LANCASTER and ROBERT T. REESE,

Defendants.

3-08CV-526-L

C.A. No. __-____

FINAL JUDGMENT AS TO DEFENDANT GARY L. LANCASTER

The Securities and Exchange Commission having filed a Complaint and Defendant Gary L. Lancaster having entered a general appearance; consented to the Court's jurisdiction over Defendant and the subject matter of this action; consented to entry of this Final Judgment without admitting or denying the allegations of the Complaint (except as to jurisdiction); waived findings of fact and conclusions of law; and waived any right to appeal from this Final Judgment:

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Sections 5(a) and 5(c) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. §§ 77e(a) and 77e(c)] by, directly or indirectly, in the absence of any applicable exemption:

Exhibit J
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(a) Unless a registration statement is in effect as to a security, making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such security through the use or medium of any prospectus or otherwise; or

(b) Making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security, unless a registration statement has been filed with the Commission as to such security, or while the registration statement is the subject of a refusal order or stop order or (prior to the effective date of the registration statement) any public proceeding or examination under Section 8 of the Securities Act [15 U.S.C. § 77h].

II.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

(a) to employ any device, scheme, or artifice to defraud;

(b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

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(c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

III.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

(a) to employ any device, scheme, or artifice to defraud;

(b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

(c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

IV.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)], by using the mails or any means or instrumentality

of interstate commerce, while acting as a broker or dealer, effecting transactions in or inducing or attempting to induce the purchase or sale of securities while not registered with the Commission as a broker or dealer or while not associated with an entity registered with the Commission as a broker or dealer.

V.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Sections 206(1) and 206(2) the Investment Advisers Act of 1940 ("Advisers Act") [15 U.S.C. §§ 80b-6(1) and 80b-6(2)], by using the mails or any means or instrumentalities of interstate commerce:

(a) with scienter, to employ devices, schemes or artifices to defraud clients and prospective clients; or

(b) to engage in transactions, practices or courses of business which operate as a fraud or deceit upon clients or prospective clients.

VI.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is liable for disgorgement of $336,229, representing profits gained as a result of the conduct alleged in the Complaint, together with prejudgment interest thereon in the amount of $56,156.39, for a total of $392,385.39. Based on Defendant's sworn representations in his Statement of Financial Condition dated December 5, 2007, and other documents and information submitted to the Commission, however, the Court is not ordering Defendant to pay a civil penalty and payment of all disgorgement and pre-judgment interest thereon is waived. The determination not to impose a civil penalty and to

waive payment of the disgorgement and pre-judgment interest is contingent upon the accuracy and completeness of Defendant's Statement of Financial Condition. If at any time following the entry of this Final Judgment the Commission obtains information indicating that Defendant's representations to the Commission concerning his assets, income, liabilities, or net worth were fraudulent, misleading, inaccurate, or incomplete in any material respect as of the time such representations were made, the Commission may, at its sole discretion and without prior notice to Defendant, petition the Court for an order requiring Defendant to pay the unpaid portion of the disgorgement, pre-judgment and post-judgment interest thereon, and the maximum civil penalty allowable under the law. In connection with any such petition, the only issue shall be whether the financial information provided by Defendant was fraudulent, misleading, inaccurate, or incomplete in any material respect as of the time such representations were made. In its petition, the Commission may move this Court to consider all available remedies, including, but not limited to, ordering Defendant to pay funds or assets, directing the forfeiture of any assets, or sanctions for contempt of this Final Judgment. The Commission may also request additional discovery. Defendant may not, by way of defense to such petition: (1) challenge the validity of the Consent or this Final Judgment; (2) contest the allegations in the Complaint filed by the Commission; (3) assert that payment of disgorgement, pre-judgment and post-judgment interest or a civil penalty should not be ordered; (4) contest the amount of disgorgement and pre-judgment and post-judgment interest; (5) contest the imposition of the maximum civil penalty allowable under the law; or (6) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

VII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the Consent is incorporated herein with the same force and effect as if fully set forth herein, and that Defendant shall comply with all of the undertakings and agreements set forth therein.

VIII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

IX.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Final Judgment forthwith and without further notice.

Dated March 27, 2008

Sam A. Lindsay
UNITED STATES DISTRICT JUDGE

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7.5. Parties to Contracts with Service Providers. The Trustees may enter into any contract with any entity, although one more of the Trustees or officers of the Trust may be an officer, director, trustee, partner, shareholder, or member of such entity, and no such contract shall be invalidated or rendered void or voidable because of such relationship. No person having such a relationship shall be disqualified from voting on or executing a contract in his capacity as Trustee and/or Shareholder, or be liable merely by reason of such relationship for any loss or expense to the Trust with respect to such a contract or accountable for any profit realized directly or indirectly therefrom; provided, that the contract was reasonable and fair and not inconsistent with this Declaration of Trust or the Bylaws.

Any contract referred to in Sections 7.1 and 7.2 of this Article shall be consistent with and subject to the applicable requirements of Section 15 of the 1940 Act and the rules and orders thereunder with respect to its continuance in effect, its termination, and the method of authorization and approval of such contract or renewal. No amendment to a contract referred to in Section 7.1 of this Article shall be effective unless assented to as required by Section 15 of the 1940 Act, and the rules and orders thereunder.

ARTICLE VIII
Limitation of Liability and Indemnification

8.1. Limitation of Liability. All persons contracting with or having any claim against the Trust or a particular Series shall look only to the Quarterly Income or the Founders Shares, respectively, for payment under such contract or claim; and neither the Trustees nor any of the Trust's officers, employees or agents, whether past, present or future, shall be personally liable therefor. Every written instrument or obligation on behalf of the Trust shall contain a statement to the foregoing effect, but the absence of such statement shall not operate to make any Trustee or officer of the Trust liable thereunder. Provided they have exercised reasonable care and have acted under the reasonable belief that their actions are in the best interests of the Trust, the Trustees and officers of the Trust shall not be responsible or liable for any act or omission or for neglect or wrongdoing of them or any officer, agent, employee, investment adviser or independent contractor of the Trust, but nothing contained in this Declaration of Trust or in the NRS shall protect any Trustee or officer of the Trust against liability to the Trust or to Shareholders to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

8.2. Indemnification.

(a) Subject to the exceptions and limitations contained in subparagraph (b) below:

(i) Every person who is, or has been, a Trustee or an officer, employee or agent of the Trust (the "Covered Person") shall be indemnified by the Trust to the fullest extent permitted by law against liability and against all expenses reasonably incurred or paid by him in connection with any claim, action, suit or proceeding in which he becomes involved as a party or otherwise by virtue of his being or having been a Covered Person and against amounts paid or incurred by him in the settlement thereof; provided, however, that the Trust shall not be obligated to indemnify any agent acting pursuant to a written contract with the Trust, except to the extent required by such contract; and

(ii) As used herein, the words "claim," "action," "suit," or "proceeding" shall apply to all claims, actions, suits or proceedings (civil, criminal or other, including appeals), actual or threatened, and the words "liability" and "expenses" shall include, without limitation, attorneys' fees, costs, judgments, amounts paid in settlement, fines, penalties and other liabilities.

(b) No indemnification shall be provided hereunder to a Covered Person:

(iii) Who shall have been adjudicated by a court or body before which the proceeding was brought:

(A) To be liable to the Trust or its Shareholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office; or

attachment

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DECLARATION OF TRUST
FOR
LANCORP FINANCIAL FUND BUSINESS TRUST

THIS DECLARATION OF TRUST is made by the undersigned trustee, whether one or more (the "Trustees") on March 3, 2003, to establish a business trust (the "Trust") for the investment and reinvestment of funds contributed to the Trust by investors. The Trustees declare that all money and property contributed to the Trust shall be held and managed IN TRUST pursuant to this Declaration of Trust. The name of the Trust created by this Declaration of Trust is "Lancorp Financial Fund."

ARTICLE I
Definitions

Unless otherwise provided or required by the context:

1.1. "Bylaws" means the Bylaws of the Trust adopted by the Trustees, as amended from time to time.

1.2. "Certificate of Trust" means the Certificate of Trust filed with the Secretary of State of the State of Nevada, as required by Section 88A.210 of the NRS.

1.3. "Commission," "Interested Person," and "Principal Underwriter" have the meanings provided in the 1940 Act.

1.4. "Covered Person" means a person so defined in Section 8.2 hereof.

1.5. "Credit Ceiling" means the per customer credit limit for a bank and is calculated based on the value of the bank's assets.

1.6. "Forward Commitment" means a system developed by banks of syndicating or "laying-off" the difference between the funds needed by their customers and the funds the banks can make available without exceeding their Credit Ceilings. Generally, after becoming aware that the value of an upcoming transaction for one of its clients will exceed its Credit Ceiling, a bank will begin contacting additional banks and financial institutions in order to obtain commitments ("Forward Commitments") from such entities to provide the funds necessary to cover all or a portion of the required funds the bank cannot provide due to its Credit Ceiling, which has the effect of satisfying the banking regulations necessary to permit the primary bank to handle the transaction.

1.7. "Fund Expense Account" means the account designated by a reference such as the "Fund Expense Account at [name of Qualified Bank] Bank" established by the Trustees, which shall be a non-interest bearing special account in the name of, and for the sole and exclusive benefit of, the Trust. All income of the Trust generated with respect to the Permitted Investments will be deposited into the Fund Expense Account. Moreover, all distributions of Quarterly Income will be paid out of the Fund Expense Account.

1.8. "Fund Investor Account" means the account designated by a reference such as the "Fund Investor Account at [name of Qualified Bank] Bank" established by the Trustees, which shall be a non-interest bearing special account in the name of, and for the sole and exclusive benefit of, the Trust. All amounts received by the Trust with respect to the purchase of Investor Shares will be placed in the Fund Investor Account. ~~The only expenses to be paid out of the Fund Investor Account will be the premiums for insurance~~ covering the Investor Shares, for those Shareholders ~~electing to purchase such insurance.~~ Any such insurance premiums will be charged ~~to the account of a Shareholder~~ of Investor Shares specifically ~~electing to purchase such insurance coverage.~~

1.9. ~~"Insured Shareholder" means a Shareholder who has elected to purchase insurance~~ from an Insurer.

1.10. "Insurer" means any insurance company which has agreed to write an insurance policy that will insure against any failure of the Trust to return all of the principal investment to the investor upon redemption of his

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DECLARATION OF GARY LYNN LANCASTER

I, Gary Lynn Lancaster, do hereby declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the following is true and correct, and further that this declaration is made on my personal knowledge and that I am competent to testify as to the matters stated herein:

1. I was born on [redacted] in [redacted], in the United States of America. My current residence is Vancouver, Washington, where I have resided since April 2005. I once held Series 6, 7, 63 and 65 licenses with the National Association of Securities Dealers, however, those licenses are currently inactive. I have no NASD disciplinary history.

2. Currently, I am the owner and CEO of Lancorp Financial Group LLC ("Lancorp Financial Group"), a privately-held Oregon limited liability company, with its primary place of business located in Vancouver, Washington. Lancorp Financial Group runs a private investment fund that was offered pursuant to Rule 506 of Regulation D. The Lancorp Financial Group offering became effective in April 2004, and the fund currently has 100 investors.

3. In late 2004 or early 2005, I first learned about Megafund Corporation ("Megafund") from an individual named Gary McDuff. I was told that Mr. McDuff's father (who in an investor in the Lancorp Financial Group fund) has been a long time friend of Stanley Leitner, the President and CEO of Megafund.

4. In January 2005, I spoke several times with Mr. Leitner about the operations of Megafund. Leitner stated that all funds invested in Megafund would be "traded" through a non-depleting account at a major brokerage firm, and that all funds were completely insured against loss of any kind. Leitner also stated that he had personally conducted a background check on the "Trader," and that the Trader was a licensed broker and that he "checked out." Further, Leitner

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REDACTED

- To carry on any other business in connection with or incidental to any of the foregoing powers, to do everything necessary or suitable to accomplish any purpose or to further any of the foregoing powers, and to take every other action incidental to the foregoing business or purposes, objects or powers.

Certain Transactions. The Trustees may not buy any securities from or sell any securities to, or lend any assets of the Trust to, any Trustee or officer of the Trust or any firm of which any such Trustee or officer is a member acting as principal. However, except as prohibited by applicable law, the Trustees may, on behalf of the Trust, have dealings with any firm of which any Trustee or officer of the Trust is a member and which acts as a principal investment adviser, administrator, distributor or transfer agent for the Trust or with any Interested Person of such person. The Trust may employ any such person or entity in which such person is an Interested Person, as broker, legal counsel, registrar, investment adviser, administrator, distributor, transfer agent, dividend disbursing agent, custodian or in any other capacity upon customary terms.

Executive Officers and Trustees

The following table sets forth information concerning the Trustees and executive officers of the Trust as of the date of this memorandum:

Name	Age	Position	Trustee Since
Gary L. Lancaster	51	Chairman, President, and Chief Executive Officer	March 3, 2002
Larry R. Lancaster	51	Vice President, Secretary, and Trustee	March 5, 2003

Our executive officers are elected annually by our Board of Trustees. Gary L. Lancaster and Larry R. Lancaster are brothers. Otherwise, there are no family relationships among our Trustees and executive officers.

We may employ additional management personnel as our Board of Trustees deems necessary. The Trust has not identified or reached an agreement or understanding with any other individuals to serve in management positions. We do not anticipate any difficulty in employing qualified staff.

A description of the business experience during the past several years for each of the Trustees and executive officers of the Trust is set forth below.

Gary L. Lancaster has spent the majority of his professional career in the specialized field of trust administration, financial consulting, and asset management. He has been the Fund's Trustee since its formation on December 9, 2002. From 1995 to 1996, Mr. Lancaster was a planning officer and retirement specialist handling investments, estate planning, and trusts with First Interstate Bank - Wells Fargo/Stephens, Inc. From 1997 to 1999, he was an insurance specialist in investments, estate planning and trusts for BA Financial Services, Inc. Since 1999 Mr. Lancaster has been employed as a vice president of financial services and a financial consultant of U.S. Bancorp, an affiliate of the Escrow Agent under this memorandum. Since June 1996, Mr. Lancaster has been the owner of Lancorp Financial Group, LLC. Mr. Lancaster is an investment adviser registered with the Commission under the Investment Advisers Act of 1940, as amended.

Larry R. Lancaster, since 1996 has been a senior risk management consultant with RSA/EBI Companies of Portland, Oregon. Since 1998, Mr. Lancaster has also been City Councilor and Council President for the City of Milwaukie, Oregon.

Committees of the Board of Trustees

Compensation Committee. Our Board of Trustees has created a compensation committee. However, no members to the committee have been appointed and the committee has not been formally organized. The compensation committee will make recommendations to the Board of Trustees concerning salaries and compensation for our executive officers and employees.

Audit Committee. Our Board of Trustees has created an audit committee which is directly responsible for the appointment, compensation, and oversight of the work of any registered public accounting firm employed by us (including resolution of disagreements between our management and the auditor regarding financial disclosure) for the purpose of preparing or issuing an audit report or related work. The audit committee will also review and evaluate our internal control functions. The members of the audit committee are Mr. Gary L. Lancaster and Mr. Larry R. Lancaster. Mr. Gary L. Lancaster is the chairman of the audit committee.

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No Broker-Dealer

The Investor Shares will be sold on a "best efforts" by the Trust without the assistance of any broker-dealer or selling agent subject to our right to reject any offer to purchase an Investor Share in whole or in part. There is no firm commitment on the part of the Trust or any other party to purchase any of the Investor Shares not otherwise sold in this offering.

There will be no compensation paid by the Trust in connection with the sale of the Investor Shares. The Trust will be deemed an "underwriter" as that term is defined in the 1933 Act.

Key Terms of the Escrow Agreement

Since this offering is a "best efforts" offering as well as a "minimum-maximum" offering, until the Initial Closing Date, we will use an escrow account. Under the terms of our escrow agreement with the Escrow Agent:

- The proceeds from the sale of our Investor Shares will be deposited into an interest bearing account until the Initial Closing Date;
- The escrowed proceeds are not subject to claims by our creditors, affiliates, associates or underwriters until the proceeds have been released to us under the terms of the escrow agreement;
- Even though we have no obligation to do so, following the Initial Closing Date, we will continue to use the escrow account for administrative purposes, with all deposits being immediately available for our use; and
- The regulatory administrator of any state in which the offering is registered has the right to inspect and make copies of the records of the Escrow Agent relating to the escrowed funds in the manner described in the escrow agreement.

USE OF PROCEEDS

The proceeds of this offering will be used immediately upon the Initial Closing Date, and thereafter, to:

- Purchase the insurance covering the Investor Shares on behalf of Insured Shareholders;
- Purchase the Permitted Investments; and
- To the extent that cash is not invested in the Permitted Investments, the Trust may invest in a Qualified Bank's money market accounts as specified in the Declaration of Trust.

As described elsewhere in this memorandum, there will be no expenses of the Trust or this offering charged to the Fund Investor Account. See "Fee Table and Synopsis" and "The Trust – The Trustees."

THE TRUST

Creation and Form of the Trust

The Trust is a newly organized Nevada business trust. It is an unregistered, non-diversified, closed-end management investment company under the 1940 Act. The Trust was formed on March 3, 2003 under an Agreement and Declaration of Trust, a copy of which is attached to this memorandum as Appendix B and incorporated herein by reference for all purposes. The address of the Trust is 1382 Leigh Court, West Linn, Oregon 97068, telephone (503) 675-5017, fax (503) 675-5013, and e-mail lancorpfinancialfund@attbi.com. We do not maintain an Internet web site.

Duration and Termination of the Trust. The Trust shall have perpetual existence. Subject to a Majority Shareholder Vote of the Trust or of each Series to be affected, the Trustees may, pursuant to Section 9.4(a) of the Declaration of Trust:

- Sell and convey all or substantially all of the assets of the Trust or any affected Series to another Series or to another entity which is a closed-end management investment company as defined in the 1940 Act, or is a series thereof, for adequate consideration, which may include the assumption of all outstanding obligations, taxes and other liabilities, accrued or contingent, of the Trust or any affected Series, and which may include shares of or interests in such Series, entity, or series thereof; or
- At any time sell and convert into money all or substantially all of the assets of the Trust or any affected Series.

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Upon making reasonable provision for the payment of all known liabilities of the Trust or any affected Series in either of the two bullet points immediately above, by such assumption or otherwise, the Trustees shall distribute the remaining proceeds or assets (as the case may be) ratably among the Shareholders of the Trust or any affected Series; however, the payment to any particular Series of such Series may be reduced by any fees, expenses or charges allocated to that Series, as may be expressly permitted in the Declaration of Trust.

The Trustees may take any of the actions specified in Section 9.4(a) of the Declaration of Trust without obtaining a Majority Shareholder Vote of the Trust or any Series if a majority of the Trustees determines that the continuation of the Trust or Series is not in the best interests of the Trust, such Series, or their respective Shareholders as a result of factors or events adversely affecting the ability of the Trust or such Series to conduct its business and operations in an economically viable manner. Such factors and events may include the inability of the Trust or a Series to maintain its assets at an appropriate size, changes in laws or regulations governing the Trust or the Series or affecting assets of the type in which the Trust or Series invests, or economic developments or trends having a significant adverse impact on the business or operations of the Trust or such Series.

Upon completion of the distribution of the remaining proceeds or assets pursuant to Section 9.4(a) of the Declaration of Trust, the Trust or affected Series shall terminate and the Trustees and the Trust shall be discharged of any and all further liabilities and duties in the Declaration of Trust with respect thereto and the right, title and interest of all parties therein shall be canceled and discharged. Upon termination of the Trust, following completion of winding up of its business, the Trustees shall cause a certificate of cancellation of the Trust's Certificate of Trust to be filed in accordance with the NRS, which certificate of cancellation may be signed by any one Trustee.

Trust Not a Partnership. The Declaration of Trust creates a trust and not a partnership. No Trustee shall have any power to bind personally either the Trust's officers or any Shareholder to any obligation to which such person has not consented.

The Trustees

Management of the Trust. The business and affairs of the Trust shall be managed by or under the direction of the Trustees, and they shall have all powers necessary or desirable to carry out that responsibility. The Trustees may execute all instruments and take all action they deem necessary or desirable to promote the interests of the Trust. Any determination made by the Trustees in good faith as to what is in the interests of the Trust shall be conclusive.

Initial Trustees; Election and Number of Trustees. The initial Trustees shall be the persons initially signing the Declaration of Trust. The number of Trustees shall be fixed from time to time by a majority of the Trustees; provided, that there shall be at least one Trustee. The Shareholders shall elect the Trustees on such dates as the Trustees may fix from time to time.

Term of Office of Trustees. Each Trustee shall hold office for life or until his successor is elected or the Trust terminates, except that:

- Any Trustee may resign by delivering to the other Trustees or to any officer of the Trust a written resignation effective upon such delivery or a later date specified therein;
- Any Trustee may be removed with or without cause at any time by a written instrument signed by at least two-thirds of the other Trustees, specifying the effective date of removal;
- Any Trustee who requests to be retired, or who has become physically or mentally incapacitated or is otherwise unable to serve, may be retired by a written instrument signed by a majority of the other Trustees, specifying the effective date of retirement; and
- Any Trustee may be removed at any meeting of the Shareholders by a vote of at least two-thirds of the Outstanding Shares.

Vacancies; Appointment of Trustees. Whenever a vacancy shall exist in the Board of Trustees, regardless of the reason for such vacancy, the remaining Trustees shall appoint any person as they determine in their sole discretion to fill that vacancy, consistent with the limitations under the 1940 Act. Such appointment shall be made by a written instrument signed by a majority of the Trustees or by a resolution of the Trustees, duly adopted and recorded in the records of the Trust, specifying the effective date of the appointment. The Trustees may appoint a new Trustee as provided above in anticipation of a vacancy expected to occur because of the retirement, resignation, or removal of a Trustee, or an increase in the number of the Trustees, provided that such appointment shall become

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effective only at or after the expected vacancy occurs. As soon as any such Trustee has accepted his appointment in writing, the Trust estate shall vest in the new Trustee, together with the continuing Trustees, without any further act or conveyance, and he shall be deemed a Trustee in the Declaration of Trust. The power of appointment is subject to Section 16(a) of the 1940 Act.

Chairman. The Trustees shall appoint one of their numbers to be Chairman of the Board of Trustees. The Chairman shall preside at all meetings of the Trustees, shall be authorized to execute the policies established by the Trustees and the administration of the Trust, and may be the chief executive, financial and/or accounting officer of the Trust.

Action by the Trustees. The Trustees shall act by majority vote at a meeting duly called (including at a telephonic meeting, unless the 1940 Act requires that a particular action be taken only at a meeting of the Trustees in person) at which a quorum is present or by written consent of a majority of the Trustees (or such greater number as may be required by applicable law) without a meeting. A majority of the Trustees shall constitute a quorum at any meeting.

Trustees, etc. as Shareholders. Subject to any restrictions in the Bylaws, any Trustee, officer, agent or independent contractor of the Trust may acquire, own and dispose of the Shares to the same extent as any other Shareholder; the Trustees may issue and sell the Shares to and buy the Shares from any such person or any firm or company in which such person is interested, subject only to any general limitations herein.

✳ *Compensation of the Trustees.* The Trustees will receive compensation from the Trust equal to the difference between the actual liabilities, expenses and costs of the Trust and 0.5 percent per quarter of the total amount on deposit during such quarter in the Trust's operational account, the Fund Expense Account, and the Fund Investor Account. If the liabilities, expenses and costs of the Trust, other than the compensation due to the Trustees, exceed 0.5 percent per quarter, the Trustees shall receive no compensation for that quarter. Any compensation payable to the Trustees will be paid only out of the Fund Expense Account and only to the extent that the Trust has Quarterly Income. ✳

The Trustees will not be entitled to any compensation from the Trust until all investors who have paid insurance premiums with respect to their Investor Shares have been reimbursed for all such insurance premiums out of the Quarterly Income. Any expenses of the Trust related to any offering of the Shares to investors under the 1933 Act will be paid out of any compensation which may be due to the Trustees. The Investor Shares will not be charged with any such expenses.

Codes of Ethics. The Trust and the Trustees have adopted codes of ethics as prescribed by the 1940 Act. The codes prohibit the investment by the Trust or any one acting on its behalf, including any underwriter, in any security other than as permitted in the Declaration of Trust.

Powers of the Trustees

Powers. The Trustees in all instances, and subject to all of the provisions of the Declaration of Trust and the Bylaws, shall act as principals, free of the control of the Shareholders. The Trustees shall have full power and authority to take or refrain from taking any action and to execute any contracts and instruments that they may consider necessary or desirable in the management of the Trust. The Trustees shall not in any way be bound or limited by current or future laws or customs applicable to trust investments, except as may be otherwise provided herein, but shall have full power and authority to make any investments which they, in their sole discretion, deem proper to accomplish the purposes of the Trust, and to dispose of the same. The Trustees may exercise all of their powers without recourse to any court or other authority. Subject to any applicable limitation herein, the 1940 Act, the Bylaws, or resolutions of the Trust, the Trustees shall have power and authority, without limitation:

- To make the investments of the Trust Property as permitted herein. Except as provided in Sections 4.8 and 4.9 in the Declaration of Trust, the Trustees shall not make any other investments of the Trust Property.
- To operate as and carry on the business of an unregistered investment company, and exercise all the powers necessary and proper to conduct such a business;
- To adopt Bylaws not inconsistent with the Declaration of Trust providing for the conduct of the business of the Trust and to amend and repeal them to the extent such right is not reserved to the Shareholders;
- To elect and remove such officers and appoint and terminate such agents as they deem appropriate; and

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- To carry on any other business in connection with or incidental to any of the foregoing powers, to do everything necessary or desirable to accomplish any purpose or to further any of the foregoing powers, and to take every other action incidental to the foregoing business or purposes, objects or powers.

Certain Transactions. The Trustees may not buy any securities from or sell any securities to, or lend any assets of the Trust to, any Trustee or officer of the Trust or any firm of which any such Trustee or officer is a member acting as principal. However, except as prohibited by applicable law, the Trustees may, on behalf of the Trust, have dealings with any firm of which any Trustee or officer of the Trust is a member and which acts as a principal investment adviser, administrator, distributor or transfer agent for the Trust or with any Interested Person of such person. The Trust may employ any such person or entity in which such person is an Interested Person, as broker, legal counsel, registrar, investment adviser, administrator, distributor, transfer agent, dividend disbursing agent, custodian or in any other capacity upon customary terms.

Executive Officers and Trustees

The following table sets forth information concerning the Trustees and executive officers of the Trust as of the date of this memorandum:

Name	Age	Position	Trustee Since
Gary L. Lancaster	51	Chairman, President, and Chief Executive Officer	March 3, 2002
Larry R. Lancaster	51	Vice President, Secretary, and Trustee	March 5, 2003

Our executive officers are elected annually by our Board of Trustees. Gary L. Lancaster and Larry R. Lancaster are brothers. Otherwise, there are no family relationships among our Trustees and executive officers.

We may employ additional management personnel as our Board of Trustees deems necessary. The Trust has not identified or reached an agreement or understanding with any other individuals to serve in management positions. We do not anticipate any difficulty in employing qualified staff.

A description of the business experience during the past several years for each of the Trustees and executive officers of the Trust is set forth below.

Gary L. Lancaster has spent the majority of his professional career in the specialized field of trust administration, financial consulting, and asset management. He has been the Fund's Trustee since its formation on December 9, 2002. From 1995 to 1996, Mr. Lancaster was a planning officer and retirement specialist handling investments, estate planning, and trusts with First Interstate Bank - Wells Fargo/Stephens, Inc. From 1997 to 1999, he was an insurance specialist in investments, estate planning and trusts for BA Financial Services, Inc. Since 1999 Mr. Lancaster has been employed as a vice president of financial services and a financial consultant of U.S. Bancorp, an affiliate of the Escrow Agent under this memorandum. Since June 1996, Mr. Lancaster has been the owner of Lancorp Financial Group, LLC. Mr. Lancaster is an investment adviser registered with the Commission under the Investment Advisers Act of 1940, as amended.

Larry R. Lancaster, since 1996 has been a senior risk management consultant with RSA/EBI Companies of Portland, Oregon. Since 1998, Mr. Lancaster has also been City Councilor and Council President for the City of Milwaukie, Oregon.

Committees of the Board of Trustees

Compensation Committee. Our Board of Trustees has created a compensation committee. However, no members to the committee have been appointed and the committee has not been formally organized. The compensation committee will make recommendations to the Board of Trustees concerning salaries and compensation for our executive officers and employees.

Audit Committee. Our Board of Trustees has created an audit committee which is directly responsible for the appointment, compensation, and oversight of the work of any registered public accounting firm employed by us (including resolution of disagreements between our management and the auditor regarding financial disclosure) for the purpose of preparing or issuing an audit report or related work. The audit committee will also review and evaluate our internal control functions. The members of the audit committee are Mr. Gary L. Lancaster and Mr. Larry R. Lancaster. Mr. Gary L. Lancaster is the chairman of the audit committee.

Executive Compensation

Since we are a newly created trust, no compensation has been paid to any of our officers.

Employment Contracts

As of the date of this memorandum, we have not executed any employment contracts with any of our officers or employees. Any such contract we may execute in the future shall be in conformity with the 1940 Act.

Litigation

The Trust is not engaged in any litigation, and the Trustees are not aware of any claims or complaints that could result in future litigation against the Trust.

Certain Transactions with Officers, Trustees, and Security Holders

The Trust has not entered into any agreement with any officer, Trustee or security holder of the Trust. However, any such agreement we may execute in the future shall be in conformity with the 1940 Act.

Transactions with Promoters

The promoters of the Trust are Gary L. Lancaster and Larry R. Lancaster. Gary L. Lancaster has purchased five Founders Shares. No other promoter has any other interest in the Trust. Other than the cash consideration for our shares paid by Gary L. Lancaster, we have not received, and we do not expect to receive, any assets from any of the promoters.

However, Gary L. Lancaster, in the future, may be entitled to receive compensation as an officer and Trustee of the Trust, but as of the date of this memorandum, Mr. Lancaster is not entitled to receive any other consideration from us.

Principal Shareholders

The following table presents information regarding the beneficial ownership of all our Shares as of the date of this memorandum, by:

- Each person who beneficially owns more than five percent of our outstanding Shares;
- Each Trustee of the Trust;
- Each named executive officer; and
- All Trustees and officers as a group.

Name and Address of Beneficial Owner (1)	Shares Beneficially Owned (2)	
	Number	Percent
Gary L. Lancaster (3)	5,000	100
Larry R. Lancaster	-0-	-0-
All Trustees and officers as a group (two persons)	5,000	100

(1) Unless otherwise indicated, the address for each of these shareholders is c/o the Lancorp Financial Fund, 1382 Leigh Court, West Linn, Oregon 97068. Also, unless otherwise indicated, each person named in the table above has the sole voting and investment power with respect to his Shares beneficially owned.

(2) Beneficial ownership is determined in accordance with the rules of the Commission.

(3) The Shares owned by Mr. Lancaster are Founders Shares. As of the effective date of this memorandum, there are no Investors Shares issued or outstanding.

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Contracts with Service Providers

Investment Adviser. Section 7.1 of the Declaration of Trust provides that subject to a Majority Shareholder Vote, the Trustees may enter into one or more investment advisory contracts on behalf of the Trust, providing for investment advisory services, statistical and research facilities and services, and other facilities and services to be furnished to the Trust on terms and conditions acceptable to the Trustees. Any such contract may provide for the investment adviser to effect purchases, sales or exchanges of the Trust Property as permitted herein on behalf of the Trustees or may authorize any officer or agent of the Trust to affect such purchases, sales or exchanges pursuant to recommendations of the investment adviser. The Trustees may authorize the investment adviser to employ one or more sub-advisers.

Principal Underwriter. Section 7.2 of the Declaration of Trust provides that the Trustees may enter into contracts on behalf of the Trust, providing for the distribution and sale of Shares by the other party, either directly or as sales agent, on terms and conditions acceptable to the Trustees. The Trustees may adopt a plan or plans of distribution with respect to the Shares of any Series and enter into any related agreements, whereby the Trust finances directly or indirectly any activity that is primarily intended to result in sales of its Shares, subject to the requirements of the 1940 Act, and other applicable rules and regulations.

Custodian. The Trustees shall at all times place and maintain the securities and similar investments of the Trust in custody with a Qualified Bank meeting the requirements of Section 17(f) of the 1940 Act and the rules thereunder. The Trustees, on behalf of the Trust, may enter into an agreement with a custodian on terms and conditions acceptable to the Trustees.

Parties to Contracts with Service Providers. The Trustees may enter into any contract with any entity, although one more of the Trustees or officers of the Trust may be an officer, director, trustee, partner, shareholder, or member of such entity, and no such contract shall be invalidated or rendered void or voidable because of such relationship. No person having such a relationship shall be disqualified from voting on or executing a contract in his capacity as Trustee and/or Shareholder, or be liable merely by reason of such relationship for any loss or expense to the Trust with respect to such a contract or accountable for any profit realized directly or indirectly therefrom; provided, that the contract was reasonable and fair and not inconsistent with the Declaration of Trust or the Bylaws.

Any contract referred to in Sections 7.1 and 7.2 in the Declaration of Trust shall be consistent with and subject to the applicable requirements of Section 15 of the 1940 Act and the rules and orders thereunder with respect to its continuance in effect, its termination, and the method of authorization and approval of such contract or renewal. No amendment to a contract referred to in Section 7.1 in the Declaration of Trust shall be effective unless assented to as required by Section 15 of the 1940 Act, and the rules and orders thereunder.

Limitation of Liability and Indemnification

Limitation of Liability. Section 8.1 of Article VIII of the Declaration of Trust provides that all persons contracting with or having any claim against the Trust or a particular Series shall look only to the Quarterly Income or the Founders Shares, respectively, for payment under such contract or claim; and neither the Trustees nor any of the Trust's officers, employees or agents, whether past, present or future, shall be personally liable therefor. Every written instrument or obligation on behalf of the Trust shall contain a statement to the foregoing effect, but the absence of such statement shall not operate to make any Trustee or officer of the Trust liable thereunder. Provided they have exercised reasonable care and have acted under the reasonable belief that their actions are in the best interests of the Trust, the Trustees and officers of the Trust shall not be responsible or liable for any act or omission or for neglect or wrongdoing of them or any officer, agent, employee, investment adviser or independent contractor of the Trust, but nothing contained in the Declaration of Trust or in the NRS shall protect any Trustee or officer of the Trust against liability to the Trust or to Shareholders to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

Indemnification. Section 8.2 of the Declaration of Trust provides that every person who is, or has been, a Trustee or an officer, employee or agent of the Trust (the "Covered Person") shall be indemnified by the Trust to the fullest extent permitted by law against liability and against all expenses reasonably incurred or paid by him in connection with any claim, action, suit or proceeding in which he becomes involved as a party or otherwise by virtue of his being or having been a Covered Person and against amounts paid or incurred by him in the settlement thereof; provided, however, that the Trust shall not be obligated to indemnify any agent acting pursuant to a written contract with the Trust, except to the extent required by such contract.

However, no indemnification shall be provided in the Declaration of Trust to a Covered Person, who shall have been adjudicated by a court or body before which the proceeding was brought:

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the Declaration of Trust or effect the adoption of a new Declaration of Trust of the Trust if it is the surviving or resulting Trust in the merger or consolidation.

Amendments. All rights granted to Shareholders in the Declaration of Trust are granted subject to a right to amend the Declaration of Trust, except as otherwise provided therein. The Trustees may, without any Shareholder vote, amend or otherwise supplement the Declaration of Trust by making an amendment, a Declaration of Trust supplemental thereto or an amended and restated Declaration of Trust; provided that Shareholders shall have the right to vote on any amendment:

- Which would affect the voting rights of Shareholders granted in Section 6.1 in the Declaration of Trust;
- To Section 9.8 in the Declaration of Trust, dealing with amendments to the Declaration of Trust;
- Required to be approved by Shareholders by law or by any registration statement(s) filed by the Trust with the Commission; and
- Submitted to them by the Trustees in their discretion. Any amendment submitted to Shareholders which the Trustees determine would affect the Shareholders of any Series shall be authorized by vote of the Shareholders of such Series and no vote shall be required of Shareholders of a Series not affected. Notwithstanding anything else therein, any amendment to Article VIII of the Declaration of Trust which would have the effect of reducing the indemnification and other rights provided thereby to Trustees, officers, employees, and agents of the Trust or to Shareholders or former Shareholders, and any repeal or amendment of this sentence, shall each require the affirmative vote of the Shareholders of two-thirds of the Outstanding Shares of the Trust entitled to vote thereon.

The Trust Bylaws

Officers of the Trust. The officers of the Trust shall be a President, one or more Vice Presidents, Chief Financial Officer, a Treasurer, and a Secretary, and may include one or more Assistant Treasurers or Assistant Secretaries and such other officers as the Trustees may determine.

Surety Bond. The Trustees may require any officer or agent of the Trust to execute a bond in favor of the Trust, including, without limitation, any bond required by the 1940 Act and the rules and regulations of the Commission, in such sum and with such surety or sureties as the Trustees may determine, conditioned upon the faithful performance of his duties to the Trust, including responsibility for negligence and for the accounting of any of the Trust's property, funds or securities that may come into his hands.

Net Asset Value. The term "Net Asset Value" of any Series shall mean that amount by which the assets belonging to that Series exceed its liabilities, all as determined by or under the direction of the Trustees. Net Asset Value per Share shall be determined separately for each Series and shall be determined on such days and at such times as the Trustees may determine. The Trustees shall make such determination with respect to securities for which market quotations are readily available, at the market value of such securities, and with respect to other securities and assets, at the fair value as determined in good faith by the Trustees; provided, however, that the Trustees, without Shareholder approval, may alter the method of appraising portfolio securities insofar as permitted under the 1940 Act and the rules, regulations and interpretations thereof promulgated or issued by the Commission or insofar as permitted by any order of the Commission applicable to the Series. The Trustees may delegate any of their powers and duties under the Bylaws dealing with the determination of Net Asset Value per Share with respect to appraisal of assets and liabilities. At any time the Trustees may cause the Net Asset Value per Share last determined to be determined again in a similar manner and may fix the time when such redetermined values shall become effective.

INVESTMENT STRATEGY

General

Lancorp Financial Fund Business Trust was formed to capitalize on certain investment opportunities that arise in today's practice of syndicating the underwriting of debt securities by financial institutions. Oftentimes, internal corporate policies and legal regulations limit a financial institution's ability to provide large amounts of funds or grant extremely large loans to its customers. Although the Trust has not participated in any transactions utilizing the business strategy described in this memorandum, Gary L. Lancaster, one of the Trustees, has participated in numerous transactions utilizing such strategy in his previous positions as an officer of several financial institutions, which enabled him to gain the necessary knowledge while developing significant business contacts at many other institutions who regularly participate in the syndication of debt securities offerings. Those contacts, when combined with the Trust's investment strategy, which is discussed below, are expected to facilitate the Trustees' ability to enter into transactions on behalf of the Trust.

1.28. "Trust Property" means any and all property, real or personal, tangible or intangible, which is owned or held by or for the Trust or any Series or by the Trustees on behalf of the Trust or any Series.

ARTICLE II
The Trustees

2.1. Management of the Trust. The business and affairs of the Trust shall be managed by or under the direction of the Trustees, and they shall have all powers necessary or desirable to carry out that responsibility. The Trustees may execute all instruments and take all action they deem necessary or desirable to promote the interests of the Trust. Any determination made by the Trustees in good faith as to what is in the interests of the Trust shall be conclusive.

2.2. Initial Trustees; Election and Number of Trustees. The initial Trustees shall be the persons initially signing this Declaration of Trust. The number of Trustees (other than the initial Trustees) shall be fixed from time to time by a majority of the Trustees; provided, that there shall be at least one Trustee. The Shareholders shall elect the Trustees (other than the initial Trustees) on such dates as the Trustees may fix from time to time.

2.3. Term of Office of Trustees. Each Trustee shall hold office for life or until his successor is elected or the Trust terminates; except that:

(a) Any Trustee may resign by delivering to the other Trustees or to any officer of the Trust a written resignation effective upon such delivery or a later date specified therein;

(b) Any Trustee may be removed with or without cause at any time by a written instrument signed by at least two-thirds of the other Trustees, specifying the effective date of removal;

(c) Any Trustee who requests to be retired, or who has become physically or mentally incapacitated or is otherwise unable to serve, may be retired by a written instrument signed by a majority of the other Trustees, specifying the effective date of retirement; and

(d) Any Trustee may be removed at any meeting of the Shareholders by a vote of at least two-thirds of the Outstanding Shares.

2.4. Vacancies; Appointment of Trustees. Whenever a vacancy shall exist in the Board of Trustees, regardless of the reason for such vacancy, the remaining Trustees shall appoint any person as they determine in their sole discretion to fill that vacancy, consistent with the limitations under the 1940 Act. Such appointment shall be made by a written instrument signed by a majority of the Trustees or by a resolution of the Trustees, duly adopted and recorded in the records of the Trust, specifying the effective date of the appointment. The Trustees may appoint a new Trustee as provided above in anticipation of a vacancy expected to occur because of the retirement, resignation, or removal of a Trustee, or an increase in the number of the Trustees, provided that such appointment shall become effective only at or after the expected vacancy occurs. As soon as any such Trustee has accepted his appointment in writing, the Trust estate shall vest in the new Trustee, together with the continuing Trustees, without any further act or conveyance, and he shall be deemed a Trustee hereunder. The power of appointment is subject to Section 16(a) of the 1940 Act.

2.5. Temporary Vacancy or Absence. Whenever a vacancy in the Board of Trustees shall occur, until such vacancy is filled, or while any Trustee is absent from his domicile (unless that Trustee has made arrangements to be informed about, and to participate in, the affairs of the Trust during such absence), or is physically or mentally incapacitated, the remaining Trustees shall have all the powers hereunder and their certificate as to such vacancy, absence, or incapacity shall be conclusive.

2.6. Chairman. The Trustees shall appoint one of their numbers to be Chairman of the Board of Trustees. The Chairman shall preside at all meetings of the Trustees, shall be authorized to execute the policies established by the Trustees and the administration of the Trust, and may be the chief executive, financial and/or accounting officer of the Trust.

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2.7. Action by the Trustees. The Trustees shall act by majority vote at a meeting duly called (including at a telephonic meeting, unless the 1940 Act requires that a particular action be taken only at a meeting of the Trustees in person) at which a quorum is present or by written consent of a majority of the Trustees (or such greater number as may be required by applicable law) without a meeting. A majority of the Trustees shall constitute a quorum at any meeting. Meetings of the Trustees may be called orally or in writing by the Chairman of the Board of Trustees or by any two other Trustees. Notice of the time, date and place of all Trustees meetings shall be given to each Trustee by telephone, facsimile, e-mail, or other electronic mechanism sent to his home or business address at least 24 hours in advance of the meeting or by written notice mailed to his home or business address at least 72 hours in advance of the meeting. Notice need not be given to any Trustee who attends the meeting without objecting to the lack of notice or who signs a waiver of notice either before or after the meeting. Subject to the requirements of the 1940 Act, the Trustees by majority vote may delegate to any Trustee or Trustees authority to approve particular matters or take particular actions on behalf of the Trust. Any written consent or waiver may be provided and delivered to the Trust by facsimile, e-mail, or other similar electronic mechanism.

2.8. Ownership of Trust Property. The Trust Property of the Trust and of each Series shall be held separate and apart from any assets now or hereafter held in any capacity, other than as Trustee hereunder, by the Trustees or any successor Trustees. All of the Trust Property and legal title thereto shall at all times be considered as vested in the Trustees on behalf of the Trust, except that the Trustees may cause legal title to any Trust Property to be held by or in the name of the Trust, or in the name of any person as nominee. No Shareholder shall be deemed to have a severable ownership in any individual asset of the Trust or of any Series or any right of partition or possession thereof, but each Shareholder shall have, as provided in Article IV hereof, a proportionate undivided beneficial interest in the Trust or Series represented by the Shares.

2.9. Effect of Trustees Not Serving. The death, resignation, retirement, removal, incapacity, or inability or refusal to serve of the Trustees, or any one of them, shall not operate to annul the Trust or to revoke any existing agency created pursuant to the terms of this Declaration of Trust.

2.10. Trustees, etc. as Shareholders. Subject to any restrictions in the Bylaws, any Trustee, officer, agent or independent contractor of the Trust may acquire, own and dispose of the Shares to the same extent as any other Shareholder; the Trustees may issue and sell the Shares to and buy the Shares from any such person or any firm or company in which such person is interested, subject only to any general limitations herein.

2.11. Compensation of the Trustees. The Trustees will receive compensation from the Trust equal to the difference between the actual liabilities, expenses and costs of the Trust and 0.5 percent per quarter of the total amount on deposit during such quarter in the Trust's operational account, the Fund Expense Account, and the Fund Investor Account. If the liabilities, expenses and costs of the Trust, other than the compensation due to the Trustees, exceed 0.5 percent per quarter, the Trustees shall receive no compensation for that quarter. Any compensation payable to the Trustees will be paid only out of the Fund Expense Account and only to the extent that the Trust has Quarterly Income.

Notwithstanding anything herein contained to the contrary, the Trustees will not be entitled to any compensation from the Trust until all investors who have paid insurance premiums with respect to their Investor Shares have been reimbursed for all such insurance premiums out of the Quarterly Income. Any expenses of the Trust related to any offering of the Shares to investors under the 1933 Act will be paid out of any compensation which may be due to the Trustees. The Investor Shares will not be charged with any such expenses.

ARTICLE III
Powers of the Trustees

3.1. Powers. The Trustees in all instances, and subject to all of the provisions of this Declaration of Trust and the Bylaws, shall act as principals, free of the control of the Shareholders. The Trustees shall have full power and authority to take or refrain from taking any action and to execute any contracts and instruments that they may consider necessary or desirable in the management of the Trust. The Trustees shall not in any way be bound or limited by current or future laws or customs applicable to trust investments, except as may be otherwise provided herein, but shall have full power and authority to make any investments which they, in their sole discretion, deem

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proper to accomplish the purposes of the Trust, and to dispose of the same. The Trustees may exercise all of their powers without recourse to any court or other authority. Subject to any applicable limitation herein, the 1940 Act, the Bylaws, or resolutions of the Trust, the Trustees shall have power and authority, without limitation:

(a) To make the investments of the Trust Property as permitted herein. Except as provided in Sections 4.8 and 4.9 hereof, the Trustees shall not make any other investments of the Trust Property.

(b) To operate as and carry on the business of an unregistered investment company, and exercise all the powers necessary and proper to conduct such a business;

(c) To adopt Bylaws not inconsistent with this Declaration of Trust providing for the conduct of the business of the Trust and to amend and repeal them to the extent such right is not reserved to the Shareholders;

(d) To elect and remove such officers and appoint and terminate such agents as they deem appropriate;

(e) To employ as custodian of any assets of the Trust, subject to any Insurer and any other provisions herein or in the Bylaws, one or more banks, trust companies or companies that are members of a national securities exchange, or other entities permitted by the Commission to serve as such;

(f) To retain one or more transfer agents and Shareholder servicing agents, or both;

(g) To provide for the distribution of the Shares either through a Principal Underwriter as provided herein or by the Trust itself, or both, and, subject to applicable law, to adopt a distribution plan of any kind;

(h) To set record dates in the manner provided for herein or in the Bylaws;

(i) To delegate such authority as they consider desirable to any officers of the Trust and to any agent, independent contractor, manager, investment adviser, custodian or underwriter, in either general or specific terms;

(j) To sell or exchange any or all of the Trust Property, subject to the terms of this Declaration of Trust;

(k) To vote or give assent, or exercise any rights of ownership, with respect to other securities or property; and, if necessary, to execute and deliver powers of attorney delegating such power to other persons;

(l) To exercise powers and rights of subscription or otherwise which in any manner arise out of ownership of securities;

(m) To hold any security or other property:

(i) In a form not indicating any trust, whether in bearer, book entry, unregistered or other negotiable form, or

(ii) Either in the Trust's or the Trustees' own name or names or in the name of a custodian or a nominee or nominees, subject to safeguards according to the usual practice of business trusts or investment companies;

(n) To establish separate and distinct Series with separately defined investment objectives and policies and distinct investment purposes, and with separate Shares representing beneficial interests in such Series, all in accordance with the provisions of Article IV hereof;

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(o) To the full extent permitted by the NRS, and subject to the provisions of this Declaration of Trust and the Bylaws, to allocate assets, liabilities and expenses of the Trust as provided herein;

(p) To consent to or participate in any plan for the reorganization, consolidation or merger of any corporation or concern whose securities are held by the Trust; to consent to any contract, lease, mortgage, purchase, or sale of property by such corporation or concern; and to pay calls or subscriptions with respect to any security held in the Trust;

(q) To compromise, arbitrate, or otherwise adjust claims in favor of or against the Trust or any matter in controversy including, but not limited to, claims for taxes;

(r) To make distributions of income and of capital gains to Shareholders in the manner hereinafter provided;

(s) To establish, from time to time, a minimum total investment for Shareholders, and to require the redemption of the Shares of any Shareholder upon giving notice to such Shareholder;

(t) To establish committees for such purposes, with such membership, and with such responsibilities as the Trustees may consider proper, including a committee consisting of fewer than all of the Trustees then in office, which may act for and bind the Trustees and the Trust with respect to the institution, prosecution, dismissal, settlement, review or investigation of any legal action, suit or proceeding, pending or threatened;

(u) Subject to all of the terms of this Declaration of Trust and the Bylaws, to issue, sell, repurchase, redeem, cancel, retire, acquire, hold, resell, reissue, dispose of and otherwise deal in the Shares; to establish terms and conditions regarding the issuance, sale, repurchase, redemption, cancellation, retirement, acquisition, holding, resale, reissuance, disposition of or dealing in the Shares; and, subject to Articles IV and V hereof, to apply to any such repurchase, redemption, retirement, cancellation or acquisition of the Shares any funds or property of the Trust or of the particular Series with respect to which such Shares are issued;

(v) To definitively interpret the investment objectives, policies and limitations of the Trust or any Series; and

(w) To carry on any other business in connection with or incidental to any of the foregoing powers, to do everything necessary or desirable to accomplish any purpose or to further any of the foregoing powers, and to take every other action incidental to the foregoing business or purposes, objects or powers.

The clauses above shall be construed as objects and powers, and the enumeration of specific powers shall not limit in any way the general powers of the Trustees. Any action by one or more of the Trustees in their capacity as such hereunder shall be deemed an action on behalf of the Trust or the applicable Series, and not an action in an individual capacity. No one dealing with the Trustees shall be under any obligation to make any inquiry concerning the authority of the Trustees, or to see to the application of any payments made or property transferred to the Trustees or upon their order. In construing this Declaration of Trust, the presumption shall be in favor of a grant of power to the Trustees.

3.2. Certain Transactions. The Trustees may not buy any securities from or sell any securities to, or lend any assets of the Trust to, any Trustee or officer of the Trust or any firm of which any such Trustee or officer is a member acting as principal. However, except as prohibited by applicable law, the Trustees may, on behalf of the Trust, have dealings with any firm of which any Trustee or officer of the Trust is a member and which acts as a principal investment adviser, administrator, distributor or transfer agent for the Trust or with any Interested Person of such person. The Trust may employ any such person or entity in which such person is an Interested Person, as broker, legal counsel, registrar, investment adviser, administrator, distributor, transfer agent, dividend disbursing agent, custodian or in any other capacity upon customary terms.

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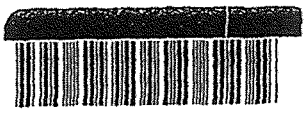

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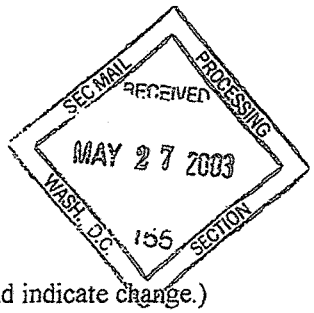
FORM D

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549



NOTICE OF SALE OF SECURITIES
PURSUANT TO REGULATION D,
SECTION 4(6), AND/OR
UNIFORM LIMITED OFFERING EXEMPTION

Name of Offering ([ ] check if this is an amendment and name has changed, and indicate change.)

Offering of Investor Shares of the Trust

Filing under (Check box(es) that apply): [ ] Rule 504 [ ] Rule 505 [X] Rule 506 [ ] Section 4(6) [ ] ULOE

Type of Filing: [X] New Filing [ ] Amendment

A. BASIC IDENTIFICATION DATA

1. Enter the information requested about the issuer

Name of Issuer ([ ] check if this is an amendment and name has changed, and indicate change.)

Lancorp Financial Fund Business Trust

Address of Executive Offices (Number and Street, City, State, Zip Code)	Telephone Number (Including Area Code)
1382 Leigh Court, West Linn, Oregon 97068	(503) 675-5017
Address of Principal Business Operations (if different from Executive Offices) (Number and Street, City, State, Zip Code)	Telephone Number (Including Area Code)

Brief Description of Business

Lancorp Financial Fund Business Trust is an unregistered closed-end non-diversified management investment company. Its investment objective involves the issuance of Forward Commitments to large financial institutions relating to debt securities bearing interest or sold at a discount.

Type of Business Organization
[ ] corporation [ ] limited partnership, already formed [ ] other (please specify):
[X] business trust [ ] limited partnership, to be formed

	Month			Year		
Actual or Estimated Date of Incorporation or Organization:	0	3		0	3	[X] Actual [ ] Estimated

Jurisdiction of Incorporation or Organization: (Enter two-letter U.S. Postal Service abbreviation for State: CN for Canada; FN for other foreign jurisdiction)	N	V

GENERAL INSTRUCTIONS
Federal:

Who Must File: All issuers making an offering of securities in reliance on an exemption under Regulation D or Section 4(6), 17 CFR 230.501 et seq. or 15 U.S.C. 77d(6).

When to File: A notice must be filed no later than 15 days after the first sale of securities in the offering. A notice is deemed filed with the U.S. Securities and Exchange Commission (SEC) on the earlier of the date it is received by the SEC at the address given below or, if received at that address after the date on which it is due, on the date it was mailed by United States registered or certified mail to that address.

Where to File: U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

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Exhibit M

signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

Information Required: A new filing must contain all information requested. Amendments need only report the name of the issuer and offering, any changes thereto, the information requested in Part C, and any material changes from the information previously supplied in Parts A and B. Part E and the Appendix need not be filed with the SEC.

Filing Fee: There is no federal filing fee.

State:
This notice shall be used to indicate reliance on the Uniform Limited Offering Exemption (ULOE) for sales of securities in those states that have adopted ULOE and that have adopted this form. Issuers relying on ULOE must file a separate notice with the Securities Administrator in each state where sales are to be, or have been made. If a state requires the payment of a fee as a precondition to the claim for the exemption, a fee in the proper amount shall accompany this form. This notice shall be filed in the appropriate states in accordance with state law. The Appendix to the notice constitutes a part of this notice and must be completed.

Potential persons who are to respond to the collection of information contained in the form are not required to respond unless the form displays a currently valid OMB control number.

ATTENTION

Failure to file notice in the appropriate states will not result in a loss of the federal exemption. Conversely, failure to file the appropriate federal notice will not result in a loss of an available state exemption unless such exemption is predicated on the filing of a federal notice.

A. BASIC IDENTIFICATION DATA

2. Enter the information requested for the following:

- Each promoter of the issuer, if the issuer has been organized within the past five years;
- Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer;
- Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
- Each general and managing partner of partnership issuers.

Check Box(es) that Apply: [X] Promoter [X] Beneficial Owner [X] Executive Officer [X] Director [ ] General and/or

Full Name (Last name first, if individual)

Lancaster, Gary L.

Business or Residence Address (Number and Street, City, State, Zip Code)

[redacted], West Linn, Oregon [redacted]

Check Box(es) that Apply: [X] Promoter [ ] Beneficial Owner [X] Executive Officer [X] Director [ ] General and/or

Full Name (Last name first, if individual)

Lancaster, Larry R.

Business or Residence Address (Number and Street, City, State, Zip Code)

[redacted], West Linn, Oregon [redacted]

		Yes	No
1.	Has the issuer sold, or does the issuer intend to sell, to non-accredited investors in this offering?	[X]	[ ]
	Answer also in Appendix, Column 2, if filing under ULOE.		
2.	What is the minimum investment that will be accepted from any individual?	$ 25,000.00	
		Yes	No
3.	Does the offering permit joint ownership of a single unit?	[X]	[ ]

4. Enter the information requested for each person who has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering. If a person to be listed is an associated person or agent of a broker or dealer registered with the SEC and/or with a state or states, list the name of the broker or dealer. If more than five (5) persons to be listed are associated persons of such a broker or dealer, you may set forth the information for that broker or dealer only.

Full Name (Last name first, if individual)

N/A

Business or Residence Address (Number and Street, City, State, Zip Code)

N/A

Name of Associated Broker or Dealer

N/A

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) [ ] All States

[AL]	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
[RI]	[SC]	[SD]	[TN]	[TX]	[UT]	[VT]	[VA]	[WA]	[WV]	[WI]	[WY]	[PR]

(Use blank sheet, or copy and use additional copies of this sheet, as necessary.)

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

1. Enter the aggregate offering price of securities included in this offering and the total amount already sold. Enter "0" if answer is "none" or "zero." If the transaction is an exchange offering, check this box [ ] and indicate in the columns below the amounts of the securities offered for exchange and already exchanged.

Type of Security	Aggregate Offering Price	Amount Already Sold
Debt	$ -0-	$ -0-
Equity	$ 5,000,000	$ -0-
[X] Investor Shares [ ] Common [ ] Preferred		
Convertible Securities (Warrants are included in the purchase, but at no charge)	$ -0-	$ -0-
Partnership Interests	$ -0-	$ -0-
Other (Specify) Profit Rights	$ -0-	$ -0-
Total	$ 5,000,000	$ -0-

Answer also in Appendix, Column 3, if filing under ULOE.

2. Enter the number of accredited and non-accredited investors who have purchased securities in this offering and the aggregate dollar amounts of their purchases. For offerings under Rule 504, indicate the number of persons who have purchased securities and the aggregate dollar amount of their purchases on the total lines. Enter "0" if answer is "none" or "zero."

	Number Investors	Aggregate Dollar Amount of Purchases
Accredited Investors	-0-	$ -0-
Non-accredited Investors	-0-	$ -0-
Total (for filings under Rule 504 only)		$

Answer also in Appendix, Column 4, if filing under ULOE.

3. If this filing is for an offering under Rule 504 or 505, enter the information requested for all securities sold by the issuer, to date, in offerings of the types indicated, in the twelve (12) months prior to the first sale of securities in this offering. Classify securities by type listed in Part C - Question 1.

Type of Offering	Type of Security	Dollar Amount Sold
Rule 505	N/A	$ N/A
Regulation A	N/A	$ N/A
Rule 504	N/A	$ N/A
Total		

4. a. Furnish a statement of all expenses in connection with the issuance and distribution of the securities in this offering. Exclude amounts relating solely to organization expenses of the issuer. The information may be given as subject to future contingencies. If the amount of an expenditure is not known, furnish an estimate and check the box to the left of the estimate.*

Transfer Agent's Fees	[ ]	$ N/A
Printing and Engraving Costs	[ ]	$ N/A
Legal Fees	[ ]	$ N/A
Accounting Fees	[ ]	$ N/A
Engineering Fees	[ ]	$ N/A
Sales Commissions (specify finders' fees separately)	[ ]	$ N/A
Other Expenses (filing fees)	[ ]	$ N/A
Total	[ ]	$

*The Trust will not pay any of the above-described expenses.

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

b. Enter the difference between the aggregate offering price given in response to Part C - Question 1 and total expenses furnished in response to Part C - Question 4.a. This difference is the "adjusted gross proceeds to the issuer." $ 5,000,000

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5. Indicate below the amount of the adjusted gross proceeds to the issuer used or proposed to be used for each of the purposes shown. If the amount for any purpose is not known, furnish an estimate and check the box to the left of the estimate. The total of the payments listed must equal the adjusted gross proceeds to the issuer set forth in response to Part C - Question 4.b above.

	Payments to Officers, Directors, & Affiliates	Payments To Others
Salaries and fees	[ ] $ -0-	[ ] $ -0-
Purchase of real estate	[ ] $ N/A	[ ] $ N/A
Purchase, rental or leasing and installation of machinery and equipment	[ ] $ N/A	[ ] $ N/A
Construction or leasing of plant buildings and facilities	[ ] $ N/A	[ ] $ N/A
Acquisition of other businesses (including the value of securities involved in this offering that may be used in exchange for the assets or securities of another issuer pursuant to a merger)	[ ] $ N/A	[ ] $ N/A
Repayment of indebtedness	[ ] $ N/A	[ ] $ N/A
Working capital	[ ] $ 5,000,000	[ ] $ N/A
Other (specify):	[ ] $ -0-	[ ] $ -0-
Column Totals	[ ] $ 5,000,000	[ ] $ -0-
Total Payments Listed (column totals added)	[ ] $ 5,000,000	[ ] $

The issuer has duly caused this notice to be signed by the undersigned duly authorized person. If this notice if filed under Rule 505, the following signature constitutes an undertaking by the issuer to furnish to the U.S. Securities and Exchange Commission, upon written request of its staff, the information furnished by the issuer to any non-accredited investor pursuant to paragraph (b)(2) of Rule 502.

D. FEDERAL SIGNATURE

Issuer (Print or Type)	Signature	Date
Lancorp Financial Fund Business Trust	Gary L. Lancaster	May 9, 2003
Name of Signer (Print or Type)	Title of Signer (Print or Type)	
Gary L. Lancaster	Trustee	

ATTENTION
Intentional misstatements or omissions of fact constitute federal criminal violations. (See 18 U.S.C. 1001.)

E. STATE SIGNATURE

1. Is any party described in 17 CFR 230.262 presently subject to any of the disqualification provisions of such rule? Yes [ ] No [X]

See Appendix, Column 5, for state response.

2. The undersigned issuer hereby undertakes to furnish to any state administrator of any state in which this notice is filed, a notice on Form D (17 CFR 239.500) at such times as required by state law.

3. The undersigned issuer hereby undertakes to furnish to the state administrators, upon written request, information furnished by the issuer to offerees.

Offering Exemption (ULOE) of the state in which this notice is filed and understands that the issuer claiming the availability of this exemption has the burden of establishing that these conditions have been satisfied.

The issuer has read this notification and knows the contents to be true and has duly caused this notice to be signed on its behalf by the undersigned duly authorized person.

Issuer (Print or Type)	Signature	Date
Lancorp Financial Fund Business Trust	Gary Lancaster	May 9, 2003
Name (Print or Type)	Title (Print or Type)	
Lancaster, Gary L.	Trustee	

INSTRUCTION:

Print the name and title of the signing representative under his signature for the state portion of this form. One copy of every notice on Form D must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

APPENDIX

1	2		3	4				5	
	Intend to sell to non-accredited investors in State (Part B-Item 1)		Type of security and aggregate offering price offered in State (Part C-Item 1)	Type of investor and amount purchased in State (Part C-Item 2)				Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)	
State	Yes	No		Number of Accredited Investors	Amount	Number of Non-Accredited Investors	Amount	Yes	No
AL									
AK									
AZ									
AR	X		Investor Shares (not less than $25,000, no more than $5,000,000)	-0-	-0-	-0-	-0-		X
CA	X		Investor Shares (not less than $25,000, no more than $5,000,000)	-0-	-0-	-0-	-0-		X
CO									
CT									
DE									
DC									
FL	X		Investor Shares (not less than $25,000, no more than $5,000,000)	-0-	-0-	-0-	-0-		X
GA									
HI									
ID									
IL	X		Investor Shares (not less than $25,000, no more than $5,000,000)	-0-	-0-	-0-	-0-		X
IN									
IA									
KS									
KY									
LA									
ME									
MD									
MA									
MI									

1	2		3	4				5	
	Intend to sell to non-accredited investors in State (Part B-Item 1)		Type of security and aggregate offering price offered in State (Part C-Item 1)	Type of investor and amount purchased in State (Part C-Item 2)				Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)	
State	Yes	No		Number of Accredited Investors	Amount	Number of Non-Accredited Investors	Amount	Yes	No
MN									
MO									
MS									
MT									
NE									
NV									
NH									
NJ									
NM									
NY	X		Investor Shares (not less than $25,000, no more than $5,000,000)	-0-	-0-	-0-	-0-		X
NC									
ND									
OH	X		Investor Shares (not less than $25,000, no more than $5,000,000)	-0-	-0-	-0-	-0-		X
OK									
OR	X		Investor Shares (not less than $25,000, no more than $5,000,000)	-0-	-0-	-0-	-0-		X
PA									
RI									
SC									
SD									
TN									
TX	X		Investor Shares (not less than $25,000, no more than $5,000,000)	-0-	-0-	-0-	-0-		X
UT									
VT									
VA									

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WA									
WV									
WI									
WY									
PR									

Investment Adviser Representative Public Disclosure Report

GARY LYNN LANCASTER

CRD# 2730640

Report #23767-84997, data current as of Tuesday, August 20, 2013.

Section Title	Page(s)
Report Summary	1
Qualifications	2 - 3
Registration and Employment History	4
Disclosure Information	5

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page 1 of 2

ADDITIONAL INFORMATION

This offering is limited to no more than 100 investors, of which no more than 35 may be Non-Accredited Investors as defined in Regulation D promulgated under the 1933 Act. The remaining investors must be Accredited Investors. This memorandum does not contain all of the information with respect to the agreements and other documents mentioned herein. Significant risks include, but are not limited to:

- The Trust is newly organized and has limited development capital and experience.
- This investment is suitable only for investors having substantial financial resources and who desire at least a one-year investment.
- Except for certain redemption rights, the Investor Shares will not be transferable.
- The Investor Shares will have limited voting rights as specified in the Declaration of Trust and Bylaws.

We are selling a minimum of 1,000 Investor Shares for $5,000,000 and a maximum of 50,000 Investor Shares for $250,000,000. The minimum amount of investment per investor is five Investor Shares or $25,000. The Investor Shares will be sold by the Trust, subject to our right to reject any offer to purchase in whole or in part. All cash payments for the Investor Shares will be subject to an escrow agreement and held in an escrow account at U.S. Bancorp Piper Jaffrey, La Jolla, California (the "Escrow Agent"), until the Initial Closing Date (hereinafter defined).

The Subscription Period begins on the effective date of this memorandum and will terminate, if not sooner terminated, at 5:00 p.m., Portland, Oregon time, on March 17, 2004 unless extended, with or without notice, for an additional period of time to a date thereafter not to exceed 120 days. Provided, however, if, on or prior to 5:00 p.m., Portland, Oregon time, on August 17, 2003, subscriptions for at least 1,000 Investor Shares totaling $5,000,000 have not been received and accepted by the Trust, then we will terminate this offering, and all subscriptions will be returned to the investors with interest and without any deduction or offset. See "Plan of Distribution." If, on or prior to 5:00 p.m., Portland, Oregon time, on August 17, 2003, subscriptions for at least 1,000 Investor Shares totaling $5,000,000 have been received and accepted by the Trust, then we may elect, at our option, to close on that portion of this offering by accepting the funds and issuing the appropriate number of shares (such date being referred to herein as the "Initial Closing Date").

Following the Initial Closing Date, the remaining Investor Shares will be offered and sold on the same terms as set forth herein. However, at any time before or after the Initial Closing Date and before the maximum number of the Investor Shares have been sold, the Trust may terminate the offering. Once the Initial Closing Date has occurred, the Trust will receive all funds held in escrow contributed by the investors. After the Initial Closing Date, upon the sale of any of the Investor Shares, no part of the subscription proceeds shall be subject to an escrow agreement, but such proceeds shall be placed in escrow and shall be immediately available for use by the Trust. See "Plan of Distribution."

Words of any gender used in this memorandum shall be held and construed to include any gender, and words in the singular number shall be held to include the plural, and vice versa, unless the context requires otherwise.

Each person acknowledges that prior to receiving this memorandum, he has furnished to us information which has given us reasonable grounds to believe that he is an Accredited Investor, or if such person is not an Accredited Investor:

- That he is a sophisticated, well-informed investor and is able to understand and utilize the information contained herein, or is represented by a Purchaser Representative;
- That he or his Purchaser Representative has knowledge and experience in financial and business matters and is capable of evaluating the merits and risks of the investment in the Trust;
- That he has financial strength and experience in investment transactions and is able to bear the economic risk of the investment in the Trust; and
- That he understands the necessity of compliance with the foregoing.

This memorandum has been prepared for the confidential use of the recipient and reproduction or use for any other purpose is STRICTLY PROHIBITED. Any action to the contrary may place the recipient and the Trust in violation of the 1933 Act and the securities laws of other jurisdictions.

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page 2 of 4

The Investor Shares being offered hereby are subject to prior sale, acceptance of the prospective investors by the Trust, and the further conditions set forth herein.

THE PRICE OF THE INVESTOR SHARES HAS BEEN ARBITRARILY FIXED AND EACH INVESTOR OR HIS PERSONAL REPRESENTATIVE SHOULD INDEPENDENTLY EVALUATE THE FAIRNESS OF THE PRICE UNDER THE CIRCUMSTANCES. See "Plan of Distribution," "Risk Factors," and "The Trust."

THE TRUST HAS AGREED (i) TO GRANT, PRIOR TO THE CONSUMMATION OF THE SALE OF THE INVESTOR SHARES TO EACH PROSPECTIVE INVESTOR AND HIS REPRESENTATIVE(S), THE OPPORTUNITY TO LOOK AT ADDITIONAL DOCUMENTS AND TO ASK QUESTIONS OF AND TO RECEIVE ANSWERS FROM THE TRUST (OR ANY PERSON ACTING ON ITS BEHALF), CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING OR ANY OTHER MATTER SET FORTH HEREIN; AND (ii) TO SUPPLY ANY ADDITIONAL INFORMATION, TO THE EXTENT THE TRUST POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE, NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION SET FORTH HEREIN. WITH RESPECT TO ANY DOCUMENT REFERENCED IN THIS MEMORANDUM BUT NOT ATTACHED HERETO AS AN EXHIBIT, THE TRUST SHALL PROVIDE WITHOUT CHARGE TO EACH PROSPECTIVE INVESTOR, UPON WRITTEN OR ORAL REQUEST OF SUCH PROSPECTIVE INVESTOR, A COPY OF ANY SUCH DOCUMENT. ANY SUCH REQUEST SHOULD BE DIRECTED TO THE TRUST AT ITS ADDRESS.

THERE IS NO PUBLIC OR OTHER MARKET FOR THE INVESTOR SHARES OFFERED HEREBY NOR IS SUCH MARKET LIKELY TO DEVELOP. TRANSFER OF THE INVESTOR SHARES (CONSIDERED "SECURITIES" AS DEFINED UNDER FEDERAL SECURITIES LAWS AND CERTAIN STATE LAWS) IS SPECIFICALLY RESTRICTED UNDER SUCH LAWS. THE INVESTOR SHARES HAVE NOT BEEN REGISTERED UNDER THE 1933 ACT OR THE SECURITIES LAWS OF ANY STATE. AN INVESTOR WILL BE REQUIRED TO RETAIN OWNERSHIP OF THE INVESTOR SHARES AND BEAR THE ECONOMIC RISK OF HIS INVESTMENT FOR A PERIOD OF AT LEAST TWELVE MONTHS. IN NO EVENT MAY AN INVESTOR SELL HIS INVESTOR SHARES. See "Investment Restrictions" and "Risk Factors - Restrictions on Transfer."

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE TRUST, OR ANY REPRESENTATIVES THEREOF, AS LEGAL OR TAX ADVICE. EACH INVESTOR MUST RELY UPON HIS OWN REPRESENTATIVES (INCLUDING HIS LEGAL COUNSEL AND ACCOUNTANT) AS TO LEGAL, TAX AND RELATED MATTERS CONCERNING THIS INVESTMENT.

NO ONE (OTHER THAN THE TRUST AND PERSONS AUTHORIZED TO ACT ON ITS BEHALF) IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS MEMORANDUM AND ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALES MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE MATTERS DISCUSSED HEREIN SINCE THE EFFECTIVE DATE HEREOF. HOWEVER, IN THE EVENT OF ANY MATERIAL CHANGES DURING THIS OFFERING, THIS MEMORANDUM WILL BE AMENDED OR SUPPLEMENTED ACCORDINGLY. THIS MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF PERSONS INTERESTED IN THE PROPOSED PRIVATE PLACEMENT OF THE INVESTOR SHARES OFFERED HEREBY AND MAY NOT BE REPRODUCED OR USED FOR ANY OTHER PURPOSE.

THIS MEMORANDUM IS SUBMITTED IN CONNECTION WITH THE PRIVATE PLACEMENT OF THE INVESTOR SHARES AND DOES NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS NOT AUTHORIZED.

THE ESTIMATES CONTAINED IN THIS MEMORANDUM ARE PREPARED ON THE BASIS OF ASSUMPTIONS AND HYPOTHESES WHICH ARE BELIEVED TO BE REASONABLE BUT WHICH ARE SUBJECT TO SUBSTANTIAL RISKS AND CONTINGENCIES COVERING AN EXTENDED PERIOD OF TIME. NO ASSURANCE CAN BE GIVEN THAT ANY OF THE POTENTIAL BENEFITS DESCRIBED IN THIS MEMORANDUM WILL PROVE TO BE AVAILABLE.

THIS MEMORANDUM DOES NOT KNOWINGLY CONTAIN AN UNTRUE STATEMENT OF A MATERIAL FACT OR OMIT TO STATE A MATERIAL FACT NECESSARY TO MAKE THE STATEMENTS MADE, IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE, NOT MISLEADING. STATEMENTS CONTAINED HEREIN AS TO THE CONTENTS OF THE DOCUMENTS GOVERNING THIS INVESTMENT ARE NOT COMPLETE. HOWEVER, THIS MEMORANDUM CONTAINS A FAIR SUMMARY OF THE MATERIAL TERMS OF THE DOCUMENTS PURPORTED TO BE SUMMARIZED HEREIN.

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THE INVESTMENT DESCRIBED HEREIN INVOLVES SUBSTANTIAL RISKS INCLUDING: (i) LIMITED OPERATING HISTORY OF THE TRUST; (ii) ARBITRARY OFFERING PRICE OF THE INVESTOR SHARES; (iii) SIGNIFICANT RESTRICTIONS ON THE TRANSFERABILITY OF THE SECURITIES OFFERED HEREBY; (iv) ABSENCE OF PROFITABLE OPERATIONS; (v) POTENTIAL COMPETITION; AND (vi) POSSIBLE RISK OF LOSS OF ENTIRE INVESTMENT. See "Risk Factors" and "The Trust."

THIS OFFERING IS MADE SUBJECT TO WITHDRAWAL, CANCELLATION, OR MODIFICATION BY THE TRUST WITHOUT NOTICE. ACCEPTANCE OF A PROSPECTIVE INVESTOR'S SUBSCRIPTION FOR THE INVESTOR SHARES SHALL BE MADE ONLY AFTER IT HAS BEEN DETERMINED BY THE TRUST THAT A PROSPECTIVE INVESTOR SATISFIES THE REQUIREMENTS FOR AN EXEMPTION FROM REGISTRATION AND THE INVESTOR SUITABILITY STANDARDS SET FORTH IN "INVESTOR SUITABILITY."

THE EXECUTION OF A SUBSCRIPTION AGREEMENT BY AN INVESTOR CONSTITUTES AN UNCONDITIONAL OBLIGATION TO PURCHASE THE INVESTOR SHARES BY SUCH INVESTOR. NO SUBSCRIBER WILL HAVE THE RIGHT TO WITHDRAW HIS SUBSCRIPTION PAYMENT. THE TRUST RESERVES THE RIGHT TO REJECT ANY SUBSCRIPTION FOR ANY REASON, AND NO SALE OF ANY INVESTOR SHARES WILL BE DEEMED TO HAVE OCCURRED UNTIL THE TRUST HAS ACCEPTED AN INVESTOR'S SUBSCRIPTION. SUBSCRIPTIONS NEED NOT BE ACCEPTED IN THE ORDER RECEIVED. PAYMENTS FOR SUBSCRIPTIONS NOT ACCEPTED WILL BE PROMPTLY REFUNDED UPON THE REJECTION OF SUCH SUBSCRIPTION, WITHOUT INTEREST.

THE PURCHASE OF INVESTOR SHARES IS SUITABLE ONLY IF THE INVESTOR HAS SUBSTANTIAL FINANCIAL RESOURCES, DOES NOT ANTICIPATE THAT HE WILL BE REQUIRED TO LIQUIDATE ANY PORTION OF THE INVESTMENT ACQUIRED HEREUNDER IN THE FORESEEABLE FUTURE AND UNDERSTANDS OR HAS BEEN ADVISED WITH RESPECT TO THE RISK FACTORS ASSOCIATED WITH THIS INVESTMENT. EACH INVESTOR WILL BE REQUIRED TO WARRANT AND REPRESENT TO THE TRUST, IN WRITING IN THE SUBSCRIPTION AGREEMENT, THAT THE ABOVE FACTS AND CIRCUMSTANCES ARE TRUE AND THAT HE IS PURCHASING THE INVESTOR SHARES FOR INVESTMENT ONLY AND NOT WITH A VIEW TOWARD RESALE. See "Risk Factors," "Investor Suitability," and "The Trust."

THIS MEMORANDUM SHOULD BE TREATED AS CONFIDENTIAL. ANY REPRODUCTION OR DISTRIBUTION OF THIS MEMORANDUM, IN WHOLE OR IN PART, OR THE DISSEMINATION OF ANY OF ITS CONTENTS WITHOUT THE PRIOR WRITTEN CONSENT OF THE TRUST IS PROHIBITED. ANY ACTION CONTRARY TO THESE INSTRUCTIONS MAY PLACE THE INVESTOR AND THE TRUST IN VIOLATION OF APPLICABLE SECURITIES LAWS.

THE OBLIGATIONS OF THE PARTIES TO THE TRANSACTIONS CONTEMPLATED HEREIN ARE SET FORTH AND WILL BE GOVERNED BY THE DOCUMENTS INCLUDED AS EXHIBITS HERETO AND/OR DESCRIBED HEREIN AND ALL OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS MEMORANDUM ARE QUALIFIED IN THEIR ENTIRETY BY SUCH DOCUMENTS. CONSEQUENTLY, EACH INVESTOR IS URGED TO READ CAREFULLY THE DOCUMENTS INCLUDED AND/OR DESCRIBED HEREIN.

THE INVESTOR SHARES HAVE NOT BEEN REGISTERED UNDER THE 1933 ACT, AND ARE BEING OFFERED PURSUANT TO THE PRIVATE PLACEMENT EXEMPTIONS PROVIDED BY SECTION 4(2) AND/OR RULE 506 OF REGULATION D OF THE 1933 ACT IN THAT THE OFFERING OF SUCH SECURITIES IS BEING MADE IN A TRANSACTION BY AN ISSUER NOT INVOLVING ANY PUBLIC OFFERING OR SOLICITATION OR ADVERTISEMENT TO PERSONS WHO WILL ACQUIRE THE SECURITIES FOR INVESTMENT PURPOSES ONLY AND NOT FOR DISTRIBUTION OR RESALE. THE INVESTOR SHARES MAY BE OFFERED AND SOLD ONLY TO PURCHASERS WHO ARE ABLE TO ASSUME THE RISKS INCIDENT TO SUCH SECURITIES AND WHO ARE ACQUIRING THEM FOR THEIR OWN ACCOUNT FOR INVESTMENT AND NOT WITH A VIEW TO THE RESALE OR DISTRIBUTION THEREOF. IF AN EXEMPTION FOR THE SALE OF THE INVESTOR SHARES UNDER APPLICABLE SECURITIES LAWS IS HELD TO BE UNAVAILABLE TO THE TRUST, THE PURCHASERS OF THE INVESTOR SHARES SHALL HAVE THE RIGHT TO RESCIND THEIR PURCHASES, AND SUCH RESCISSION MAY ADVERSELY AFFECT PURCHASERS OF THE INVESTOR SHARES NOT WANTING TO RESCIND. See "Investor Suitability" and "Investment Restrictions."

Counsel has not been retained by the Trust to represent the purchasers of the Investor Shares. Prospective purchasers are urged to seek their own counsel.

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Internal Revenue Service
Criminal Investigation

Memorandum of Interview

In Re: Robert Thomas Reese

Location: United States Attorney's Office
101 East Park Blvd
Suite 500
Plano, TX 75704

Investigation #: 1000219579
Date: August 12, 2008
Time: 0915 - 1145
Participant(s): Robert Reese, Subject
Deborah Goodall, Subject's Attorney
Timothy C. Neylan, FBI Special Agent
Ronald A. Loecker, Special Agent

On the above date and time, FBI Special Agent Tim Neylan and I conducted an interview of Robert REESE at the above listed location. Also in attendance was REESE's attorney Deborah Goodall. The interview was conducted as part of a Proffer Agreement between the United States and REESE as outlined in a Proffer Letter signed by both parties. We identified ourselves and advised REESE on the parameters of the Proffer Agreement and ensured that he understood. REESE then made the following statements:

1. REESE holds a Bachelor Degree in Business Administration from the University of Oklahoma. He spent time in the military after college. REESE has been in the insurance business for over 30 years. REESE has also held a real estate license in the past.

2. REESE has never had any securities licenses.

3. REESE met Gary MCDUFF after investing in a High Yield Investment Program (HYIP) based in England. REESE invested with Dodd White and requested from White the name of other American investors. White provided REESE with MCDUFF's contact information.

4. REESE was not only an investor with White but also raised funds from other investors and sent them to White. REESE stated that he did not think he needed a securities license to conduct this type of business. REESE believed that MCDUFF's only role with White was as an investor. REESE invested $50,000 of his own funds with White.

5. After the investment with White crashed, one of REESE's investors was upset

Exhibit P
page 1 of 4

with REESE and threatened to report him to the authorities if he didn't pay the investor back. REESE did not believe it was appropriate to pay off one investor when he was not able to pay off all of his investors. In the end, REESE believes the investor went to the California Department of Corporations who issued REESE a Desist and Refrain order.

6. During this time, REESE was contacted by MCDUFF who was setting up an additional fund. MCDUFF was now working with Gary LANCASTER to set up a Publicly Registered Offering to do bond transactions. Shortly thereafter REESE spoke with LANCASTER who advised that they had dropped their submission to the SEC for the public offering and instead were working on a private offering.

7. REESE had no previous dealings with LANCASTER. REESE learned through MCDUFF that LANCASTER had many years of experience in the banking industry but LANCASTER did not have previous experience in the investment field. According to REESE, LANCASTER had the required securities licenses to act as the figurehead of the investment program but MCDUFF was the one with the know how to make the bond transactions.

8. REESE received a copy of the Lancorp Prospectus and understood the funds would be used to purchase A+ or better rated bonds.

9. REESE did not learn of MCDUFF's criminal record until after the Lancorp Fund had been shut down.

10. REESE admits he solicited investors into the Lancorp Investment Program but prefers to use the term "Refer" as he never took receipt of any funds only advised investors of the Lancorp opportunity. REESE admitted that he failed to advise most of his investors that he was under a Desist and Refrain Order from the state of California.

11. According to REESE, he (REESE) spoke with MCDUFF about the Desist and Refrain Order. MCDUFF later advised REESE that he (MCDUFF) spoke with his securities attorney (Norman Reynolds) who advised that it was lawful for REESE to continue soliciting investors. REESE was unable to explain why it would be legal for him to act in such a manner which was specifically forbidden in the Desist and Refrain Order.

12. REESE was aware that the Lancorp Prospectus was a "No Load" Fund, meaning that the fund was not able to pay commissions. MCDUFF advised REESE that Lancorp could not pay REESE directly, however, a company called Dividend's Inc., which provided the start up capital for Lancorp could receive funds from Lancorp. MCDUFF further explained that if REESE purchased stock in Dividend's Inc., then he could share in the profits of the company generated by payments from Lancorp. REESE paid $5,000 for stock in Dividend's Inc and then received just over $45,000 into his Cash Cards International account. REESE stated that the funds were paid to him via the Cash Cards International

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account due to MCDUFF stating that would be the only way the funds could be paid.

13. REESE admits that he did not advise most of his investors that he was receiving a commission, and didn't tell any investors that his commissions were being paid in such a round about manner. REESE acknowledges that his receipt of funds from Dividends Inc. was only paid to him because he had solicited investors into Lancorp and was therefore nothing more than commissions.

14. REESE stated that he never provided inaccurate information to a single investor. REESE advised investors that funds invested with Lancorp would be retained in a Lancorp bank account which is what LANCASTER had advised REESE. REESE was unaware that LANCASTER was sending funds to the Megafund until after the SEC investigation became public.

15. In February, 2005, REESE traveled to Oregon to conduct further due diligence on LANCASTER. REESE admits that he was still referring investors to Lancorp during this time, which was well after he was aware of the Desist and Refrain Order.

16. REESE was not an investor in Lancorp nor was any of his family members. REESE denies telling investors that he or his family invested.

17. REESE believed that LANCASTER was responsible for negotiating the insurance policy which was to cover the invested funds. REESE denies he ever told investors that MCDUFF was in charge of the insurance coverage.

18. REESE stated that he was not soliciting investors into Lancorp after February, 2005, because he was told by LANCASTER that the fund was filled. REESE understood there could only be a certain number of accredited and non accredited investors involved in the fund. REESE heard that LANCASTER was putting together another fund, Lancorp Fund II, but nothing was ever finalized.

19. REESE acknowledged that he relied on MCDUFF more than he should have.

20. REESE stated that he does take responsibility for the investors' loss but stated that he did not intend for them to lose money.

21. REESE is currently involved in soliciting investors to invest in a company called MEXBANK. MEXBANK is a private bank located in Mexico which is run by Eduardo Trejo and Adolfo Noriega. REESE is unable to explain MCDUFF's role in MEXBANK but stated he was formerly more involved than he is today.

22. REESE has approximately 100 investors in MEXBANK totaling over $20,000,000 in investments. REESE receives two tenths of 1% of the total amount invested per month as a commission for soliciting investors. REESE estimates that he has received a total of $350,000 from MEXBANK since he

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began soliciting investors.

23. REESE is a partner in a general partnership which has invested funds with MEXBANK. REESE stated that the partnership invested $150,000 and has since pulled out $100,000 without any problems from MEXBANK.

24. REESE stated that MEXBANK is earning approximately 40% return per year conducting currency trades. MEXBANK utilizes the trading firm Value Asset Management located in Switzerland to conduct the trades.

Following the interview there was a discussion of what REESE's options were. I advised REESE and Goodall that only the USAO made prosecution decisions but that I thought it likely that REESE would be indicted if he chose not to plead guilty. Upon being questioned, I informed REESE that any plea deal would likely include prison time. I suggested that REESE should discuss his options more thoroughly with his attorney and informed them that the sooner REESE resolves this criminal case the sooner he could be used as a witness in any future case against MexBank.

Goodall stated that she would be in touch with AUSA Shipchandler. The interview ended at 11:45 AM.

Ronald A. Loecker
Special Agent

Timothy C. Neylan
Special Agent

I prepared this memorandum on August 13, 2008, after refreshing my memory from notes made during and immediately after the interview with Robert REESE.

Ronald A. Loecker
Special Agent

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MICHAEL J. QUILLING, RECEIVER FOR MEGAFUND CORPORATION AND LANCORP FINANCIAL GROUP, LLC, Plaintiff, v. KENNETH WAYNE HUMPHRIES, Defendant.
UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS, DALLAS DIVISION
2006 U.S. Dist. LEXIS 74568
Civil Action No. 3:06-CV-0299-L
October 13, 2006, Decided
October 13, 2006, Filed

Editorial Information: Prior History

Quilling v. Humphries, 2006 U.S. Dist. LEXIS 64510 (N.D. Tex., Sept. 8, 2006)

Counsel For Michael J Quilling, Receiver for Megafund Corporation and Lancorp Financial Group LLC, Plaintiff: James H Moody, III, LEAD ATTORNEY, Brent Jason Rodine, Michael J Quilling, Quilling Selander Cummiskey & Lownds, Dallas, TX.

Kenneth Wayne Humphries, Defendant, Pro se, Hopkinsville, KY.

Kenneth Wayne Humphries, Counter Claimant, Pro se, Hopkinsville, KY.

Judges: Sam A. Lindsay, United States District Judge.

Opinion

Opinion by: Sam A. Lindsay

Opinion

MEMORANDUM OPINION AND ORDER

This case arises out of a lawsuit brought by the Securities and Exchange Commission ("SEC") against various defendants and relief-defendants for an alleged fraudulent investment scheme whereby Megafund Corporation ("Megafund"), an unlicensed securities broker, solicited investor funds by making false representations, and ultimately diverted the invested funds for *Ponzi* payments to earlier investors and other undisclosed expenditures. *See SEC v. Megafund Corp., et al.*, No. 3-05-CV-1328-L ("*Megafund* litigation"). On July 5, 2005, the court appointed Michael J. Quilling as the Receiver for all defendants in the *Megafund* litigation. On February 16, 2006, the Receiver filed this action against Kenneth Wayne Humphries ("Defendant" or "Humphries"), the attorney representing Megafund, seeking to recover more than $ 9 million invested by Lancorp Financial Group ("Lancorp") as a result of allegedly false statements made by Humphries in an opinion letter. The Receiver also seeks disgorgement of the $ 19,000 in investor funds paid to Humphries, as well as reasonable attorney's fees, costs and interest.

Pursuant to 28 U.S.C. § 636(b), and an order of the court in implementation thereof, this action was referred to United States Magistrate Judge Jeff Kaplan for pretrial management. On August 14, 2006, the Findings and Recommendation of the United States Magistrate Judge were filed, recommending that the court grant the Receiver's Motion for Partial Summary Judgment [Docket #

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59934079

21]. **Humphries** filed his Exceptions to the Findings and Recommendations of the United States Magistrate Judge ("Defendant's Objections") on September 18, 2006. The Receiver filed Plaintiff's Response Regarding the Findings and Recommendation of the U.S. Magistrate Judge ("Receiver's Response") on September 21, 2006.

I. Discussion

On July 7, 2006, the Receiver filed Plaintiff's Motion for Partial Summary Judgment, requesting that the court enter judgment as a matter of law in his favor on his negligent misrepresentation and fraudulent transfer claims. 1 Defendant did not file a response to Plaintiff's motion. In his Answer, Defendant admits that the representations in his opinion letter were "inaccurate false and misleading," and acknowledged receipt of the $ 19,000.

A. Magistrate Judge's Findings and Recommendation

After considering the evidence and applicable law, the magistrate judge found that the Receiver had established "beyond peradventure" the essential elements of his negligent misrepresentation claims. *See* Findings and Recommendation at 4. With regard to the fraudulent transfer claim, the magistrate judge found that Plaintiff had failed to raise a genuine issue of material fact to preclude summary judgment in favor of the Receiver on the fraudulent transfer claims. *Id.* at 5. Based on these findings and conclusions, the magistrate judge recommended that the court enter judgment against Defendant in the amount of $ 9,365,000 on the Receiver's negligent misrepresentation claims and in the amount of $ 19,000 on the Receiver's fraudulent transfer claim, together with prejudgment and postjudgment interest as allowed by law, and costs and reasonable attorney's fees as to the fraudulent transfer claim.

B. Objections

Defendant makes several objections. First, he requests that the court make an express finding that he did not commit actual fraud or knowingly engage in unlawful conduct with regard to the underlying transactions. Second, he requests that the court reduce the judgment in order to prevent "multiple recoveries" that may occur as a result of the Receiver's collection efforts. Finally, he appears to be attempting to raise a fact issue pertaining to Gary Lancaster's reliance on his representations. For the reasons stated directly below, the court concludes that Defendant's Objections are without merit and should be overruled.

As to his request that the court make an express finding that he did not commit actual fraud, as the Receiver correctly states, "[a]ctual fraud and willful conduct are not elements of" the negligence and fraudulent transfer claims. *See* Receiver's Response at 2. 2 Quite simply, Defendant's state of mind is not at issue and there is no evidence before the court to support such an express finding. Accordingly, this objection is overruled.

With regard to his objection that the court should reduce the judgment to prevent "multiple recoveries" (*see* Defendant's Objections at 2), the court finds no merit to this objection. The evidence before the magistrate judge showed that Defendant's opinion letter contained inaccurate, false and misleading representations for Lancorp's benefit, and that Gary Lancaster, in reliance on these representations, caused Lancorp to contribute over $ 9 million to the scheme. The Receiver has not filed any other lawsuits relating to the funds at issue in this case. *See* Receiver's Response at 3. Moreover, other than pure speculation and conjecture, Defendant has failed to explain the basis for his belief that the Receiver could realize "multiple recoveries" on the amounts addressed in the magistrate judge's Findings and Recommendation. Accordingly, this objection is overruled.

Finally, the court rejects Defendant's attempt to raise for the first time in his Objections an issue of

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fact regarding reliance on his representations by Gary Lancaster. Defendant was given ample opportunity to respond to the Receiver's summary judgment motion, and failed to file a response. The evidence before the magistrate judge was Gary Lancaster's affidavit, which showed that he relied on Defendant's representations and, but for the representations, Lancorp would not have invested money in Megafund. Accordingly, this objection is overruled.

III. Conclusion

Having reviewed the pleadings, file and record in this case, the findings and conclusions of the magistrate judge, Defendant's Objections, and Receiver's Response, the court determines that the findings and conclusions are correct. Defendant's Objections are **overruled**. The magistrate judge's findings are **accepted** as those of the court. Accordingly, the court **grants** Receiver's Motion for Partial Summary Judgment.

It is so ordered this 13<th> day of October, 2006.

Sam A. Lindsay

United States District Judge

Footnotes

1

As noted by the magistrate judge, the Receiver did not move for summary judgment on Defendant's counterclaim against Megafund for contribution and indemnity. *See* Findings and Recommendation at 2 n.1.

2

While fraudulent transfer claims require a finding that the challenged transfer was made with intent to defraud, as the magistrate judge properly noted, "in the case of a *Ponzi* scheme, courts have found that the debtor's intent to hinder, delay, or defraud is established by the mere existence of the *Ponzi* scheme. *See* Findings and Recommendation at 5-6 and n.7.

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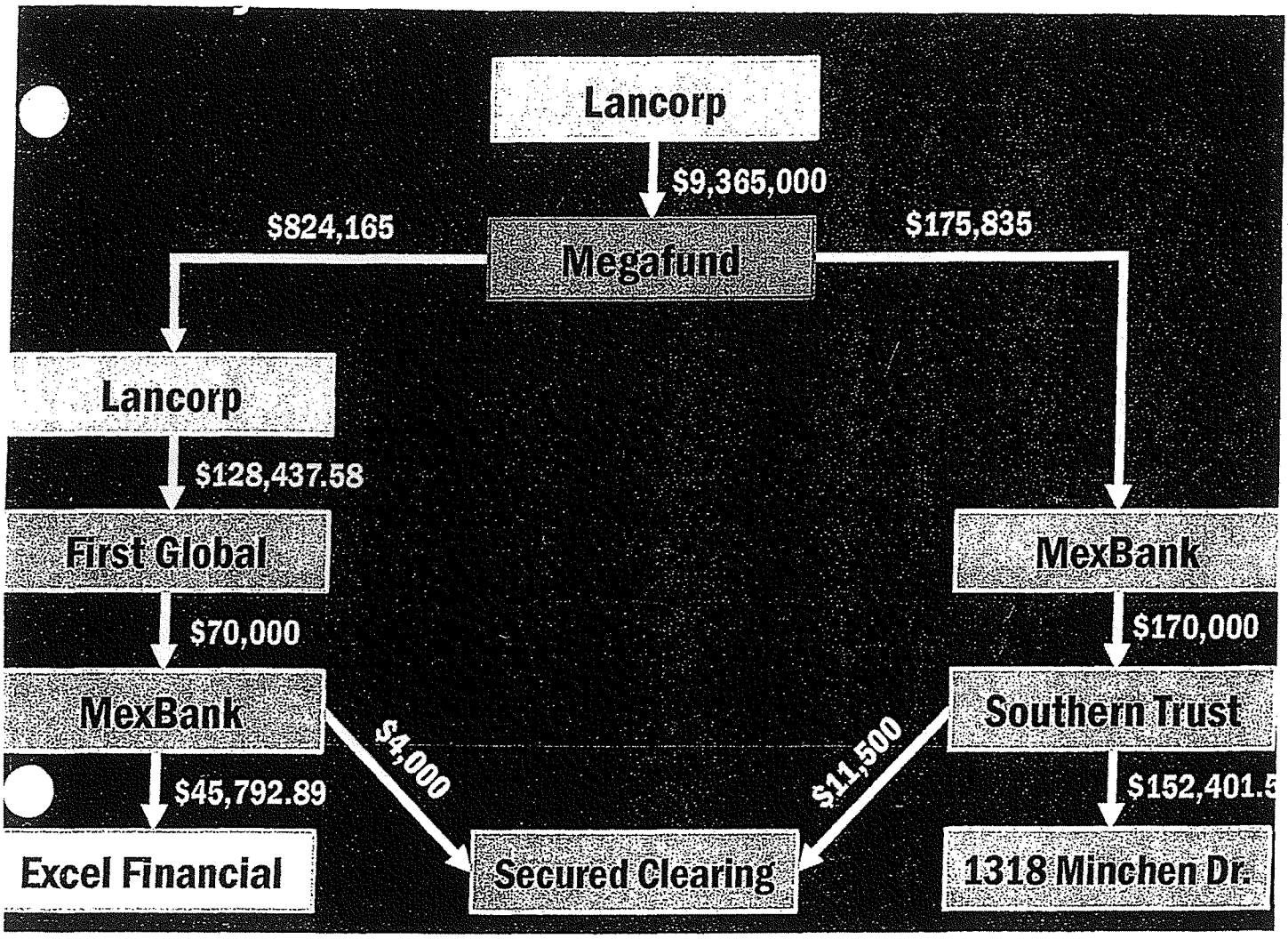

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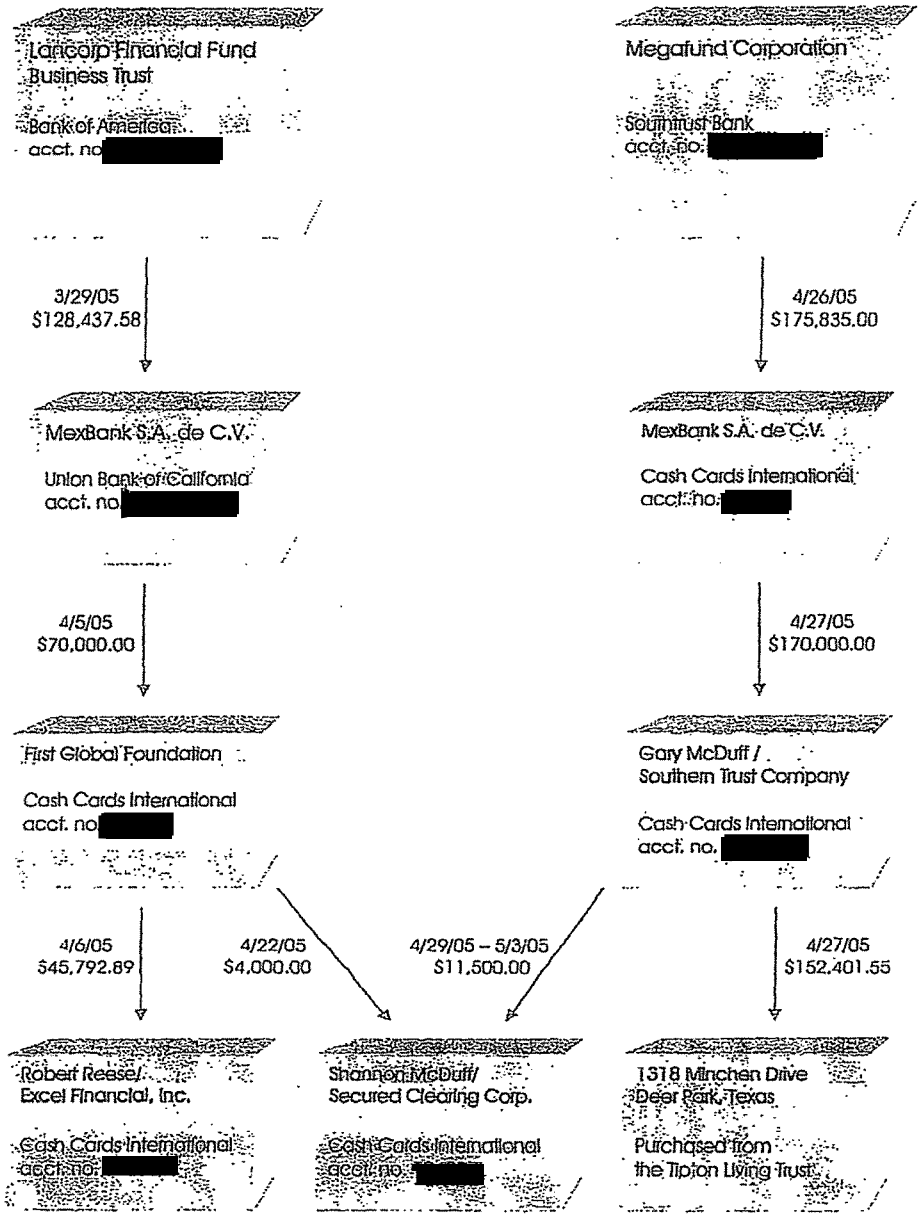
EXHIBIT "A"



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INDEPENDENT AUDITORS' REPORT

Albert L. Masters & Company, P.A.
Certified Public Accountants

Albert L. Masters, CPA
Richard M. Schwartz, CPA
Bryan Horetsky
Member: AICPA, FICPA

3111 N.UNIVERSITY DRIVE, SUITE 601
CORAL SPRINGS, FLORIDA 33065
TELEPHONE (954) 755-1760
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Independent Auditor's Report

To the Shareholders and Trustees of Lancorp Financial Fund Business Trust

We have audited the accompanying statement of assets and net assets of Lancorp Financial Fund Business Trust as of March 10, 2003. This financial statement is the responsibility of the Trust's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Lancorp Financial Fund Business Trust at March 10, 2003, in conformity with accounting principles generally accepted in the United States of America.

Albert L. Masters & Company, P.A.
Certified Public Accountants
March 11, 2003

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page 2 of 7
F/S-1

Lancorp Financial Fund Business Trust
Statement of Assets and Liabilities
March 10, 2003

ASSETS

Cash	$ 5,000
Total assets	$ 5,000

NET ASSETS

Net assets (1 share of $5,000 founders' shares outstanding, 100 shares authorized, 0 units of $5,000 investor shares outstanding, 100,000 shares authorized, par value $0.001 per share)	$ 5,000
Net asset value per share	$ 5,000

See accompanying notes and auditors report

Exhibit S

Lancorp Financial Fund Business Trust
Notes to Financial Statements
March 10, 2003

NOTE 1 – Organization

The Lancorp Financial Fund Business Trust was organized as a Nevada Business Trust on March 3, 2003. The Trust has had no operations to date other than matters relating to its organization and registration and the sale of one Founders Share for $5,000.

NOTE 2 - Accounting Policies

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets, liabilities, expenses and revenues reported in financial statements. Actual results could differ from those estimates.

NOTE 3 - Federal Income Taxes

The Trust intends to distribute to its shareholders each year substantially all of its net income. Accordingly, no provision for federal tax is necessary.

NOTE 4- Founders and Investor Shares

Voting

The Shareholders shall have the right to vote for the election of the Trustees, the removal of the Trustees, any investment advisory or management contract provided in the trust and any termination of the trust to the extent provided.

Redemption

If there are no Investor Shares outstanding, each Holder of Founders Shares can have the Trust redeem all of its Founders Shares upon 30 days notice before the end of any calendar quarter.

Exhibit S

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Albert L. Masters & Company, P.A.
Certified Public Accountants

Albert L. Masters, CPA
Richard M. Schwartz, CPA
Bryan Horetsky
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Independent Auditor's Report

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Lancorp Financial Fund Business Trust

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In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Lancorp Financial Fund Business Trust at March 10, 2003, in conformity with accounting principles generally accepted in the United States of America.

Albert L. Masters & Company, P.A.
Certified Public Accountants
March 11, 2003

SEC Bate Stamped Document from SEC files produced to Vivian [redacted] in August 2014; Document withheld from production for Gary McDuff. Requested discovery in 2008 from the SEC in this suit.

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LANCORP FINANCIAL FUND BUSINESS TRUST
STATEMENT OF ASSETS AND NET ASSETS
MARCH 10, 2003

ASSETS

Cash	$ 5,000
Total assets	$ 5,000

NET ASSETS

Net assets (1 share of $5,000 founders' shares outstanding, 100 shares authorized, 0 units of $5,000 investor shares outstanding, 100,000 shares authorized, par value $0.001 per share)	$ 5,000
Net asset value per share	$ 5,000

See accompanying notes and auditors report

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page 6 of 7

LANCORP FINANCIAL FUND BUSINESS TRUST
NOTES TO FINANCIAL STATEMENTS
March 10, 2003

NOTE 1 - ORGANIZATION

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The Trust intends to distribute to its shareholders each year substantially all of its net income. Accordingly, no provision for federal tax is necessary.

NOTE 4 - FOUNDERS AND INVESTOR SHARES

Voting

The Shareholders shall have the right to vote for the election of the Trustees, the removal of the Trustees, any investment advisory or management contract provided in the trust and any termination of the trust to the extent provided.

Redemption

If there are no Investor Shares outstanding, each Holder of Founders Shares can have the Trust redeem all of its Founders Shares upon 30 days notice before the end of any calendar quarter.

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Investor Summary

Claim #	Name	Company	Date of Investment	Amount	Funds Returned By Lancorp	Net Claim	Funds Returned by Receiver	Loss
45	[redacted] John	White Horse Trust	3/31/2005	$ 200,000.00	$ -	NA	NA	NA
45	[redacted], John	White Horse Trust	4/25/2005	$ 190,000.00	$ 4,595.00	$ 385,405.00	$ 149,979.85	$ 235,425.15
64	[redacted] Larry J.		4/29/2005	$ 50,000.00	$ 460.49	$ 49,539.51	$ 19,278.24	$ 30,261.27
65	[redacted] Andrew		9/19/2003	$ 25,000.00	$ 1,811.98	$ 23,188.02	$ 9,023.59	$ 14,164.43
81	[redacted] Donna Lee	Trust Company of America f/b/o Donna Lee [redacted]	9/26/2003	$ 35,000.00	$ 11,824.73	$ 23,175.27	$ 9,018.63	$ 14,156.64
88	[redacted] Dean K.	Trust Company of America	4/5/2004	$ 25,000.00	$ 1,719.97	$ 23,280.03	$ 9,059.39	$ 14,220.64
89	[redacted] Elisa D.		2/20/2004	$ 50,000.00	$ 3,459.94	$ 46,540.06	$ 18,111.00	$ 28,429.06
90	Robres, Margarita		2/20/2004	$ 25,000.00	$ 1,955.53	$ 23,044.47	$ 8,967.73	$ 14,076.74
103	[redacted], John R.		4/19/2004	$ 100,000.00	$ -	$ 100,000.00	$ 38,914.87	$ 61,085.13
104	[redacted] Richard		3/18/2005	$ 60,000.00	$ 1,273.93	$ 58,726.07	$ 22,853.17	$ 35,872.90
110	[redacted] Thomas		7/17/2003	$ 100,000.00	$ -	$ 100,000.00	$ 38,914.87	$ 61,085.13
111	[redacted] Bert		5/11/2005	$ 200,000.00	$ 925.55	$ 199,074.45	$ 77,469.55	$ 121,604.90
112	[redacted] Betty	Betty [redacted] Profit Sharing Plan	9/26/2003	$ 100,000.00		NA	NA	NA
112	[redacted] Betty		4/13/2004	$ 50,000.00	$ -	NA	NA	NA
112	[redacted] Betty		4/13/2004	$ 50,000.00	12858.38	$ 187,141.62	$ 72,825.91	$ 114,315.71
113	[redacted] Betty		6/3/2004	$ 200,000.00	$ 13,163.12	$ 186,836.88	$ 72,707.32	$ 114,129.56
114	[redacted] Frances Lynn		4/3/2003	$ 175,000.00	$ 3,144.00	$ 171,856.00	$ 66,877.53	$ 104,978.47
115	[redacted], Jonathan S.	Trust	4/15/2005	$ 25,000.00	$ 235.24	$ 24,764.76	$ 9,637.17	$ 15,127.59
117	[redacted] Norman	Norman & Charlene [redacted] Revocable Living Trust	2/2/2004	$ 25,000.00	$ -	NA	NA	NA
117	[redacted] Norman	Norman & Charlene [redacted] Revocable Living Trust	6/10/2004	$ 10,000.00	$ -	NA	NA	NA
117	[redacted] Norman	Norman & Charlene [redacted] Revocable Living Trust	7/27/2004	$ 15,000.00	$ -	NA	NA	NA
117	[redacted] Norman	Norman & Charlene [redacted] Revocable Living Trust	9/23/2004	$ 10,000.00	$ -	NA	NA	NA
117	[redacted] Norman	Norman & Charlene [redacted] Revocable Living Trust	11/15/2004	$ 15,000.00	$ -	NA	NA	NA
117	[redacted] Norman	Norman & Charlene [redacted] Revocable Living Trust	4/19/2005	$ 10,000.00	$ -	NA	NA	NA
117	[redacted], Norman	Norman & Charlene [redacted] Revocable Living Trust	5/18/2005	$ 5,000.00	$ -	NA	NA	NA
117	[redacted] Norman	Norman & Charlene [redacted] Revocable Living Trust	6/23/2005	$ 10,000.00	$ 3,866.83	$ 96,133.17	$ 37,410.10	$ 58,723.07
118	[redacted] Charlene		7/21/2005	$ 90,000.00	$ -	$ 90,000.00	$ 35,023.38	$ 54,976.62
122	[redacted], Melvin D.	[redacted] Living Trust 2/23/2000	5/16/2005	$ 25,000.00	$ -	$ 25,000.00	$ 9,728.71	$ 15,271.29

Exhibit T page 1 of 8

Investor Summary

Claim #	Name	Company	Date of Investment	Amount	Funds Returned By Lancorp	Net Claim	Funds Returned by Receiver	Loss
129	[redacted] Harold R.	The [redacted] Family Trust	7/1/2005	$ 25,000.00	$ -	$ 25,000.00	$ 9,728.71	$ 15,271.29
130	[redacted] Dorothy B.	Dorothy [redacted] t Revocable Trust	3/28/2005	$ 25,000.00	$ 350.94	$ 24,649.06	$ 9,592.15	$ 15,056.91
132	[redacted] Philip		2/27/2004	$ 25,000.00	$ -	$ 25,000.00	$ 9,728.71	$ 15,271.29
136	[redacted] Dan		8/11/2003	$ 25,000.00	$ 2,202.30	$ 22,797.70	$ 8,871.69	$ 13,926.01
137	[redacted], Dan		4/29/2005	$ 1,241.96	$ -	$ 1,241.96	$ 483.30	$ 758.66
138	[redacted] Dan		9/19/2003	$ 7,000.00	$ -	$ 7,000.00	$ 2,724.03	$ 4,275.97
147	[redacted], Rosalind		5/19/2003	$ 30,000.00	$ 2,215.63	$ 27,784.37	$ 10,812.25	$ 16,972.12
148	[redacted], Donald L.		6/16/2005	$ 50,000.00	$ -	$ 50,000.00	$ 19,457.43	$ 30,542.57
149	[redacted], Dilip G	Pension Plan	6/3/2004	$ 50,000.00	$ 1,511.50	$ 48,488.50	$ 18,869.24	$ 29,619.26
151	[redacted] Mary J.		2/7/2005	$ 50,000.00	$ -	$ 50,000.00	$ 19,457.43	$ 30,542.57
152	[redacted] Sandra K.	First Trust Co. of Onaga	11/10/2004	$ 40,000.00	$ -	$ 40,000.00	$ 15,565.94	$ 24,434.06
153	[redacted], William K.		4/12/2004	$ 25,000.00	$ -	NA	NA	NA
153	[redacted] William K.		7/20/2004	$ 25,000.00	$ -	NA	NA	NA
153	H[redacted], William K.		11/24/2004	$ 40,000.00	$ 66,909.84	$ 23,090.16	$ 8,985.51	$ 14,104.65
156	[redacted] Barbara Murrell		6/10/2004	$ 35,000.00	$ -	NA	NA	NA
156	[redacted] Barbara Murrell		4/25/2005	$ 3,534.00	$ -	$ 38,534.00	$ 14,995.46	$ 23,538.54
157	[redacted] Barbara Murrell		6/23/2004	$ 35,000.00	$ -	NA	NA	NA
157	[redacted] Barbara Murrell		4/29/2005	$ 3,877.00	$ -	$ 38,877.00	$ 15,128.93	$ 23,748.07
158	[redacted] Helen	c/o Mara Shea Barnum	10/17/2003	$ 25,000.00	$ -	$ 25,000.00	$ 9,728.71	$ 15,271.29
159	[redacted] Cheryl F.		2/16/2005	$ 25,000.00	$ -	$ 25,000.00	$ 9,728.71	$ 15,271.29
160	[redacted] Julie A.	The [redacted] Family Trust	6/18/2004	$ 100,000.00	$ -	NA	NA	NA
160	[redacted], Julie A.	The [redacted] Family Trust	7/15/2004	$ 50,000.00	$ -	NA	NA	NA
160	[redacted] Julie A.	The [redacted] Family Trust	10/29/2004	$ 100,000.00	$ -	NA	NA	NA
160	[redacted], Julie A.	The [redacted] Family Trust	11/2/2004	$ 50,000.00	$ -	NA	NA	NA
160	[redacted] Julie A.	The [redacted] Family Trust	4/21/2005	$ 100,253.70	$ 472.27	$ 399,781.43	$ 155,574.41	$ 244,207.02
161	[redacted] Lloyd J.		2/14/2005	$ 25,000.00	$ -	NA	NA	NA
161	[redacted] Lloyd J.		4/26/2005	$ 35,000.00	$ 1,302.89	$ 58,697.11	$ 22,841.91	$ 35,855.20
162	[redacted], Louis		3/29/2004	$ 50,000.00	$ -	NA	NA	NA
162	[redacted] Louis		7/15/2004	$ 50,000.00	$ -	NA	NA	NA
162	[redacted] Louis		11/8/2004	$ 55,000.00	$ -	NA	NA	NA
162	[redacted], Louis		11/8/2004	$ 45,000.00	$ 10,380.43	$ 189,619.57	$ 73,790.20	$ 115,829.37
164	[redacted] Charles		4/11/2005	$ 25,000.00	$ -	$ 25,000.00	$ 9,728.71	$ 15,271.29
166	[redacted] Ronald J.	Law Offices of Ronald J [redacted]	8/26/2004	$ 50,000.00	$ -	$ 50,000.00	$ 19,457.43	$ 30,542.57
167	[redacted] Ronald J.	Law Offices of Ronald J [redacted]	6/4/2003	$ 30,000.00	$ -	$ 30,000.00	$ 11,674.46	$ 18,325.54
168	Logar, Ronald J.	Law Offices of Ronald J. [redacted]	6/27/2005	$ 10,000.00	$ -	$ 10,000.00	$ 3,891.49	$ 6,108.51
169	[redacted] Ronald J.	Law Offices of Ronald J. [redacted]	8/9/2005	$ 10,000.00	$ -	$ 10,000.00	$ 3,891.49	$ 6,108.51

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Investor Summary

Claim #	Name	Company	Date of Investment	Amount	Funds Returned By Lancorp	Net Claim	Funds Returned by Receiver	Loss
171	[redacted] Thomas E.		12/22/2004	$ 75,000.00	$ 3,460.25	$ 71,539.75	$ 27,839.60	$ 43,700.15
172	[redacted] Marc E.		7/6/2004	$ 50,000.00	$ 2,296.83	$ 47,703.17	$ 18,563.62	$ 29,139.55
174	[redacted] Durwood		9/23/2003	$ 25,000.00	$ -	$ 25,000.00	$ 9,728.71	$ 15,271.29
175	[redacted] Jay C.		2/5/2004	$ 160,000.00	$ -	$ 160,000.00	$ 62,263.78	$ 97,736.22
[redacted]	[redacted] Robert	Tanglewood Inc?	5/4/2004	$ 10,000.00	$ -	NA	NA	NA
177	[redacted] Robert		5/6/2004	$ 15,000.00	$ 576.55	$ 24,423.45	$ 9,504.35	$ 14,919.10
178	[redacted] Robert		9/20/2004	$ 25,000.00	$ 2,306.83	$ 22,693.17	$ 8,831.01	$ 13,862.16
179	[redacted] Armand D.		2/5/2004	$ 25,000.00	$ 1,153.42	$ 23,846.58	$ 9,279.87	$ 14,566.71
180	[redacted], Allen	International Trading Agency, Inc.	7/14/2003	$ 75,000.00		NA	NA	NA
[redacted]	[redacted] Allen	International Trading Agency, Inc.	1/27/2005	$ 25,000.00	$ 4,613.66	$ 95,386.34	$ 37,119.47	$ 58,266.87
182	[redacted] Michael J.	(Can't match to deposit)	7/24/2003	$ 25,000.00	$ 1,825.04	$ 23,174.96	$ 9,018.51	$ 14,156.45
183	[redacted] Claire H.	Harold E. [redacted] Revocable Living Trust	8/19/2003	$ 50,000.00	$ -	NA	NA	NA
183	[redacted] Claire H.	Harold E. [redacted] Revocable Living Trust	12/22/2003	$ 100,000.00	$ -	NA	NA	NA
183	[redacted] Claire H.	Harold E. [redacted] Revocable Living Trust	4/30/2004	$ 75,000.00	$ -	NA	NA	NA
183	[redacted] Claire H.	Harold E. [redacted] Revocable Living Trust	4/15/2005	$ 40,000.00	$ 11,543.69	$ 253,456.31	$ 98,632.19	$ 154,824.12
184	[redacted] Dorothy J.	Dorothy J. [redacted] Survivor Trust	4/7/2004	$ 200,000.00	$ -	NA	NA	NA
184	[redacted] Dorothy J.	Dorothy J. [redacted] Survivor Trust	9/13/2004	$ 387.57	$ -	NA	NA	NA
184	[redacted] Dorothy J.	Dorothy J. [redacted] Survivor Trust	9/30/2004	$ 200,000.00	$ 3,825.71	$ 396,561.86	$ 154,321.52	$ 242,240.34
185	[redacted] Harold E.	Harold E. [redacted] Revocable Living Trust	6/27/2003	$ 25,000.00	$ -	NA	NA	NA
185	[redacted] Harold E.	Harold E. [redacted] Revocable Living Trust	12/22/2003	$ 225,000.00	$ -	NA	NA	NA
185	[redacted] Harold E.	Harold E. [redacted] Revocable Living Trust	4/15/2005	$ 70,000.00	$ 8,748.47	$ 311,251.53	$ 121,123.12	$ 190,128.41
186	[redacted] Harold E.	Harold E. [redacted] Revocable Living Trust	5/20/2004	$ 37,000.00	$ -	NA	NA	NA
186	[redacted] Harold E.	Harold E. [redacted] Revocable Living Trust	7/13/2004	$ 143,000.00	$ -	NA	NA	NA
186	[redacted] Harold E.	Harold E. [redacted] Revocable Living Trust	7/27/2004	$ 60,000.00	$ -	NA	NA	NA
186	[redacted] Harold E.	Harold E. [redacted] Revocable Living Trust	10/20/2004	$ 20,000.00	$ -	NA	NA	NA
186	[redacted] Harold E.	Harold E [redacted] Revocable Living Trust	11/24/2004	$ 35,000.00	$ -	NA	NA	NA
186	[redacted] Harold E.	Harold E [redacted] Revocable Living Trust	1/13/2005	$ 190,000.00	3385.65	$ 481,614.35	$ 187,419.59	$ 294,194.76
189	[redacted] John L	John L & Carolyn A [redacted] Trust	9/20/2004	$ 35,000.00	$ -	$ 35,000.00	$ 13,620.20	$ 21,379.80
190	[redacted] John L	John L & Carolyn A [redacted] Trust	1/4/2005	$ 10,000.00	$ -	$ 10,000.00	$ 3,891.49	$ 6,108.51
191	[redacted] John L	John L & Carolyn A [redacted] Trust	4/18/2005	$ 5,000.00	$ -	$ 5,000.00	$ 1,945.74	$ 3,054.26
192	[redacted] John L	John L & Carolyn A [redacted] Trust	5/18/2005	$ 5,000.00	$ 1,891.81	$ 3,108.19	$ 1,209.55	$ 1,898.64
193	[redacted] Marc C.		2/14/2005	$ 25,000.00	$ 622.61	$ 24,377.39	$ 9,486.43	$ 14,890.96
194	[redacted] Marc C.		4/11/2005	$ 25,000.00	$ 586.18	$ 24,413.82	$ 9,500.60	$ 14,913.22
195	[redacted] Stephen J.		4/2/2004	$ 90,000.00	$ -	NA	NA	NA
195	[redacted] Stephen J.		9/13/2004	$ 33,000.00	$ -	NA	NA	NA
195	[redacted] Stephen J.		4/28/2005	$ 226,000.00	$ -	$ 349,000.00	$ 135,812.89	$ 213,187.11

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Investor Summary

Claim #	Name	Company	Date of Investment	Amount	Funds Returned By Lancorp	Net Claim	Funds Returned by Receiver	Loss
199	[redacted] Jeffrey L.		5/14/2004	$ 60,000.00	$ -	$ 60,000.00	$ 23,348.92	$ 36,651.08
210	[redacted], Lonnie L.		9/13/2004	$ 30,000.00	$ 3,511.29	$ 26,488.71	$ 10,308.04	$ 16,180.67
211	[redacted], Lonnie L.		6/6/2003	$ 30,000.00	$ 84.71	$ 29,915.29	$ 11,641.50	$ 18,273.79
212	[redacted] Marion		4/29/2005	$ 50,000.00	$ -	NA	NA	NA
212	[redacted] Marion		5/23/2005	$ 50,000.00	$ -	$ 100,000.00	$ 38,914.87	$ 61,085.13
213	[redacted] Robert Z Jr.		8/19/2003	$ 25,000.00	$ 1,153.42	$ 23,846.58	$ 9,279.87	$ 14,566.71
214	[redacted] Robert Z Jr.		6/21/2005	$ 10,000.00	$ -	$ 10,000.00	$ 3,891.49	$ 6,108.51
215	[redacted] Sammy B.		3/8/2004	$ 25,000.00	$ 1,153.42	$ 23,846.58	$ 9,279.87	$ 14,566.71
216	[redacted] Larry M		6/7/2004	$ 25,000.00	$ -	NA	NA	NA
216	[redacted] Larry M		3/18/2005	$ 10,000.00	$ 1,349.13	$ 33,650.87	$ 13,095.20	$ 20,555.67
217	[redacted] Lawrence F.		2/5/2004	$ 100,000.00	$ -	$ 100,000.00	$ 38,914.87	$ 61,085.13
218	[redacted] Frank		2/28/2005	$ 30,000.00	$ -	$ 30,000.00	$ 11,674.46	$ 18,325.54
219	[redacted] William F.		5/11/2005	$ 25,000.00	$ -	$ 25,000.00	$ 9,728.71	$ 15,271.29
221	[redacted], Max F.		7/6/2004	$ 200,000.00	$ 915.55	$ 199,084.45	$ 77,473.45	$ 121,611.00
222	[redacted] Joseph P		7/2/2004	$ 30,000.00	$ -	NA	NA	NA
222	[redacted] Joseph P		4/21/2005	$ 50,000.00	$ 1,854.59	$ 78,145.41	$ 30,410.19	$ 47,735.22
223	[redacted] Christopher		2/22/2005	$ 200,000.00	$ 6,797.90	$ 193,202.10	$ 75,184.34	$ 118,017.76
224	[redacted] Christopher		11/5/2004	$ 129,693.46	$ -	NA	NA	NA
224	[redacted] Christopher		12/29/2004	$ 897.87	$ -	$ 130,591.33	$ 50,819.45	$ 79,771.88
225	[redacted] Henrietta L.		1/20/2004	$ 25,000.00	$ -	NA	NA	NA
225	[redacted] Henrietta L.		2/22/2005	$ 35,000.00	$ -	NA	NA	NA
225	[redacted] Henrietta L.		4/18/2005	$ 5,000.00	$ 30,267.23	$ 34,732.77	$ 13,516.21	$ 21,216.56
226	[redacted] Michael J.		4/25/2005	$ 50,000.00	$ 1,333.35	$ 48,666.65	$ 18,938.56	$ 29,728.09
227	[redacted] Michael J.		2/22/2005	$ 25,000.00	$ -	$ 25,000.00	$ 9,728.71	$ 15,271.29
228	[redacted] David C.		8/1/2005	$ 24,171.00	$ -	$ 24,171.00	$ 9,406.11	$ 14,764.89
229	[redacted] David C.		8/3/2004	$ 195,000.00	$ 10.00	$ 194,990.00	$ 75,880.10	$ 119,109.90
231	[redacted] Mark R.		5/4/2004	$ 25,000.00	$ -	$ 25,000.00	$ 9,728.71	$ 15,271.29
232	[redacted] Mark R.	Mark R. [redacted] OD PC Profit Share	1/20/2004	$ 200,000.00	$ -	NA	NA	NA
232	[redacted] Mark R.	Mark R. [redacted] OD PC Profit Share	7/19/2004	$ 75,000.00	$ -	NA	NA	NA
232	[redacted] Mark R.	Mark R. [redacted] OD PC Profit Share	8/5/2004	$ 25,000.00	$ -	NA	NA	NA
232	[redacted] Mark R.	Mark R. [redacted] OD PC Profit Share	11/10/2004	$ 125,000.00	$ -	$ 425,000.00	$ 165,388.18	$ 259,611.82
233	[redacted] Leslie		2/20/2004	$ 30,000.00	$ -	NA	NA	NA
233	[redacted] Leslie		5/10/2004	$ 10,000.00	$ -	$ 40,000.00	$ 15,565.94	$ 24,434.06
234	[redacted], Jerry J	Jerry J Thomas & Nancy M [redacted] s 1998 Inter Vivos Trust	4/23/2004	$ 25,000.00	$ -	$ 25,000.00	$ 9,728.71	$ 15,271.29
235	[redacted] A.	Harold A [redacted] Revocable Trust	3/28/2005	$ 75,000.00	$ -	$ 75,000.00	$ 29,186.15	$ 45,813.85

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Investor Summary

Claim #	Name	Company	Date of Investment	Amount	Funds Returned By Lancorp	Net Claim	Funds Returned by Receiver	Loss
236	[redacted] Irene T		5/24/2004	$ 25,000.00	$ -	NA	NA	NA
236	[redacted] Irene T		11/10/2004	$ 25,000.00	$ 2,760.71	$ 47,239.29	$ 18,383.11	$ 28,856.18
237	[redacted] Thurman H.	First Trust Co: of Onaga	3/21/2005	$ 35,000.00	$ -	$ 35,000.00	$ 13,620.20	$ 21,379.80
238	[redacted] Randall K.		9/26/2003	$ 30,000.00	$ -	NA	NA	NA
238	[redacted] Randall K.		4/12/2005	$ 3,260.00	$ -	NA	NA	NA
238	[redacted] Randall K.		7/26/2005	$ 4,526.00	$ -	$ 37,786.00	$ 14,704.37	$ 23,081.63
239	[redacted] Virginia		7/14/2003	$ 60,000.00	$ 36,153.42	$ 23,846.58	$ 9,279.87	$ 14,566.71
240	[redacted] Axina		5/24/2004	$ 60,000.00	$ -	$ 60,000.00	$ 23,348.92	$ 36,651.08
241	[redacted], Axina		5/9/2005	$ 40,000.00	$ -	$ 40,000.00	$ 15,565.94	$ 24,434.06
242	[redacted] Robert T.	Trust Company of America f/b/o Robert [redacted]	4/22/2004	$ 150,000.00	$ 10.00	$ 149,990.00	$ 58,368.41	$ 91,621.59
243	[redacted] Alvin		9/13/2004	$ 25,000.00	$ -	$ 25,000.00	$ 9,728.71	$ 15,271.29
245	[redacted], William EJ		12/15/2003	$ 35,000.00	$ 1,614.78	$ 33,385.22	$ 12,991.82	$ 20,393.40
246	[redacted], Donald		12/23/2003	$ 50,000.00	$ -	$ 50,000.00	$ 19,457.43	$ 30,542.57
247	[redacted] Richard S.	[redacted] Holdings, LLC	2/27/2004	$ 60,000.00	$ -	NA	NA	NA
247	[redacted] Richard S.	[redacted] Holdings, LLC	5/3/2004	$ 100,000.00	$ -	NA	NA	NA
247	[redacted] Richard S.	[redacted] Holdings, LLC	11/8/2004	$ 10,000.00	$ 7,843.22	$ 162,156.78	$ 63,103.10	$ 99,053.68
248	[redacted] Jane M.	[redacted] Six Trust	2/27/2004	$ 50,000.00	$ -	$ 50,000.00	$ 19,457.43	$ 30,542.57
249	[redacted] Peter		3/4/2004	$ 70,000.00	$ -	NA	NA	NA
249	[redacted] Peter		10/1/2004	$ 48,802.27	$ -	$ 118,802.27	$ 46,231.75	$ 72,570.52
251	[redacted] George M.	12/28/88	4/6/2005	$ 100,000.00	$ -	$ 100,000.00	$ 38,914.87	$ 61,085.13
252	[redacted] Lovell W.		5/11/2005	$ 200,000.00	$ -	$ 200,000.00	$ 77,829.72	$ 122,170.28
253	[redacted] Scott		6/10/2004	$ 25,000.00	$ 1,586.95	$ 23,413.05	$ 9,111.16	$ 14,301.89
254	[redacted] Scott		4/21/2005	$ 20,000.00	$ -	$ 20,000.00	$ 7,782.98	$ 12,217.02
255	[redacted] Scott		7/21/2005	$ 10,000.00	$ -	$ 10,000.00	$ 3,891.49	$ 6,108.51
258	[redacted] Jeannette		9/19/2003	$ 25,000.00	$ 1,153.42	$ 23,846.58	$ 9,279.87	$ 14,566.71
260	[redacted] Frank J.	The Frank J. Torchia and Diance C. [redacted] Charitable Remainder Trust	4/30/2004	$ 25,000.00	$ 1,729.97	$ 23,270.03	$ 9,055.50	$ 14,214.53
263	[redacted] Dan		9/13/2005	$ 200,000.00	$ -	$ 200,000.00	$ 77,829.72	$ 122,170.28
264	[redacted] Don R.		5/12/2005	$ 60,000.00	$ 277.66	$ 59,722.34	$ 23,240.87	$ 36,481.47
265	[redacted] Robert		12/17/2003	$ 150,000.00	$ -	NA	NA	NA
265	[redacted], Robert		4/8/2005	$ 150,000.00	$ 15,010.00	$ 284,990.00	$ 110,903.48	$ 174,086.52
266	[redacted] Velma Elaine		2/25/2005	$ 25,000.00	$ 821.36	$ 24,178.64	$ 9,409.09	$ 14,769.55
268	[redacted] Christopher		5/27/2005	$ 100,010.00	$ 10.00	$ 100,000.00	$ 38,914.87	$ 61,085.13
269	[redacted] Henrietta L.		6/7/2005	$ 3,400.00	$ -	$ 3,400.00	$ 1,323.11	$ 2,076.89
270	[redacted] Marvin		4/25/2005	$ 50,000.00	$ 460.00	$ 49,540.00	$ 19,278.42	$ 30,261.58

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Investor Summary

Claim #	Name	Company	Date of Investment	Amount	Funds Returned By Lancorp	Net Claim	Funds Returned by Receiver	Loss
271	[redacted] Richard E.		5/2/2005	$ 155,000.00	$ -	$ 155,000.00	$ 60,318.04	$ 94,681.96
272	[redacted] Betty Hoy	Trustee	5/13/2005	$ 100,000.00	$ -	$ 100,000.00	$ 38,914.87	$ 61,085.13
273	[redacted] Gerben D.		7/28/2005	$ 450,000.00	$ 15,177.50	$ 434,822.50	$ 169,210.60	$ 265,611.90
274	[redacted] Mark R.	Basherit Enterprises	8/25/2004	$ 25,000.00	$ 1,153.42	$ 23,846.58	$ 9,279.87	$ 14,566.71
275	[redacted] Leo D.	Profit Sharing Plan	4/8/2005	$ 50,000.00	$ -	$ 50,000.00	$ 19,457.43	$ 30,542.57
276	[redacted] Robert S.		12/5/2003	$ 25,000.00	$ 1,781.45	$ 23,218.55	$ 9,035.47	$ 14,183.08
278	[redacted] Thomas		6/21/2004	$ 25,000.00	$ -	$ 25,000.00	$ 9,728.71	$ 15,271.29
279	[redacted] Louise		6/21/2005	$ 5,000.00	$ -	$ 5,000.00	$ 1,945.74	$ 3,054.26
280	[redacted], Peter		6/10/2005	$ 40,000.00	$ -	NA	NA	NA
280	[redacted], Peter		8/16/2005	$ 10,000.00	$ -	$ 50,000.00	$ 19,457.43	$ 30,542.57
281	[redacted] Louise		3/21/2005	$ 25,000.00	$ 138.36	$ 24,861.64	$ 9,674.87	$ 15,186.77
282	[redacted] Louise			$ 9,460.87	$ -	$ 9,460.87	$ 3,681.68	$ 5,779.19
283	[redacted] Louise		4/12/2005	$ 10,000.00	$ -	$ 10,000.00	$ 3,891.49	$ 6,108.51
284	[redacted] Catherine A.		6/29/2005	$ 5,000.00	$ -	$ 5,000.00	$ 1,945.74	$ 3,054.26
285	[redacted] Catherine A.		12/22/2004	$ 75,000.00	$ 3,507.30	$ 71,492.70	$ 27,821.30	$ 43,671.40
291	[redacted], Donna Lee	Trust Company of America f/b/o Donna Lee [redacted]	10/23/2003	$ 185,000.00	$ 13,365.38	$ 171,634.62	$ 66,791.38	$ 104,843.24
294	[redacted] Wayne	[redacted] 1991 Trust dtd 10/14/1991	5/16/2005	$ 25,000.00	$ -	$ 25,000.00	$ 9,728.71	$ 15,271.29
354	[redacted] Vivian			$ 27,415.90	$ -	$ 27,415.90	$ 10,668.86	$ 16,747.04
356	[redacted] Brian		3/29/2004	$ 25,000.00	$ -	NA	NA	NA
356	[redacted] Brian		11/26/2004	$ 100,000.00	$ -	$ 125,000.00	$ 48,643.58	$ 76,356.42
357		Open Alliance Inc.	10/21/2004	$ 25,000.00	$ 802.48	NA	NA	NA
357		Open Alliance Inc.			$ 350.94	$ 23,846.58	$ 9,279.87	$ 14,566.71
NC1	[redacted] Suellen		5/20/2004	$ 5,000.00	?	$ 5,000.00	$ -	$ 5,000.00
NC2	[redacted] Thomas		7/8/2004	$ 25,000.00	?	$ 25,000.00	$ -	$ 25,000.00
NC3	[redacted] GJ	Wire	8/10/2005	$ 1,797.86	?	$ 1,797.86	$ -	$ 1,797.86
NC4	[redacted] Donald	Wire	6/22/2005	$ 25,000.00	?	$ 25,000.00	$ -	$ 25,000.00
NC4	[redacted] Donald		7/21/2005	$ 10,000.00	?	$ 10,000.00	$ -	$ 10,000.00
NC5	[redacted] Errett		2/20/2004	$ 100,000.00	?	$ 100,000.00	$ -	$ 100,000.00
NC6	[redacted], Allen	[redacted]	8/25/2005	$ 55,000.00	?	$ 55,000.00	$ -	$ 55,000.00
NC7	[redacted], Gary	[redacted]	8/30/2005	$ 50,000.00	?	$ 50,000.00	$ -	$ 50,000.00
NC9	[redacted] Evelyn		9/19/2003	$ 30,000.00	?	$ 30,000.00	$ -	$ 30,000.00
NC10	[redacted] Lamoine		1/6/2005	$ 25,000.00	?	$ 25,000.00	$ -	$ 25,000.00
NC11	[redacted] Arthur		7/2/2004	$ 25,000.00	?	$ 25,000.00	$ -	$ 25,000.00
NC12	[redacted] Adam		2/5/2004	$ 25,000.00	?	$ 25,000.00	$ -	$ 25,000.00
NC13	[redacted] John & Marlene		6/28/2004	$ 25,000.00	?	$ 25,000.00	$ -	$ 25,000.00

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Investor Summary

Claim #	Name	Company	Date of Investment	Amount	Funds Returned By Lancorp	Net Claim	Funds Returned by Receiver	Loss
NC14	[redacted], Norris		9/23/2003	$ 25,000.00	?	$ 25,000.00	$ -	$ 25,000.00
NC15	Merrill		10/1/2003	$ 80,000.00	?	$ 80,000.00	$ -	$ 80,000.00
NC16	[redacted], Glen		11/4/2003	$ 25,000.00	?	$ 25,000.00	$ -	$ 25,000.00
NC17	Darrell		10/24/2003	$ 100,000.00	?	$ 100,000.00	$ -	$ 100,000.00
NC18	[redacted] James		9/23/2003	$ 25,000.00	?	$ 25,000.00	$ -	$ 25,000.00
NC19	Kenneth		4/30/2004	$ 100,000.00	?	$ 100,000.00	$ -	$ 100,000.00
NC20	[redacted] Perry	& Jale[redacted]	4/30/2004	$ 25,000.00	?	$ 25,000.00	$ -	$ 25,000.00
NC21	[redacted], Joe	[redacted]	4/30/2004	$ 200,000.00	?	$ 200,000.00	$ -	$ 200,000.00
NC21	[redacted] Joe	[redacted]	11/19/2004	$ 50,582.30	?	$ 50,582.30	$ -	$ 50,582.30
NC22	[redacted] Robert Brantley		10/7/2003	$ 30,000.00	?	$ 30,000.00	$ -	$ 30,000.00
NC23	[redacted] B		11/17/2003	$ 50,000.00	?	$ 50,000.00	$ -	$ 50,000.00
NC24	[redacted] Edward		2/5/2004	$ 25,000.00	?	$ 25,000.00	$ -	$ 25,000.00
NC25	[redacted] Michael		5/28/2004	$ 25,000.00	?	$ 25,000.00	$ -	$ 25,000.00
NC25	[redacted] Michael		9/13/2004	$ 24,600.00	?	$ 24,600.00	$ -	$ 24,600.00
NC26	[redacted] Shan Quo or Qing		10/20/2003	$ 30,000.00	?	$ 30,000.00	$ -	$ 30,000.00
NC27		[redacted] Family Trust	9/19/2003	$ 25,000.00	?	$ 25,000.00	$ -	$ 25,000.00
NC28		Grapevine Investments	2/2/2004	$ 200,000.00	?	$ 200,000.00	$ -	$ 200,000.00
NC29		Bandyk and Associates	4/12/2004	$ 25,000.00	?	$ 25,000.00	$ -	$ 25,000.00
NC30		Jerome B. [redacted] Trust	5/3/2004	$ 100,000.00	?	$ 100,000.00	$ -	$ 100,000.00
NC31		Sequoia Wealth Management LLC	5/6/2004	$ 400,000.00	?	$ 400,000.00	$ -	$ 400,000.00
NC31		Sequoia Wealth Management LLC	5/10/2004	$ 100,000.00	?	$ 100,000.00	$ -	$ 100,000.00
NC32		Universal Financial Group, Inc	6/17/2004	$ 25,000.00	?	$ 25,000.00	$ -	$ 25,000.00
NC34		Jeff [redacted] Trustee for Tom [redacted]	6/29/2004	$ 125,000.00	?	$ 125,000.00	$ -	$ 125,000.00
NC36		NF Clearing Inc	10/17/2005	$ 2,204,044.29	?	$ 2,204,044.29	$ -	$ 2,204,044.29
NC36		NF Clearing Inc	11/16/2005	$ 2,680.22	?	$ 2,680.22	$ -	$ 2,680.22

Exhibit 1
page 7 of 8

Investor Summary

Claim #	Name	Company	Date of Investment	Amount	Funds Returned By Lancorp	Net Claim	Funds Returned by Receiver	Loss
		Total Funds Invested Per Claims:		$ 11,091,931.60				
		Funds Returned by Lancorp:		$ 347,616.10				
		Gross Claims:		$ 10,744,315.50				
		Invested Funds Not Claimed:		$ 4,423,704.67				
		Total Invested Funds:		$ 15,515,636.27				
		Total Loss Prior to Receiver:		$ 15,168,020.17				
		Total Funds Returned by Receiver:		$ 4,181,136.01				
		Net Loss of Investors with Claims:		$ 6,563,179.49				
		Total Net Loss of All Investors:		$ 10,986,884.16				
		Megafund:		$ 9,365,000.00				
		Megafund:		$ 1,000,000.00				
		Returned Funds retained by Lancaster/Reese/McDuff: (*)		(**) $ 625,835.00				

(*) This characterization is inaccurate. See Exhibit R for actual recipient of funds.

(**) Lancorp Fund is due $8,365,000 from Megafund.

Exhibit T page 8 of 8

SHCP SAT

Servicio de Administración Tributaria

CÉDULA DE IDENTIFICACIÓN FISCAL

CLAVE DE REGISTRO DE CONTRIBUYENTE [redacted]

NOMBRE, DENOMINACIÓN O RAZÓN SOCIAL

MEXBANK SA DE CV

FOLIO
G 1157910
DF -31/01/2001-E
EZvxg34gxsg

INSCRIPCIÓN EN EL R.F.C.

RFC-1

EL SERVICIO DE ADMINISTRACIÓN TRIBUTARIA, LE DA A CONOCER EL REGISTRO FEDERAL DE CONTRIBUYENTES, QUE LE HA SIDO ASIGNADO CON BASE EN LOS DATOS QUE PROPORCIONÓ, LOS CUALES HAN QUEDADO REGISTRADOS CONFORME A LO SIGUIENTE:

NOMBRE, DENOMINACIÓN O RAZÓN SOCIAL
MEXBANK SA DE CV

DOMICILIO
HERALDO 64 CLAVERIA NOVEDADES Y CAIRO AZCAPOTZALCO DISTRITO FEDERAL C.P. 02080

CLAVE DEL R.F.C. [redacted]

ADMINISTRACIÓN LOCAL DE RECAUDACIÓN NORTE DEL D. F.

ACTIVIDAD SERVICIOS DE COMNES Y REPRESCNS MERCANTILES

SITUACIÓN DE REGISTRO ACTIVO

FECHA DE INSCRIPCIÓN 2001/01/31 FECHA DE INICIO DE OPERACIONES 2001/02/01

OBLIGACIONES

CLAVE	DESCRIPCIÓN	FECHA ALTA
A1	ISIPAC Gravado	2001/02/01
O16	Otras obligationes Operacion con clientes y proveedores	2001/02/01
R1	RETENCION Retenedor de salarios	2001/02/01
R16	RETENCION RETENEDOR DE IVA	2001/02/01
R5	RETENCION Retenedor de honorarios (10%)	02/01
S1	Sociedad mercantil	02/01
V1	IVA Gravado	2001/02/01

TRÁMITES EFECTUADOS	FECHA DE PRESENTACIÓN	FOLIO DEL TRÁMITE
INSCRIPCION PERSONA MORAL	[redacted]	[redacted]

MEXICO, D.F. A 08 DE FEBRERO DE 2001
TELEFONO DE ATENCION CIUDADANA
(QUEJAS Y SUGERENCIAS) 01-800-728-2000

[redacted]

ADMINISTRADOR LOCAL DE RECAUDACION
NORTE DEL D. F.

LUIS FELIPE DE LA TORRE ARCE

Exhibit U
page 1 of 8

[MexBank Corporate Registration Jan. 31, 2001

Address, Telephone & Fax Number for: MexBank S.A. de C.V

Mr. Eduardo Trejo, Managing Director
MexBank S.A. de C.V.
Heraldo 60
Col. Claveria, Mexico City
Mexico D.F., C.P. 02080

Tel : +52 55 9113-9630
Fax: +52 55 8501-8647

Mr. Eduardo Trejo, Managing Director
MexBank S.A. de C.V.
Heraldo 60
Col. Claveria, Mexico City
Mexico D.F., C.P. 02080

Tel : +52 55 9113-9630
Fax: +52 55 8501-8647

Wiring Instructions:

Bank name:	Banamex S.A.
Location:	Mexico City, Mexico
Branch number:	4272
SWIFT code:	[redacted]

For further credit to;

Beneficiary account name:	MexBank S.A. de C.V.
Beneficiary account number:	[redacted]
Beneficiary CLABE number:	[redacted]
Reference:	SCCJM

Wire Transfer Investigations department of Banamex: Telephone +52 552 262-8078

Banamex International Wires: Mr. Abram Platas: Telephone +52 552 262-8588

Exhibit U
page 3 of 8

mexBank MB
International Services

June 27, 2003

Att: Norman Reynolds

Terence de'Ath
Secured Clearing Corporation
76 Dean Street
Belize City, Belize

Dear Mr. de'Ath,

We have been notified by the legal department of Banamex that a hold has been placed on all funds which were instructed to be credited to your benefit as well as amounts previously credited to Secured Clearing Corporation.

Upon our notification of this we instructed our bank attorney to telephone the National Banking Commission and find out the reason for the hold order. They reported to us that the United States Securities & Exchange Commission had asked them to assist in an investigation into a possible violation of their Sections 5 & 17 of the 1933 Securities Act and Sections 10 & 15 of the 1934 Exchange Act., relating to commission payments.

Since our attorney worked for the National Banking Commission in the past he was able to find out what prompted the Commission to instruct Banamex to initiate the hold. The US SEC in claiming that an American who lives in Utah has received prohibited commission payments for securities related transcations. These payments were paid in 2001 through the fiduciary payment services provided by Secured Clearing Services via Banamex accounts. The request is for Banamex to provide records of all past payments to this individual or his company, and confirm that there are no current payment instructions to pay any additional sums to that person or his company.

You have previously given us authority to supply necessary information to any Mexican government agency which may be required to insure that Secured Clearing operates within all Mexican banking laws. Because of this our attorney will be able to expedite the process of securing the relevant records from Banamex so that your unrelated funds can be released without unnecessary delays. He will have the name of the person in Utah as soon as he meets with the commission on Monday. If you could assist by accembling all your records on these alleged payments once we find out the identity of the person under investigation, Banamex will be able to release the unrelated funds immediately.

We have seen this type of hold on accounts before. It is nothing to be allarmed about, the investigation is not into Secured Clearing activities in Mexico. The investigation is into the activities of the person in Utah. It is just the way the Mexican government deals with requests from the US. The good news is that as soon as Banamex has assembled the information requested and presents it to the Mexican National Banking Commission the block order is lifted on all unrelated funds.

In view of this hold on your funds, we will not be able to complete the wire transfers you have instructed until the hold is lifted. Please inform Mr. McDuff of this situation. He has contacted me numerous times this week regarding the sending of these wires.

As soon as we have further information on this most important matter I will forward it to you without delay.

Sincerely,

Eduardo Trejo
Managing Director

Heraldo 60
col. Cloverld
C.P. 02080 México, D.F.
Tel. 9113-9630
Fax. 8501-8647
mexbank@mexbanamex.com

Exhibit U
page 4 of 8

Secured Clearing Corporation

76 Dean Street, Belize City, Belize CA. Phone: +501 2 078-436 Fax: +501 227-7381
US Phone: 281 235-5000 Fax: 713 910 5163 E-mail: service@securedclearing.org

17 March 2005

Gary Lancaster
Lancorp Financial Group, LLC

Sent by fax transmission

Dear Gary,

This letter is to provide you with notice that Secured Clearing Corporation has assigned to MexBank S.A. de C.V. the representing interests of Secured Clearing in relation to its financial interest in the Lancorp Financial Fund. It is also meant to serve as a statement of facts which outline the understandings that have been in place between Lancorp and Secured since the two entities, and their representatives, established a business relationship.

Since Secured Clearing Corporation nominated you to be the Trustee/owner, and it provided the capital required to form the Lancorp Financial Fund Business Trust, paid the legal fees, various state filing fees, advanced trustee fees to you, and covered other ancillary costs, Secured Clearing has financial equity in the Lancorp Financial Fund. Secured Clearing provided you with the equivalent of venture capital to form the Lancorp Fund. Secured Clearing Corporation offered to compensate you at the rate of 12% per year for agreeing to be the Fund's trustee/owner. This was to be paid via a 2% fee from the Fund itself and a 7.5% to 10% fee paid directly (or indirectly) by Secured Clearing. For this compensation, you agreed to bear the risk of running and operating the Fund according to its Memorandum.

Secured Clearing was responsible for directing investors to the Fund as well as locating investments that were within the guidelines of the Fund's Memorandum into which the Fund's monies would be invested to generate earnings. Secured Clearing, using its investor base and managers or fund brokers, raised all the funds placed into the Lancorp Fund. The initial placement of the funds only paid earnings for one calendar quarter.

Secured Clearing was introduced to an investment opportunity, offered by the Megafund Corporation, that was within the guidelines of the Fund's Memorandum. This investment would pay substantially more in earnings than the former anticipated investments offered. Secured Clearing informed you of this opportunity and it was agreed that the earnings would be divided 50/50 after all costs/fees, etc. That verbal agreement established the terms of a joint venture. Secured Clearing directed the Megfund Corporation to provide you with investment documentation for review and acceptance. On January 31, 2005 you entered into that investment. Under the terms of the 50/50 joint venture that investment would pay you more in earnings per year than you ever anticipated under the initial agreement with Secured Clearing. As a goodwill gesture, Secured Clearing offered to reduce its 50% portion of the net earnings to 40%, and pay you 60% for your proven dedication. Therefore, the financial equity of Secured Clearing Corporation in the Lancorp Financial Fund was officially reduced to 40% of net earnings.

This letter hereby provides you with formal notice that the financial interests of Secured Clearings in the Lancorp Fund monies placed in the Megafund has been assigned to MexBank, and means that MexBank, and not Secured Clearing will sign the formal Joint Venture with Lancorp concerning the investment monies placed with the Megafund. Further, MexBank shall be entitled to recite, claim and deal in all agreements, verbal and written, prior and current, between Lancorp and Secured Clearing as though it were Secured Clearing. Effective immediately, you are to direct all written communication regarding the transaction with Megafund to MexBank and not Secured Clearing Corporation. The interest in Lancorp's current investment or future investments with the Megafund has now been vested to MexBank by Secured Clearing.

For and on behalf of,
Secured Clearing Corporation

Gary McDuff, Director

Exhibit U
page 6 of 8

FW-02975

Exhibit 49
TG 3-25-06

JOINT VENTURE

This Joint Venture (JV) is hereby entered into by and between the Lancorp Financial Group LLC. hereinafter (LG) and MexBank S.A. de C.V., hereinafter (MB). The effective date of this agreement is February 2. 2005.

This agreement is entered into to memorialize a prior understanding of the division of earnings derived from investments in the Megafund Corporation.

WHEREAS. MB has an investor base, and a manager of that investor base. with varying amounts of USD to invest into suitable or qualified entities. which are properly structured to accept ordinary and retirement funds within the United States in accordance with all applicable regulations. MB is a bank registered in Mexico and therefore must enter into an agreement with a US entity that is registered in the United States in order to properly place the funds of its investor base, and

WHEREAS. LG has a wholly owned subsidiary. the Lancorp Financial Fund, which is a U.S. Fund formed in compliance with all relevant regulations. The Lancorp Financial Fund can accept monies from US citizens or foreign nations, that are designated as ordinary or retirement, and

WHEREAS. MB has established an investment opportunity with the Megafund Corporation that operates within the United States as a "Fund of Funds" and also accepts direct investments from individual qualified investors. So.

NOW THEREFORE. It is agreed that. in order for MB to be able to put the monies of its investor base in a US based entity that meets regulatory requirements. the subsidiary of LG. known as the Lancorp Financial Fund. shall be used as follows:

1.01 MB shall direct all of its investors. and the managers of those investors. to place their monies into the Lancorp Financial Fund.

1.02 LG shall enter into an agreement to compensate the Lancorp Financial Fund for the use of the monies defined in 1.01 above. LG shall receive full investment authority over such monies pursuant to the investment guidelines of the Lancorp Financial Fund.

1.03 For the mutual benefit of MB and LG. MB shall direct LG to place the monies defined in 1.02 above into an investment with the Megafund Corporation. The initial amount invested shall be

$5.000.000.00 USD. Note: A Joint Venture Asset Management Agreement was signed by and between the Lancorp Financial Group LLC on January 31. 2005, and by the Megafund Corporation on February 2, 2005. and the $5,000,000.00 USD arrived at the bank of the Megafund Corporation on February 8, 2005.

1.04 The mutual financial benefit of MB and LG shall be as follows: All monthly gross profit earnings. payable by the Megafund Corporation pursuant to 1.03 above (and any future investments in the Megafund Corporation by LG or its affiliates). shall be divided so that 64.833% goes to LG and 35.166% goes to MB. From LG's 64.833% portion. all obligations due to the Lancorp Financial Fund shall be paid. From MB's 35.166% portion. it shall pay the managers of its investor base.

1.05 LG shall instruct the Megafund Corporation to pay the respective 64.833% and 35.166% earnings portions directly to LG and MB each month throughout the investment term.

This JV agreement shall remain in effect for as long as LG or any of its affiliates invest monies with the Megafund Corporation. The legal jurisdiction of this agreement shall be Mexico City. Mexico. Any disputes between the parties hereto shall be resolved in a competent court in Mexico. Any amendments hereto must be done in writing and signed by both parties.

This prior agreement is memorialized in writing and signed by the parties hereto on this. the 17th day of March. 2005.

Gary L. Lancaster)
Lancaster Financial Group LLC
1382 Leigh Ct.
West Linn. Oregon 97068

Eduardo Trejo Camacho
MexBank S.A. de C.V.
Heraldo 60
Colonia Claveria Delegacion
Azcapotzaloc, C.P. 02080
Mexico. D.F. Mexico

Exhibit U.
page 8 of 8

↑ SEC Reciept file stamp

MexBank S.A. de C.V.
World Trade Center
Montecito 38, Piso 39 Ofic 34
Col. Napoles, C.P. 03810
Mexico, DF
Adolfo Noriega, Chief Operations Officer
Compliance-Department

4/26/2006 C.E.

1. Merchant-Steven Renner
   Cash Cards International, LLC
   250 Second Avenue South, #145
   Minneapolis, Minnesota 55401
   Fax (612) 332-6032

2. Merchant-Sean Shiff
   Skolnick & Associates, P.A.
   527 Marquette Avenue South
   2100 Rand Tower
   Minneapolis, Minnesota 55402
   Fax (612) 677-7601

3. Merchant-Julia W. Huseman
   c/o "U.S. Securities and Exchange Commission"
   801 Cherry Street, 19th Floor
   Fort Worth, Texas 76106
   Fax (817) 978-4927

4. Merchant-Commissioners: Christopher Cox, Cynthia A. Glassman, Paul S. Atkins, Roel C. Campos and Annette L. Nazareth
   c/o "U.S. Securities and Exchange Commission"
   801 Cherry Street, 19th Floor
   Fort Worth, Texas 76106
   Fax (817) 978-4927

Dear Merchants: Steve Renner, Sean Shiff, Skolnick & Associates, Julia W. Huseman, Christopher Cox, Cynthia A. Glassman, Paul S. Atkins, Roel C. Campos and Annette L. Nazareth and To Whom It May Concern:

Formal, Constructive and Public Notice to the above listed people and entities of intent to protect our rights against criminal and civil injury.

For the Record:

Comes Now Adolfo Noriega, Sui Juris, Appearing Specially, Not Generally Or Voluntarily for MexBank S.A. de C.V. [hereinafter MexBank], responding to the alleged Subpoena duces tecum served by merchant-Julia W. Huseman upon Merchant-Steve Renner of

Exhibit U1 page 1 of 4

without hesitation, deliver the records and funds over to them. By circumventing these proper and lawful procedures merchants-SEC and Huseman give evidence to their fraud and other criminal activities involving this case and issue.

MexBank extended an offer to pay the legal fees associated with Cash Cards International defending the "privileged" and "protected matter" that MexBank must protect unless or until a valid order of a court having proper jurisdiction is obtained, Cash Cards International declined the offer and sided with merchant-Shiff and the SEC to violate applicable procedural rules of law and the protection provided therein for the rights of Mexbank to assert its objections. This has established a clearly defined "Tort" where the Commissioners, officers and agents of the SEC, Cash Cards International, LLC, Steve Renner, Skolnick & Associates, P.A. and merchant-Shiff are jointly injuring MexBank;-

"When more than one aggressor has contributed to a tort, generally the plaintiffs join the defendants together in one suit ("joinder"). However, this should not be allowed to override principle or rights or the original common-law rule of joinder. Defendants can be compulsorily joined only when all the parties acted in concert in a joint tortious enterprise.

In the case of truly joint torts, it also makes sense to have each of the joint aggressors equally liable for the entire amount of the damages. If it were otherwise, each criminal could dilute his own liability in advance by simply adding more criminals to their joint enterprise. Hence, since the action of all the aggressors was in concert, the tort was truly joint, so that

"all coming to do an unlawful act and of one part, the act of one is the act of the same part being present." Each was therefore liable for the entire damage done, although one might have battered the plaintiff, while another imprisoned him, and a third stole his silver buttons. All might be joined as defendants in the same action at law. [92] Prossser, Law of Torts, p.291. Also see, ibid., pp.293 ff."

MexBank has had to rely upon the person known as Gary McDuff (hereinafter McDuff) for information related to this SEC inquiry. McDuff is not a "control person" or shareholder, officer, record-keeper, or representative of MexBank SA de CV in any capacity. He has no authority, signatory or otherwise, over any MexBank-accounts or operations. He is a representative of a Belize based corporation, 100% owned by a Belize-Citizen that has a 1% equity-ownership in MexBank SA de CV. Acting for that owner, McDuff has presented MexBank with international corporate customers from time to time. McDuff has never been authorized to keep or safeguard any MexBank-files or

records. Mexican law requires MexBank to maintain its own files and records in Mexico. We have given McDuff no records of the accounts it appears the SEC is seeking for its unlawful purposes. MexBank does not now hold, or ever held, an account in McDuff's name, or in any other name reflecting McDuff as an authorized sole or joint signatory thereto.

MexBank has been denied the most basic procedures of international banking-rules which provide for MexBank to be formally presented with sufficient evidence that an account holder of MexBank is the subject of an investigation and certain funds received by them are in question. Upon receipt of such a request, properly validated, MexBank is required to place a hold on those funds, provided those funds are in the subject-account, pending a final disposition-order rendered by the court that heard and tried the merits of the case, resulting in a finding of guilt against the MexBank-customer. Whereupon, MexBank would deliver the funds to the court. MexBank has been denied its right to this remedy by the parties listed on page one of this Notice as 1., 2., 3., & 4.

Please respond within ten (10) days so that we can get this matter cleared up or we will conclude and evidence will bear that you do not have jurisdiction and we will close this issue. Failure to object timely means you have waived the objection.

Hence, if you, merchants-Renner, Cash Cards International, LLC, Skolnick & Associates, P.A. and Shiff or your officers, agents, brokers or intermediaries give our private information to merchant-Huseman or any officer, agent, broker or intermediary of Huseman or the entity known as the "U.S. Securities and Exchange Commission" or the corporate United States of America without proper procedures we shall file a civil suit against you in the World Court and criminal charges in the International Criminal Court and proceed with this non-judicial lien-process.

Govern Yourselves Accordingly.

Adolfo Noriega for MexBank SA de CV

Exhibit U 1
page 3 of 4

Avouchment

I, Adolfo Noriega for MexBank, do hereby avow that the foregoing "Notice and Demand for Clarification" is true, accurate and correct to the best of my knowledge, information and belief.

Adolfo Noriega for MexBank SA de CV

Mexico-Country :
: asv.
Mexico-City :

Certificate of Service and Interested Parties

I Hereby Certify that the foregoing "Notice and Demand for Clarification" was sent by fax and mail delivery by carrier on this- : 26th day of April 2006 Current Era to the following:

1. Merchant-Steven Renner
   Cash Cards International, LLC
   250 Second Avenue South, #145
   Minneapolis, Minnesota 55401
   Fax (612) 332-6032 (Fax)

2. Merchant-Skolnick & Associates, P.A.
   Attn: merchant-Sean Shiff
   527 Marquette Avenue South
   2100 Rand Tower
   Minneapolis, Minnesota 55402
   Fax (612) 677-7601

3. Merchant-Julia W. Huseman
   c/o "U.S. Securities and Exchange Commission"
   801 Cherry Street, 19th Floor
   Fort Worth, Texas 76106
   Fax (817) 978-4927

4. Merchant-Commissioners: Christopher Cox, Cynthia A. Glassman, Paul S. Atkins, Roel C. Campos and Annette L. Nazareth
   c/o "U.S. Securities and Exchange Commission"
   801 Cherry Street, 19th Floor
   Fort Worth, Texas 76106
   Fax (817) 978-4927

Adolfo Noriega for MexBank SA de CV

Exhibit U 1
page 4 of 4

UNITED STATES OF AMERICA

Before the

SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-15764

In the Matter of:
GARY L. MCDUFF,
Respondent

GARY L. MCDUFF'S REPLY AND OBJECTIONS TO THE DIVISION OF ENFORCEMENT'S REQUEST FOR SUMMARY AFFIRMANCE, AND MOTION TO STAY THIS PROCEEDING

Dated: December 17, 2014

Respectfully Submitted,

Gary L. McDuff, pro se
Reg. No. 59934-079
FCI-Low
P.O. Box 26020
Beaumont, Texas
77720

Exhibit V
page 1 of 8

Gary L. McDuff (hereinafter referred to as Respondent) respectfully makes the following objections to the Division of Enforcement's (hereinafter referred to as DE) motion for summary affirmance of the Initial Decision issued on September 5, 2014, and requests that this proceeding be stayed until the disposition of Respondant's appeal before the United States Court of Appeals for the Fifth Circuit, and in support thereof would show the following:

I

FACTUAL BACKGROUND

A. The underlying civil case.

1. The civil case filed in the United States District Court for the Northern District of Texas in which Respondent was one of several defendants, was disposed of by a default judgment and the allegations in the DE's pleadings in such case were never proven by a preponderance of the evidence (SEC v McDuff et al Case No. 3-08-CV-526(N.D. Texas 2008)).

2. Prior to filing the civil case (No. 3-08-CV-526) in the United States District Court for the Northern District of Texas, DE had filed a contempt case against Respondent (which was subsequently dismissed), as well as the Receiver Michael J. Quilling for Megafund, Lancorp Fund, Sadaukar, CILAK, and CIG had sued Respondent and others in the United States District Court for the Northern District of Texas. Subsequent to the District Court DISMISSING the contempt motion, Respondent after, provided notice of his change of address to all parties in the pending litigation. Respondent obtained employment that required him to be located in Mexico. All ad-

Exhibit V
page 2 of 8

verse parties were given written notice of his change of address, however with the SEC dismissing the contempt motion, Respondent reasonably believed that he was no longer the "target" of the litigation and certainly not a "target" of a criminal indictment in the United States District Court for the Eastern District of Texas.

2a. On or about June 11, 2009, an indictment against Respondent and Robert Thomas Reese was filed; a Superseding Indictment was filed on August 13, 2009. Upon voluntarily returning to the United States from his employment in Mexico, Respondent was arrested, detained pre-trial, tried for two (2) days in the United States District Court for the Eastern District of Texas, and convicted by a jury of conspiracy to commit wire fraud (violation of 18 U.S.C. § 1349), and promotional money laundering (violation of 18 U.S.C. § 1956(a)(1)(A)(i)).

3. Respondent's co-defendant Robert T. Reese before trial entered a guilty plea to conspiracy with another co-defendant Gary Lancaster (Lancaster had pled guilty early in the investigation to a violation of 18 U.S.C. § 371 conspiracy to commit wire fraud). The statute which Lancaster pled guilty to carries a statutory maximum of 5 years in prison. In return for cooperation and substantial assistance, Lancaster received a downward departure. Robert T. Reese committed suicide just prior to his scheduled date to self surrender to begin a 97 month prison sentence.

4. Respondent laboring under a delusion fostered by individuals holding themselves out as law professors and operating under the name "Adjudicators" of the "International Adjudica-

tor's Association" convinced Respondent that he had accomplished a private settlement with the government and thus the criminal action was without jurisdiction and thus void. Therefore at pre-trial and at trial Respondent refused assistance of counsel, and stated that he respectfully declined to participate as the court was without jurisdiction, which in a manner, is a motion to dismiss under Fed. R. Crim. P. 12(b). Respondent now knows that his reliance on the advise given him by "Adjudicators" of the "International Adjudicator's Association", was very much misplaced and a grave error in judgment.

5. Subsequent to conviction and sentencing the Respondent filed a request for an expidited interlocutory appeal based on actual innocence which the United States Court of Appeals for the Fifth Circuit, docketed and set an expedited briefing schedule. Further a direct appeal of the conviction and sentence was filed and a briefing schedule was ordered. Thereafter the United States Court of Appeals for the Fifth Circuit consolidated the direct appeal with the interlocutory appeal and maintained the expidited briefing schedule (See Exhibit A hereto).

6. The appeal of Respondent's conviction and sentence is predicated on the following issues:

(i) Respondent is actually and factually innocent of the counts of conviction;

(ii) the evidence is insufficient to support a conviction of Respondent being a co-conspirator with Robert T. Reese or Gary L. Lancaster; and,

Exhibit V
page 4 of 8

(iii) the Government Prosecution Team, including the Receiver Michael J. Quilling, and witnesses from the SEC and the IRS-CID testified falsely, misleading the jury and assisted the Prosecution in suppressing exculpatory evidence in violation of Brady v Maryland, 373 US 83, 10 L.Ed 2d 215, 83 S.Ct. 1194 (1963). Such evidence is not limited to but includes: (1) sworn deposition testimony in 2005 and 2006 from Lancaster to the SEC, to the effect that he was in total control of Lancorp Fund and that he, not McDuff, was responsible for funding Megafund with Lancorp Fund's money, and that McDuff had no authority to obligate Lancorp Fund to do any act, nor any capacity to control any activity of Lancorp Fund (See Exhibits B & C hereto excerpt from Lancaster's deposition); (2) Lancaster provided a Declaration to the SEC in 2005 that refutes the claim that Respondent (McDuff) had any capacity with Lancorp Fund, much less the "mastermind" of anything (See Exhibit D hereto); (3) misrepresentations to the Court and jury regarding the "insurance issue" by the Government and its witnesses' regarding Lancorp Fund, by ommitting the disclosure that in 2007-2008, twenty-one (21) United States District Courts had found that Lancaster advised all Lancorp Fund investors of a "material change" in the Fund that is, there was no insurance coverage and that all investors had the opportunity to receive their money back from Lancorp Fund out of the

Exhibit V
page 5 of 8

"subscription escrow" prior to the Fund breaking escrow and selling its shares to the subscribers. See The O.N. Equity Sales Company v Steinke et al, 504 F. Supp. 2d 913; 2007 U.S. Dist. LEXIS 64842 (C.D. Calif. 2007), just one (1) of twenty-one (21) District Court cases holding the following:

"Lancaster notified Defendants in April of 2004 that a material condition of their investment had changed..."

"...the actual investment using Defendant's Funds was not made until May 2004 - two months after Lancaster became a registered representative of ONESCO...."

Thus the allegation that Lancaster was not registered is simply false and was known to the SEC lawyers at the time of the civil and criminal litigation. That being only one of several pivotable misstatements of fact and allegations made in the civil complaints as well as the indictment. Another pivotable misrepresentation made by the SEC lawyers and the Lancorp Fund Receiver Quilling was that McDuff directed the Lancorp Fund investment in Megafund, despite their knowledge of Lancaster's deposition testimony contrary thereto and despite a finding by United States District Court Judge Sam Lindsay finding that Lancaster made the investment in Megafund in reliance on an attorney's representation letter. See Quilling v. Humphries, 2006 U.S. Dist. LEXIS 74568 (N.D. Tex. 2006). The lawyer was held liable for all $9,365,000 invested by Lancaster; (4) misrepresentation from the Government that Respondent (McDuff) was by law prohibited from holding

Exhibit V
page 6 of 8

a securities license due to a 35 year old prior conviction which is a misstatement of the requirements of 15 U.S.C. §78o(a)(6)(A)(ii)(4)(ii) and that was known or should have been known when the testimony and argument from the Government was presented to the Court and jury; and (5) the Government assisted by the SEC attorneys and the Receiver Quilling engaged in forum shopping to get the criminal case against Respondent out of the Northern District of Texas. The foregoing is a partial listing of the constitutional, procedural and statutory errors, that are not harmless, that exist in the criminal trial which DE seeks to rely on as a basis for its request for Summary Affirmance.

7. Respondent has additional issues that are being briefed and substantiated that will be in McDuff's Brief on Appeal which also bear on constitutional issues and violations which provide a basis for vacating the criminal judgment as well as granting an Appellant Acquittal.

CONCLUSION

In as much as DE seeks a Summary Affirmance predicated on the "litigated" issues in Respondent's criminal case, such Motion should be denied or the Motion stayed until the disposition of the consolidated direct and interlocutory appeals, as such litigated issues are not fairly and finally found against Respondent until the United States Court of Appeals for the Fifth Circuit issues its opinion in Respondent's appeal.

Exhibit V
page 7 of 8

For the foregoing reasons Respondent requests the Administrative Law Judge deny DE's Motion for Summary Affirmance or alternatively stay this proceeding until Respondent's appeal is decided.

Respectfully Submitted,

Dated: December 17, 2014

Gary L. McDuff, pro se

[redacted]

Beaumont, Texas [redacted]

CERTIFICATE OF FILING AND SERVICE

I, Gary L. McDuff, certify that in accordance with the Fifth Circuit's "prison mailbox rule" I have placed in the FCI-Low prison Legal Mail system a postage paid addressed package containing an original and five (5) copies of the foregoing Reply, Objections, and Motion to Stay, to:

(1) Honorable Judge Cameron Elliot
Administrative Law Judge
100 F. Street N.E. Mail Stop 1090
Washington, D.C. 20549

and served a copy on:

Janie L. Frank
Counsel for the Division of Enforcement
Fort Worth Regional Office
801 Cherry Street, Suite 1900
Ft. Worth, Texas 76102-6882

Gary L. McDuff

Exhibit V
page 8 of 8

AFFIDAVIT

Since my first communication with Janie Frank at the SEC offices in Fort Worth in 2014, she had always been very helpful in providing me with access to Lancorp/Megafund case investigation documents to copy. However, on January 9, 2015, I made a specific written request for copies of all the pages in the Documents mentioned in Gary Lancaster's 3/25/06 Deposition with the SEC. I also requested SEC Exhibits:

54 Joint Venture Agreement between Lancorp Group and Megafund

55 Non-disclosure between Lancorp and Megafund

83 February 25, 2005 from Lancaster to AAA Insurance, reporting potential claim against Errors and Omissions Insurance

84 Certificate of Errors & Omissions Insurance

? The 2005 Joint Venture Agreement documents between Lancorp Financial Group and Lancorp Financial Fund, and between Lancorp Financial Group and Megafund.

Ms. Frank denied my request, stating that she had already provided all that she was required to provide. The documents requested were not found in the boxes she allowed me to examine. I searched for those exact documents at the SEC offices for two days in 2014, without finding them.

Affiant

Vivian McDuff [redacted]

State of Texas County of Harris
Sworn to and subscribed before me this 29th day of January, 2015
Notary Public

Notary

ANDREW JOHN [redacted]
NOTARY PUBLIC
STATE OF TEXAS
EXPIRES
MAY 1, 2016

Exhibit W
page 1 of 1

LANCORP FINANCIAL FUND
BUSINESS TRUST

April 5, 2004

Dear Investor,

Pursuant to the requirements of the Lancorp Financial Fund Business Trust Confidential Private Placement Memorandum supplied to you at the time of your subscription, this is your formal notice that the Fund has reached the final stages of underwriting participation agreements and will go "effective" in the coming days.

For the Fund to enter into such agreements it is required that a specific amount of money (not less than $5 Million USD) be confirmed. Therefore, we request that you reaffirm your intent to remain invested in the fund from the "effective" date until the first permitted withdrawal date thereafter. The next withdrawal date shall be June 30, 2004, see ARTICLE V 5.1. page 12.. of the memorandum.

Recent statutory amendments in the insurance industry, has caused many months of delay for us in going effective. Many of you have expressed the desire to proceed if the insurance element could be replaced with an obligation of the custodian (Qualified Bank) that provided the same level of protection. To that end, we have successfully negotiated and obtained a validated written obligation from the "Qualified Bank" acting as custodian that any securities which may be purchased must have a liquidation value greater than the amount paid as required by "Permitted Investments" described in the memorandum; or, that such securities liquidation value be insured by AIG Insurance (or equivalently rated insurer) at all times. This written obligation provides the element of protection initially contemplated from an outside insurer that would insure the value of investor shares. This obligation does not require the payment of an insurance premium by you at any time. This obligation is direct to the Lancorp Fund and is not direct to you. This means that you are not the direct beneficiary, but you are the ultimate beneficiary as mandated by the memorandum.

Please sign in the appropriate space below indicating your desire to proceed as a subscriber in the Fund through the next calendar quarter under the terms of protection described above, or your desire to withdraw your subscription. We must hear from you in this regard as soon as possible so we will have an accurate accounting of the total sum we will have in the Fund as we officially begin transacting for profit.

Very truly yours,

Gary L. Lancaster
Trustee

X Frances Lynn Benya
I reconfirm my Subscription participation and I acknowledge the above memorandum m[redacted]

X _____
I request the withdrawal of my subscription

Printed Name Frances Lynn [redacted] Date Apr. 19, 2004

Address: [redacted]
Houston, TX 77070

1382 Leigh Ct., West Linn, Oregon 97068
(503) 675-5017 • (503) 675-5013 fax • e-mail: lancorpfinancialfund@comcast.net

Exhibit X
page 1 of 3

TYPE OF OWNERSHIP

(Check One)

X Individual (one signature required)

____ Joint Tenants with Right of Survivorship (both parties must sign)

____ Tenants in Common (both parties must sign)

____ Community Property (one signature required if interest held in one name, *i.e.*, managing spouse, two signatures required if interest held in both names).

____ Trust

____ Corporation

____ Partnership

Please print here the exact name (registration) investor desires for the Shares.

Frances Lynn [redacted]

NAME OF REFERRING PARTY: Provide the name of the person(s) or entity who initially informed you of The People's Avenger Fund.

Name(s): Levoy Dewey

Address: Nashville, TN 37207

Phone:

SUBSCRIPTION ACCEPTED:

LANCORP FINANCIAL FUND BUSINESS TRUST

By _____
Gary L. Lancaster, Chairman

Date: 4-1, 2003.

Exhibit X
page 3 of 3

4-5-04

LANCORP FINANCIAL FUND
BUSINESS TRUST

April 5, 2004

Dear Investor,

Pursuant to the requirements of the Lancorp Financial Fund Business Trust Confidential Private Placement Memorandum supplied to you at the time of your subscription, this is your formal notice that the Fund has reached the final stages of underwriting participation agreements and will go "effective" in the coming days.

For the Fund to enter into such agreements it is required that a specific amount of money (not less than $5 Million USD) be confirmed. Therefore, we request that you reaffirm your intent to remain invested in the fund from the "effective" date until the first permitted withdrawal date thereafter. The next withdrawal date shall be June 30, 2004, see ARTICLE V 5.1. page 12., of the memorandum.

INSURANCE

Recent statutory amendments in the insurance industry, has caused many months of delay for us in going effective. Many of you have expressed the desire to proceed if the insurance element could be replaced with an obligation of the custodian (Qualified Bank) that provided the same level of protection. To that end, we have successfully negotiated and obtained a validated written obligation from the "Qualified Bank" acting as custodian that any securities which may be purchased must have a liquidation value greater than the amount paid as required by "Permitted Investments" described in the memorandum; or, that such securities liquidation value be insured by AIG Insurance (or equivalently rated insurer) at all times. This written obligation provides the element of protection initially contemplated from an outside insurer that would insure the value of investor shares. This obligation does not require the payment of an insurance premium by you at any time. This obligation is direct to the Lancorp Fund and is not direct to you. This means that you are not the direct beneficiary, but you are the ultimate beneficiary as mandated by the memorandum.

Please sign in the appropriate space below indicating your desire to proceed as a subscriber in the Fund through the next calendar quarter under the terms of protection described above, or your desire to withdraw your subscription. We must hear from you in this regard as soon as possible so we will have an accurate accounting of the total sum we will have in the Fund as we officially begin transacting for profit.

Very truly yours,

Gary L. Lancaster
Trustee

X [signature] _____
I reconfirm my Subscription participation and I acknowledge the above memorandum modifications.

X _____
I request the withdrawal of my subscription

Printed Name [redacted]

Date 4-9 2004

Address: [redacted]
Richmond, TX 77469

1382 Leigh Ct., West Linn, Oregon 97068
(503) 675-5017 • (503) 675-5013 fax • e-mail: lancorpfinancialfund@comcast.net

Government's Exhibit No. 16
4:09cr90
U.S. v. McDuff

Exhibit Y
page 1 of 2

TYPE OF OWNERSHIP

(Check One)

✓ Individual (one signature required)

_____ Joint Tenants with Right of Survivorship (both parties must sign)

_____ Tenants in Common (both parties must sign)

_____ Community Property (one signature required if interest held in one name, *i.e.*, managing spouse, two signatures required if interest held in both names).

_____ Trust

_____ Corporation

_____ Partnership

Please print here the exact name (registration) investor desires for the Shares.

Jay C. [redacted]

NAME OF REFERRING PARTY: Provide the name of the person(s) or entity who initially informed you of Lancorp Financial Fund.

Name(s): Kevin and Salena [redacted]

Address: [redacted]
Deer Park, TX [redacted]

Phone: [redacted]

Exhibit Y
page 2 of 2
016020

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
In the Matter of:)
) File No. C-03932-A
MEGAFUND CORPORATION)
WITNESS: STEVEN RENNER
PAGES: 1 through 108
PLACE: Skolnick & Associates, P.A.
2100 Rand Tower
527 Marquette Avenue South
Minneapolis, Minnesota

DATE: Friday, May 12, 2006

The above-mentioned matter came on for hearing, pursuant to notice, at 9:20 a.m.

APPEARANCES:

On Behalf of the Securities and Exchange Commission:
JULIA WATSON HUSEMAN, ESQ.
Securities and Exchange Commission
Division of Enforcement
Burnett Plaza, Suite 1900
801 Cherry Street, Unit 18
Fort Worth, Texas 76102
(817) 978-6460

Court-appointed Receiver:
MIKE QUILLING, ESQ.
2001 Bryan Tower, Suite 1800
Dallas, Texas 75201
(214) 871-2100

On Behalf of the Witness:
SEAN A. SHIFF, ESQ.
SKOLNICK & ASSOCIATES, P.A.
2100 Rand Tower
527 Marquette Avenue South
Minneapolis, Minnesota 55402-1308
(612) 677-7600

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PROCEEDINGS

MS. HUSEMAN: On the record on May 12 at 9:20. Could you state your name for the record, please.

MR. RENNER: Steven Renner.

MS. HUSEMAN: And could you spell it?

MR. RENNER: S-T-E-V-E-N R-E-N-N-E-R.

Whereupon

STEVEN RENNER

was called as a witness and, having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY MS. HUSEMAN:

Q I'm Julia Huseman and I'm an officer of the Commission for purposes of this proceeding. Also present is Michael Quilling. He is the Court-appointed Receiver in this case. This is an investigation by the United States Securities and Exchange Commission in the Matter of Megafund to determine whether there have been violations of certain provisions of the federal securities laws. However, the facts developed in this investigation might constitute violations of other federal or state civil or criminal laws. Prior to the opening the record you were provided with a copy of the formal order of investigation in this matter, which is marked as Exhibit 1. Have you had an opportunity to review the formal order?

Exhibit 7 Page 2 of 2

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Q Did you say specifically without a subpoena or a court order?
A Correct. I did.
Q What was his response?
A He understood.
Q Since I've issued these subpoenas to you has he become upset with you producing records to me?
A Yes.
Q How many conversations have you had about that?
MR. SHIFF: With Gary?
BY MS. HUSEMAN:
Q With Gary.
A I had a couple different, say two, three, different conversations with him concerning it.
Q Tell me about the first conversation, when did it occur?
A Oh, he had called me and said that there was some sort of an SEC --
MR. SHIFF: Her question was when did it occur. She wants to go in an orderly fashion. She'll get there, I'm sure.
THE WITNESS: It was before the subpoenas started arriving, I would say.

Page 26

BY MS. HUSEMAN:
Q Before the subpoenas started arriving? Before you ever heard from me?
A No. There was something to do with MexBank, Megafund and MexBank. And that's when he called.
Q Do you recall when this was?
A Yeah. We got a letter from a guy named Rodine, attorney Rodine.
Q Brent Rodine?
A I believe so.
Q And that was from Mr. Quilling's office?
A I believe so.
Q What was the content of that letter?
A It was requesting information about a transaction with Megafund and with a company called MexBank.
Q When you received that letter what did you do?
A I contacted Sean.
Q Now, I don't want you to go into any conversations you had with your attorney. You can say you contacted him. Just don't tell me the substance of the conversation.
A Okay.
Q And after you contacted your attorney what did you do?
A We assembled --
MR. SHIFF: Hold on one second, I want to just

Page 27

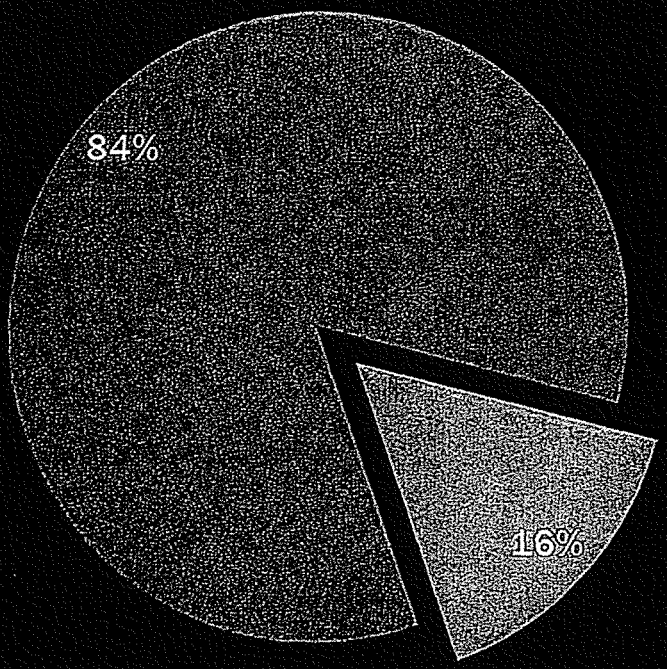
interpose an objection. And Counsel, just for your knowledge, and Mr. Quilling can confirm this, we did, I believe, submit an objection and request an order be produced from their court under the rules. I don't think that we produced anything. He may have gathered it. You know, if he gave it to me or gathered it I would consider that to be part of our attorney-client privilege. But I don't think, and Mr. Quilling will confirm, I think we did take that position. I can go pull my e-mails to Mr. Rodine if that helps you. But go ahead.
MS. HUSEMAN: When you say take that position, took the position that you needed a court order?
MR. SHIFF: Correct. Correct.
BY MS. HUSEMAN:
Q Okay. Go ahead. After you talked to your attorney did you talk to Mr. McDuff?
A I believe so. He called me and I told him at the time that we would, you know, if we had, you know, depending on if we had the subpoena or not, we would have to produce the information. He was asking me about if we were going to produce information or not. And I told him again our policy about producing information. If we have a subpoena or court order, we can -- you know, we won't produce it without a subpoena or a court order.
Q So at the point that you just had the letter from

Page 28

Brent Rodine you weren't going to produce anything; is that correct?
A Initially.
Q Did you tell him that? When I say him I mean Mr. McDuff.
A I don't believe I told him that, no. I didn't tell him what exactly -- I didn't divulge exactly what we were doing to him, because it's not his account.
Q MexBank is not his account?
A The account in question was not his account. I wasn't going to give him information on someone else's account.
Q What was the account Mr. Rodine was asking about?
A It was a transfer to MexBank, I believe.
Q Okay.
MR. SHIFF: Can we go off the record a second?
MS. HUSEMAN: Off the record at 10:00.
(Discussion off record.)
MS. HUSEMAN: Back on the record at 10:10.
BY MS. HUSEMAN:
Q What is the main account that you have that you do, operate your business out of, your main bank account? I guess I should ask where is it located?
A At Associated Bank.
Q And what is the purpose of that account? Is it your

M Exhibit Z page 2 of 2

LanCorp Disbursements



- Retained in Lancorp ($1,726,931.60)
- Sent to Megafund ($9,365,000.00)

Total Lancorp Receipts: $11,091,931.60

Total Payments to Insurers: $0.00

Total Expenditure on Bonds: $0.00

Exhibit AA

On March 28, 2008, the Receiver filed his Final Report and Proposed Distribution Plan for the Lancorp Financial Group Receivership Estate. On June 2, 20[redacted] the Court entered its Findings and Re[redacted]mendation that the plan be approved. The Receiver is now awaiting a final order for the U.S. District Court Judge to approve the plan and authorize the distributions.

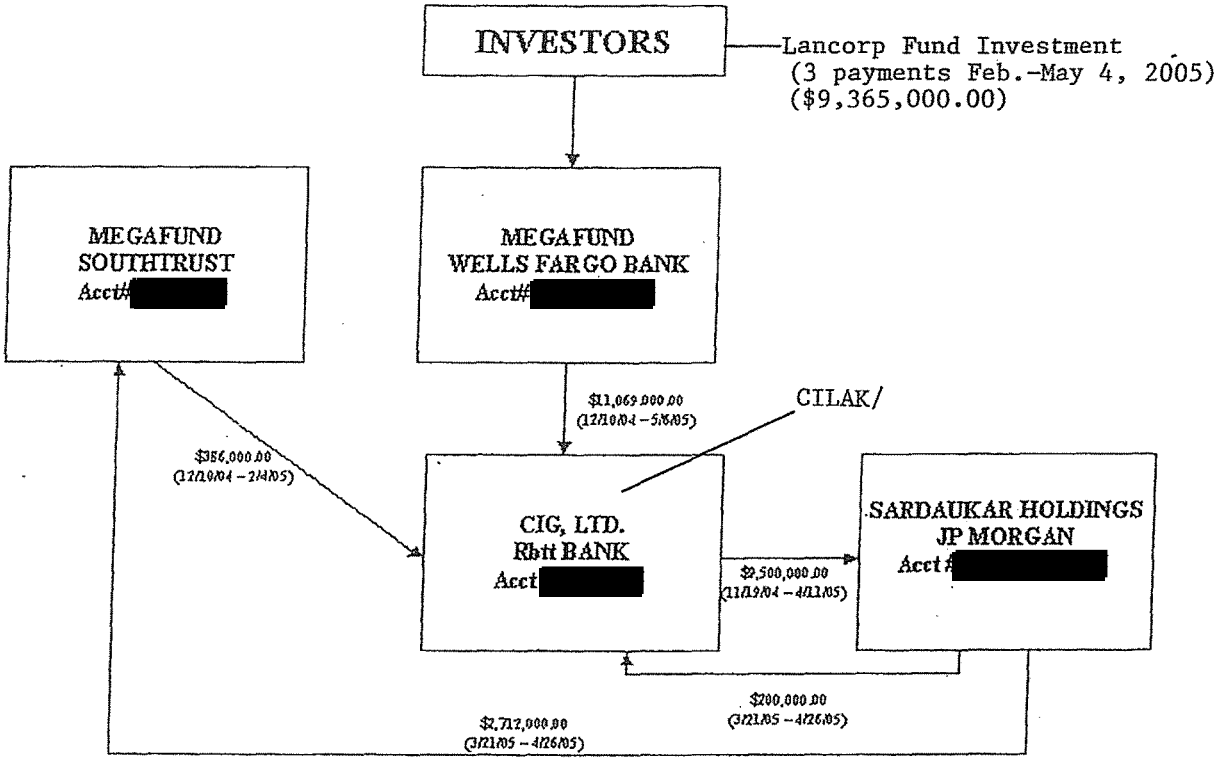
Flow of Funds

1* LAST UPDATE: AUGUST 15, 2005

Although the Receiver is still in the process of obtaining bank records, a general overview is clear from the records he does have as to how investor funds flowed through the accounts controlled by the Defendants.

Summary of Fund Transfers:

MEGAFUND
Flow Of Investment Funds



So What Happened to My Money?

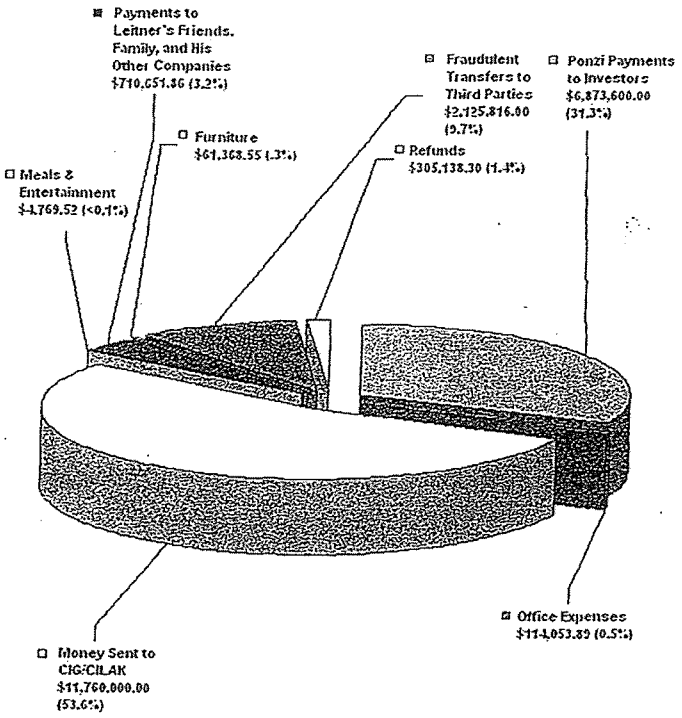
LAST UPDATE: JANUARY 29, 2007

As you might expect, this is the most often asked question by investors. What is set forth below is designed to give a general overview of what happened to investor funds as a whole as they were sent to one of the entities in receivership. Depending on who you sent your funds to originally, you can see how investor money was spent.

*1 Modified from original to add Lancorp Fund; CILAK/

Exhibit BB
page 1 of 4

Use of Megafund Money



Use of CIG Money

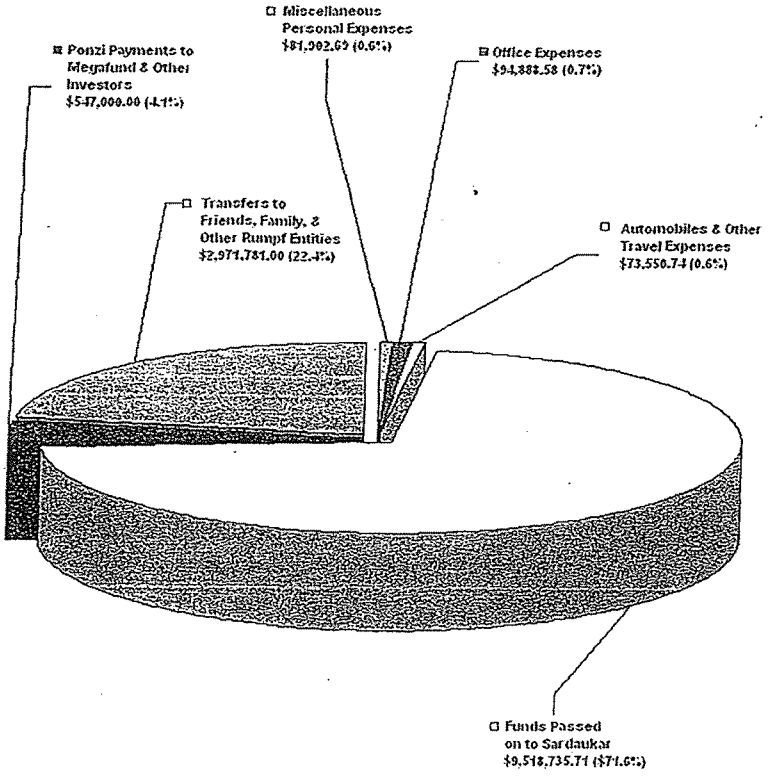
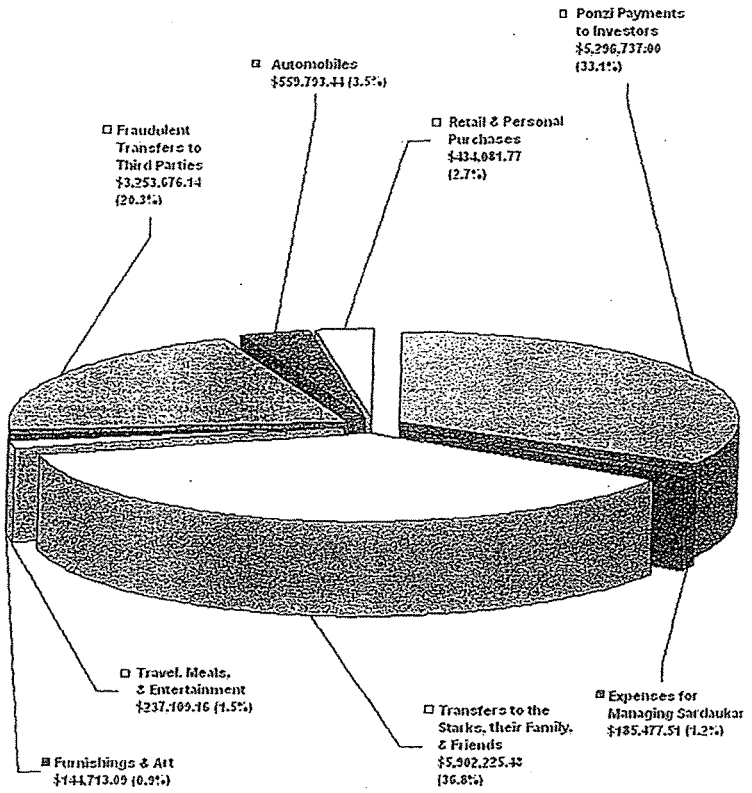


Exhibit BB
page 2 of 4

Use of Sardaukar Money



What You Need to Do
LAST UPDATE: SEPTEMBER 26, 2005

At this time the only thing you need to do is send an email to stomasky@gsclpc.com and provide your name and address. By now you should have received a Claim Form. If you have not, click here to learn more about it and how to submit it to the Receiver.

Funds and Assets Collected by the Receiver as to Megafund Corporation Receivership Estate
LAST UPDATE: January 18, 2007

Since his appointment, the Receiver has been determining the assets of Megafund Corporation, Stanley Leitner, CILAK International, CILAK Properties, CIG, Ltd. and James Rumpf and, where appropriate, taken efforts to liquidate them. All funds obtained by the Receiver are being held in interest-bearing accounts under the sole control of the Receiver. The following is a list of funds deposited into the account to date.

Date	Amount	Description
August 2, 2005	$11,000.00	Cash from Rumpf vehicle
August 2, 2005	$651.16	Close Megafund Corp. Wachovia account
August 16, 2005	$11,217.80	Sale of Megafund Corp. furniture
August 18, 2005	$13,020.18	Close CILAK International First United Bank account
August 29, 2005	$24,992.60	Close Urban American Entertainment Wells Fargo account
August 29, 2005	$1,045.49	Close Megafund Corporation Wells Fargo account
August 29, 2005	$1,323.69	Close Stanley Leitner Wells Fargo account
August 31, 2005	$24.28	Comcast refund
September 7, 2005	$1,259.96	Close CILAK Int'l Chase Investment Services account
September 13, 2005	$1,200.00	Sale of equipment
October 4, 2005	$25,000.00	Investor funds held by James Rumpf
October 10, 2005	$95.60	Cash from Megafund Corp. offices
October 11, 2005	$600.00	Sale of equipment
December 13, 2005	$54,500.00	Sale of Cadillac XLR
December 30, 2005	$30,000.00	Sale of Infiniti FX35

Exhibit BB
page 3 of 4

Matters Relating to Lancorp Financial
LAST UPDATE: June 5, 2008

After initially being appointed in these proceedings, the Receiver met with Gary Lancaster, the Trustee for Lancorp Financial Business Trust, which had invested $9.5 million of investor funds with Megafund. After a series of discussions with Lancaster and his counsel, it was decided that the best way to proceed would be to place Lancorp Financial into receivership. The motions and orders relating to this process are described above in the "Lawsuit by the SEC and Appointment of a Receiver" section.

Based upon information available to the Receiver at this time, it appears that after Lancorp Financial sent $9.5 million to Megafund, additional funds continued to be raised which eventually aggregated to $2.0 million. On October 18, 2005 those funds were sent to a First National BanCorp account at Max International in New York where they were comingled with funds from other investor groups. Unfortunately, First National BanCorp does not appear to be a legitimate business enterprise and withdrawals were made from the account for improper purposes. Ultimately, the U.S. Department of Justice undertook steps to freeze the account around the same time as the Receiver laid claim to $2.0 million of the funds in the account. As the result of negotiation, and because there were not enough funds in the account to satisfy all investor claims, $1,115,628.77 was paid to the Receiver with reservation of rights.

The Receiver has instructed Gary Lancaster to cease all communication with all investors so that there is no possibility that misinformation will be disseminated. All requests for information should be sent to the Receiver.

On April 10, 2006 the Receiver filed his Interim Report (Lancorp).

On July 10, 2006 the Receiver filed his Interim Report (Lancorp).

On October 6, 2006 the Receiver filed his updated Interim Report (Lancorp).

On October 17, 2006 the Receiver filed his First Motion to Allow "A" Claims (Lancorp Financial Group Receivership Estate). On October 18, 2006 the Court issued an Order setting November 17, 2006 as the date by which interested parties must object to the Receiver's motion. On November 20, 2006 the Magistrate Judge entered his Findings and Recommendation to allow the Lancorp "A" claims. On December 6, 2006 the Court issued an Order approving the Lancorp "A" claims. On December 28, 2006 the Court issued an Order vacating its Order of December 6, 2006 and approving the Lancorp "A" claims.

On January 20, 2007 the Receiver filed his Motion to Allow "A" Claim on Behalf of Lancorp Financial Receivership Estate Against Megafund Receivership Estate. On January 22, 2007 the Court issued its Order setting February 12, 2007 as the date by which interested parties may object. On February 13, 2007 the Court issued its Findings and Recommendation to allow the claim. On March 8, 2007 the Court entered an Order granting the Receiver's motion.

On January 20, 2007 the Receiver filed his Motion to Make Interim Distribution (Lancorp Financial Receivership Estate) and Supporting Exhibit. On January 23, 2007 the Court issued its Order setting February 12, 2007 as the date by which interested parties may object. On February 14, 2007 the Court issued its Findings and Recommendation to allow the distribution. On April 12, 2007 the Court entered its Order allowing the interim distribution.

On February 8, 2007 the Receiver filed his Interim Report (Lancorp).

On April 27, 2007 the Receiver filed his Motion to Approve Settlement with Kenneth W. Humphries. The Court entered its Order setting May 21, 2007 as the deadline for interested parties to object.

On May 9, 2007 the Receiver filed his Interim Report (Lancorp).

Exhibit BB
page 4 of 4

SUMMARY

Reciever's Arbitrary Distributions
of Lancorp Fund Recovered Funds*

I. Sarduakar Estate:	$
Recovered in Sarduakar estate	3,096,803.65
Transferred to Megafund estate	(2,216,903.42)
Remainder in Sarduakar estate	879,903.23

II. Megafund/CIG/CILAK Estate:	$
Recovered from all three estates	4,081,740.09
Transferred to Lancorp Fund	(2,063,147.23)
Remainder in Megafund/CIG/CILAK	1,864,836.67

III. Lancorp Fund/Lancorp Group, LLC Estate:	$
Recovered in Lancorp Fund estate (total)	4,372,290.71
Received from Megafund/CIG/CILAK/Sarduakar	(2,063,147.23)
Lancorp Fund's Funds	2,309,143.48

*All data taken from Quilling's published financial reports.

IV. Lancorp Fund due from Megafund, as of the date of the Megafund receivership being ordered by this Court----------$8,365,000.00

V. Receiver Quilling recovered from the Megafund/CIG/CILAK and Sarduakar estates-------$4,961,640.32

VI. Shortfall at Lancorp from total Megafund et al recoveries----------$3,403,359.68

VII. Funds in Lancorp Fund----------$2,309,143.48

Actual shortfall at Lancorp level----------$1,094,216.20

Legal fees paid for Megafund et al estates out of Lancorp Fund, money----------($1,081,573.04)

VIII. Accounting fees, investigative fees/ computer forensic fees, Misc expenses at Megafund et al and Sarduakar----------($375,304.17)

Total Lancorp Fund money arbitrarily allocated to pay expenses and fees of Megafund et al and Sarduakar----------$1,456,877.21

IX. Had Quilling not arbitrarily used Lancorp Fund money to pay fees for Megafund et al and Sarduakar estates, Lancorp would have actually been made whole plus
($1,456,877.21 - $1,094,216.20)=$362,661.01

Thus had Quilling properly allocated each estates' funds, Lancorp Fund would have gotten all of the $8,365,000 due it at the time of the Megafund receivership, and obviously the arbitrary distributions to Sarduakar, Megafund, CIG and CILAK estates would have been diminished.

Receivership Fees filed 5-07-2008

Sarduakar estate:

565,366.83	Legal	
	Accounting	81,213.78
+ 183,285.21	Investigative	19,503.56
	Computer Forensics	46,835.32
839,652.04	Misc.	+ 35,732.55
		183,285.21

Megafund estate:

516,206.21	Legal	
	Accounting	74,904.91
+ 192,018.96	Investigative	15,623.49
	Computer Forensics	35,248.90
708,255.17	House Expenses	60,411.47
	Misc.	+ 5,830.19
		192,018.96

Lancorp estate:

172,396.40	Legal	
	Accounting	5,487.00
+ 5,557.64	Bank Charges	+ 70.64
177,954.04		5,557.64

Legal Fees

565,366.83	Sarduakar
516,206.21	Megafund-CILAK-CIG
+ 172,396.40	Lancorp
1,253,969.44	Total

Other Fees

183,285.21	Sarduakar estate fees
192,018.96	Megafund estate fees
+ 5,557.64	Lancorp estate fees
380,861.81	Total

1,253,969.44	Legal Fees
+ 380,861.81	Other Fees
1,634,831.25	All fees-- all estates

Exhibit DD

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. FW-02975-A
MEGAFUND CORPORATION)

WITNESS: Norman Towner Reynolds
PAGES: 1 through 137
PLACE: Offices of Munsch Hardt
700 Louisiana Street
Suite 4600
Houston, Texas

DATE: Friday, April 21, 2006

The above-entitled matter came on for hearing, pursuant to notice, at 9:55 a.m.

Diversified Reporting Services, Inc.
(202) 467-9200

APPEARANCES:

On behalf of the Securities and Exchange Commission:
JULIA HUSEMAN, ESQ.
Enforcement Division
Securities and Exchange Commission
Burnett Plaza, Suite 1900
801 Cherry Street, Unit 18
Fort Worth, Texas 76102

On behalf of the Witness:
NORMAN TOWNER REYNOLDS, PRO SE

On behalf of the Receiver:
JAMES H. MOODY, III, ESQ.
Quilling Selander Cummiskey Lounds
2001 Bryan Street, Suite 1800
Dallas, Texas 75201

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96	Letter from MexBank to de'Ath	14
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112	Group of documents, Bates 1604 through 1620	120
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PREVIOUSLY INTRODUCED EXHIBITS

EXHIBITS:	DESCRIPTION	IDENTIFIED
1	Formal Order of Investigation	6
2	SEC Supplemental Information Form	6
13 & 14	Not described	70
49	Not described	79
62	Not described	99

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A Well, it does look like the same guy, but this came after my conversation with him, and I told him to take the darn thing down.

Q Your response to Gary Lancaster is: "Gary, thanks. We need to talk. Please let me know when you'll be available."

A Yes. I have no idea what that was about, it doesn't really say, but I have no idea who this Atilla was, as I mentioned, and when I found out from whoever this guy was, this investor that called or contacted us in some fashion, I told him to take the name down, and he did.

Q But then why would a follow-on e-mail from Lancaster tell you that you're authorized to discuss and disclose any information necessary to further that relationship?

A I couldn't tell you. The fact of the matter is I never did; I have no idea who he was and I didn't -- this was done three days later, or four or five days later, I don't know, but I have no idea who Atilla was, and I do not represent nor have I ever represented Infinite Investments.

Q But did you represent Lancorp in any discussions with Infinite Investments?

A Not to my knowledge.

Q When you told Gary in your return e-mail on February 3, 2004, "Thanks. We need to talk," what were you referring to?

A I don't know. I've already mentioned that to you, I couldn't possibly tell you, we're talking about something that was over two years ago and there's no reference to what I was referring to. It could have been any number of things, but I certainly don't recall what it was.

Q Forgive me, but I just thought that in light of the fact that it was sent in response to an e-mail authorizing you to discuss and disclose information to Atilla of Infinite Investments that it might have had something to do with that or you might recall.

A I do not.

BY MR. MOODY:

Q Do you have any recollection as to how Gary Lancaster found out that you had had some conversations with a Mr. Atilla or Infinite Investments?

A I may have contacted Lancaster and said, How did this guy get my name? I may have done that.

Q And why did you suspect that Lancaster might know something about that?

A Well, it may have been something I that website. Something must have led me to it, but I was furious, and I may have called Lancaster, I may have called McDuff, I called both of them and said, Take that thing down; we have nothing to do with this guy or who he is or anything. And it took several days but they finally got it down.

MS. HUSEMAN: Mr. Reynolds, I'm showing you what I've marked as Exhibit 107, an e-mail from Gary Lancaster to you, dated March 21, 2005.

(SEC Exhibit No. 107 was marked for identification.)

BY MS. HUSEMAN:

Q In the e-mail he says, "I want to thank you for taking the time to evaluate the proposed business transaction during our conference call last week."

What proposed business transaction is he referring to?

MR. MOODY: Could I get a Bates number again? I'm sorry.

MS. HUSEMAN: 1773.

THE WITNESS: I do not -- in looking at this e-mail, I did not have any recollection. I talked to Lancaster about this and he reminded that we had had a conversation -- I remember a conversation with him about he was going to be able to handle funds that came into his company, and we discussed that, but beyond that, I can't really tell you any more than the fact that we had a discussion. He reminded me that McDuff was on the phone but I do not have any recollection of McDuff being on the phone.

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BY MS. HUSEMAN:

Q When did he remind you that McDuff was on the phone?

A Well, when I got this subpoena, we talked about this thing.

Q He says, Oh, by the way, Gary was on the phone, and don't you remember Gary was on the phone?

A Well, yes, he reminded me that McDuff was on the phone, but I had no recollection of that.

Q He says in the next paragraph -- excuse me -- going back, you don't remember what business transaction you reviewed for him?

A As I remember, only after prompting by him, that we were discussing how his particular company, not the fund but his company, Lancorp Financial Group, about how they could pay out money or handle investment or whatever. It was strictly monies that his operation got, but I can't give you any details about what we discussed, but as I remember, that's what the discussion entailed.

Q Did you ever execute an agreement for him between Lancorp Financial Fund or the business trust and Lancorp Financial Group?

A I did not.

Q Did he tell you he was going to execute an

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1 says in their testimony that you did, then we need to clear
2 that up.
3 A Who said that?
4 Q I can't go into that.
5 A Well, I can tell you right now they're mistaken.
6 MS. HUSEMAN: That's all I need to establish.
7 BY MR. MOODY:
8 Q Did you ever respond to this e-mail?
9 A No, I did not.
10 Q And when it says he wanted to reaffirm that the
11 scenario that was discussed in your opinion does not
12 represent an illegal transaction, when you read that, did you
13 understand that he was asking you, or at least stating his
14 understanding of what was discussed in the conference call
15 whereby he's at least saying that you had expressed an
16 opinion that the scenario which he recaps later in the e-mail
17 was not an illegal transaction? And that may be a convoluted
18 question, if you want me to re-ask it.
19 A Why don't you.
20 Q Now that you know the gist of it, let me go back
21 and ask it in a shorter fashion. Again, I wasn't present at
22 any of these, but the way I look at it, the third paragraph
23 of Exhibit 107, it says, "I wanted to reaffirm that the
24 scenario that was discussed in your opinion does not
25 represent an illegal transaction." Did you feel that he was

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1 seeking legal advice from you during the course of that
2 telephone conference regarding a scenario that he wanted an
3 opinion on?
4 A I can't really tell you what he thought or what his
5 intentions were --
6 Q Sure.
7 A -- but I do know that we had this general
8 discussion, and as I remember, the discussion centered on
9 and all I can remember at this point, it centered on what
10 Lancorp Financial Group could do with whatever money it
11 earned. This other stuff that was mentioned here, I don't
12 have any recollection of any discussion about anything, and
13 didn't respond to it because I wasn't being paid and I just
14 wasn't interested in going any further with it.
15 Q Well, didn't you bill for this conference call?
16 A I did bill for it and I was surprised I got paid,
17 but beyond that, I wasn't engaged. I was reluctant, because
18 as the string of e-mails shows, of getting any payment at
19 all, and I just wasn't interested in spending any time on it.
20 Q I guess let's go back to the question. Did you
21 understand Mr. Lancaster during the conversation in the
22 spring of 2005 to be seeking legal advice from you?
23 A I can't answer that because I cannot recall exactly
24 what he was asking, I just know there was a general
25 discussion.

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1 Q But you did bill for your time for that telephone
2 conference.
3 A The conversation, yes.
4 Q And I assume that if you would have responded to
5 this e-mail, you would have had that in your records. Is
6 that correct?
7 A Yes.
8 Q And the fact that there doesn't appear to be a
9 response, would that seem to indicate to you that you did not
10 respond?
11 A That's correct.
12 Q Would it then be a fair conclusion to think that
13 because you didn't respond that you thought that this
14 accurately reflected your opinion with respect to the
15 scenario described in the e-mail?
16 A No, I wouldn't agree with that because I just
17 didn't carry forward. I'd never seen any of these documents
18 that are referred to.
19 Q Well, wouldn't it be natural, though, if someone
20 was asking in an e-mail seeming to confirm an opinion that
21 you had given them, if you didn't agree that you had given
22 that opinion -- it seems to me it would be natural to send a
23 message back saying I don't agree or we didn't discuss this,
24 or whatever the facts may be.
25 A Given the history of getting any kind of payment

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1 out of these people, I wasn't really interested in spending
2 any more time on it.
3 Q Can you positively say that you didn't give any
4 legal advice during the course of that conversation, or is it
5 that you just don't recall?
6 A As I have stated, I only remember discussing how
7 Lancorp Financial Group could spend money that it earned. As
8 I remember, that was the discussion.
9 Q Did the private placement memorandum reflect -- I
10 know there's a section in it about fees and expenses. Would
11 that be typical?
12 A What do you mean would that be typical?
13 Q In a private placement memorandum that -- well, let
14 me ask you this, as it relates to the Lancorp Financial
15 Trust, the reference in the private placement memorandum
16 regarding fees and expenses, was that to be an indication of
17 the maximum fees and expenses that would be incurred by the
18 trust?
19 A I believe this thing says pretty specifically what
20 the fees are going to be.
21 Q Right. And those fees go to the trustee. Is that
22 correct?
23 A I believe so.
24 Q And the trustee of the trust, or trustees, as the
25 case may be, was it Gary Lancaster individually? Or who were

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Did you tell him that once the profits were made, they could be distributed to anyone?

A Profits of what?

Q The profits generated by Megafund.

A Megafund. I don't recall anything about Megafund. As I mentioned to you, the discussion that I recall having with him dealt with monies that group earned -- we've agreed that group is his company -- that group earned.

Q And if a distribution of profit was made to the fund by whatever investment vehicle the fund had invested in, once that money hit the fund's bank account, how much were you telling him was okay to give to group?

A I didn't tell him anything.

Q Did you make any representations to him as to what he could do with the money that -- the profits?

A I don't have any recollection of any such discussion. All I remember discussing was the payment of my bill and how he -- what he could do with money out of group, he could pay expenses out of group, whatever expenses he had. I don't recall any discussion about the fund.

Q I think I'm seeing where the breakdown was. If you told him he could do anything with monies received by group from the fund, but you didn't tell him how much of the profit distributions the fund could give to group.

A That's all governed by the document itself.

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Q Right. Did you point that out to him?

A I don't remember -- I don't know that it ever came up, I don't even know if the discussion ever came up. Again, as I remember, the only discussion that I had was what could group -- who could group pay or could group pay anybody it wanted to for services rendered, and I said I don't know why not.

Q I'll ask you to turn to page 212, line 12: "Could you go through some of the discussions that you had with Mr. McDuff or others about how to compensate Secured Clearing, and ultimately what happened with those discussions? Why is it that nothing actually went forward?"

Answer: "Well, because the discussions were figured out some way that there could be a profit-sharing arrangement for Secured Clearing having brought the funds in."

Would you agree with me, Mr. Reynolds, that that's essentially a back door commission?

A I would think -- this would be -- well, who is going to be compensating Secured Clearing?

Q If Lancorp Financial is compensating Secured Clearing.

A This would be the fund?

Q Yes.

A Yes. There's not supposed to be any commission or any fee paid.

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Q Line 19, the answer continues: "And they paid for originally -- I don't know even know what the dollar amount was -- they paid a bunch of legal fees for Norman Reynolds during the early part of trying to do the People's Avenger Fund and then going into the trust itself."

Did Secured Clearing pay you a large amount of fees?

A No. They may have paid the fees associated with the Board of Public Offering. I don't know that they ever paid any fees for the private placement, I don't recall.

Q Do you recall how much those fees might have been?

A You have the records.

Q Moving over to page 216, line 6: "What I don't understand is whose idea was it to take the profits that should have gone to the investors of the fund and somehow go outside the terms of the agreement -- and by agreement, I mean the private placement agreement -- and somehow take it from the investors and give it to third parties, be it you, Secured Clearing, MexBank, or anyone else. Aren't the profit terms of the fund the investor is entitled to those funds 100 percent?"

"They should be, yes. I was -- and I didn't even look -- I was not looking at it that way when Gary McDuff went through the process of how this, you know, should be done, and I think I was positioned to believe that was okay because of the three-way conference call that I had with Gary McDuff and Norman Reynolds that this was an appropriate structure. In fact, I even have an e-mail from him saying yes, he spoke to Norman, that this thing was okay, and then I had the conference call that I thought verified that."

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A Not true.

Q Having seen this testimony, do you understand why we needed to talk to you about this and confirm that with you on the record?

A Well, does it really matter, frankly.

Q Why would you think it wouldn't matter?

A You do whatever you want to do, you don't have to really justify anything to me, you just do it. But I didn't know what was going on with this thing.

Q What ultimately happened when Megafund made two payouts in March and April of 2005, they paid out half a million dollars on the Lancorp investment in each of those months. Of that money, approximately 20 percent went to investors, and the rest was divided in a 60-40 fashion between Lancaster and McDuff.

A Okay.

Q And if McDuff is trying to use some sort of reliance on counsel defense to justify that, I want to give you the opportunity to tell me that that's not what occurred.

Exhibit EE
page 4 of 4

APPENDIX

Rule 60(b)(d) Motion

AFFIDAVIT NUMBER	DESCRIPTION
1.	Lance Rosenburg - Managing Director of Tricom Equities Limited;
2.	Alan White - Dobb, White and Co. - UK Chartered Accounting Firm;
3.	Shinder Gangar - Partner in Dobb, White and Co.;
4.	Lynn Hodge - Chief Financial Officer for Morris Cerullo World Evangelism, also Chief Executive Officer;
5.	Rev. Gregg Harris - Advisor to Stanley Leitner;
6.	Rev. LeVoy [redacted] - Referred Francis [redacted] to Lancorp Fund and Megafund Corporation; and
7.	Rev. John [redacted] - [redacted].
8.	Jeffrey Stephen Coffman - former ICE and Department of Homeland Security Agent.

AFFIDAVIT OF LANCE ROSENBERG

I, Lance Rosenberg, was formerly Managing Director of Tricom Equities Limited and Tricom Futures Services Pty Ltd., a broker-dealer securities firm in Australia.

In March or April of 2004, I was introduced to the Lancorp Fund, the Lancorp Group, and the principal of those entities, Mr. Gary Lancaster, by a business contact in the UK.

I recall that Mr. Lancaster needed a bank confirmation from a custodian bank, confirming that a minimum amount of funds are held by the bank and available for investment. I provided confirmation of cash balances held at Tricom's bank via statements to Mr. Lancaster.

I no longer have access to the Tricom statements or files however I recall that the amount of money provided by Lancaster started at about $5 million and over the six or eight month duration of the deposit, I believe he increased the invested capital to approximately $9 million.

I recall that when requested, Tricom Futures Services returned all principal and earnings back to Lancorp Financial Group.

I had no further dealings with Mr. Lancaster. I have been asked if a man named Gary McDuff was involved in this transaction at any time. I do not know Gary McDuff. I have never spoken to anyone named Gary McDuff. No one by the name of Gary McDuff made any representations to me regarding the Lancorp Group, the Lancorp Fund, or Mr. Lancaster. The only person I dealt with who represented Lancorp was Mr. Lancaster himself.

Sworn and subscribed to on this 24 day of March 2014, by:

J.P.

Lance Rosenberg, Affiant

Witness, Attorney/Officer of Oaths
Loren Ira Suntup
Solicitor

Appendix #1

AFFIDAVIT OF ALAN WHITE

On this the 8th day of April 2014, I, Alan White of [redacted], West Bridgford Nottingham[redacted] England do hereby provide this Affidavit of facts, which are known to me and to which I will and do hereby testify.

I first met Gary McDuff in 2001 at the UK offices of Dobb White & Co. where I was a partner, doing bookkeeping and accounting. He represented a Costa Rica company that provided payment services for Dobb White clients.

Dobb White & Co. became a primary customer of a bank in Dominica. Three UK bankers, Chris Stone, Iain McWhirter, and Terrence de'Ath took over management of it while they sought approval from the Dominican government to purchase it. Mr. McDuff was appointed to the Trust Department and dispatched to open Treasury accounts for the bank. He established Treasury accounts in Mexico, Belgium, and Panama.

The Dominica bank offered insured certificates of deposit, which were protected by a Dobb White Lloyd's insurance policy, structured by UK attorney, Colin Riseam. Mr. McDuff was placed in contact with the insurance broker who wrote the insurance policies. He obtained updated policy information from John Sevastopolu of First City insurance group on each increase in coverage, and provided it to the bank so it could evidence the insurance being in force.

Breaches of banking regulations by the bank's previous owner, before contracting to sell the bank, required the regulators to revoke its banking license, leaving no bank for Mr. Stone, Mr. de'Ath, and Mr. McWirter to purchase. Mr. McDuff went to work for Mr. de'Ath's Secured Clearing Corporation, to assist in forming investment funds for investors who had done business with Dobb White and the Dominica bank.

I recall that Mr. McDuff located a law firm in Texas with experience in forming investment funds in the U.S. I was advised that he met a banker in California by the name of Gary Lancaster, who met with Mr. de'Ath and agreed to be the owner and manager of one of the funds, which became known as the Lancorp Financial Fund. I was advised that Mr. Lancaster and the Texas law firm lawyer,

Norman Reynolds, met with Mr. de'Ath in London to set everything in motion. My partner, Shinder Gangar dealt with things from this point onwards.

I was advised that the Lancorp Fund was set to be insured by Lloyd's through First City insurance brokers as soon as it raised the ten million dollars needed to participate in underwritings with Fiscal Holdings. One of Dobb White's clients in California was Bob Reese. I was advised that he was asking whether he could speak to someone in the USA who could assist him now that we could no longer assist him. Shinder Gangar introduced him to Mr McDuff. Prior to Shinder Gangar introducing Bob Reese to Mr McDuff I was advised that they were not aware of each other.

During my tenure of working with Mr. McDuff, I found him to be detail oriented, and someone who left nothing undone. He was very cautious, and, as far as I was concerned, he insisted on having legal counsel provide directives before proceeding with any project .

Subscribed and sworn on this the 8th day of April, 2014, by Alan White.

Alan White, Affiant

Witnessed by: _____ Date: 8th APRIL 2014
PETER WATSON

Witnessed by: _____ Date: 8th April 2014
GORDON MCLEAN

Appendix #2
page 2 of 2

SHINDER GANGAR

AFFIDAVIT OF FACTS

On this 18th day of February 2014, under penalty of perjury, on my oath, I, Shinder Singh Gangar attest to the following facts stated herein as being true, based on my personal knowledge, and to which I will and do hereby testify.

Further to my Witness Statement of November 9, 2013, I provide this additional information for clarity and detail of the things GARY MCDUFF was told by myself and others in the U.S., UK, and the Bahamas, which caused him to believe that the investment operation, taken as a whole, and the men behind it were at all times conducting only legitimate and legal transactions.

1. At the 2001 meeting in the New York offices of the broker-dealer firm of EMS owned by David Hardy, Mr. McDuff was shown references, and the resume' of Terry Dowdell and Michael Boyd. The CEO of the firm, Ken MacKay, also showed him extensive transaction information regarding an EMS Cash Management Agreement being managed by EMS for a former client of Dobb White & Co. Mr. McDuff was allowed to contact the trust officer, Sue Dignan, at Wells Fargo Bank, acting as the Custodian. After speaking to Sue Dignan, Mr. McDuff agreed to become involved in assisting EMS, David Hardy, Terry Dowdell, Michael Boyd, and Dobb White & Co. in contracting with other major banks willing to provide Custodian services for investors who wanted to place their minimum of $10 million dollars in the EMS Cash Management Agreement. Mr. Mackay provided Mr. McDuff all the information he would need to present to banks to accomplish the task.

2. Mr. McDuff established a Custodian and Cash Management Agreement with Cole Taylor Bank in Chicago, and with U.S. Bank in La Jolla, California, using the documentation and references that EMS representatives gave to him.

3. The only persons associated with EMS whom Mr. McDuff either met in person, or communicated with by telephone or other means, were David Hardy in the Bahamas, Ken MacKay, David Cooper, and Anthony Mitchell in New York, and Michael Boyd in Connecticut. He did not ever meet or speak to Terry Dowdell.

4. Mr. McDuff's role was not to raise money from investors. There were numerous financial planners and consultants already doing that. The need was for relationships to be established at the banks that the investors wanted to act as their custodian. Mr. McDuff was not asked to solicit investors. He was asked to retain law firms that were knowledgeable in structuring entities or parameters that conformed to the relevant laws and guidelines governing the management of client money.

5. Mr. McDuff was never asked to be a manager of investor funds. He had already proven to me and my associates in the UK that his talent was in negotiating and establishing relationships with financial institutions, to provide specific services needed by clients.

6. I introduced Gary McDuff to a number of my colleagues in the UK that had provided administrative support in dealing with Dobb White client funds placed with us for investment. Among them were Alan White, David Taylor, Mike Steptoe, and Ian Collins. I also introduced Gary McDuff to three bankers who were in the process of purchasing a small bank in Dominica. They were Terrence de'Ath, Iain McWhirter, and Chris Stone. They were aware of his banking contacts and his reputation of completing assignments. They were also aware that he had a 1993 conviction in relation to the sale of his home. In fact, I first met Mr. McDuff through a mutual friend who had told me of a man from Texas who was in London being interviewed by Granada Television in relation to how and why he had been convicted. His conviction was no secret to anyone in London who knew him or knew of him. In 2003 the story of his conviction was posted on the internet website www.GaryMcDuff.com. See page 20 of Part II of the Public Service Investigation Report.

7. Mr. McDuff worked closely with Mr. Stone, Mr. McWhirter, and Mr. De'Ath in the trust department of the Dominica bank. To accommodate U.S. customers who chose to, or were required to invest their money only in the U.S., it was recommended that a formal Investment Fund be formed in the U.S. and managed by a U.S. owner with the appropriate securities licenses. After hearing this recommendation by UK attorney Colin Riseam, Mr. De'Ath and I agreed to put our financial support behind the project.

8. Mr. McDuff had met Gary Lancaster, a banker who was working for U.S. Bank when the initial Cash Management Agreement with Michael Boyd, of Wilkinson Boyd was set in place. Following the unrelated legal problems of Mr. Dowdell, U.S. Bank closed that management account. Mr. Lancaster resigned his position from the bank, on invitation to work directly with Mr. De'Ath. Mr. Lancaster presented the same Cash Management Agreement to the broker-dealer firm of Piper Jaffray for consideration. The legal department of Piper Jaffray requested the CMA be modified to incorporate a number of changes. Mr. De'Ath instructed Mr. McDuff to consult with attorney Norman Reynolds about the changes. Mr. Reynolds had no objection. The CMA was completed and signed by Piper Jaffray as custodian, holding the investor's money on deposit in their brokerage account at U.S. Bank. It was countersigned by the investor and Gary Lancaster as the nominated manager by the investor. Five million dollars was placed in the account.

9. Contemporaneous to the Piper Jaffray CMA, Mr. Reynolds was nearing completion of the Lancorp Financial Fund, for which Mr. Lancaster had accepted venture capital from our group in the UK to form. Following Mr. Lancaster's trip to London, where he was presented with the opportunity by Mr. De'Ath, Mr. McWhirter, myself, and Mr. Riseam, the terms of the agreement were mutually agreed upon. We agreed to advance to Mr. Lancaster the money required to form and operate the Fund until it had enough money under management to be

self-sustaining and producing a respectable income for his investors. We agreed to use our brokers, financial planners and consultants to direct their clients to Mr. Lancaster. Also, we would direct the clients of Dobb White and the Dominica bank who wanted to invest in the U.S. to Mr. Lancaster for acceptance into his Fund. He would not be the one to raise money from investors for his Fund. We agreed to send them to him. We contacted our independent brokers, who had sent us clients in the past, and let them know the Lancorp Fund would soon be open for business, accepting investor subscriptions. Among the brokers we contacted were Elson Lui, Don Winkler, and Robert "Bob" Reese. None of these men knew Gary McDuff until I told them to contact Gary McDuff to obtain information about Gary Lancaster, the owner/manager of the Fund, and Norman Reynolds who had constructed the Fund to comply with U.S. laws. Mr. De'Ath and I asked Mr. McDuff to answer questions from these brokers so they would be better able to explain the opportunity to their clients. Since Mr. McDuff's parents were among the very first investors in the Lancorp Fund, he told me that Norman Reynolds verified that there was nothing wrong in him answering questions from these brokers, or their clients, about what he knew of the character of Mr. Lancaster, or how Mr. Reynolds had designed the Fund. The primary prohibitions Mr. Reynolds warned us, and Mr. McDuff to avoid, was no public advertising, and that only Mr. Lancaster was authorized to provide printed material about the Fund to prospective investors. That actually simplified the process for all of us. Everyone I am aware of abided by the instructions of Mr. Reynolds, including Gary McDuff. Prospective, and actual investors were sent directly to Mr. Lancaster to obtain any and all printed materials related to the Lancorp Fund. I recall seeing reports sent by Mr. Lancaster to Mr. De'Ath, showing how many subscription application booklets and private placement memorandums had been sent out as the Fund took on more and more investors nearing its 100-investor limit.

10. It was very important for Mr. Lancaster to keep Mr. De'Ath apprised of the accumulation of monies from investors in the escrow account. The Fund itself needed only Five million dollars to begin doing business. However, it needed Ten million dollars to qualify for the purchasing of insurance policies to protect investor's share value, from Lloyd's through First City insurance brokers.

11. From the beginning of the Lancorp Fund project, I had presented the representative of First City Partners, Mr. John Sevastopolu, with the question of him writing a Lloyd's policy for Lancorp Fund investors. Mr. Sevastopolu received a Lancorp Financial Fund Private Placement Memorandum, drafted by Norman Reynolds in 2003 as well as the professional history of Gary Lancaster. Mr. McDuff had previously negotiated the purchase of three separate insurance policies from First City to protect their Dobb White & Co. investment. Through that process, Mr. McDuff dealt with Mr. Sevastopolu directly following my introduction. On my instructions, Mr. McDuff provided Mr. Sevastopolu with all the information First City needed to review, in considering the request for insurance. The initial response from First City was to provide the insurance as laid out in the Lancorp Fund Memorandum. The Lancorp Fund, when reaching the minimum of Five million dollars

would be both an "Accredited and Qualified" investor, according to the definitions provided by Mr. Reynolds. There were three classifications of investors in the U.S. The lowest level was designated as "non-Accredited", having a net worth less than One million dollars, with annual income below Two hundred thousand dollars. The next level was designated as "Accredited", being investors with a net worth of more than One million dollars, with income above Two hundred thousand dollars per year, or a business trust with total assets in excess of Five million dollars. The highest level was designated as being both "Accredited and Qualified Purchasers" with more than Five million dollars to more than Twenty-five million dollars in owned investments. When reaching the minimum of Five million dollars, the Lancorp Fund would be both an "Accredited and Qualified" investor, according to the definitions provided by Mr. Reynolds.

12. It is significantly important to be aware that before the Lancorp Fund's completion, Dobb White and its network of independent financial planners anticipated directing in excess of Ten million dollars into the Lancorp Fund. The Fund needed that amount under management to be able to participate directly in syndication underwriting activity. Effectively, the Lancorp Fund would not be able to do business with Mr. De'Ath or the entities he worked with, until Lancorp had Ten million dollars minimum needed, to be able to participate in underwriting syndications offered by major institutions.

13. As Mr. Lancaster neared the Five million dollar mark that would allow the Lancorp Fund to begin operating, he indicated that he was ready to purchase the insurance for each of the investors who had authorized him to use a portion of their escrowed investment money to buy a policy for them as specified in the Memorandum. Mr. Sevastopolu at First City was put on notice to begin the process to issue the policies for each investor. Mr. Sevastopolu submitted the request to Lloyd's underwriters, who informed Mr. Sevastopolu that changes in the financial guaranty insurance industry had taken place, and they could not issue the coverage until the Lancorp Fund met the minimum investment capital under management to qualify to enter as a direct beneficiary participant in the underwriting activity outlined in the Memorandum.

14. This created a paradox for Mr. Lancaster that no one expected. For reasons unrelated to the Lancorp Fund, the accounting firm of Dobb White & Co. and its owners were forced into bankruptcy. That caused the anticipated transfer of Dobb White investors into the Lancorp Fund to be delayed for an extended period of time. The result was, instead of sending well over Ten million dollars in investor money in aggregate from existing investors to the Lancorp Fund, only a slow stream of new money from those investors and some new investors provided by referring professionals like Mr. Reese, had accumulated just over half enough to allow the Lancorp Fund to enter into underwriting syndications. Without enough money under management, First City could not issue a Lloyd's policy. Without the ability to purchase the insurance, Mr. Lancaster could not take the money out of the Lancorp Fund escrow account and begin doing business. This problem was presented to Mr. De'Ath and all the men he and I worked with in the UK.

15. After extensive review by everyone involved, it was decided that the only way the Lancorp Fund could participate in any syndicated activity with less than Ten million dollars would be to enter into a joint-venture with another syndication member that already had sufficient money under management to participate. The London legal team had instructed Mr. Reynolds to incorporate a provision into the Lancorp Fund to allow it to enter into permitted transactions indirectly through a broker-dealer, or a fund that had secured an underwriting contract with a major bank. No additional opening to other syndication participants was on offer. Mr. De'Ath, in London, explained to Mr. Lancaster that once he had the Lancorp Fund operational, there would be underwriting opportunities coordinated by Fiscal Holdings for Mr. Lancaster to join as an underwriter. Some would be offered indirectly by large underwriters needing multiple small participants to supply money to them to purchase securities. This opportunity existed only because of the issuing institutions credit or debt ceiling exposure limit. The collective decision by everyone here in the UK was to seek out a broker-dealer or a fund that would allow Mr. Lancaster to add his Five, or Six million dollars to their larger amounts involved in these types of transactions. I was involved in discussions with Tricom securities, a broker-dealer in Australia, and Weavering Capital, an investment fund in London, to explore the possibility of Mr. Lancaster adding his funds to theirs. After several weeks of negotiations with the owner of Tricom, Mr. Lance Rosenberg, and David Bizzell reached an agreement to provide Mr. Lancaster with a bank obligation from the custodian bank that would assure that any security purchased would have a value greater than the amount paid for it. The issuing bank involved in that transaction was Citibank. The term of the investment activity was expected to be twelve months.

16. I was instructed to contact Mr. Lancaster to explain the offer made by Tricom. I delegated the contact of Mr. Lancaster to David Bizzell, since he would be the person who would obtain the contract from Mr. Rosenberg. I contacted Mr. McDuff and asked him to have Mr. Lancaster find out from Mr. Reynolds what needed to be done to modify the Lancorp Fund Memorandum to replace the insurance element with a bank obligation assuring all purchased securities would have a higher value than the amount paid.

17. After the discussion with Mr. Reynolds, Mr. Lancaster reported to David Bizzell that the Memorandum could only be amended, causing a material change, if each member affected by the change were to sign an approval form, showing his or her acceptance of the change. Any investor that did not agree to the change must have their escrowed money returned to them. Mr. McDuff reported this to me. Mr. Lancaster agreed to send notices to the investors.

18. According to Mr. Lancaster's report back to us in London, and the documents I have reviewed on pages 45, 84, 86, and 90 of Part II of the Public Service Investigation Report, he did, in fact, obtain the required approval from the investors to begin investing their money without insurance. Mr. Lancaster then reported to David Bizzell that the amendment

replacing insurance with the bank obligation had been accepted by enough investors to allow him to launch the investment phase with Tricom, and all investors who had not accepted the change had been fully refunded.

19. Mr. Lancaster then obtained the bank obligation assuring value, and the investment contract from Lance Rosenburg, the owner of Tricom. In keeping with the contract flow that attorney Colin Riseam and Mr. De'Ath had discussed with Mr. Lancaster, Tricom contracted with the Lancorp Group, and the Lancorp Group contracted with the Lancorp Fund. Tricom paid out earnings to Fiscal Holding and to the Lancorp Group. Mr. Lancaster reported that he paid the Lancorp Fund investors their pro-rata share of the earnings. The investment opportunity ended after eight months, when Tricom returned all of the money back to Mr. Lancaster. None of those transactions had any connection to the compensation paid to Mr. McDuff by Secured Clearing Corporation. Mr. De'Ath paid Mr. McDuff a paid stipend that had nothing to do with any earnings derived from Fiscal Holdings placing Lancaster's money in any investments. Mr. McDuff was paid the same stipend before, and after, the Lancorp Fund was created. Everything Mr. McDuff did for Mr. De'Ath was as an employee of Secured Clearing Corporation. Dobb White & Co. had contracted with Secured Clearing Corporation in the past, so I know this to be true.

20. Gary McDuff was, at all times, subordinate to his superior, Mr. De'Ath. Mr. De'Ath insisted on compliance of the highest standard in all his business activities. Mr. McDuff was required to abide by that standard. Mr. De'Ath had advanced the money, through Secured Clearing, to form and operate the Lancorp Fund, yet he held no authority to command Mr. Lancaster to do anything. If Mr. De'Ath had no authority over Mr. Lancaster's business decisions, it is not correct to suggest that Mr. McDuff did.

21. From the very beginning, I was present in the meetings when the men in the UK, with whom I had professional ties, chose Mr. Lancaster. Mr. Lancaster was never asked to be the "front" for anyone. It was certainly never suggested that he would be nothing more than a puppet, whose strings would be pulled by the men in London, or by anyone else. None of the men in London ever told him to obey any command from Mr. McDuff. It was quite the opposite. Mr. De'Ath offered Mr. Lancaster the assistance of Mr. McDuff to use in any way he might need during the forming of the Fund. Mr. McDuff was clearly designated to be the servant of Mr. Lancaster. It was made very clear that Mr. Lancaster would be the sole person in control of the Fund. For advancing the money for the Fund formation, and the operating money to Mr. Lancaster, Mr. De'Ath asked only that whenever he (Mr. De'Ath, via Secured Clearing Corporation, or his Fiscal Holdings partners) presented qualifying investment opportunities to Mr. Lancaster, that Lancaster would give those investments priority consideration, provided the investment offered equal earnings and measure of safety than other investment opportunities. It was understood that such consideration would be given only if the investments conformed to the Lancorp Fund investment criteria. Each investment opportunity was to be presented to Mr. Lancaster in a contract that would state what portion of the profit would vest to Secured Clearing Corporation, and what portion

would vest to Mr. Lancaster and his investors. This is what transpired with the Tricom investment. Tricom divided the profits three ways. Tricom's portion, Lancaster's portion, and Fiscal Holding's portion. Mr. De'Ath was paid his share in proportion to his equity in Fiscal Holdings. Mr. McDuff was paid nothing, because he had no equity in any participating entity.

22. The Tricom investment ended in December of 2004. As Mr. De'Ath's health failed, my partner and I found ourselves embroiled in the bankruptcy and related legal battle. Before Mr. De'Ath retired, the final activity I have knowledge of involved Robert Reese requesting to be compensated for referring his clients to the Lancorp Fund. In the past, he had been compensated by Dobb White, which was permitted under UK law. Mr. Reese complained that the State of California had ordered him to stop introducing investors to any investment unless he obtained a securities license. He had always represented himself to be an investment advisor who had a permit to aid his clients in making investment decisions. He told us that Mr. Lancaster had made it clear to him that the Lancorp Fund could not pay any fees or commissions for shares purchased by his clients in the Lancorp Fund.

23. Mr. De'Ath suggested that the lawyers provide directives on how to address this unexpected problem. After Mr. Reynolds told the men in London that the Lancorp Fund would not be permitted to pay anything to introducers of clients into the Lancorp Fund, they agreed that Mr. Lancaster would not do so, because it was prohibited. Such compensation would be paid from monies earned by other entities participating in the same transactions that were not part of any money due to Mr. Lancaster or the Lancorp Fund.

24. Several attorneys in Belize had been involved in providing Mr. McDuff with solutions that Secured Clearing Corporation needed to provide specific services for Mr. De'Ath and Dobb White. The Queen of England had knighted one of the attorneys. He was the former chief justice to the Supreme Court. He had understanding of laws of many governments, including the U.S. The Belize attorney suggested forming a company named Dividends Inc. that would own a portion of Secured Clearing Corporation, thereby making it entitled to a portion of Secured Clearing Corporation's earnings. Dividends Inc. would offer a special series of stock to anyone who caused Secured Clearing's earnings to increase by making syndication participation money available to Secured Clearing Corporation, or its affiliate, Fiscal Holdings, by increasing the total amount of money under Lancaster's management. If the referring parties exercised the option extended to them to buy shares of Dividend Inc., they would become stockholders in Dividends Inc. and be entitled to their respective portion of income earned by Dividends Inc. through its partial ownership of Secured Clearing Corporation. Mr. Reynolds said he saw no conflict with any regulation for an entity that may contract with the Lancorp Fund as provided in the Memorandum to do anything it chose with profits it earned from transactions it did jointly with the Lancorp Fund, provided those profits did not contractually belong to the Lancorp Fund and were not paid out of the Lancorp Fund. It was my belief that this stock ownership resolved the issue raised by Mr. Reese. Mr. Reese, along with John Burke and Al Masters were among the first financial

advisors who purchased shares in Dividends Inc. This was the last activity of which I had direct knowledge.

25. My personal and company bankruptcy proceedings forced me to withdraw from all investment coordinating activities. When I withdrew, so did Alan White, David Taylor, Mike Steptoe, Ian Collins, and Chris Stone. Mr. De'Ath retired for health reasons. Iain McWhirter and Barry Northrop pursued other professional opportunities. One of the final negotiations of Mr. De'Ath was to merge the assets of Secured Clearing Corporation, owned by Mr. De'Ath, with Secured Clearing Corporation-Belize, , under the control and ownership of Victoria Avilez, Mr. Roy Cadle, and Sir George Brown. Mr. McDuff had introduced me to attorney John Avilez in London in 1999. I have since been informed that John Avilez and Sir George Brown died before charges were brought against Mr. Lancaster, Mr. Reese, or Mr. McDuff in relation to the Lancorp Fund. Because Mr. De'Ath had provided the investment or underwriting capital for the Lancorp Fund, Mr. De'Ath had conveyed the right to present investment opportunities to Secured Clearing Corporation, to present investment opportunities to Mr. Lancaster to participate in, and earn a contracted portion of profits in excess of any profits due to the Lancorp Fund. Mr. McDuff already had a working relationship with the attorneys in Belize, and they knew he had been providing funding to Mr. Lancaster on behalf of Mr. De'Ath. Victoria Avilez appointed Mr. McDuff to be a Director of Secured Clearing Corp-Belize.

26. In my final communications with Mr. De'Ath and Mr. McDuff, it was my understanding that Secured Clearing Corp-Belize had purchased ownership in MexBank in Mexico City, and part of the trade involved Secured Clearing Corporation assigning its venture capital repayment rights owed by Mr. Lancaster to MexBank. MexBank lawyers were to provide the legal services required to secure the release of monies held in a Secured Clearing bank account held at Banamex in Mexico City so it could be returned to the court-appointed receiver in the UK in charge of settling the bankruptcy of Dobb White & Co. Some monies scheduled to be paid out to Dobb White clients was being held in that account when the bankruptcy court ordered the account to be suspended and the money paid over to the receiver, Baker Tilly. Banamex was not cooperating with the receiver or the bankruptcy court so legal intervention was required. I do not know the outcome of those proceedings. I have seen court documents of consecutive proceedings spread out over more than three years of litigation, trying to free the money for the receiver. The last documentation presented to me, showed that in early 2012, Mr. McDuff had petitioned a Mexican government agency known as SIEDO to intervene in demanding the money be returned to the receiver.

I have reviewed the factual content of Part I of the Public Service Investigation Report, and I hereby confirm the truth of the account of the facts in relation to me, to Dobb White, and all the people and entities I introduced to Mr. McDuff, beginning on page 65. Even though I was not involved at the time Mr. Lancaster became aware of the Megafund, I can set some facts straight that are inaccurate in the allegations made against Mr. McDuff.

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a) The Cash Management Agreement on pages 72 through 75 of the Public Service Investigation Report is not the one created by EMS, Wilkinson Boyd, or Jackson Walker, which involved Mr. McDuff. It is devoid of being restricted to use by Qualified Purchasers only.

b) The Lancorp Fund was permitted to invest in "any obligation" of a qualified bank directly or indirectly using a broker-dealer or a fund, whenever the Lancorp Fund cash was not invested in "Permitted Investments" See article 1.16. (d) (i).

c) Norman Reynolds confirmed that he had done everything required under U.S. securities laws to file or register the Lancorp Fund with the SEC as a Reg D 506 Fund exempt from public registration requirements. Based on Mr. Reynolds representations, everyone was under the absolute impression that it was indeed an exempt fund.

d) When Mr. Lancaster was in London, he explained that he held a series 6,7,63, and 65 license, and that his series 65 license allowed him to act as an investment advisor.

e) Mr. McDuff went out of his way to inform people he dealt with, of his prior conviction. When, in 2003, he published the [redacted] website story assembled by Granada Television reporters, it was read by me, and was considered common knowledge among those here who knew him.

f) The Lancorp Fund was never slated to maintain an insurance policy to protect investor's funds against loss. The insurance broker, First City, had agreed to offer each investor an opportunity to purchase their own individual insurance policy if they wanted one. But, that offer would only be available to each Lancorp Fund investor once the Lancorp Fund reached Ten million dollars under management. John Sevastopolu was the insurance broker that confirmed this to me.

g) The representation that Mr. Lancaster had been involved in a similar investment program in Europe prior to the Lancorp Fund's formation, was, in my estimation, Norman Reynolds drawing on what he gleaned from his visit to Mr. De'Ath's offices in London, and the Five million dollar transaction Mr. Lancaster had structured at U.S. Bancorp Piper Jaffray, under the guidance of Mr. De'Ath. Every Cash Management Agreement preceding that one, had been successful, and not one penny of client funds had ever been lost. For this reason, that was not a misrepresentation of fact.

h) Any suggestion that Mr. Lancaster would retain control over the money placed in the Lancorp Fund at all times is impossible. The Memorandum discloses that the money will be used to purchase any obligation of banks whenever the cash is not invested in "permitted investments". Each time Mr. Lancaster made a purchase on his own, or indirectly through a broker-dealer or a fund, he had to give up control of the money. As long as whatever was

being purchased conformed to the Memorandum, he was obligated and authorized by each subscribing investor to release their money.

i) It is complete error to suggest that the Lancorp Fund was created to deceive investors into investing, by promising insurance protection, knowing that no such insurance would be provided. As I explained above, it would be available when the Lancorp Fund had enough money under management to qualify for it. That allegation must be disposed of, in view of what Mr. Lancaster did to modify the Memorandum, eliminating the insurance option, and giving every investor the option of a refund of their money before using it to conduct business.

j) I was present when the idea for the Lancorp Fund was conceived in London. Mr. McDuff became involved later. It was not his idea. Bankers and lawyers in London recommended it should be formed. No one in the UK had ever heard of the Megafund, or a man named Stan Leitner, so I can confirm with certainty that the Lancorp Fund was not created to be a Ponzi scheme, or for the purpose of investing in the Megafund.

In conclusion, and on a much more personal level, I would like to say this about the character of Gary McDuff, which I have observed since 1998.

I have always found Gary McDuff to be completely truthful and honest. He was always one who did everything in his power to ensure that everything we did was fully compliant with all the complex securities law in all jurisdictions. To this end he always insisted upon using reputable law firms who were experts in that field. My dealings with Gary McDuff over many years have been completely open and transparent. I hold Gary McDuff in the highest regard and cannot help feel that a huge mis-carriage of justice has occurred.

Furthermore, Mr. McDuff respects, honors, and protects his parents. It is my opinion that he would never knowingly place his parents or their money in harm's way. If he had ever expected his parents would lose the money they invested in the Lancorp Fund, he would have stopped them from making the investment.

The Lancorp Fund was created with only honorable intentions. Until January 2005, when my first-hand knowledge ended, Mr. Lancaster conducted himself with confidence and integrity. Mr. McDuff never once reported to me, or to Mr. De'Ath, that Mr. Lancaster was not operating the Fund properly, or that he was anything other than a qualified professional, and constantly vigilant in making sure that all laws and regulation were strictly followed.

I stand ready to testify of these facts in person or by live video appearance to insure justice is based on accurate facts.

18th February, 2014

Shinder Singh Gangar, Affiant

18th February, 2014

Sarah Randall
Solicitor

References in Support:

1. Public Service Investigation Report Part I
2. Public Service Investigation Report Part II
3. INDEX A through L - Jackson Walker archived files provided to Norman Reynolds by Terrence de'Ath directly or by Gary McDuff on orders of Mr. de'Ath.

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INDEX

Archived files of Jackson Walker, LLP, of documents relating to legal work done for the client Terrence de'Ath of Secured Clearing Corporation.

A. Introduction to the EMS Group – 13 pages

B. Custody Agreement & Cash Management Agreement of April 2000 between EMS and Wells Fargo Bank – 18 pages

C. Legal Opinion of the Custody Agreement between EMS and Wells Fargo Bank – 11 pages

D. Legal Opinion of the Cash Management Agreement between EMS and Wells Fargo Bank – 7 pages

E. Cash Management Agreement between Cole Taylor Bank and EMS – 7 pages

F. Custody & Cash Management Agreement between US Bank and Cash Management Agreement – 9 pages

G. Custody Agreement, Cash Management Agreement & Legal Opinion by Jackson Walker for Secured Clearing Corporation – 32 pages

H. Overseas Development Bank and Trust, miscellaneous information – 50 pages

I. Dobb White & Co Lloyd's insurance broker coverage – 44 pages

J. The Avenger Fund Private Placement Memorandum – 61 pages

K. US Representative Office requirements report for Overseas Developments Bank and Trust of Dominica - 23 pages

L. Billing records or any miscellaneous information reflecting Secured Clearing Corporation as the client of Jackson Walker.

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AFFIDAVIT OF FACTS

On this 22nd day of October, 2013, under penalty of perjury, on my oath, I, Lynn Hodge, attest to the facts as stated herein as the whole truth, as I know it to be, based on first-hand knowledge of the events as they occurred, and to which I will and do hereby testify.

I first met Gary McDuff in Pasadena, Texas, when he was a teenager, over forty years ago.

Later, Gary became a home developer and was the general contractor on a house my wife and I built in Pasadena, Texas. I eventually moved to the East coast and lost track of Gary for many years, but I kept in contact with Gary's father who would from time to time mention Gary and the work he was doing.

In 2001, I was (and still am) working for Morris Cerullo World Evangelism (MCWE), serving now as the Chief Executive Officer.

In late 2001, having heard of Gary's then present representation of Secured Clearing Corporation (SCC) and the high yield returns being earned by their clients, I contacted Gary to learn more.

After months of our due diligence and after receiving U.S. Bank's (our bank) due diligence, we were confident that any funds provided to SCC for investment would be safe, under our control at all times, and could be withdrawn with only the instruction of ICI, a dba of MCWE; so we proceeded with the investment opportunities presented by SCC.

The U.S. Bank officer whom we worked with was Gary Lancaster. We introduced Gary to Mr. Lancaster. Mr. Lancaster established a managed investment account which was managed by Terrence de Ath, a London resident whom I never me.

ICI, entered into a "Cash Management Agreement," an "Investment/Custody Agreement," and a "Best Efforts Profit Agreement." The company which Gary represented was engaged to manage $5,000,000 using U.S. Bank and their securities firm, Piper Jaffary.

As part of the Agreement, SCC advanced $100,000 to ICI prior to funds being transferred into the "Cash Management Account" as a good faith gesture and an

advance payment of profits we anticipated; and SCC advanced the $4,193 custodial payment, as well. In early 2003, the $5,000,000 was transferred, and the agreements were activated. ICI's first distribution of profits was to be received within forty-five days from the date of ICI wire transfer to fund the Cash Management Account.

I maintained on-line access of the Cash Management Account and accessed it several times a week to review any activity.

After forty-five days when funds were not received, I contacted Gary and asked about the delay. Gary explained there was an issue related to Mr. de Ath's internal dealings that delayed the transfer. After several calls over several weeks without receiving the expected profits, I notified Gary, telling him ICI was withdrawing the funds. I then contacted Piper Jaffary and had the account closed and the $5,000,000 transferred back to ICI.

In all my business dealings with Gary McDuff—from the time he was the general contractor when building my home in Pasadena, Texas...to the initiation of the transaction listed above, I and the company I serve have not suffered any loss.

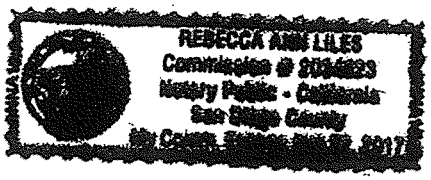
Regarding the $5,000,000 transaction, Gary never represented himself as an owner or equity holder of SCC or any of the companies involved in the transaction. He always represented himself as a representative—passing information to ICI and taking ICI comments back to Mr. de Ath of SCC.

Affiant

Lynn Hodge

State of California
County of San Diego ss.

Subscribed and sworn to (or affirmed) before me
On this 22nd day of October, 2013
By
(1) Lynn Hodge
Name of Signer
Proved to me on the basis of satisfactory evidence
To be the person who appeared before me



Signature
Signature of Notary Public

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1

AFFIDAVIT OF FACT

On this 18th day of November, 2013, under penalty of perjury, on my oath, I, Gregg J Harris, attest to the facts, as stated herein as the whole truth, as I know it to be, based on first-hand knowledge of the events as they occurred, and to which I will, and do, hereby testify.

The following account is a representation of how I met Stan Leitner and subsequently got involved in what became known As Megafund Corporation. Furthermore I will state how long I have known Gary McDuff and how he became involved with Megafund. I do want to be clear about one thing from the beginning. Megafund began sometime during the spring/summer of 2004. At that time Stan had never met and did not know Gary McDuff. Mr. McDuff had absolutely no part whatsoever in the creation, management and ongoing operations of Megafund, nor did he exercise any influence over Mr. Leitner.

Megafund began as a result of my relationship with Mr. Larry Frank. I was the owner of a small health and nutrition company at that time. Larry had been a long-time friend and was one of my customers. Our backgrounds were similar as we both had been involved in full time Christian ministry. My wife and me along with our seven children were involved in full time Christian ministry for over 20 years. During that time we were missionaries in two parts of communist China, India, the Philippines, and severed in more than 20 different major cities in the U.S. Larry was involved with Liberty Christian academy in Denton, TX. Over the years Larry had told me of different programs that he was involved in that paid unusually high monthly yields. I was always skeptical because I was not familiar with these kinds of programs. Larry told me that at this time he was currently working in Dallas with a man named Jim Rumpf and that they had been a part of several different programs that yielded a high return for investors each month. On one visit Larry actually showed me documents showing the amount of interest that was being paid to one of their investors. I was amazed by what I saw and asked Larry if there was any way to be involved or invest. I told Larry that I was

not a businessman but my good friend Stan Leitner was really good with people and could I introduce him to Stan. A week or two later myself, Larry Frank and Stan Leitner had a meeting at Stan's office and I made the introduction. Stan was more than skeptical as he had never heard of any type of investment that paid very high yield returns. Larry invited Stan and me to meet the director of the program, Mr. Jim Rumpf at their offices in Addison Texas. Within a week we were all present at Rumpf's office.

At the first meeting, Jim Rumpf went into great detail about his background for many years as a stock broker and pit trader. He told us that he had been involved in these hi-yield programs for many years. He had a ministry called C.I.G., and CILAK; these acronyms stood for Christ is God, and Christ Is Lord And King. Rumpf indicated that his ministry is responsible for sending out as many as 20 tractor trailer loads of humanitarian supplies each month as a result of the profits from the program. Stan and me were both very impressed as Rumpf seemed very genuine and extremely passionate about his ministry. Rumpf told Stan that the monthly returns to him were as much as 30-40% and sometimes even higher.

We left his office that day and came back a week later. At that time Mr. Rumpf had his attorney Mr. Aaron Keiter present as he made a weekly visit to Rumpf's office. Stan told Rumpf that he felt that he could bring in quite a few people into the program if that was something Rumpf would allow. Rumpf indicated that he had never done anything like that before, but Larry suggested that they all talk in the other room for a few minutes to discuss it. When they returned, Rumpf said that he would allow for Stan to be a part of the program under a few conditions.

He didn't want to deal with a lot of people and that he would accept Checks from Stan or wire transfers once a month. Stan had some questions about the program and asked Rumpf if in any way this program constituted any securities issues. My Keiter took over and told us that he had personally written the program and that in no way did it constitute any type of a security. He said it was a JVMA, (Joint Venture Management Agreement and was completely legal. We had researched Mr. Keiter previously and found that he was a long standing partner in a

prominent Houston law office. Stan felt reassured that this was a solid program and told Rumpf that we would put together a company name and start the program as soon as possible. That is exactly how Megafund started. Jim Rumpf made one thing very clear from the beginning. He said that this program was covered under an insurance policy where all of the funds were protected, even from fraud. The only reason Stan ever agreed to participate is that he was told that all of the funds in the program could never be put at risk and that the trader did not have access to use the funds in any way. He was only allowed to screen the funds but not have direct access to them. Stan must have said a thousand times that if he would have ever known that one nickel of the funds he invested into this program would have ever been put at risk, -- he would have never got involved.

Megafund began and people slowly started coming into the program. Every month, right on time, Megafund paid out a 10% commission to investors.

With respect to Gary McDuff and Megafund, it needs to made clear that Gary McDuff and his affiliates with Landcorp were nothing but investors in Megafund. The program was presented to Mr. Lancaster and Gary McDuff as it was to any other investor. The only reason they invested their clients funds into Megafund was that they believed that the funds were entirely safe and that they were never put at risk at any time. They were also told that there was an insurance policy protecting the funds.

The perpetrator in this whole debacle was the trader that Jim Rumpf had trusted with the funds, -- Mr. Bradly Stark. Stan was told by Rumpf that the trader was in California and that he had thoroughly checked him out. Again, at no time would the trader ever have direct access to the funds. Stan was never allowed to know the identity of the trader until everything had fallen apart. Rumpf never provided it and if it wasn't for Larry Frank we would have never know who he was. Stan and I immediately flew to Ca to try and find Stark and meet with him. Stan finally reached Stark who was out of town, but agreed to meet with him when he got back. I had to go home but Stan did meet with him and Stark

convinced him that he was going to make good on all of the funds and that they would be wired back to Rumpf shortly. The rest is history. Stark turned out to be a convicted felon and he was nothing but a scam artist. He spent millions of dollars on everything conceivable and until the very last day continued to give us one story after another that the funds would be coming. Due primarily to Stan testifying against him at his trial, Stark was convicted and is now in prison until the year 2032.

The biggest mystery to me is how the prosecutors could have ever thought that Gary McDuff or Landcorp ever had anything directly to do with Megafund other than being an investor like everyone else. Gary McDuff has never made any statement to me or representation to me or anyone else in my presence that later proved to be untrue. I met Gary many years ago as he was a customer of mine in the health and nutrition business. I was always impressed with Gary's integrity and character from the first day that I met him. I traveled on several occasions to meet Gary and his wife Shannon at his store in Deerpark, TX. Gary and Shannon had an upscale all natural cosmetic and skin treatment facility and my company was providing them with several products.

Both Lancorp and Gary McDuff also had no knowledge of Brad Stark as the trader as the government has incorrectly alleged. These men would have never invested a nickel in Megafund had they ever thought that their investors funds were at risk. Like Stan and me, Gary McDuff believed that all funds were protected under the insurance policy that Jim Rumpf said that he had paid $50,000 for.

It is a tragedy that Gary McDuff and Lancorp would be held responsible for putting funds in Megafund as they like all of the investors believed that this was a legitimate program.

5

Affiant:

Gregg J Harris

Gregg J Harris

[redacted]

Roseville, CA. [redacted]

Notary

ACKNOWLEDGEMENT

State of California Placer
County of
On 11/14/2013 before me, Jennifer Kay Alva, Notary Public,
(insert name and title of the officer)
personally appeared Gregg J. Harris
who proved to me on the basis of satisfactory evidence to be the person(s) who name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

JENNIFER KAY ALVA
Comm. #1935059
Notary Public · California
Placer County
Comm. Expires May 5, 2015

Appendix # 5
page 5 of 5

AFFIDAVIT OF MATERIAL FACT

I, LeVoy [redacted], have been asked to recall the circumstances relating to a past acquaintance by the name of Francis Lynn [redacted], as they relate to Gary McDuff. I have reviewed Mrs. [redacted]s statement, where she said I told her about the Megafund investment opportunity. And, I have reviewed the documents showing where the Megafund paid me a commission of $400 on April 28, 2005 for introducing Mrs. [redacted] as a client, along with $2,000 of earnings on the investment made in the Megafund for me by my father. That payment from the [redacted] account of the Megafund, check number [redacted] account number [redacted] [redacted] issued to me, on April 20, 2005, is confirmation of what Mrs [redacted] said in her statement to special agent Ronald Loecker. I deposited that check into my U.S. Bank account in Goodlettsville TN (see attached check # [redacted]).

The earnings paid monthly by the Megafund in relation to the three investments of $10,000 made on January 5, 2005, February 1, 2005, and February 25, 2005 was 10% each month. The $2,400 payment was a combination of the 10% earnings of my investment plus the $400 (my commission of 1% for the Benyo investment.)

Since the records of the Megafund show me as the party who introduced Mrs. [redacted] the Megafund, and one to whom it paid out an introducer's commission, combined with Mrs. [redacted] statement that I am the one who introduced her to the Megafund, the documents themselves establish that it was not Gary McDuff who introduced her to the Megafund.

I have also reviewed the $2,108.46 payment made to me from Dividends Inc. through the online payment portal of FGF into my Cash Cards International account number [redacted]. Since the records show that I purchased shares in Dividends Inc. and received a dividend payment on April 16, 2005 of $2,108.46 from the earnings Dividends Inc. made in relation to Mrs. [redacted] investment in the Lancorp Fund, and Mrs [redacted] handwriting in her application to become an investor in the Lancorp Fund reflect me as the "Referring Party", the documents themselves again establish that it was I, and not Gary McDuff, who introduced her to the Lancorp Fund. Based on the documents, and who received the commission from the Megafund, and who received the dividend payment from Dividends Inc. in relation to Mrs. [redacted] investments in the Megafund and the Lancorp Fund, it is fair to say that I was the introducer.

As this happened eleven years ago, my memory of the details has been dimmed by the passing of so much time. However, the records and documents tell the details of the truth for me.

Appendix #6
page 1 of 3

Based upon the affidavits of the persons closest to the Megafund-Lancorp Fund failures, I am of the opinion that Rev. John [redacted] and Gary McDuff were trusting victims, as my father, my brother, and I were. I have seen no evidence that Gary McDuff did anything to cause the loss of my money, or Mrs. [redacted] money. Affidavits of people I know and trust, with direct knowledge of what went wrong, have informed me that Gary McDuff was not responsible in any way.

I have known Gary McDuff and his family for more than fifty years. He has never done anything to cause me to question his integrity or motives.

Subscribed and sworn to, on this the 12 *day of April 2014* in the presence of the undersigned notary.

LeVoy [redacted]

Seal: JULIE SCHMITZ STATE OF TENNESSEE NOTARY PUBLIC ROBERTSON COUNTY

exp 4-4-16

Notary Public

Appendix #6
page 2 of 3

[redacted]

MEGAFUND CORPORATION
3744 ARAPAHO ROAD
ADDISON, TEXAS 75001
(972) 759-0924

SouthTrust Bank
88-2452/1130

CHECK NUMBER [redacted]

[redacted]

DATE Apr 20, 2005

PAY $ ****$2,400.00

Two Thousand Four Hundred and 00/100 Dollars

TO THE ORDER OF Dewey Family Ministries
[redacted]
Nashville, TN [redacted]

Security features. Details on back.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

ENDORSE HERE

PAY TO THE ORDER OF
US BANK
GOODLETTSVILLE, TN 37072
⑆064000059⑆
FOR DEPOSIT ONLY
DEWEY FAMILY MINISTRIES
⑆123017[redacted]4044

DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE

Account	Date	Amount	Serial Number	Sequence	Status
[redacted]	20050428	$2,400.00	[redacted]		Posted Items

Wachovia National Bank certifies that the above image is a true and exact copy of the original item issued by the named customer, and was produced from original data stored in the archives of Wachovia National Bank or its predecessors.

Appendix # 6
page 3 of 3

AFFIDAVIT OF FACTS

The following is an Affidavit of Facts regarding events of which I, John [redacted], have knowledge, and to which I hereby formally attest.

In December of 2004, I was in Nigeria as an invited guest, to sing and to speak at a large Church of God convention. My brother, Roger, was also a guest of the Convention, as a featured singer. While there, we met Stanley Leitner, who expressed his desire to help us in our ministries. He invited us to visit him in his Dallas Office when we returned to the U.S.

While visiting him in his Dallas office, he called his secretary in, and instructed her to put some of his own money into his trading account in my name, and some in my brother's name. He explained that when the trades were completed, he would send us our portion of the profits. He did not ask us to invest any money at all. He just indicated that this was his gift to us. That was when we learned about the Megafund.

I had a very modest IRA invested with Lancorp, a company owned by Gary Lancaster. I asked my son, Gary McDuff, to have Mr. Lancaster to do due-diligence on the Megafund to determine whether it would be a good place to transfer my IRA funds.

That was the first time Gary McDuff heard of Megafund. It is impossible for him to have had any role in the creation, ownership, control, or operation of the Megafund. Until I asked him to have Gary Lancaster check it out, Gary McDuff did not know that Megafund existed.

Gary Lancaster had his legal counsel to examine Megafund. Stan Leitner showed Gary Lancaster Opinions written by two lawyers that stated that the Megafund investors were insured against loss of principal. Then, I gave Mr. Lancaster permission to transfer my IRA to Megafund.

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Page 1 of 2

This Affidavit of Facts has been made voluntarily, without duress, promise, or coercion of any nature, on this 21 day of October, 2013, without reservation of any kind, and it contains the facts of which I have first-hand knowledge, and to which I would swear, if called to be a witness in any court of law.

Affiant

John [redacted]f

State of Texas County of Harris
This instrument was acknowledged
on 10-21-2013 before me
by John McDuff JR

RICHARD J HELTON
NOTARY PUBLIC
STATE OF TEXAS
MY COMM. EXP. 02/20/2017

Notary

Appendix #7
Page 2 of 2

STATE OF TEXAS
COUNTY OF MONTGOMERY

AFFIDAVIT

My name is Jeffery Stephen Coffman, I am over the age of majority, and fully competent to make this sworn affidavit. The sworn statements of fact, set out below, are within my personal knowledge and are true and correct to the best of my belief.

1. I was formerly employed as a special agent for the United States Government from June 1987 until my retirement in June 2007. I worked initially for the US Customs Service and when it was merged during 2003, I worked for the Department of Homeland Security.

2. I am now a private investigator and have my office in the city of Magnolia, State of Texas. My State of Texas license number is A620963.

3. I make this affidavit at the request of Gary L. McDuff and his family.

4. I have known Gary L. McDuff and his family since 2002 and consider them to be friends. I have done paid investigative work for the McDuff family in the past, but I am not being paid or compensated in any manner for this affidavit.

5. Sometime after I retired I engaged in an informal conversation with Ronald A. Loecker (IRS/CID Agent) regarding the criminal case targeting Gary L. McDuff. The conversation took place over the telephon. I do not recall the date or even the year, but it was after I met with the Securities and Exchange Commission in Fort Worth, Texas.

6. I inquired as to the status of the investigation regarding Gary L. McDuff. Agent Loecker informed me that he was being transferred to Hawaii, but that he was retaining control of the investigation concerning Gary L. McDuff. Such action, that is, retaining control of a specific investigation and prosecution of a particular case after being transferred out of the district/state is extremely unusual.

7. Agent Loecker stated to me that he wanted the case prosecuted in the Eastern District of Texas as it was his opinion the Eastern District was a more favorable venue for the prosecution.

8. I am aware of the practice employed by some government agents to try to find an overt act in a district that is more favorable to government prosecutions. From my own professional experience, the Eastern District of Texas has a reputation for prosecuting federal allegations that other Districts will not prosecute. Tactics used by federal agents to get venue in the Eastern District of Texas included undercover meetings or to find even the smallest nexus to the Eastern District of Texas.

9. In my opinion prosecuting all civil actions in the Gary L. McDuff cases in the Northern District of Texas and then prosecuting a criminal action in the Eastern District of Texas on a small aspect of the case, gives the clear appearance of district shopping to a venue more suitable to the government's prosecution. This could lead to negatively impacting a target's (criminal defendant) constitutional rights to a fair and impartial trial. This district shopping may indicate that the U.S. Attorney in the Northern District of Texas refused to prosecute the case criminally.

Further Affiant sayeth not.

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page 1 of 2

2/27/2015

Jeffery Stephen Coffman, Affiant
Feb. 27, 2015

ACKNOWLEDGMENT

Before me, the undersigned notary appeared Jeffery Stephen Coffman and signed the foregoing Affidavit, and affirmed that the facts stated in said Affidavit were within his personal knowledge and are true and correct

Notary Public

My commission expires 01/05/2019

LAUREN [redacted]
NOTARY PUBLIC
STATE OF TEXAS
MY COMM. EXP. 1/5/19

Appendix #8
page 2 of 2

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

SECURITIES AND EXCHANGE COMMISSION, Plaintiff-Respondent	§	
- vs -	§	Civil Action No. 3:08-CV-526L
GARY L. MCDUFF et al, Defendant-Petitioner	§	

GARY L. MCDUFF'S REPLY TO THE SECURITIES AND EXCHANGE COMMISSION'S OPPOSITION TO RELIEF REQUESTED PURSUANT TO RULE 60(b)(2)(3)(6) AND RULE 60(d)(3), FEDERAL RULES OF CIVIL PROCEDURE

Gary L. McDuff (hereinafter referred to as Petitioner) files this his reply to the Securities and Exchange Commission's (hereinafter referred to as the SEC) Response to Petitioner's Motion to Vacate and Set Aside Judgment in the above styled and numbered cause of action, and would show the following:

1. On or about April 26, 2015, Petitioner received a copy of this Court's Order (Exhibit A - Order dated April 17, 2015) regarding the withdrawal of three (3) SEC lawyers (Jennifer D. Brandt, Jessica B. Magee, and Harold R. Loftin (it appears that Loftin had previously withdrawn on 1/31/2012 - See Exhibit B entry 24)) from this case and the substitution of SEC lawyer Janie L. Frank as lead attorney in this case. At the time of receipt of the Court's Order, Petitioner was unaware of a Motion to Withdraw and Substitute counsel in this case, nor was Petitioner aware of the Response filed by the SEC in this case, as Petitioner had not received a copy from SEC lawyer Janie L. Frank (hereinafter referred to as Frank)(irrespective of the Response's

Certificate of Service).

On or about April 28, 2015, Petitioner received from his son a copy of the Response (obtained from the internet), which had been filed apparently on March 31, 2015, and signed by SEC lawyer Frank, some three (3) weeks prior to being substituted in this case.

2. Petitioner denies the allegation by the SEC in paragraph 4 of the Response, in that at no time has Petitioner been "extradicted to the United States". Petitioner was not arrested in Mexico and surrendered to the authorities in the United States. Immigration Agents in Mexico did advise Petitioner that in compliance with Mexican law he was required to return to the United States as there was a warrant for his arrest. Petitioner was escorted to the airline departure gate, where Petitioner received a prepaid ticket on the airline and returned to the United States at which time he was arrested, and detained. Petitioner filed Motions and Responses while in Mexico with the United States District Court for the Eastern District of Texas in the criminal case, and at no time did any act to conceal his location.

3. When this cause of action was filed against Petitioner it was barred by limitations, and Petitioner was living and working in Cueranavaca, Mexico, a major city located near Mexico City, Mexico. The SEC failed to perfect service of process on the Petitioner despite having his home and business addresses in Mexico.

4. Petitioner irrespective of not being served submitted to this

Court's jurisdiction by filing numerous answers, and or responsive pleading to the SEC claims in its Original Complaint filed on March 26, 2008. Further, after the SEC failed to perfect service of a summons on Petitioner, by Order of this Court the case was administratively closed on September 10, 2010, approximately thirty (30) months after the Original Complaint was filed (See Exhibit B - Docket Sheet entry 15).

5. Petitioner filed a motion to dismiss (albeit inartfully drafted) that could be considered to raise a claim of limitations against the filing of the SEC's Original Complaint, as well as Petitioner raised defenses that could be considered specific denials to the SEC's alleged causes of action in its Original Complaint (See Exhibit B - Docket Sheet entries 9, 10, 11, 12, and 13). There has not been an Amended Complaint filed in this case by the SEC.

6. Per the Docket Sheet in this case (Exhibit B) there is no order or other action that would suggest that Petitioner's multiple filings prior to the SEC filing its Motion for Default Judgment, had been refused filing or in any other way disqualified as challenges to the allegations contained in the SEC's Original Complaint that is an indication of Petitioner's inartfully drafted attempts to defend himself. Further, Petitioner's initial filings raise affirmative defenses of limitations, jurisdictional issues, as well as other matters which all effect Petitioner's appearance before this Court. The Petitioner has appeared and answered the SEC Original Complaint. For that reason alone, Default Judgment is procedurally improper, and the Default Judgment should be vacated. (See Exhibit C, pg.2, ¶ 4, 6, 8)

7. The Fifth Circuit in Sun Bank of Ocala v Pelican Homestead and Savings Association et al, 874 F.2d 274; 1989 U.S. App. LEXIS 7660; (5th Cir. 1989) held:

> "On appeal, the court reversed. The court noted that default judgments were a drastic remedy resorted by courts only in extreme situations caused by an essentially unresponsive party. Because of this, "appearance" was to be construed broadly. Because the motion to dismiss clearly conveyed the corporation's purpose to defend the suit, the corporation had complied with the provisions of Rule 55(b)(2)."

In the Petitioner's first five (5) pleadings filed in this cause of action was a Motion to Dismiss among other defensive pleadings, Petitioner acknowledges that his pleading was inartfully drafted and that he was proceeding under misguided advice from persons claiming to be "Adjudicators" and or "law professors", which advise was obviously not in the Petitioner's best interests. (See Exhibit C, pg.2, ¶ 8, section (4))

8. Further, the Fifth Circuit has held in Eddie Wooten v McDonald Transit Associates, Incorporated; 2015 U.S. App. LEXIS 28; (No. 13-11035, 5th Cir. 2015):

> "Rule 55(c) provides that a district court "may set aside an entry of default for good cause" and "may set aside a default judgment under Rule 60(b)"."... "Because of the seriousness of a default judgment, and although the standard of review is abuse of discretion, even a slight abuse of discretion may justify reversal." citing In re Chinese-Manufactured Drywall Liability Litigation; 742 F.3d 576, 594 (5th Cir. 2014)(quoting Lacy, 227 F.3d at 292) "Review of a default judgment puts competing interests at play. On the one hand, "[w]e have adopted a policy in favor of resolving cases on their merits and against the use of default judgments" id. "On the other this policy is counterbalanced by consideration of the social goals, justice and expediency, a weighing process that is largely within the domain of the trial judge's discretion." id.", (citation omitted).

Petitioner urges this Court to consider the fact that during

all but the time post the conclusion of Petitioner's criminal trial in the United States District Court for the Eastern District of Texas, the Petitioner was conducting his legal affairs under a severe delusion fostered on him by people attempting to claim to be practicing law, obviously without a license.

9. In further support, Petitioner would show that the Fifth Circuit held in Thomas Chavers et al v Randal Hall et al, 488 Fed. Appx. 874; 2012 U.S. App. LEXIS 79525, (5th Cir. 2012) the following:

> "Default judgments are a drastic remedy, not favored by the Federal Rules and resorted to by the courts only in extreme situations Sun Bank v Pelican Homestead [488 Fed. Appx. 879] & Savings Association, 874 F.2d 274, 276 (5th Cir. 1989). For this reason, "any doubts usually will be resolved in favor of the defaulting party."..."A party is not entitled to a default judgment as a matter of right even where the defendant is technically in default". Settlement Funding, 555 F.3d at 424 (quotation marks and citations omitted)."

Petitioner urges this Court to consider the following

(1) not only the fact that Petitioner had filed multiple responsive pleadings prior to the SEC "Motion for Default Judgment" which pled defensive issues as well as affirmative defenses to the SEC's claims;

(2) that at the time of the SEC's filing of its Motion for Default Judgment, Petitioner was incarcerated in the county jail near Sherman, Texas, and did not have the resources nor ability to respond or otherwise to litigate this matter nor did he have sufficient funds to hire counsel;

(3) that Petitioner has discovered all of the evidence to support his defense in this matter after being incarcerated and

tried in the criminal case; and

(4) while his criminal convictions are on direct appeal to the Fifth Circuit, the Petitioner has by his filing of a Motion to Vacate and Set Aside a default judgment pursuant to Federal Rules of Civil Procedure, Rule 60(b)(2), (3), and (6) and Rule 60(d)(3) demonstrated once more his intentions to defend the SEC's suit, and attempted to demonstrate by competent documentary evidence and affidavits that the subject default judgment should be vacated and set aside as provided for by rule and Fifth Circuit jurisprudence. Rule 60(b) et seq and Rule 60(d)(3) provides a District Court with the authority and power to vacate a default judgment obtained by an opposing party's misconduct, or fraud on the court. Rule 60(b)(6) and Rule 60(d)(3) ("Savings Clause") provisions are specifically outside of the timing limitations contained in Rule 60(c). (See Fed.R.Civ.P. 60(c)(1));(See also Mary L. Fox et al v Elk Run Coal Company Incorporated et al; 739 F.3d 131; 2014 U.S. App. LEXIS 86 (4th Cir. 2014)) which provides:

> "But as often happens with a rule, there is an exception. The savings clause in Rule 60(d)(3) permits a court to exercise...its interest equitable powers to obviate a final judgment after one year for fraud on the court." citing Hazel-Atlas Glass Co. v Harford Empire Co., 322 U.S. 238, 64 S.Ct. 997, 88 L.Ed.2d 1250 (1944).

Petitioner's Rule 60 Motion to Vacate, its exhibits and Appendix Affidavits clearly demonstrate that the SEC lawyers, agents and employees misstated facts, and withheld relevant evidence from this Court to such a degree that it rises to the level of fraud on the Court, as well as "forum shopping" a criminal

prosecution to the Eastern District of Texas in an apparent attempt to prevent the United States District Court for the Northern District of Texas from trying the last case from the related transactions made the basis of multiple civil actions litigated in the Northern District of Texas.

10. Petitioner's Motion to Vacate the default judgment in this case contains more than thirty (30) exhibits and affidavits (Appendix Documents) which demonstrate the SEC's lawyers' and agents' complicity in perpetrating a fraud on this Court. In as much as the SEC is a primary regulatory agency which affects the economy and commerce of the United States, it has great power and influence over the forums in which it litigates against alleged offenders and for that reason it should be held to the highest standards of truthfulness and fair dealings. Malfeasance or misdeeds practiced by the SEC's lawyers, agents, or employees adversely affects the integrity of the judicial process.

11. With regard to the "forum shopping" issue, Petitioner has provided in the Appendix of Affidavits filed with Petitioner's Motion to Vacate the affidavit of J. Stephen Coffman (former Government employee/agent) that provides clear evidence in opposition to the SEC's conclusionary assertions in its response regarding "forum shopping" (See Affidavit 8 - Motion to Vacate).

CONCLUSION

For the foregoing resaon and on the basis of the Motion to Vacate filed herein, Petitioner requests that the Court grant his

Rule 60(b) and Rule 60(d) Motion, to Vacate and Set Aside Default Judgment.

Respectfully Submitted,

Dated: May 4, 2015

Gary L. McDuff
[redacted]
Beaumont, Texas [redacted]

CERTIFICATE OF SERVICE

I, GARY L. MCDUFF, hereby certify that a copy of this Reply and exhibits was mailed to Counsel for the SEC on this the ____ day of May, 2015, by placing said Reply in the FCI Beaumont Low legal mail system addressed as follows:

Janie L. Frank
U.S. Securities and Exchange Commission
Burnett Plaza, Suite 1900
801 Cherry Street, Unit 18
Ft. Worth, Texas 76102

Gary L. McDuff

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

SECURITIES AND EXCHANGE COMMISSION,	:	
Plaintiff,	:	
v.	:	Civil Action No. 3:08-CV-526-L
GARY L. McDUFF, et al.,	:	
Defendants.	:	

ORDER

Before the court is Plaintiff's Unopposed Motion to Withdraw and Substitute Counsel and Removal from Service List, filed March 31, 2015. Plaintiff Securities and Exchange Commission requests that **Jennifer D. Brandt, Jessica B. Magee** and **Harold R. Loftin** be withdrawn as counsel for Plaintiff in this case. The court determines that the motion should be, and is hereby, **granted.** Accordingly, the court **allows Jennifer D. Brandt, Jessica B. Magee** and **Harold R. Loftin** to withdraw as counsel for Plaintiff, and they are relieved of any further obligation to or representation of Plaintiff in this case. **Janie L. Frank** is substituted as counsel for Plaintiff in this case.

It is so ordered this 17th day of April, 2015.

Sam A. Lindsay
United States District Judge

Exhibit A

CLOSED,ECF,SANDERSON

U.S. District Court
Northern District of Texas (Dallas)
CIVIL DOCKET FOR CASE #: 3:08-cv-00526-L

Securities and Exchange Commission v. McDuff et al
Assigned to: Judge Sam A Lindsay
Cause: 15:77 Securities

Date Filed: 03/26/2008
Date Terminated: 02/22/2013
Jury Demand: None
Nature of Suit: 850 Securities/Commodities
Jurisdiction: U.S. Government Plaintiff

Plaintiff

Securities and Exchange Commission

represented by **Jennifer D Brandt**
Securities and Exchange Commission
Burnett Plaza
801 Cherry Street Suite 1900
Fort Worth, TX 76102-6882
817/978-6442
Fax: 817/978-4927
Email: brandtj@sec.gov
LEAD ATTORNEY
ATTORNEY TO BE NOTICED
Bar Status: Admitted/In Good Standing

Jessica B Magee
United States Securities and Exchange Commission
801 Cherry Street
Suite 1900 Unit #18
Fort Worth, TX 76102
817/978-3821
Fax: 817/978-2809
Email: mageej@sec.gov
LEAD ATTORNEY
ATTORNEY TO BE NOTICED
Bar Status: Admitted/In Good Standing

Harold R Loftin , Jr
SNR Denton US LLP
2000 McKinney Ave
Suite 1900
Dallas, TX 75201
214/259-0900

Exhibit B
page 1 of 5

05/12/2008	10	CORRECTED ATTACHMENT TO NOTICE of Special Appearance, Non Acceptance of Offer to Contract Entitled "Summons" re 5 Summons Issued filed by Gary L McDuff. (svc) (Entered: 05/13/2008)
05/12/2008	11	NOTICE of Non Acceptance of Offer Return of Complaint Dated 3/26/08 Demand for Credentials/Firm Offer to Settle filed by Gary L McDuff. (svc) (Entered: 05/13/2008)
05/12/2008		NOTICE of Docket Text/Document Modification by Deputy Clerk regarding #12 deleted due to docketing error. (svc) (Entered: 05/13/2008)
05/23/2008	12	NOTICE to Agent and Principal re: 11 NOTICE of Non Acceptance of Offer Return of Complaint filed by Gary L McDuff (mfw) (Entered: 05/29/2008)
05/23/2008	13	Verified NOTICE of Non-Response re 11 NOTICE of Non Acceptance of Offer Return of Complaint filed by Gary L McDuff (mfw) (Entered: 05/29/2008)
03/10/2010	14	Summons Reissued as to Gary L McDuff. (skt) (Entered: 03/11/2010)
09/30/2010 Case closed	15	ORDER: Given the age of this case and that time continues to run against the three-year age of this case, no purpose is served by the case remaining active; the court therefore determines that it should be, and is hereby, administratively closed. (see order) (Ordered by Judge Sam A Lindsay on 9/30/2010) (mfw) (Entered: 10/01/2010)
10/01/2010		***Clerk's Notice of delivery: (see NEF for details) Docket No:15. Fri Oct 1 08:27:53 CDT 2010 (crt) (Entered: 10/01/2010)
10/14/2010	16	Administrative Record consisting of Letters Rogatory. (Forwarded to the US Embassy Mexico City by the Mexican Secretariat of Foreign Relations.) (One bound volume, see Records Department) (twd) (Entered: 10/15/2010)
01/04/2012	17	NOTICE of Tender for Setoff and a Request Regarding a Statement of Account filed by Gary L McDuff. (ykp) (Entered: 01/05/2012)
01/04/2012	18	NOTICE of Tender for Setoff filed by Gary L McDuff. (ykp) (Entered: 01/05/2012)
01/10/2012	19	NOTICE of Attorney Appearance by Jennifer D Brandt on behalf of Securities and Exchange Commission. (Brandt, Jennifer) (Entered: 01/10/2012)
01/10/2012	20	MOTION to Withdraw as Attorney *as to Harold R. Loftin, Jr.* filed by Securities and Exchange Commission (Attachments: # 1 Proposed Order) (Brandt, Jennifer) (Entered: 01/10/2012)
01/23/2012	21	2nd NOTICE of Fault, filed by Gary L McDuff. (ctf) (Entered: 01/23/2012)
01/23/2012	22	NOTICE of Fault filed by Gary L McDuff. (twd) (Entered: 01/24/2012)
01/30/2012	23	NOTICE of Default in Dishonor- Consent to Judgment filed by Gary L McDuff. (ykp) (Entered: 01/30/2012)
01/31/2012	24	ORDER granting 20 Motion to Withdraw as Attorney. Attorney Harold R Loftin, Jr terminated. (Ordered by Judge Sam A Lindsay on 1/31/2012) (ctf) (Entered: 01/31/2012)
01/31/2012		***Clerk's Notice of delivery: (see NEF for details) Docket No:24. Tue Jan 31 10:49:41

Exhibit B

		CST 2012 (crt) (Entered: 01/31/2012)
02/15/2012	25	NOTICE of Filing Foreign Judgment filed by Gary L McDuff. (skt) (Entered: 02/15/2012)
04/20/2012	26	NOTICE of Amended Filing Authenticated Foreign Judgment Record and Notice of Filing Original Certificate of Authentication of Notary filed by Gary L McDuff. (tln) (Entered: 04/20/2012)
04/20/2012	27	NOTICE of Amended Filing Authenticated Foreign Judgment Record and Notice of Filing Original Certificate of Authentication of Notary filed by Gary L McDuff. (tln) (Entered: 04/20/2012)
06/19/2012	28	MOTION to Reopen Case filed by Securities and Exchange Commission (Attachments: # 1 Proposed Order) (Magee, Jessica) (Entered: 06/19/2012)
06/19/2012	29	MOTION to Reissue Summons filed by Securities and Exchange Commission (Attachments: # 1 Exhibit(s) ORDER OF DETENTION PENDING TRIAL, # 2 Proposed Order) (Magee, Jessica) (Entered: 06/19/2012)
06/26/2012	30	Notice of Mistake of Omission to File 1099A and 1096 filed by Gary L McDuff. (ctf) (Entered: 06/28/2012)
08/09/2012	31	Copy of Petitioner's Motion for Summary Judgment filed in Maricopa County by Gary L McDuff. (ykp) (Entered: 08/10/2012)
08/20/2012	32	ORDER granting 28 Motion to Reopen Case; granting 29 Motion to Reissue Summons to Defendant Gary L. McDuff. (Ordered by Judge Sam A Lindsay on 8/20/2012) (axm) Modified on 8/21/2012 (axm). (Entered: 08/21/2012)
08/21/2012		***Clerk's Notice of delivery: (see NEF for details) Docket No:32. Tue Aug 21 08:07:04 CDT 2012 (crt) (Entered: 08/21/2012)
08/21/2012	33	Summons Reissued as to Gary L McDuff. (axm) (Entered: 08/21/2012)
08/29/2012	34	SUMMONS Returned Executed as to Gary L McDuff ; served on 8/23/2012. (Magee, Jessica) (Entered: 08/29/2012)
09/24/2012	35	Request for Clerk to issue Clerk's Entry of Default filed by Securities and Exchange Commission. (Attachments: # 1 Clerk's Entry of Default) (Magee, Jessica) (Entered: 09/24/2012)
09/24/2012	36	***Disregard Filed in Error per Attorney*** MOTION for Default Judgment against Gary L McDuff filed by Securities and Exchange Commission (Attachments: # 1 Proposed Order) (Magee, Jessica) Modified on 9/24/2012 (ndt). (Entered: 09/24/2012)
09/24/2012	37	AFFIDAVIT re 35 Request for Clerk to Issue Document *Declaration of Jessica B. Magee In Support of Application For Clerk's Entry of Default As To Defendant McDuff* by Securities and Exchange Commission. (Magee, Jessica) (Entered: 09/24/2012)
09/24/2012	38	Clerk's ENTRY OF DEFAULT as to Gary L McDuff. (ctf) (Entered: 09/24/2012)
/25/2012		***Clerk's Notice of delivery: (see NEF for details) Docket No:38. Tue Sep 25

ORIGINAL

From: Gary-Lynn: McDuff, a man,
c/o Juan Carlos Harris
[redacted]
[redacted] Mexico City, Mexico [redacted]

To: Karen Mitchell, Clerk
1100 Commerce St., Room 1452
Dallas, Texas 75242
and
Harold R Loftin, Jr
SEC Fort Worth Regional Office
801 Cherry St
Suite 1900
Fort Worth, TX 76102
and
Sam A. Lindsay, Judge
c/o 1100 Commerce St., Room 1452
Dallas, Texas 75242
Respondents

Reference: Complaint in Case Number: 3-08CV-526-L
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS (DALLAS)

NOTICE OF NON ACCEPTANCE OF OFFER
RETURN OF COMPLAINT DATED MARCH 26 2008
DEMAND FOR CREDENTIALS/ FIRM OFFER TO SETTLE
080505

I, Gary-Lynn: McDuff, a man, hereinafter I, me, my or mine am competent to handle my own commercial affairs. I am, however, not trained in the law or the procedures of law, nor have I been able, as of this date, to retain competent assistance of counsel to advise me in this matter.

I am aware of the attached complaint signed by attorney Harold R Loftin, Jr , attorney for US Securities & Exchange Commission , 3-08CV-526-L UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF TEXAS (DALLAS).

I have not yet been served with the COMPLAINT and do not waive any right, privilege, or defense.

Exhibit C
Page 1035

I declare the COMPLAINT, hereinafter "offer" to be an offer on the part of the Harold R Loftin, Jr, to settle a private dispute with me.

Notice is given that the COMPLAINT is returned with the following statement inscribed on it's face: I DO NOT ACCEPT THIS OFFER, I DO NOT CONSENT TO THESE PROCEEDINGS, I DO NOT CONSENT TO ACT AS SURETY with my signature.

I declare Case No. 3-08CV-526-L, and any claim and associated responses, to be in commerce.

I do not give Harold R Loftin, Jr , attorney for US Securities & Exchange Commission , or the UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF TEXAS (DALLAS), license to make any legal determinations for me, nor is it my intention ever to do so without proof of obligation to do so.

I declare attorney Harold R Loftin, Jr , attorney for US Securities & Exchange Commission, Karen Mitchell, clerk, and Sam A Lindsey, judge, hereinafter "Respondents" to be legally incompetent as regards this matter.

I declare that the UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF TEXAS (DALLAS) is foreign to my venue and jurisdiction.

At no time in this or any future negotiations do I agree to give to anyone license to make legal determinations for me, including but not limited to Karen Mitchell, hereinafter "Clerk", and Sam A. Lindsay, hereinafter "Judge", together, hereinafter "Court" or Harold R Loftin, Jr , attorney for US Securities & Exchange Commission , without a written Power of Attorney, signed by me, in red ink and sealed by me with a red thumb print stating with particularity the limits of that Power of Attorney. Lest there be any doubt, I hereby fire the Court and Harold R Loftin, Jr , attorney for US Securities & Exchange Commission.

Notice is given to UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF TEXAS (DALLAS), and Harold R Loftin, Jr , attorney for US Securities & Exchange Commission that the COMPLAINT, is rejected timely and in accordance with all applicable rules, without dishonor, for valid reasons including, but not limited to (I) An inherent conflict of interest where the proposed judge, attorney, and clerk are purported employees of the principal in this dispute. and (2) The lack of evidence, in the record, that the Court is a court of strictly judicial character, (3) Lack of evidence, in the record, that the Court agrees only be bound by the Constitution for the united States and constitutionally compliant laws, rules, and regulations, and (4) Lack of evidence in the record of a plaintiff with the standing to sue or be sued.

Notice is given to the Court and Harold R. Loftin, Jr. that the offer to contract, entitled COMPLAINT IN CASE No. 3-08CV-526-L is hereby "justifiably refused" for cause.

Exhibit C

I am not aware of any action that I might have done to injure the plaintiff, or of a duty to the plaintiff of which I am in breach.

If I have broken any laws of man or of God, I am truly sorry, as it was not my intent to do so.

This is my firm offer to make full restitution for any act I might have committed upon proof of injury and proof of my liability, upon presentment of an invoice.

This is my firm offer to settle all matters by entering into private negotiations with Harold R Loftin, Jr., hereinafter "You, your," for the express purpose of settling this apparent dispute.

I command Respondent Karen Mitchell, Clerk of Court, to keep a public record of these private negotiations by filing all documents submitted to her into the referenced case number for future reference.

Before we can proceed further there are a few preliminary items that need to be resolved.

Formal demand is made of you to provide me with the following evidence and completed documents within ten days or request an extension of time, if needed, which will be granted or show cause why not:

1. Provide evidence that there is a rule, law, statute, regulation, code, contract, or injury, that you or some other competent witness is willing to swear to under penalty of perjury to be true, correct, and complete, and not misleading, that applies to me and that would create a liability on my part in behalf of the plaintiff.
2. Provide me with evidence that the plaintiff has standing to sue or be sued.
3. Fill out the attached ADMINISTRATIVE NOTICE AND DEMAND FOR IDENTIFICATION AND CREDENTIALS QUO WARRANTO for Harold R. Loftin, Jr., signed under penalty of perjury, and thereafter timely returning the fully executed document to me.
4. Fill out the attached ATTORNEY QUESTIONNAIRE, in order to prove your status and standing to represent the Plaintiff.
5. If the Plaintiff is not the Real Party in Interest, please provide the documentary evidence identifying the Real Party in Interest and the evidence it is willing to use to establish my liability and its' injury.

Your failure to provide the requested evidence and documentation within ten days, or show cause why not, or request an extension of time it will be deemed:

1. You agree with me that there is no rule, law, statute, regulation, code, contract, or injury, that you or some other competent witness is willing to swear to under penalty of perjury to be true, correct, and complete, and not misleading, that applies to me and that would create a liability on my part in behalf of the plaintiff.
2. You agree with me that the Plaintiff has no standing to sue or be sued.

Exhibit C

PROOF OF SERVICE

I, the undersigned, hereby certify and affirm that I served the following original document:

"NOTICE OF NON ACCEPTANCE OF OFFER/ RETURN OF COMPLAINT DATED MARCH 26 2008/DEMAND FOR CREDENTIALS/ FIRM OFFER TO SETTLE 080505" Gary-Lynn: McDuff on May 5, 2008 with the following attachments:

1. A copy of the Complaint with the words "I DO NOT ACCEPT THIS OFFER, I DO NOT CONSENT TO THESE PROCEEDINGS, AND I DO NOT CONSENT TO ACT AS SURETY" inscribed on the face with original signature of Gary-Lynn: McDuff dated May 5, 2008
2. ADMINISTRATIVE NOTICE AND DEMAND FOR IDENTIFICATION AND CREDENTIALS QUO WARRANTO FOR Harold R Loftin, Jr .
3. ATTORNEY QUESTIONNAIRE for Harold R. Loftin, Jr.

by causing said documents be sent by Federal Express, with delivery confirmation and addressed to the following person/entity:

Karen Mitchell, Clerk
1100 Commerce St., Room 1452
Dallas, Texas 75242 Fed Ex# 8657 9148 8675
Including self addressed prepaid envelope for Return of 1 conformed copy

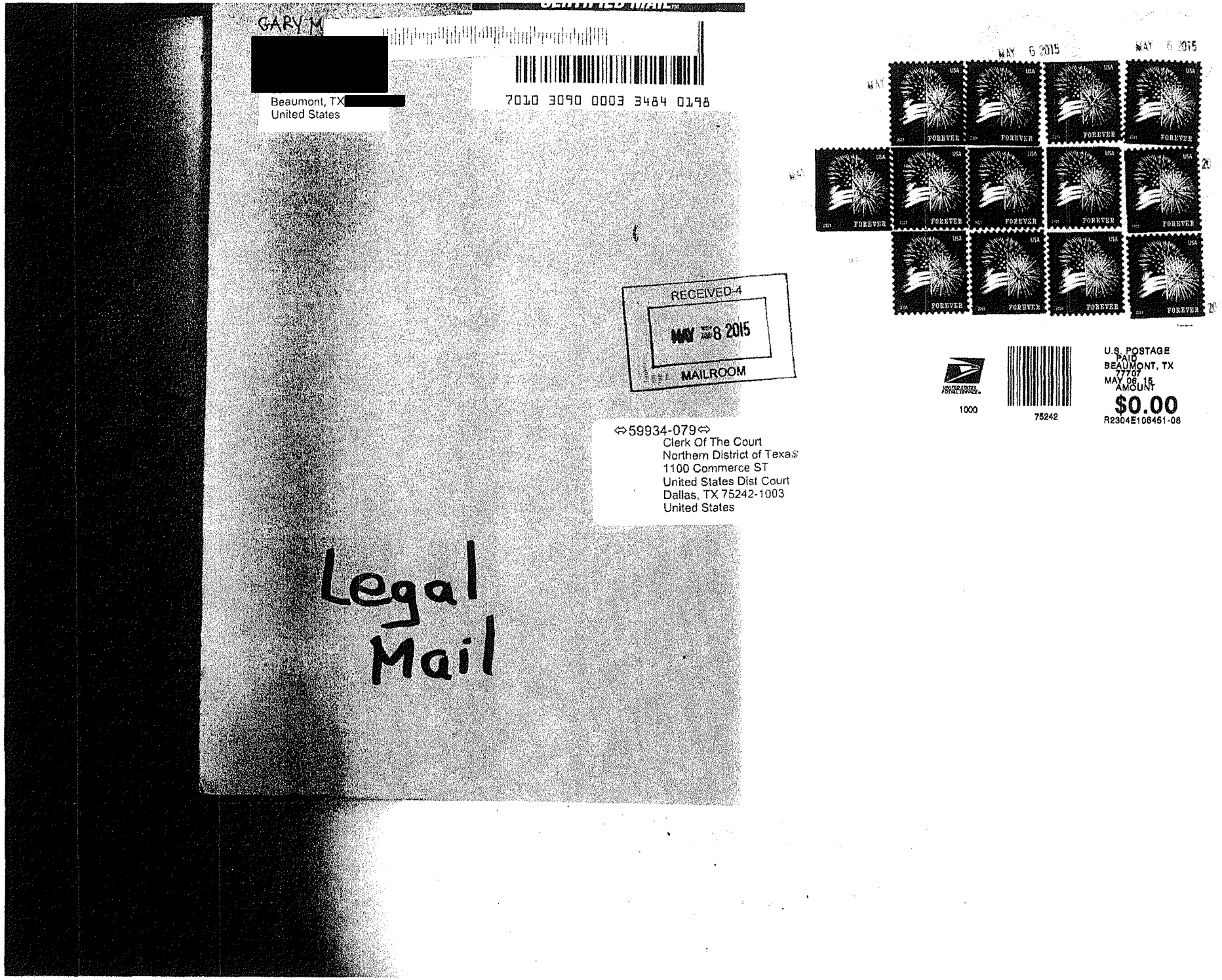
and
Sam A. Lindsay, Judge Fed Ex# 8657 9148 8686
1100 Commerce St.,
Dallas, Texas 75242

and
Harold R Loftin, Jr . Fed Ex# 8657 9148 8697
SEC Fort Worth Regional Office
801 Cherry St
Suite 1900
Fort Worth, TX 76102

Dated: May 5, 2008
Affirmed by:

Roselia Carlos
name Sacarias Roselia Carlos
address [redacted] 48
[redacted], Mexico
Temixco, Mo. Cp. [redacted]

Exhibit C


GARY M
[redacted]
Beaumont, TX [redacted]
United States
7010 3090 0003 3484 0198
MAY 6 2015
MAY 6 2015
RECEIVED-4
MAY 08 2015
MAILROOM
⇔59934-079⇔
Clerk Of The Court
Northern District of Texas
1100 Commerce ST
United States Dist Court
Dallas, TX 75242-1003
United States
Legal Mail
U.S. POSTAGE
PAID
BEAUMONT, TX
77707
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APPENDIX

2

GARY L. MCDUFF'S DIRECT APPEAL OF HIS CRIMINAL CONVICTION, TO THE 5TH CIRCUIT, WITH ALL EXHIBITS

- REJECTED BRIEF (OVERSIZED WITH APPENDIX DOCUMENTS)-FILED MAY 20, 2015

- ACCEPTED BRIEF (CONDENSED AND WITHOUT APPENDIX DOCUMENTS) - FILED JUNE 3, 2015

• REJECTED BRIEF AND RECORD EXCERPTS

(OVERSIZED WITH APPENDIX DOCUMENTS)

FILED MAY 20, 2015

CASE NO. 14-40780
CASE NO. 14-40905
(Consolidated)

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

UNITED STATES OF AMERICA,
Plaintiff-Appellee

V

GARY LYNN MCDUFF,
Defendant-Appellant

Appeal from the United States District Court
For The Eastern District Of Texas, Sherman Division
Cause No. 4:09cr90

BRIEF FOR THE DEFENDANT-APPELLANT GARY LYNN MCDUFF

Daniel Kyle Kemp
SBN 24067703
406 North Grand Avenue, Suite 106
Gainesville, Texas 76240
(940) 665-1154
(972) 432-7690 fax
Attorney for Defendant-Appellant

May 20, 2015

CASE NO. 14-40780
CASE NO. 14-40905
(Consolidated)

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

UNITED STATES OF AMERICA,
Plaintiff-Appellee

V

GARY LYNN MCDUFF,
Defendant-Appellant

Appeal from the United States District Court
For The Eastern District Of Texas, Sherman Division
Cause No. 4:09cr90

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By: /s/ ***D. Kyle Kemp***
Daniel Kyle Kemp
Attorney for Defendant-Appellant
GARY LYNN MCDUFF

Cause No. 14-40780
Cause No. 14-40905
(Consolidated)

The undersigned certifies that the following listed persons and entities as described in the fourth section of Rule 28.2.1 have an interest in the outcome of this case. These representations are made in order that the Judges of this Court may evaluate possible disqualification or recusal.

1. HONORABLE RICHARD SCHELL, United States District Judge, 7940 Preston Road, Plano, Texas 75024. Trial Court Judge.
2. HONORABLE DON BUSH, United States Magistrate Judge, 7940 Preston Road, Plano, Texas 75024. Magistrate Judge.
3. Assistant United States Attorney Shamoil T. Shipchandler, 101 East Park Blvd, Suite 500, Plano, Texas 75074
4. Appellant, Gary Lynn McDuff, Defendant-Appellant
5. Attorney for Defendant-Appellant, Gary Lynn McDuff, Daniel Kyle Kemp
6. Michael J. Quilling, Attorney at Law, Receiver for Megafund, Lancorp Financial Group, and Lancorp Financial Business Trust, 2001 Bryan Street, Suite 1800, Dallas, Texas 75201
7. Jessica B. Magee / Jennifer D. Brandt / Julia Huseman, U.S. Securities and Exchange Commission, Burnett Plaza, Suite 1900, 801 Cherry Street, Unit 18, Fort Worth, Texas 76102
8. Harold R. Loftin, Jr., U.S. Securities and Exchange Commission, Burnett Plaza, Suite 1900, 801 Cherry Street, Unit 18, Fort Worth, Texas 76102

Respectfully Submitted,

Daniel Kyle Kemp
SBN 24067703

406 North Grand Avenue, Suite 106
Gainesville, Texas 76240
(940) 665-1154
(972) 432-7690 fax

By: /s/ ***D. Kyle Kemp***
Daniel Kyle Kemp
Attorney for Defendant-Appellant
GARY LYNN MCDUFF

STATEMENT REGARDING ORAL ARGUMENT

Daniel Kyle Kemp, counsel for Gary Lynn McDuff, Appellant, respectfully requests oral argument. The issues are complex and involve multiple parties intertwined in multiple cases over two districts and incorporate important constitutional due process questions and fact assertions not available at trial. As such, a proper resolution of these issues may be assisted by the Court having an opportunity to pose questions to counsel, so that the issues may be explored and amplified. FED.R.APP.R.34(a)

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D. The Government's fraud allegations in the Original and Superseding Indictment (filed June 11, 2009 and August 13, 2009 respectively) were filed fourteen (14) and sixteen (16) months respectively, after a "Final Judgment" from the United States District Court for the Northern District of Texas permanently enjoined Gary L. Lancaster (hereinafter referred to as Lancaster), "and all persons in active concert or participation with them ...are permanently enjoined ...";[including Gary L. McDuff] (See "Final Judgment as to Defendant Gary L. Lancaster" dated March 27, 2008, signed and filed by Sam A. Lindsay, United States District Judge;.....51-52

Additionally, the evidence in the record demonstrates conclusively that any and all communications that Gary McDuff had with any potential investor was before the investor's funds were deposited into an escrow with Lancorp. The "Brady" material withheld by the Government and that is newly discovered by Gary McDuff demonstrates in clear and convincing terms that the investor moneys held in escrow were not obtained by Lancorp Fund until May 14, 2004. The First Indictment for wire fraud and money laundering was in June 2009 and superseded in August 2009 respectively, more than five (5) years after the misrepresentations alleged to be fraud against Gary L. McDuff.

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C. One Government witness Jay Biles, testified that not having insurance coverage would have caused him to decline to invest. However when given

the opportunity to rescind his "Lancorp Fund" investment, he declined and stayed in escrow; an important fact that the witness and the Government omitted from his testimony before the jury.....80-92

D. There exists approximately twenty-one (21) United States District Court Findings of Fact, the "O.N. Equity Sales Co." cases, which find that Lancaster not McDuff controlled "Lancorp Fund" and that Lancaster offered to rescind every investor's money in "Lancorp Fund" escrow when he could not obtain insurance and did rescind for some investors who requested rescission. This testimony and information would have been dispositive against the Government's claim of fraud with respect to the insurance issue, as well as demonstrating that McDuff did not control or direct the "Lancorp Fund".....80-92

E. The Government knew from the beginning of the Megafund prosecution in the Northern District of Texas that Lancorp, Lancaster, and McDuff were all deceived by Stanley Leitner, President/ CEO of Megafund as is evidenced by the disposition testimony of Lancaster in related civil litigation as well as in the Megafund indictment. This information is exculpatory to McDuff as it was not his decision to invest "Lancorp Fund" money into Megafund. Even if McDuff wanted to invest in Megafund he could not as he had no control over the "Lancorp Fund" bank accounts or escrow.....80-92

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GARY LYNN MCDUFF, the Defendant-Appellant (hereinafter referred to as McDuff), brings this appeal from the judgment and sentence entered against him on April 16, 2014, by the United States District Court for the Eastern District of Texas, the Honorable Richard Schell presiding.

JURISDICTIONAL STATEMENT

This Court has jurisdiction of this appeal from a final judgment of conviction and sentence in the United States District Court for the Eastern District of Texas under 28 USC § 1291 and 18 USC § 3742 (a). Notice of Appeal was timely filed in accordance with Rule 4 (b) of the Federal Rules of Appellant Procedure.

ISSUES PRESENTED FOR REVIEW

ISSUE I

APPELLANT'S FIFTH AMENDMENT CONSTITUTIONAL DUE PROCESS RIGHTS WERE VIOLATED BY THE GOVERNMENT BRINGING A CRIMINAL INDICTMENT AND PROSECUTING THE CASE IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF TEXAS, SHERMAN DIVISION. THE PROSECUTION IS BARRED BY THE APPLICABLE STATUTE OF LIMITATIONS.

ISSUE II

THE DISTRICT COURT ERRED BY ANNOUNCING TO THE JURY THAT "MR. MCDUFF WAS A CONVICTED FELON, WITHOUT THE REQUISITE SECURITIES LICENSES" WHO WAS DIRECTING THE ACTIVITIES OF GARY LANCASTER.

ISSUE III

THE DISTRICT COURT ERRED BY ADMITTING EVIDENCE OF UNCHARGED CRIMINAL CONDUCT, THAT IS, SECURITIES FRAUD.

ISSUE IV

THE GOVERNMENT VIOLATED APPELLANT'S DUE PROCESS RIGHTS BY ENGAGING IN A COURSE OF CONDUCT THAT VIOLATED THE PRECEPTS OF BRADY v. MARYLAND, 373 U. S. 83, 87; 83 S. CT. 1194, 1197; 10 L.ED.2D 215 (1963), BY CONCEALING EXCULPATORY EVIDENCE FROM GARY MCDUFF, THE DISTRICT COURT, AND THE JURY.

ISSUE V

THE DISTRICT COURT ERRED BY FAILING TO DISMISS COUNT TWO OF THE SUPERSEDING INDICTMENT, AS SUCH IS BARRED BY THE DOCTRINE OF "MERGER" AS ANNOUNCED BY THE SUPREME COURT IN SANTOS v. UNITED STATES, 553 U. S. 507 (2008).

ISSUE VI

THE SENTENCE IS PROCEDURALLY UNREASONABLE BECAUSE THE INTENDED LOSS AMOUNT IS INCORRECT.

INTRODUCTION

The criminal indictment filed in the Eastern District of Texas against McDuff is the result of forum shopping the case to the Eastern District of Texas out of the Northern District of Texas due to the efforts of law enforcement agents and the Prosecution Team. IRS/CID Agent Ron Loecker, (who was the lead government investigator and a witness), openly bragged about taking a personal interest in this case and manipulating the judicial system in order to circumvent the statutory as

well as the constitutional precepts regarding venue. The stated motive for such conduct was to find a more "prosecution favorable" venue in which to convict McDuff (See Appendix Document #16 – Affidavit of Stephen Coffman former government agent regarding Agent Loecker's statements).

McDuff was employed by Secured Clearing Corporation (hereinafter SCC) a Belize corporation, and living in Cuernavaca, Mexico at the time that the original indictment was issued on June 11, 2009; McDuff filed a responsive pleading on June 22, 2009 and on July 6, 2009 (Appendix Document #1) showing his address in Mexico. Prior to the indictment, McDuff had been a defendant in a civil action pending in the United States District Court for the Northern District of Texas, as well as an ancillary proceeding brought by the SEC seeking a contempt order for the enforcement of a subpoena to give a deposition, with said contempt case being dismissed in 2006. Subsequently, McDuff was sued by Michael J. Quilling, Receiver for Lancorp and the SEC; McDuff filed notice of his change of address in both civil cases pending in the United States District Court for the Northern District of Texas (See Appendix Document #1A – Excerpt from responsive pleadings); when McDuff moved to Mexico City, Mexico to continue his employment with Secured Clearing Corporation. There was no court order, injunction or other legal impediment to his relocating to Mexico.

Upon returning to the United States in May 2012, McDuff was arrested and detained pending trial in the instant criminal case. Appellant McDuff labored under a delusion provided by ill-founded advice from three people claiming to be law professors, or "adjudicators" working as a group named International Adjudicators Association. They believed and advised Appellant that he could defend the indictment by objecting to jurisdiction and venue and answering that the case must be dismissed based on "discharged" or some notion of res judicata or double jeopardy. Because of that delusion, McDuff refused appointed counsel and proceeded to trial after making an oral denial of all charges and a motion to dismiss the indictment before trial began. (See Trial Transcript) USCA5.1683 and Order USCA5.234

Count One of the Superseding Indictment alleged conspiracy to commit wire fraud (18 USC § 1349), employing a scheme to obtain money or property, by fraud and to use or cause to be used wire communications in furtherance of the scheme.

Although no allegation of securities fraud, selling unregistered securities, or acting in the capacity of an unlicensed seller of securities is charged in the Original Indictment or the Superseding Indictment filed in this case; the Government tried the case as if it had indicted for securities fraud violations pursuant to 15 USC § 77q(a) and § 77x, as well as criminal violations of the Securities Exchange Act of 1934 § 10(b) and Rule 10b-5.

The case was filed in the United States District Court for the Eastern District of Texas despite several related civil cases and one criminal case in the United States District Court for the Northern District of Texas, that is:

(a) One (1) criminal indictment (related to Lancorp Fund's investments) in the United States District Court for the Northern District of Texas involving a related party, Stanley A. Leitner (President/CEO of Megafund Corporation, a Ponzi scheme operating in the Northern District of Texas); FN1[1]

(b) One (1) Civil Complaint against Megafund Corporation (hereinafter Megafund), Stanley A. Leitner (hereinafter Leitner) and others in the United States District Court for the Northern District of Texas, which included "Lancorp Fund" as a victim;

(c) One (1) Civil Complaint against Gary McDuff, Robert Rees and (defendants in the instant case) and others by Michael J. Quilling as Receiver for Megafund Corporation and Lancorp Financial Group, LLC, in the United States District Court for the Northern District of Texas;

[1]FN1 – All transactional facts in all civil and criminal cases involving McDuff arose out of the same business events and occurrences during the same time periods involving the same key actors, and the same acts of alleged fraud

(d) One (1) Civil Complaint by the Securities and Exchange Commission (SEC) against Gary McDuff, Gary Lancaster and Robert Reese in the United States District Court for the Northern District of Texas involving the transactions that are the basis for this case;

The Government at the criminal trial in the United States District Court for the Eastern District of Texas focused its proof and argument on the following primary issues:

(1) McDuff solicited investors to purchase securities in the "Lancorp Fund"; USCA5.1752-1753.

(2) McDuff failed to disclose that he had a prior felony conviction; USCA5.1753-54.

(3) McDuff failed to advise those investors with whom he had contact, that "Lancorp Fund" did not have insurance to protect against the loss of principal; USCA5.1753.

(4) McDuff failed to advise that, the "Lancorp Fund" contained what is alleged to be misstatements of fact in the Private Placement Memorandum (hereinafter PPM) (dated March 17, 2003) (See Appendix Doc. #2 – Gov't Exhibit #56) USCA5.1742; the entire PPM is Government's Trial Exhibit No. 56.

(5) McDuff failed to advise prospective investors that he somehow had control over Lancaster's decision to invest "Lancorp Fund" money into a Ponzi scheme, that is, Megafund, as well as some illusory control over the "Lancorp Fund's" escrow account, or bank accounts; USCA5.1757; and

(6) McDuff failed to advise prospective investors that he misrepresented the nature of Lancaster's management experience. USCA5.1754.

The case was tried for two days before a jury and McDuff respectfully declined to cross examine the Government's witnesses, make objections, or in any way participate in the trials adversarial process laboring under a "delusion" fostered by people masquerading as law professors, or "Adjudicators"; McDuff was laboring under the mistaken belief that he was not legally before the Court and that all matters in controversy were settled as a result of advice given to him by the International Adjudicators Association represented by Brandon Adams, Benton Hall and Jack Smith.

STATEMENT OF THE CASE

SUMMARY OF THE ARGUMENT

A. McDuff initially became acquainted with Gary Lancaster (hereinafter Lancaster) while Lancaster was employed with a commercial bank in its private wealth group. McDuff became aware of the fact that Lancaster had experience in what is commonly thought of as investment banking activities,

> and Lancaster had been and was licensed by the Securities and Exchange Commission (SEC) and/or NASD or FINRA since November 1998. Specifically, Lancaster was shown on the SEC website to hold a series 63 license and series 65 license (Investment Advisor) and that as of 2003, the securities license were in full force and effect at Quick & Reilly, Inc. located in Portland, Oregon. Further, according to the SEC website, Lancaster had an employment history with the following: (1) Meridian Home Loans; (2) Universal Underwriters; (3) The O. N. Equity Sales Company; (4) Sloan Securities Corp.; and (5) American Fidelity Assurance Co. (See Appendix Doc. #18).

The above information is in the public domain and was known or should have been known by the Government and their agents, associates, Receiver Quilling and the Government's witnesses. However, at trial, the Government portrayed Lancaster as not licensed to transact business in the "Lancorp Fund"; that position is not only intentional misrepresentation by the Government, it is contrary to information in the public domain, a sworn declaration, and sworn testimony given by Lancaster in depositions to the SEC, and to the Receiver for Megafund and "Lancorp Fund", Michael J. Quilling (hereinafter referred to as Quilling or Receiver). Further, such position on the part of the Government is counter to their claims against McDuff regarding McDuff's motive for having Lancaster be the Trustee, principal operating

officer and owner of "Lancorp Fund". USCA5.1743-56. That is, the Government elicited testimony to the effect that McDuff was the behind-the-scenes person directing the actions of Lancaster as part of the conspiracy because McDuff was a convicted felon and was not eligible to hold a securities license or manage the securities business of "Lancorp Fund". USCA5.1753-54. The Government solicited witnesses to testify to the theory described above. Problematic, with such testimony is that, it is inaccurate and a misstatement of the law (See 15 USC § 780 (b) (6) (A) (ii) & (iii)). See also Elliot v Securities and Exchange Commission, 36 F.3d 86; 1994 U. S. App. LEXIS 29439; (11th Cir. 1994). The statutory authority for the SEC to prohibit convicted felons from being engaged in the securities business does not apply to persons whose convictions are more than ten (10) years prior to the activity being reviewed by the SEC.

McDuff approached Lancaster regarding the establishment of an investment fund to accommodate a business plan of McDuff's employer Secured Clearing Corporation (SCC). Subsequently, Lancaster organized and founded the "Lancorp Fund". There is no evidence in the record to suggest that McDuff was ever a principal, officer, director, or a control person of the "Lancorp Fund". The record is devoid of credible evidence that McDuff had any control over the dealings, investments or operations of the "Lancorp Fund". To the contrary, in June 2005 Lancaster in a sworn declaration to the SEC stated unconditionally that he alone

controlled "Lancorp Fund"; further in November 2005, and again in March 2006, Lancaster gave depositions to the SEC and Quilling that he alone controlled "Lancorp Fund".

In March 2003-early 2004, McDuff spoke to two (2) prospective purchasers of shares in the "Lancorp Fund" introducing them to Lancaster. "Lancorp Fund's" PPM (Government Exhibit #56) stated that "Lancorp Fund" was not registered with the SEC and was a 'Reg. D' exempt fund and such exemptions statement were filed as a Rule 506 of Regulation D exempt offering with the SEC. (There was a second (undisclosed to McDuff) "Lancorp Fund II" (hereinafter referred to as PPMII) not filed with the SEC and dated June 1, 2005 – Government Exhibit #29 and #51). Only Lancaster and his brother were the legally authorized officers/Trustees of the "Lancorp Fund", as stated in the PPM (Appendix Doc. #5 excerpts page 15) (Government Exhibit #56 page 15).

The Government, its agents, associated, and Receiver Quilling, at trial all knew or should have known that while working for the O. N. Equity Sales Company (ONESCO) (as a registered representative), Lancaster solicited investments for the "Lancorp Fund" and in April 2004, notified in writing, all investors who had subscribed for shares of "Lancorp Fund" that there was no insurance available to insure against the loss of an investor's principal. In multiple federal jurisdictions in the United States, litigation was brought in 2007-2008 resulting in approximately

twenty-one United States District Courts (Appendix Doc. #4; listing of the cases) finding the following facts regarding "Lancorp Fund" and the issue of insurance coverage as well as the actions of Lancaster as the Trustee/CEO of "Lancorp Fund":

(1) Lancaster was working as a "registered representative" of ONESCO, a registered securities, investment advisor as of February 2004;

(2) Pursuant to the terms of the "Lancorp Fund" PPM, all who were potential investors by subscribing for shares of "Lancorp Fund" and funding the purchase price into an escrow account pursuant to the terms of the PPM were advised by letter in April 2004 that "Lancorp Fund" was unable to obtain insurance coverage for the investors purchase money for the shares of "Lancorp Fund";

(3) The actual investment was made using the investors' funds out of escrow to purchase "Lancorp Fund" shares was effective on May 14, 2004, that is, "there was no sale of securities until May 14, 2004." (See O. N. Equity Sales Company v Steinke, 504 F.Supp.2d 913; 2007 U. S. Dist. LEXIS 64842, (C. D. Calif. 2007)).

B. Procedural History of Civil and Criminal Actions filed against Key Actors. The following is a chronological listing of the litigation filed against McDuff and the other related parties and/or "Key Actors" in this case:

1. July 18, 2005 – In the United States District Court for the Northern District of Texas; Civil Action No. 3:05-CV-1328-L; Securities and Exchange Commission, Plaintiff v Megafund Corporation, Stanley A. Leitner, Sardaukar Holdings, IBC., Bradley C. Stark, CIG, Ltd. And James A Rumpf, Individually and d/b/a CILAKInternational, Defendants and Pamela C. Stark (Relief Defendant).

Allegations in the complaint claim in part:

"Venue lies in this Court pursuant to…, because certain of the acts and transactions described herein took place in the Northern District of Texas."

Page 10; "D. Victims of the Scheme." "Lancaster/ Lancorp…"

(i) §36. "Defendants have defrauded approximately 70 investors…"

(ii) §37. "From February through May 2005, Gary Lancaster, through Lancorp Financial Group, LLC, invested over $9.3 million in the Megafund program by wiring funds from Oregon to a Megafund bank account in Addison."

Clearly, the SEC and Quilling were characterizing "Lancorp Fund" and Lancaster as victims of Megafund, and venue for the criminal action was clearly established in the Northern District of Texas.

2. May 30, 2006 – In the United States District Court for the Northern District of Texas; Civ. Action No. 3:06-CV-0959-L; Michael J. Quilling, Receiver For Megafund Corporation and Lancorp Financial Group, LLC, Plaintiff v Gary McDuff, Individually and d/b/a Southern Trust Company and First

Global Foundation, Robert Reese, Individually and d/b/a EXCEL FINANCIAL INC, and Shannon McDuff, Individually and d/b/a Secured Clearing Corp. (Appendix Doc. #20)

3. September 5, 2007 – In the United States District Court for the Northern District of Texas; Crim. Action No. 3-07-CR-0261-G; United States of America, Plaintiff v Stanley A. Leitner.

The Indictment alleges venue facts for the criminal action to be indicted and prosecuted in the United States District Court for the Northern District of Texas. This case involves the $9.365 million invested by "Lancorp Fund" at the control and direction of Lancaster in Megafund Corporation (Megafund).

4. March 26, 2008 – In the United States District Court for the Northern District of Texas; Civ. Action No. 3-08-cv-526-L; Securities and Exchange Commission, Plaintiff v Gary L. McDuff, Gary L. Lancaster, Robert T. Reese.

§ 4 of the above styled and numbered complaint states:

"This Court has jurisdiction over this action.... venue is proper because many of the transactions, acts, practices, and courses of business described below occurred within the jurisdiction of the Northern District of Texas."

5. June 11, 2009 – In the United States District Court for the Eastern District of Texas (This is the first time any action is brought against McDuff,

Lancorp Fund, Reese, Lancaster, involving the Megafund transaction in a United States District Court outside of the Northern District of Texas); Crim. Action No. 4:09cr90; United States of America v Robert Thomas Reese and Gary Lynn McDuff

The one venue fact alleged is that Lancorp Financial Group, (Lancorp) and Lancorp Financial Fund Business Trust ("Lancorp Fund") **formerly a victim**, wired money to Megafund, (a Ponzi scheme) into a Megafund Bank account in Plano, Texas in the Eastern District of Texas. There is no allegation that Megafund or its control persons were co-conspirators with McDuff, Reese, Lancaster, or Lancorp Fund, thus a wire transfer of money from "Lancorp Fund" to Megafund could not be an act in furtherance of a wire fraud or conspiracy to commit wire fraud as charged. Lancaster was charged by information, pled guilty and cooperated against Reese and McDuff. Reese committed suicide before trial; McDuff was sentenced to 300 months imprisonment in the instant case.

6. August 13, 2009 – In the United States District Court for the Eastern District of Texas, Superseding Indictment; Crim. Action No. 4:09cr90; United States of America v Robert Thomas Reese and Gary Lynn McDuff

Superseding Indictment filed alleging:

Count One: Violation of 18 USC § 1349 (conspiracy to commit wire fraud), charges McDuff and Robert Thomas Reese;

Count Two: Violation of 18 USC § 1956 (a) (1) (A) (i) and 18 USC § 2 (promotional money laundering and aiding and abetting); charges McDuff and Robert Thomas Reese.

The Original and Superseding Indictment of McDuff and Reese are barred by the Five (5) year statute of limitations.

7. February 22, 2013, - In the United States District Court for the Northern District of Texas, (approximately one month prior to trial in Appellant's criminal case); Civ. Action No. 3:08-CV-526-L; Securities and Exchange Commission, Plaintiff v Gary L. McDuff, Defendant

The United States District Court issued its "Default Order" and "Findings of fact and conclusions of law" as against McDuff as follows (in part):

12. A civil money penalty against McDuff... in the amount of $125,000 is appropriate under the facts and circumstances of this case."

C. The Common links between the parallel civil and criminal complaints filed against the "Key Actors".

The SEC investigators and lawyers who pursued these causes of action both civil, and assisted with the criminal actions, are believed to include but not limited to the following people: Michael J. Quilling, Receiver; Ronald A. Loecker, IRS/CID; Julia Huseman, SEC; Jessica Magee, SEC; Tim Nylan, FBI; and Eric Werner, SEC.

Quilling, SEC lawyer Julia Huseman (hereinafter Huseman) SEC Lawyer Jessica Magee (hereinafter Magee) and Ronald A. Loecker, IRS/ CID Agent (hereinafter Agent Loecker) worked closely with the Eastern District of Texas' Prosecution Team and provided the alleged factual basis for the prosecution of McDuff. Quilling knew or should have known because of his involvement with the ONESCO litigation that the claim that McDuff misrepresented the insurance coverage for potential investors was in fact not a fraud, because the subscriber's money was in escrow and no sale of a security took place until after all investors had received notice, and had rescinded their subscriptions for shares of "Lancorp Fund", or had acknowledged in writing that they would execute the subscription to purchase "Lancorp Fund" shares without insurance or from the sworn declaration and deposition testimony from Lancaster. Quilling and SEC attorneys and investigators knew or should have known from the Financial Industry Regulatory Authority (hereinafter FINRA) website that Lancaster was licensed under the appropriate NASD regulations (See Appendix Doc. #3 and #32) as well as from Lancaster's sworn declaration and sworn deposition testimony (See Appendix Doc. #6 & #32).

Further, Quilling, the SEC attorneys and investigators knew or should have known from business records provided to them as well as certificates from both the Belizean and Mexican authorities that McDuff did not own, control or operate MexBank, Secured Clearing Corp., and certainly from domestic bank records for

"Lancorp Fund" and Lancaster's sworn statements that McDuff had no control over the funds held by "Lancorp Fund" or any Lancaster related entity. (See Appendix Doc. #7) USCA5.1755.

In the civil and criminal complaints there are central themes common to the criminal and civil actions against McDuff which alleged that McDuff committed one or more of the following acts of fraud:

(i) Omitted to disclose his prior conviction; (at law McDuff had no general duty to disclose a prior conviction in the context of a conspiracy to commit wire fraud, without some conduct giving rise to a duty to disclose);

(ii) McDuff misrepresented the availability of insurance to insure against a subscribers loss; (The ONESCO case judicial findings are dispositive against that claim of fraud, as there can be no fraud based on full disclosure of the terms of the transaction before executing the purchase. (See Appendix Doc. #4) USCA5.1743-1756

(iii) McDuff misrepresented Lancaster's experience with the types of investments that the "Lancorp Fund" would invest in;

(iv) McDuff misrepresented the types of investments the "Lancorp Fund" would invest in;

(v) McDuff directed the activities of Lancaster and the "Lancorp Fund";

(vi) McDuff was responsible for finding a lawyer to draft the PPM and offering documents;

(vii) McDuff did not have a securities license to solicit and invest on behalf of two Government witnesses, Benyo and Biles; and

(viii) McDuff directed the transaction alleged to be money laundering via a fax to Government witness Mia Flannery; USCA5.1856-1857.

In fact, Government Exhibit 17 does nothing more than demonstrate that McDuff requested payments to be made to companies he worked with and that Lancaster will make the decisions regarding "Lancorp Fund".

In each instance of alleged fraud the Government relied on perjured, or at a minimum incomplete, incredulous and inaccurate testimony or overreached as a matter of law regarding McDuff's duty to disclose a prior conviction, and misstated the plain language of the "Lancorp Fund" PPM (Appendix Doc. #8).

D. The Allegations of the Superseding Criminal Indictment and trial of McDuff and Reese in a new and improper venue, constitutes forum shopping; flawed by multiple "Brady" violations.

All previously filed and litigated civil and criminal actions involving the "Key Actors" and the central theory of the Government's case against McDuff had been filed as a civil case in the United States District Court for the Northern District of Texas prior to filing the original indictment and superseding indictment in the United

States District Court for the Eastern District of Texas. In addition to forum shopping, the Government engaged in a practice of excluding or withholding exculpatory documents relating to and in some cases controverting Government witnesses' testimony at McDuff's criminal trial thereby sponsoring perjury and misleading the Court and the jury as to McDuff's alleged criminal culpability.

E. The Ruling of the District Court being challenged:

McDuff challenges the District Court's failure to grant a Rule 29 Motion of Acquittal, on its own motion, at the close of the case, and again prior to sentencing at a time when McDuff provided, albeit in-artfully drafted motions and exhibits to the Court that would support a judgment of acquittal notwithstanding the jury verdict. The fact that the jury, in what is a complex business fraud prosecution took less than (30) thirty minutes to return a verdict of guilty as evidence of the fact that the jury was prejudiced and had made a decision in the first few minutes of trial after hearing from the Court the following:

> "Failure to disclose, allegedly that Mr. McDuff was a convicted felon without the requisite securities licenses who was directing GLL's actions;" USCA5.1743.

The Court was reading selected excerpts from the Superseding Indictment, and immediately following this disclosure the Court recessed at 11:17 am (before commencing with the Governments opening statement) and allowed the jury to come back at 1:00 pm for opening statements. At the time of this disclosure the

Government had not filed the required notice under Fed.R.Evid.404) b) that the Government intended to use as evidence, a twenty (20) year (at the time of trial) old non-fraud extrinsic conviction. Thus for the first hour and half of jury service, the jury's only information about McDuff from the Judge of the District Court was that:

"Mr. McDuff was a convicted felon without the requisite securities license who was directing GLL's actions" USCA5.1743.

The prejudicial effect of such a disclosure before opening statements and coming from the Court is overwhelming. Further at that juncture there had been no attempt at a cautionary instruction from the Court, nor a showing of relevance under Fed.R.Evid.403. McDuff's "fundamental fairness interest" as defined by Supreme Court jurisprudence was lost in the first hour of the proceedings. The District Court should have granted a Judgment of Acquittal notwithstanding the jury verdict, or at a minimum granted a new trial.

SUMMARY OF THE ARGUMENT

ISSUE I

APPELLANT'S FIFTH AMENDMENT CONSTITUTIONAL DUE PROCESS RIGHTS WERE VIOLATED BY THE GOVERNMENT BRINGING A CRIMINAL INDICTMENT AND PROSECUTING THE CASE IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF TEXAS, SHERMAN DIVISION. THE PROSECUTION IS BARRED BY THE APPLICABLE STATUTE OF LIMITATIONS.

(1) McDuff had been a defendant in two active and continuing civil causes of action in the United States District Court for the Northern District of Texas since May 30, 2006 and March 2008, filed by the Receiver Michael J. Quilling and the SEC respectively, involving the same transactions and allegations that provided the basis of the criminal action brought in the United States District Court for the Eastern District of Texas in June 2009. McDuff's conduct that is alleged to be criminal occurred in 2003 and 2004, and ended on or about May 14, 2004, the date of "Lancorp Fund" becoming effective. The central theory of the civil actions in the Northern District Court of Texas was that McDuff engaged in conduct that constituted fraud with respect to transactions involving the sale of shares of "Lancorp Fund" and the investment of money held by "Lancorp Fund", and that a February 2005 investment in Megafund, a Ponzi scheme, was part of the fraud. The allegations by Quilling in the civil action commenced in May 2006 and by the SEC in March 2008 and had several common allegations with the instant criminal action against McDuff, including but not limited to the following:

(i) May 30, 2006; Case No. 3-06-cv-0959L; Quilling v McDuff et al.

(1) Jurisdiction and venue was proper in the Northern District of Texas, and

(2) Alleged background facts: Leitner operated a Ponzi scheme known as Megafund; the investors sent money to Megafund's accounts at Wells

Fargo and Southtrust Bank; Megafund was never managed in a manner consistent with Leitner's representations; ."Gary McDuff was one of Leitner's associates who helped solicit new investors."; "He was instrumental in recruiting contributions from Lancorp Financial Fund Business Trust ("Lancorp") which ultimately became Megafund's largest investor. Every allegation in this section "2" regarding McDuff's conduct is refuted by evidence known to the Government but not presented at trial, that is it was intentionally omitted by the Government.

(3) March 26, 2008; Case No. 3-08-cv-526-L; In the United States District Court for the Northern District of Texas; SEC v McDuff et al. Alleged in part the following:

(i) Jurisdiction and Venue: "Venue is proper because many of the transactions, acts, practices, and courses of business described below occurred within the jurisdiction of the Northern District of Texas."

(ii) SEC filed its action against Lancaster, McDuff and Reese "for their respective roles in a fraudulent "unregistered offering";

(iii) "McDuff, the mastermind behind the fraud and a convicted felon, recruited Lancaster to be the "face" of the offering… ("Lancorp Fund").

(iv) "The "Lancorp Fund" offering document, is a materially false and misleading Private Placement Memorandum ("PPM") stating that "Lancorp Fund" would invest only (emphasis ours) in highly rated debt securities, Lancaster would not be paid commissions on initial investments."

(4) The SEC alleged (in the civil litigation) that Lancaster was the unlicensed "control person" for "Lancorp Fund" and not a "registered representative" through the relevant time frame during the civil litigation in the Northern District of Texas. It should be noted that in 2007 the United States District Court for the Central District of California, (See Appendix Doc. #4) (ONESCO v Steinke, 504 F.Supp.2d 913; 2007 LEXIS 64842) found Lancaster (along with twenty (20) other District Courts) to be a licensed securities advisor for the time period 2004 through 2005. Clearly the SEC employee, Government witness Jessica Magee (hereinafter Magee), knew or should have known that her testimony, that Lancaster was not licensed or registered with the SEC, in McDuff's criminal case, was false. (USCA5.1990-93). Additionally for the relevant time period Lancaster was shown on a FINRA website to maintain the requisite licenses (See Appendix Doc. #3) (USCA5.491-496).

(5) The Government in the Superseding Indictment, alleges Lancaster was the controlling person on "Lancorp Fund" bank accounts (USCA5.65). In McDuff's criminal trial the Government argued long and hard that McDuff controlled Lancorp. McDuff had no authority to do any act regarding "Lancorp Fund", in particular to make monetary transactions through "Lancorp Fund" bank accounts.

(6) The Government alleges that the "PPM stated that the "Lancorp Fund" was only allowed to invest in issued debt securities rated at least A+..." Additionally it alleged that the PPM falsely stated that Lancaster was an investment advisor registered with the Commission under the Investment Advisor Act of 1940 as amended," (in the civil litigation). In fact, the "PPM" (Government Exhibit 56; cover page) states the following:

"Our investment objective (emphasis ours) involves the issuance of Forward Commitments (defined in this memorandum) to large financial institutions relating to debt securities bearing interest or being sold at a discount (the Permitted Investments) which satisfy each of the following criteria:

- "The securities are original issue debt securities rated A+...;"

No representation in the PPM states that the "Lancorp Fund" was only allowed to invest in debt securities rated A+; the Government argued this claim, in McDuff's criminal trial knowing that the PPM does not state such exclusive restriction. An investment objective is a plan, or expectation as to the type of investment, but does

not preclude other investments. (See M & G Polymers USA, LLC et al v Tachet et al 574 U. S.___ 2015)

There is no credible evidence that McDuff did any act, introducing in furtherance of a conspiracy to commit wire fraud, nor is there evidence in the record that would support a finding that McDuff did any act introducing potential investors to Lancaster or "Lancorp Fund", after mid-April 2004, which is more than five (5) years before the Government brought the indictment, and as such the indictment is barred by limitations. This Court should vacate McDuff's conviction and sentence and issue an Appellant Acquittal due to the extreme nature of the Government's overreaching and apparent turning a "blind eye" to several Government witnesses' perjury.

ISSUE II

THE DISTRICT COURT ERRED BY ANNOUNCING TO THE JURY THAT "MR. MCDUFF WAS A CONVICTED FELON, WITHOUT THE REQUISITE SECURITIES LICENSES" WHO WAS DIRECTING THE ACTIVITIES OF GARY LANCASTER.

The District Court Judge on the first day of trial and immediately prior to recessing for an hour and half for lunch and opening statements informed the jury that McDuff had prior felony conviction, did not have the requisite securities licenses and was directing the activities of Gary L. Lancaster. USCA5.1743-44. The

announcement was made as the Judge read to the jury selected allegations from the Superseding Indictment.

The Superseding Indictment takes the position that McDuff's prior (non-fraud) conviction is intrinsic by alleging it is part of the manner and means. Under Fifth Circuit precedent if a prior conviction is "intrinsic" it does not implicate the requirement of Rule 404(b). However, for a prior conviction to be "intrinsic" to the charged crime, the prior conviction must be "inextricably intertwined" or both acts were part of a single criminal episode or the other acts were "necessary preliminaries" to the charged crime. In the context of a conspiracy prior acts are intrinsic if, relevant to establish how the conspiracy came about, how it was structured and how the defendant became a member. McDuff's prior 18 USC § 1957 money laundering conviction in 1993 cannot under every theory be intrinsic to the crime charged. (See Appendix Doc. #31)

Under Supreme Court and Circuit Court jurisprudence there is no duty to disclose McDuff's prior conviction absent a duty to speak. Absent unusual circumstances not found in the record in this case, there is no duty on the part of McDuff, who is alleged to have solicited an investment for "Lancorp Fund", to volunteer the presence of a criminal history.

ISSUE III

THE DISTRICT COURT ERRED BY ADMITTING EVIDENCE OF UNCHARGED CRIMINAL CONDUCT, THAT IS, SECURITIES FRAUD.

The Government's Superseding Indictment in this case followed the "script" of the SEC's civil complaint (Case No. 3:08-cv-00526-L) filed in the Northern District of Texas, except for the allegation of a venue fact. To compare selected excerpts from the civil complaint (alleging securities fraud) and the Superseding Indictment (alleging wire fraud conspiracy and money laundering), the following demonstrates the commonality of allegations;

(i) Civil Complaint: ""Lancorp Fund" was only allowed to invest in original issue debt securities rated at least A+…" (USCA5.67)

(ii) Civil Complaint: "…with the goal of "maximizing the protection of investor fund", Superseding Indictment: "… the goal of the "Lancorp Fund" was to maximize the protection of the investor's funds…" (USCA5.67)

(iii) Civil Complaint: "…no commissions would be paid on the sale of investor shares and that Lancaster as Trustee of the "Lancorp Fund" would be compensated…"

Superseding Indictment: "… no commissions would be paid on the sale of investor shares in the "Lancorp Fund" and GLL as Trustee of the "Lancorp Fund" would receive compensation…" (USCA5.67); and,

(iv) Civil Complaint: "...the majority of the investors in the "Lancorp Fund" were referred by Reese, with the remainder coming from McDuff." (page 6 paragraph 13);

(v) Superseding Indictment: "7. Reese and McDuff, and GLL caused the prospectus to be sent to potential investors..." (USCA5.68)

In addition to the common theme stated above the Superseding Indictment charged in paragraph 8 (8a-h) of the Superseding Indictment charged eight (8) false material misrepresentations against Reese, McDuff and Lancaster. The first such allegation was that Reese failed to disclose a Cease and Desist Order from the State of California; what is not stated is that the Cease and Desist Order was issued regarding a transaction that did not involve McDuff or Lancorp and was dated 2 months after "Lancorp Fund" had become effective, thus making such disclosure, impossible as to investors solicited for "Lancorp Fund" (USCA5.524) (Government Exhibit No. 33). The Government in paragraph 8c of the Superseding Indictment re-alleged the misrepresentation regarding insurance coverage for the investor's principal, all the while the Government, SEC, and Quilling all were aware that every investor had been given the opportunity to retrieve their money from the subscription escrow prior to closing in May 2004. This event is reported and is a specific finding by all courts in twenty-one (21) separate United States District Court cases across the nation occurring in or about 2007, approximately two (2) years before the instant

indictment in the Eastern District of Texas. Quilling (Government witness) as the SEC's Receiver for Megafund, "Lancorp Fund" et al, participated in at least one of the ONESCO cases. (See Appendix Doc. #11 – Excerpt from ONESCO case), (Also see Appendix Doc. #12)

The Government tried this case as a securities fraud prosecution, arguing and providing testimony that McDuff violated securities laws that were not charged in the Indictments nor applicable to McDuff in an effort to mislead and confuse the jury.

ISSUE IV

THE GOVERNMENT VIOLATED APPELLANT'S DUE PROCESS RIGHTS BY ENGAGING IN A COURSE OF CONDUCT THAT VIOLATED THE PRECEPTS OF BRADY v. MARYLAND, 373 U. S. 83, 87; 83 S. CT. 1194, 1197; 10 L.ED.2D 215 (1963), BY CONCEALING EXCULPATORY EVIDENCE FROM GARY MCDUFF, THE DISTRICT COURT, AND THE JURY.

In opening statements the Government opened with the insurance issue stating that Frances Lynn Benyo (hereinafter Benyo) was deceived by McDuff regarding the existence of insurance to insure her against the loss of principal if the "Lancorp Fund" failed (USCA5.1753). When this statement was made to the jury on March 26, 2013, the Prosecutor, the case agents, and the multitude of SEC investigators, attorneys and the Receiver Quilling, all of which were assisting in the prosecution of the case, knew or should have known that in 2007 (5-6 years earlier) approximately twenty-one (21) United States District Courts had found and

published their findings (the ONESCO cases) (See Appendix Doc. #4, a listing by citation of each case) that in April 2004 Lancaster as "Lancorp Fund" Trustee (control person, and CEO) had published a letter of "material change" to every investor in "Lancorp Fund" giving each investor the opportunity to rescind their subscription agreement and retrieve their funds from "Lancorp Fund" subscription escrow account. Further at least one of these United States District Courts found that no sale of securities had taken place until May 2004 when each and every investor had either rescinded and received a refund out of escrow or had signed a written authorization to stay in "Lancorp Fund", without insurance. (Appendix Doc. #13). In response to a question from the Government, its first witness, Benyo stated that McDuff told her that her principal investment in "Lancorp Fund" would be protected "through an insurance policy". In fact she had signed the April 5, 2004 document accepting the change in the insurance component (USCA5.513).

The previously described conversations between Benyo, McDuff, Lancaster, and the receipt of the PPM occurred on or about March 25, 2003, around the time of Benyo's subscription for shares in the "Lancorp Fund" and the payment of $175,000 into the "Lancorp Fund" subscription escrow account (See Government Exhibit 1 and 2). Toward the end of witness Benyo's sworn testimony the Prosecutor asked referring to (Government's Exhibit 53, Appendix Doc. #13 a letter dated April 5, 2004);

Q. "based on this letter, Ma'am did you understand that your funds would be protected the same way as if you had elected and received insurance?"
A. "yes".

In fact the letter admitted as Government Exhibit 53 stated specifically that there was no insurance. (USCA5.1773 and USCA5.513).

The fact of the matter is that each investor including [redacted] Benyo had the opportunity to withdraw any funds in the "Lancorp Fund" escrow, before May 14, 2004, by virtue of the April 2004 notice letter. This fact, in 2007/ 2008 was found in twenty-one (21) United States District Court cases, circumstances that were known or should have been known to the Government. (See Appendix Doc. #4, listing of the ONESCO cases).

If Benyo was misled by the April 5, 2004 letter from Lancaster, then that was certainly not a misrepresentation from McDuff nor foreseeable by McDuff. The Government allowed witness Benyo to state to the jury that McDuff referred her to "Lancorp Fund". USCA5.1772-1773. Yet the Government had in its possession a document signed by [redacted] Benyo that plainly states that "Levoy [redacted]" referred her to "Lancorp Fund". USCA5.517 This critical article was not revealed to the jury or the Court, thus allowing Benyo's false testimony to remain uncorrected and inherently misleading.

Witness Benyo testified at trial that she would not have invested in "Lancorp Fund" had she known that "Lancorp Fund" would at some future time (that is,

February 2005) invest in Megafund, yet witness Benyo had on her own invested in Megafund, a few months prior to "Lancorp Fund" investing in Megafund. Benyo's prior investment in Megafund was known to the Government as Quilling delivered the account statements to the Government identifying Benyo's $20,000 invested in January/March 2005 outside of Lancorp and certainly not at the recommendation of Lancaster or McDuff.

ISSUE V

THE DISTRICT COURT ERRED BY FAILING TO DISMISS COUNT TWO OF THE SUPERSEDING INDICTMENT, AS SUCH IS BARRED BY THE DOCTRINE OF "MERGER" AS ANNOUNCED BY THE SUPREME COURT IN SANTOS v. UNITED STATES, 553 U. S. 507 (2008).

The financial transaction described in Count Two of the Superseding Indictment is a transaction that was not designed to promote investments in "Lancorp Fund" or conceal any particular scheme itself. There is no evidence in the record that the proceeds from Megafund are anything other than gross receipts from Megafund's Ponzi scheme, paid back to "Lancorp Fund" as a commission for investment and the Government made no attempt to show that the funds were "profits" as that has been defined by the Supreme Court as well as by Fifth Circuit precedent. The transaction indicated was conducted prior to the 2009 legislative amendment wherein the language in 18 USC § 1956 et seq was modified to include all gross receipts as prescribed under the statute and thus subject to the Supreme

Court's decision as announced in Santos. The single check for $500,000 issued by Megafund to "Lancorp Fund" could have been charged as an overt act of a conspiracy to commit wire fraud, but the record is devoid of evidence that would even infer that McDuff did any act to aid and abet Megafund issuing the $500,000 check.

This Court should reverse and vacate McDuff's conviction and sentence as to Count Two to prevent a Double Jeopardy Clause violation. Following the Santos ruling, Count Two merged into Count One as a matter of law.

ISSUE VI

THE SENTENCE IS PROCEDURALLY UNREASONABLE BECAUSE THE INTENDED LOSS AMOUNT IS INCORRECT.

The sentence is procedurally unreasonable for several reasons. The accounting by Quilling, which the Government completely relied upon, did not account for all funds returned to "Lancorp Fund" by Megafund, and/or recovered by Quilling, and that were returned to "Lancorp Fund" prior to McDuff being indicted, nor was there an accounting for funds misallocated by Quilling, and not remitted to the "Lancorp Fund" investors. Additionally, based on the evidence withheld by the Government, that is that Lancaster and "Lancorp Fund" were victims of the Megafund fraud; holding McDuff liable for the loss sustained as a result of the

Megafund investment is procedural error as such loss could not have been foreseeable by McDuff.

Not limited to, but including, one instance of Quilling apparently not accounting for all of "Lancorp Fund" money or receiving of "Lancorp Fund" money and then arbitrarily allocating such funds to Megafund or related entities, involves, $884,371.23 that was apparently recovered from Max International (Robert Trigham transaction) but was not accounted for or returned to "Lancorp Fund" by Quilling. (See Appendix Doc. #33 – "Final Lancorp Financial"; Appendix Doc. #34 – Excerpts from Settlement Agreement – see pages 2-4; Appendix Doc. #35 – Signed Court Order transferring the $884,371.23 to the "Lancorp Fund" Receivership).

In Appendix Doc. #35, within the Court's Order there is the following representation:

> "The Receiver represents that this settlement is in the best interest of the Estate because it effectively recovers all the money sought in the lawsuit against Trigham."

Yet Quilling's "Final Financial" only includes one Max International entry for the sum of $1,115,628.77 and the $884,371.23 was apparently not recovered as Quilling represented to the Court or the $884,371.23 was recovered but misrepresented by Quilling.

Further, adding two levels for abuse of a position of trust was error as McDuff did not occupy a private position of trust with any of the investors who subscribed for shares of the "Lancorp Fund" nor have any professional investment relationship.

Finally, McDuff cannot be responsible for a Cease and Desist Order (C & D Order) against co-defendant Reese, in that such C&D Order was issued for unrelated securities transactions and was issued two (2) months after the "Lancorp Fund" offering was effective. With the timing of the issuance of the C&D, it is impossible for the document to have altered the mix of information available to "Lancorp Fund" investors.

ARGUMENT

ISSUE I

APPELLANT'S FIFTH AMENDMENT CONSTITUTIONAL DUE PROCESS RIGHTS WERE VIOLATED BY THE GOVERNMENT BRINGING A CRIMINAL INDICTMENT AND PROSECUTING THE CASE IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF TEXAS, SHERMAN DIVISION. THE PROSECUTION IS BARRED BY THE APPLICABLE STATUTE OF LIMITATIONS.

STATEMENT OF FACTS REGARDING ISSUE I

There can be no dispute as to the following facts regarding Issue I:

(1) Quilling at the behest of the SEC obtained an Order appointing him as "receiver "for" Megafund et al" and subsequently "Lancorp Fund" from the United States District Court for the Northern District of Texas;

(2) Quilling filed a civil action in the Northern District of Texas against McDuff et al, a civil action against Leitner et al, and another civil action styled Quilling v Humphries, 2006 U. S. Dist. LEXIS 74568 (N. D. Texas, Oct. 13, 2006) (See Appendix Doc. #14). Humphries was a lawyer who wrote and delivered to Lancaster a legal opinion letter, representing that Megafund was a suitable investment for "Lancorp Fund". Quilling as receiver for "Lancorp Fund" sued and recovered a judgment against Kenneth Wayne Humphries (hereinafter Humphries) for fraudulent misrepresentation contained in the legal opinion. Id. Most telling is that United States District Court Judge Sam A. Lindsay signed an Order containing the following finding (the Order is dated Oct. 13, 2006):

> "Gary L. Lancaster received an opinion letter from Kenneth Wayne Humphries, attorney for Megafund, that contained inaccurate, false and misleading representations for Lancorp's benefit and that Gary L. Lancaster in reliance (emphasis ours) on these representations caused $9 million, plus, to be lost in Megafund."

(3) Quilling, an attorney and officer of the court, knew or should have known of the twenty-one (21) District Court cases and opinions finding that "Lancorp Fund" gave every investor an opportunity to opt out regarding the insurance issue, yet through his testimony Quilling never once testified or in any manner advised the Court and jury that the insurance issue could not be a basis for a verdict in a criminal fraud trial, nor did Quilling advise the Court of multiple

civil cases in the Northern District of Texas and twenty-one other federal courts dealing with the same parties and same allegations of fraud as was before the Court in the McDuff criminal case.

(4) Quilling in response to questions from the Government stated that the representation regarding insurance for the "Lancorp Fund" investors was false. (USCA5.1899-1900). That answer, by omission, is a misstatement of fact under oath in a criminal proceeding, where it is perfectly clear that Quilling, the Government, as well as the rest of the prosecution's investigators and SEC attorneys knew or should have known that the investors in "Lancorp Fund" were advised in writing, while their subscription funds were held in escrow, that a material change had occurred regarding the insurance, and that each and every investor could rescind the subscription agreement and receive their money back out of escrow. Only those investors who acknowledged in writing their desire to stay in the investment were ultimately issued shares for their investment in May 2004. As with the Government witness Benyo, only part of the insurance issue was disclosed to the Court and the jury. It is of note that at sentencing of Lancaster on October 6, 2010 when Lancaster told the same presiding judge as in the instant case, that all investors had been notified of the insurance "material change' and that their money was still in escrow and that they could rescind the subscription and receive a refund, the Court had the

following exchange with the Government's lead prosecutor in the case, Lancaster's Sentencing Transcript at page 17: (USCA5.1396-1399)

The Court: "…conduct that Mr. Lancaster engaged in that he was willfully blind to the circumstances…"
Mr. Shipchandler: "no Your Honor we're not assuming willful blindness.

We interviewed almost all the investors in Lancorp, and all of them described their conversations with Mr. Lancaster and Mr. Reese in great detail…"

The Court: "Okay. Can I stop you right there?"

Q. "Mr. Lancaster what about that did you tell investors that there was an initial policy for them?"

Whereupon Lancaster explains his intent was to have AIG issue a policy of insurance to protect the investor's principal. Lancaster states that he was unable to obtain insurance and sent out letters to all investors indicating that there was no insurance coverage. Lancaster states that he sent out the April 5, 2004 letter giving each investor the option to rescind or stay in.

The Court: "and you had not sent the money to Megafund?"

A. "No this was way before Megafund."

The Court: "Well okay, so what's the problem then Mr. Shipchandler?"

Mr. Shipchandler: "Your Honor according to at least one of the investors, the representation was made after his money was sent to Megafund." (USCA5.1397-1398)

This statement by the Government is not supported by any testimony in the record, and is misleading to the Court. Further:

"The Court: Okay. So do the investors recall Mr. Lancaster saying that he did not have the insurance yet, he wanted to know what their interest was in insurance, and then, when he didn't get it, he notified them that there was no insurance, did they want their money back?"

Mr. Shipchandler: "Your Honor, we don't have any information about notifications to investors that insurance was no longer available…"(emphasis ours) USCA5.1399 lines 14-16

In fact the Government knew or should have known that the April 2004 change of material conditions notifications were made to every investor, from multiple sources, that is, twenty-one (21) District Court cases (ONESCO cases, See Appendix Doc. #4) (Quilling was involved in at least one ONESCO case) as well as from investor records obtained by the Government from investors, and the "Lancorp Fund" records obtained from Quilling. Any one of these avenues would have provided the Government with the direct knowledge that this material insurance change had occurred but each was blatantly ignored.

While not precedent, but what should be considered persuasive, twenty-one (21) United States District Court cases published opinion, in which the central issues of "Lancorp Fund" (which was controlled and operated by Lancaster) enunciated findings of fact that Lancaster notified all "Lancorp Fund" investors that the insurance component of the "Lancorp Fund" offering was not going to be available and each and every investor who elected to rescind could do so and/ or if they elected to stay in the "Lancorp Fund" they were required to execute an acknowledgement of

the material change. With regard to Government witness Benyo's election to stay in the "Lancorp Fund" without insurance, Benyo's testimony was false when she answered the Government's question stating that had she known that her funds would not be insured she would have rescinded and taken her money out of the "Lancorp Fund's" subscription escrow. It is not credible that the Government did not know the above facts regarding the change of the availability of insurance when they allowed Benyo's perjury to stand uncorrected.

Benyo also testified as follows:

> Q. "And do you recall how much you invested?"
> A. "$175,000"
> Q. "And Ma'am was this all the retirement money you had?"
> A. "It was every penny of money I had left in the world."
> Q. "Now did you receive any written materials from McDuff?"
> A. "Yes."
> Q. "How did you receive the written materials?"
> A. "Some of them he actually handed to me. Many of them he either mailed them to me, or sent them through email." (USCA5.1770-1774)

There is not one single document in evidence in the record that demonstrates that McDuff gave Benyo anything regarding "Lancorp Fund", nor is there one single email from McDuff to Benyo or from Benyo to McDuff. It is not credible that if such emails existed (that is, interstate wire communication) that the Government would not have introduced them into evidence.

It is clear that these conversations between Benyo and McDuff and his alleged delivering or emailing "Lancorp Fund" materials to her occurred in or about March

2003, as Benyo subscribed for shares of "Lancorp Fund" stock on March 25, 2003. Further, Benyo executed the insurance disclosure letter on April 9, 2004, wherein she specifically and affirmatively opted to move forward without the insurance in place. (See Appendix Doc. #13). The prosecution of McDuff is barred by the five (5) year statute of limitations (18 USC § 3282) and the Supreme Court's holding in Gurnewald v United States, 353 U. S. 391, 397 (1957);

> "Acts that extend beyond the central purpose of the conspiracy cannot be used to extend the statute of limitations. For instance the statute of limitation cannot be extended 'by proof of a subsidiary conspiracy to conceal the acts in furtherance thereof after the main purpose of the conspiracy has been accomplished."

See also United States v Davis, 533 F.2d 921 (5th Cir. 1976) From a fair reading of the Indictment the central purpose of the alleged conspiracy was to "devise a scheme and artifice to defraud investors and to obtain money and property from these investors by materially false and fraudulent pretenses, representations, and promises, and in execution of the scheme"; which would clearly mean that once money and property were obtained from Benyo and other investors, the central purpose of the conspiracy would have been accomplished. Under 18 USC § 3282, the Original Indictment filed on June 11, 2009 would be outside of the statute of limitation prescription.

ARGUMENT AND AUTHORITIES IN SUPPORT OF ISSUE I

A. STANDARD OF REVIEW

The Fifth Circuit has held, that, "because the prosecution should have known of the falsehood, the standard to be applied is whether it is reasonably likely that the truth would have produced a different verdict." United States v Antone, 603 F.2d 566; 1979 U. S. App. LEXIS 11493 (5th Cir. 1979) citing Giglio v United States, 405 U. S. at 154, 925 S.Ct. 763, 31 L.Ed. 104.

B. IMPROPER VENUE

The Government presented in the Superseding Indictment one alleged venue fact and that was an allegation of the wire transfer of money from "Lancorp Fund" to Megafund's bank account at Wells Fargo Bank in Plano, Texas. What was left out of the consideration of venue was the fact that Leitner (Megafund's President/ CEO) was prosecuted criminally in the Northern District of Texas, Megafund and its principals, officers, directors, agents and co-conspirators had been defendants in civil litigation brought by Quilling and the SEC in the Northern District of Texas. Further left out of the venue decision was the fact that "Lancorp Fund", its officers, directors, and alleged co-conspirators had been or were currently defendants in civil litigation in the Northern District of Texas starting in 2006/2007.

The "Lancorp Fund" defendants, McDuff, Lancaster, and Reese had pending related civil fraud actions in the Northern District when they, McDuff and Reese, were indicted for conspiracy to commit wire fraud (18 USC § 1349) and money

laundering (18 USC § 1956 (a) (1) (A) (i)) in the Eastern District of Texas. Unless a statute or the Federal Rules of Criminal Procedure permit otherwise, the Government must prosecute the offense in a district where the offense was committed. (Fed.R.Crim.P. Rule 18). Because "Lancorp Fund", Lancaster, McDuff and Reese are accused of committing conspiracy to commit wire fraud venue is proper where the fraudulent activity of the conspiracy occurred. Venue is proper in the United States District Court for the Northern District of Texas, according to the SEC, Quilling and the United States District Court for the Northern District, which had jurisdiction and venue of these defendants' cases and the related transactions since 2006/2007 before the original indictment was filed in the Eastern District of Texas on June 11, 2009 in the instant case. Venue in the United States District Court for the Eastern District of Texas results from impermissible forum shopping. The fact that the Government, Quilling and the SEC combined efforts to bring an indictment in the Eastern District begs the question, why forum shop out of the Northern District? Apparently a Government Agent aided and abetted by others believed that the Eastern District was a more "prosecution favorable" venue. (See Appendix Doc. #16 – Affidavit)

Before trial Lancaster pled guilty to conspiracy (18 USC § 371, a conspiracy statute with a five (5) year statutory maximum) and pursuant to his plea agreement rendered substantial assistance in the prosecution of an unrelated case in California,

as well as testified against McDuff. It is of note that Reese pled guilty, was sentenced to 97 months in prison but committed suicide in December 2010 at the age of 72 and before self-reporting to prison.

C. FORUM SHOPPING

There is no obvious reason to charge and prosecute McDuff in the Eastern District of Texas, and such conduct raises the appearance of an impropriety that is, forum shopping. (See Appendix Doc. #16 - Affidavit of Stephen Coffman) United States v Bradley, 644 F.3d 1213 (5th Cir. 2011) holds:

> "...venue is constitutionally and statutorily proper only in the district where the offense has been committed. U. S. Const. Art. III § 2 CL.3; U. S. Const. Amend.VI, Fed.R.Crim.P.18. But in an action involving conspiracy... the offense has been committed in any district where any overt act was performed in furtherance of the conspiracy..."

McDuff's Superseding Indictment does not charge a conspiracy between Megafund and "Lancorp Fund", nor Lancaster, Reese nor McDuff, with Megafund or its officers. There is no conspiracy charged in which the act of sending money to Megafund from "Lancorp Fund" that such act could be considered in furtherance of the conspiracy to commit wire fraud, nor did the Government prove or attempt to prove that the wire transfer of money from "Lancorp Fund" to Megafund was an act of an unindicted conspiracy with Megafund.

The Evidence obtained by the SEC and Quilling in its civil litigation consists of depositions, witness statements, business records, bank records, and background

checks on McDuff, Reese, and Lancaster. Many of these records obtained through civil discovery were used in McDuff's criminal prosecution. In one proceeding, United States Securities and Exchange Commission; in the matter of Megafund Corporation; File No. C-03932 A; A deposition conducted on May 12, 2006, by Julia Watson Huseman, an attorney working for the SEC, deposed Steve Renner founder of an internet company, "Cash Cards International" and whom gave the following testimony regarding McDuff and the fact that Cash Cards International (CCI) and Steven Renner (Renner) had control over and provided an internet banking service for MexBank (This testimony refutes Quilling's claims that MexBank was a sham-corporation for McDuff, through which McDuff obtained ill-gotten funds from "Lancorp Fund", via transfers from Megafund):

Ms. Huseman:	Q.	"Okay. Go ahead. After you talked to your attorney did you talk to McDuff?"
	A.	"I believe so…"
Ms. Huseman:	Q.	"Did you tell him that? When I say him I mean Mr. McDuff."
	A.	"I don't believe I told him that.. ---I didn't divulge exactly what we were doing because it's not his account."
Ms. Huseman:	Q.	"MexBank is not his account?"
	A.	"The account in question was not his account. I was not going to give him information on someone else's

> account." (page 28 of the SEC Deposition document) (Appendix Doc. #15).

Quilling was present at this deposition and asked questions of Renner. Despite this independent third party testimony proving that MexBank is not owned by McDuff, and the actual owner supplied corporate records demonstrating that MexBank and Secured Clearing Corporation are not owned by McDuff (See Appendix Doc. #7 page 11), Quilling and Ms. Huseman continued to claim to the Government in the Eastern District of Texas this same misinformation and provided a flow chart that was used as a basis for wire fraud and money laundering charge, which materially misrepresents facts regarding the transaction.

Testimony of two (2) investors (Benyo and Biles) stated that McDuff introduced them to Lancaster and "Lancorp fund". The documentary evidence regarding those two investors who were fact witnesses conclusively establishes that:

(i) Their conversations and contact with McDuff was in the time frame immediately prior to their transferring their money into the "Lancorp Fund" escrow account. For Frances Lynn Benyo (USCA5.1799, .1816) and Jay Biles those dates were before May 14, 2004. McDuff was first indicted in the Eastern District of Texas on June 11, 2009 more than five (5) years after the alleged fraudulent misrepresentations. 18 USC § 3282 establishes a five year limitation period for wire fraud and money

> laundering. As well as documents signed by Benyo and Biles showing that it was not McDuff who referred Benyo and Biles to "Lancorp Fund". These documents (Appendix Doc. #24 & #29, page 2) were left out of trial allowing misleading/false testimony to be presented to the Court and jury.

Further, the testimony of Lancaster regarding McDuff directing him to make the Megafund investment with "Lancorp Fund" money (USCA5.1883) is incredulous in light of Lancaster's prior sworn declaration and sworn deposition testimony and of the findings by the United States District Court Judge Sam A. Lindsay in Quilling v Humphries. That is the Court finds that Lancaster relied on Humphries' fraudulent legal opinion to make the investment in Megafund as well as Lancaster's Deposition testimony and Sworn Declaration. Further it is clearly a violation of Brady v Maryland, 373 U. S. 83, 10 L.Ed.2d 215, 83 S. Ct. 1194 (1963) for the Government to have failed to have brought this judicial finding before the Court and jury, as well as the contrary sworn statements, as both are dispositive on the issue of McDuff's non-involvement with the decision to invest "Lancorp Fund" money into Megafund; such sworn statements were made by Lancaster at a time (2005/2006) when he believed he and Lancorp were victims of Megafund's fraud. Fifth Circuit jurisprudence holds:

"Under Due Process Clause... criminal prosecution must comport with prevailing notions of fundamental fairness... Even in the absence of a specific

request, the prosecution has a constitutional duty to turn over exculpatory evidence that would raise a reasonable doubt about the defendant's guilt." Banks v Thaler, 583 F.3d 295; 2009 U. S. App.LEXIS 20827 (5th Cir. 2009) citing, California v Trombetta, 467 U. S.479, 485, 104 S. Ct. 2528, 81 L.Ed.2d 413 (1984). See also –Fed R. Crim. P., Rule 16.

Further:

"Accordingly, a Brady violation can occur even if evidence is withheld in good faith." Brady v Maryland, 373 U. S. 83, 10 L.Ed.2d 215, 83 S. Ct. 1194 (1963).

The Fifth Circuit in Thaler sets out the following that is applicable to this appeal:

"Strickler v Greene, 527 U. S. 263, 281-282, 119 S. Ct. 1936, 144 L.Ed.2d 286 (1999) ... [sets out] the three components or essential elements of a Brady prosecutorial misconduct claim: the evidence at issue must be favorable to the accused...; that evidence must have been suppressed by the State...: and prejudice must have ensued... [c]oincident with the third Brady component (prejudice), prejudice... exists when the suppressed evidence is material for Brady purposes." ..."Suppressed evidence is material for Brady purposes. 'If there is a reasonable probability that, had the evidence been disclosed to a defense, the result of a proceeding would have been different.'" Strickler, 527 U. S.at 280 (quoting United States v Bagley, 473 U. S. 667, 682, 105 S. Ct. 3375, 87 L.Ed.2d 481 (1985).

The Brady violations and the violation of Appellant McDuff's Due Process Clause Rights has its genesis in the way the SEC, Quilling and the Prosecutors in the Eastern District of Texas managed parallel investigations of civil and criminal cases against Appellant. The Supreme Court in United States v Kordel, 397 U. S. 1, 90 S. Ct. 763, 25 L.Ed.2d 1 (1970) found that such "unlawful civil/criminal collusion" may establish a violation of Due Process rights in five (5) situations:

"(1) the Government has brought a civil action solely to obtain evidence for its

criminal prosecution;

(2) Has failed to advise the defendant in its civil proceeding that it contemplates his criminal prosecution;

(3) Nor with a case where the defendant is without counsel; or (emphasis ours)

(4) Reasonably fears…; nor

(5) With any other special circumstances that might suggest the unconstitutionality or (emphasis ours) even the impropriety of the criminal prosecution."

Throughout this Brief, Appellant McDuff has demonstrated thus far the following improprieties:

(i) Forum Shopping;

(ii) Prosecution allowing misleading and perjured testimony;

(iii) Suppression of twenty-one (21) U. S. District Court cases' findings that are dispositive on the issue of no underlying fraud with respect to "Lancorp Fund" not having insurance for the investors;

(iv) Suppression of Lancaster's previous sworn testimony at his sentencing hearing that it was his decision to move "Lancorp Fund's" funds into Megafund, not McDuff's;

(v) The prosecution's solicitation of Benyo's testimony that it was McDuff that referred her to invest in "Lancorp Fund", when in fact it was Levoy Dewey who referred her (See Appendix Doc. #24);

(vi) Benyo on her own, invested in Megafund prior to investing in "Lancorp Fund", even though her testimony was contrary to the fact of the matter; (Appendix Doc. #30 – Quilling Megafund Investor Listing, suppressed by the Government)

(vii) That in a District Court in the Northern District of Texas, Quilling v Humphries, in 2006, United States District Court Judge Sam A. Lindsay, presiding, granted a judgment against Humphries for more than $9 million, the "Lancorp Fund" investment. The Prosecution and their witness Quilling suppressed this evidence and did not, during Quilling's testimony regarding the "Lancorp Fund" loss in Megafund disclose that a judgment for more than $9 million had been settled against Humphries for approximately $20,000;

(viii) Quilling specifically answered under oath in McDuff's trial that "Lancorp Fund" violated its PPM investment criteria by investing in Megafund, leaving out the judicial finding that Lancaster relied on a legal opinion letter as a basis to make the investment in Megafund, thus making his

answer incomplete and a suppression of exculpatory evidence which was material to McDuff's defense. (USCA5.1899-1901)

D. CHALLENGE OF DISTRICT COURT RULINGS

The District Court's ruling of not granting, sua sponte, a dismissal of the Superseding Indictment or failing to grant a Rule 12 Dismissal based on limitations, or Rule 29 Motion for Acquittal, based on Venue-related Constitutional considerations as well as sufficiency of evidence considerations, is error. Appellant McDuff's Fifth Amendment Due Process rights were violated by bringing this action in the Eastern District of Texas, by the suppression of exculpatory evidence, by the misleading and false testimony presented at trial and by the fact that the prosecution failed to demonstrate beyond a reasonable doubt that the case was not barred by the statute of limitations, as well as, the prosecution failed to prove that McDuff offered for sale or actually sold securities in the "Lancorp Fund".

CONCLUSION

Because of the Government's misconduct and deceptive practices, McDuff's Due Process Clause rights and his Sixth Amendment right to a fair and impartial jury trial and to establish a defense was abridged by the Government's misconduct. Further, throughout all of the civil litigation, McDuff never received a communication of any sort advising him that he was the target of a criminal investigation, did not have the assistance of counsel, and the Government used selected discovery from the civil

case to prosecute the criminal case, which establishes a Due Process Clause violation under Kordel. United States v Setser, 568 F.3d 482; 2009 U. S. App. LEXIS 10199 (5th Cir. 2009), as cited in United States v Scrushy, 366 F.Supp.2d 1134-39 (N. D. Ala. 2005) for the following:

> "the trial court found that the government coordinated two investigations in a manner intended to mislead the defendants into believing there was no criminal investigation against them obtaining the defendant's deposition in civil litigation with the intent to create evidence against them in a criminal case."

The Setser court held, regarding the finding in Scrushy:

> "in the court's view, the government's overall coordination of the investigations, and especially its apparent arrangement of a deposition in a civil case to create a 'perjury trap' for criminal prosecution purposes, while not informing that any criminal investigation was underway, was such an impermissible departure."

In Appellant McDuff's case, the SEC and Quilling actively pursued civil cases, coordinating with the Government without the SEC or the Government advising McDuff that he was a target of a criminal investigation. In 2008 IRS/CID agent Ronald Loecker discussed with Stephen Coffman (former ICE/Homeland Security Agent) moving McDuff's criminal prosecution to the Eastern District of Texas. (See Appendix Doc. #16 – Affidavit).

For the foregoing reasons McDuff's conviction and sentence should be reversed, vacated and this Court enter its Order of Appellant Acquittal on Count One and Count Two of the Superseding Indictment.

ISSUE II

THE DISTRICT COURT ERRED BY ANNOUNCING TO THE JURY THAT "MR. MCDUFF WAS A CONVICTED FELON, WITHOUT THE REQUISITE SECURITIES LICENSES" WHO WAS DIRECTING THE ACTIVITIES OF GARY L. LANCASTER.

STATEMENT OF FACTS REGARDING ISSUE II

McDuff's prior criminal conviction was for a violation of 18 USC § 1957, and was over 10 years remote at the time of the occurrences alleged to be the basis of the indictment, and 20 years remote at the time of trial. The Court before opening statements, while reading excerpts from the Superseding Indictment read to the jury that Mr. McDuff was a convicted felon without the requisite securities licenses. There is no securities fraud count in the Original or Superseding Indictment, nor is there a general duty to disclose ones prior criminal history when there is no duty to speak. (USCA5.1743-1744). The disclosure by the Court to the jury at this early stage, without proper predicate, in violation of Supreme Court, and Fifth Circuit jurisprudence was fatal to the integrity and "fairness interests" afforded criminal defendants under the Sixth Amendment right to a jury trial, and Fifth Amendment Due Process Clause considerations. The error was manifested by the Court's disclosure, reinforced and exacerbated by the Government, throughout trial such that the integrity of the verdict is fatally flawed.

ARGUMENT AND AUTHORITIES IN SUPPORT OF ISSUE II

A. STANDARD OF REVIEW

Appellant review of the District Court's conduct that amounts to an evidentiary ruling is for an abuse of discretion, but because it involves the constitutional question of depriving a defendant of a defense, the Court must be convinced the restriction was harmless beyond a reasonable doubt. United States v Deloach, 504 F.2d 185, 191 (5th Cir. 1974).

B. PRIOR CRIMINAL CONVICTIONS

With respect to McDuff's prior conviction (October 14, 1993; Government Exhibit 31) was from a 1993 prosecution for a violation of 18 USC § 1957, there can be no nexus between the conduct in the prior conviction conduct in 1993, and the conduct alleged to be criminal with the "Lancorp Fund"/Megafund Litigation. That is, the prior conviction and the failure to disclose the prior conviction is neither intrinsic nor relevant to the crimes charged in the Superseding Indictment in this case. While the Superseding Indictment alleges that it was "part of the manner and means of the conspiracy", that McDuff failed to disclose his prior conviction, (Superseding Indictment, page 3); (USCA5.65-71), it is not the conviction itself that is alleged to be a fraud, but the failure to disclose it. Absent unusual circumstances not present here, the Government's misstatement of the law regarding whether or not McDuff was barred from soliciting an investment because of his prior conviction (which is not the law, see Paladino below). There is no duty on the part of a solicitor of an investment to volunteer the presence of a criminal history, and criminal liability

cannot be imposed for such inaction. See United States v Paladino, 401 F.3d 471, 475 (7th Cir. 2005) holding:

"The government overreaches by arguing that anyone who solicits an investment, is required, on pain of criminal liability for failing to do so, to disclose any previous conviction for fraud."

In Paladino, the Seventh Circuit rejected the Government's "expansive notion of fraud" that would require anyone with a prior fraud conviction to voluntarily disclose it to investors. Further, to be sure McDuff's prior (at the time of trial) 20 year old conviction, was not for wire, mail fraud or securities fraud, but rather a violation of 18 USC § 1957. The Supreme Court in Chiarella v United States, 445 U. S. 222, 235 (1980) is dispositive of the issue, that there is no general duty to disclose a prior criminal conviction absent special circumstances, specifically holding:

"When an allegation of fraud is based upon non-disclosure, there can be no fraud absent a duty to speak."

See also: United States v Irwin, 654 F.2d 671, 679 (10th Cir. 1981) holding:

"There can be no criminal conviction for failure to disclose when no duty to disclose is demonstrated."

See also: United States v Laurienti et al, 611 F.3d 530, 2010 U. S. App. LEXIS (9th Cir. 2011) holding:

"When the allegation of fraud is based on non-disclosure, there can be no fraud absent a duty to disclose" citing Chiarella;

See also United States v Szur, 289 F.3d 200 (2nd Cir. 2002) holding:

> "general rule of Chiarella... when dealing with a claim of fraud based on material omissions, it is well settled that a duty to disclose arises [only] when one party has information that the other party is entitled to because of a fiduciary or other similar relation of trust and confidence between them..." citing Chiarella.

Other than Benyo's prior (to "Lancorp Fund") dealing with McDuff (USCA5.1771) regarding an investment in which Benyo made money (USCA5.1772) there is no testimony that Benyo had a business relationship with McDuff, much less, trusted McDuff. The Record is devoid of any claim or evidence that McDuff had a fiduciary or similar relationship of trust with any "Lancorp Fund" investor.

C. DUTY TO DISCLOSE PRIOR CRIMINAL CONVICTIONS

The Government in an attempt to correct the Court's constitutional error, on the second day of trial, offered United States v Bachynsky, 415 F.3d 167; 2011 U. S. App. LEXIS 3377 (11th Cir. 2011) as authority to justify violating McDuff's Due Process Clause rights. Problematic with the Government's authority is that, Bachynsky is a securities fraud case, among other charges, and in that case, Mr. Bachynsky, a principal in the transactions, held himself out as a licensed and qualified medical expert, after having been banned from the medical practice, thus creating a duty to disclose additional facts. The Bachynsky Court held that the

disclosure that he (Bachynsky) had a prior conviction and had lost his medical license would be a material fact that would alter the mix of information made available. Further in the context of a securities fraud case, (not the case here) charging violations of § 10 (b) of the Act or Rule 10b-5, there may be a general duty to disclose that arises whenever a disclosed statement would be misleading in the absence of the disclosure of additional material, facts needed to make the disclosed statement not misleading. Id. Additionally, with the Government's failure to give the required notice of their intent to use McDuff's prior conviction, nor was such notice in the trial memorandum supplied to McDuff, (See Appendix Doc. #17 – the trial memorandum given to McDuff; different) it was reversible error for the Court to allow the Government to question witnesses regarding McDuff's prior conviction. USCA5.1788 and USCA5.1820. It was also highly prejudicial and a violation of Fed.R.Evi. 403 to admit Government Exhibit 34, a copy of Appellant McDuff's Judgment for the prior conviction in 1993.

To be sure, McDuff did not hold himself out as a manager, officer, employee, or agent of "Lancorp Fund", and accordingly made no representation that would be material to Lancaster's conduct of the affairs of "Lancorp Fund", that would give rise to a duty to disclose McDuff's prior non-fraud conviction.

CONCLUSION

Having heard from the Court in the Court's opening remarks to the jury, before the Government's opening statement that, "that Mr. McDuff was a convicted felon without the requisite securities licenses who was directing the activities of Mr. Lancaster" is error, and coming from the Court it would be taken as the absolute truth of the matter. USCA5.1743. Subsequently, the Government elicited testimony from each fact witness asking the leading question "had you known that McDuff was a convicted felon" (USCA5.1788 and USCA5.1820) as well as in opening statement, the Government reiterated the Court's statement to the jury that McDuff was a convicted felon, without a securities license, then misstating the law and facts by saying:

"He's not able to sell these securities why? Because he was convicted of a felony." USCA5.1757.

This line of argument and questioning is not only, not relevant, as this was not a case involving an indictment and charge for securities fraud, it is misleading as to the law regarding a duty to disclose by one who solicits investment, is overreaching and attempts to put the Court into the business of expanding the wire fraud statute by notions of common law fraud. Having heard that Appellant McDuff was convicted of a prior "money laundering" crime, there can be but one conclusion, the error was harmful beyond a reasonable doubt, as is evidenced by the jury returning a guilty verdict in less than 30 minutes.

ISSUE III

THE DISTRICT COURT ERRED BY ADMITTING EVIDENCE OF UNCHARGED CRIMINAL MISCONDUCT, THAT IS, SECURITIES FRAUD.

STATEMENT OF FACTS REGARDING ISSUE III

Government witness Jessica Magee testified to the following regarding what could be conduct considered to be criminal violations of the federal securities laws:

Government witness Jessica Magee states: (USCA5.1990 - .1991)

A. "...I was on the investigating side. So I would investigate information that came to the Commission ...which ran a variety of subject matters that would come before the Commission relating to securities fraud..."

A. "The Lancorp Fund was not and never registered with United States Securities and Exchange Commission. It did not ever register any offering or securities that it offered or sold to the public..."

A. "...the Lancorp Fund was not registered with Commission and was not exempt." [From registration]...

Q. "Did you determine whether Mr. McDuff was registered with the Commission?"

A. "We did make that determination, and he was not and is not."...

Q. "Did you make the same determination for a gentleman named Gary Lancaster?"

A. "Yes sir. Not registered." (USCA5.1992 - .1993)

Government witness Magee's testimony is misleading by omission and false regarding Lancaster's not being licensed to deal in and or act in an advisory capacity with securities, a fact she and the Prosecutor knew or should have known when she testified. Further, Magee's testimony consists of unconditional sworn statements

(not only as a witness but as an officer of the Court) that are blatantly false and which were known to be false when made, as well as misleading by omission.

Specifically, the ONESCO litigation, reported in twenty-one (21) cases (See Appendix Doc. #4, a complete listing by case citation) confirms several critical facts:

(1) ONESCO is a licensed and registered broker-dealer in compliance with all state and federal securities laws; and

(2) Gary L. Lancaster was operating and offering shares as a "registered representative" of "Lancorp Fund" under the SEC compliant ONESCO umbrella, and under the scrutiny of the SEC. See the O. N. Equity Sales Company v Dean K. Steinke, 504 F.Supp.2d 913; 2007 U. S. Dist. LEXIS 64842 (C. D. Calif. Aug. 27, 2007), holding:

"...the amount paid by investors for shares in the Lancorp Fund was initially ...deposited into an escrow account and would be held in escrow until the closing date." ..."under the terms of the Private Placement Memorandum, the Lancorp Fund offering was subject to withdrawal, cancellation, or modification (emphasis ours) by [Lancorp] without notice." ..."Lancaster became a registered representative of Plaintiff ONESCO on March 23, 2004" (emphasis ours)

(3) "ONESCO is a full service retail broker-dealer with more than 1000 registered representatives. Through its registered representatives, ONESCO offers a variety of investment products..." "After becoming a registered

representative of ONESCO, Lancaster notified Defendants in April of 2004 that a material condition of their investment had changed ...shortly thereafter, each of the Defendants [investors in 'Lancorp Fund' subscription escrow] acknowledged the changes in the offering and reconfirmed their subscriptions ...The 'Lancorp Fund' officially became effective as of May 14, 2004."

The ONESCO Court after making the above findings of fact then made the following conclusions:

(4) "The actual investment using Defendant's ["Lancorp Fund" share subscribers whose money was in escrow with Lancorp] the investment of funds were not made until May of 2004, two months after Lancaster became a registered representative of ONESCO." (emphasis ours)

(5) "There was no sale of securities until May 2004." "Moreover, in April of 2004, Defendant's [Lancorp Fund subscribers] were required to reconfirm their subscriptions or withdraw their funds as a result of a change in the terms relating to the insurance component – an event that occurred while Lancaster was working as a registered representative of ONESCO. Accordingly, Defendant's [Lancorp Fund subscribers] are "customers" of ONESCO for purposes of Rule 10301 (a). (Nat'l Ass'n Sec. Dealers Manual, Code Arb. P. R. 10101 and 10301 (a)) See The O. N. Equity Sales Company, id."

Further, Lancaster was registered with the NASD and held at a minimum a Series 63 and Series 65 license from 1996/1998 through 2006 which included all times relevant to the claims in the Superseding Indictment which alleged a conspiracy to commit wire fraud (18 USC § 1349) from Sept. 19, 2003 through July 2005. See Appendix Doc. #3. Witness Magee and the Government knew or should have known that Magee's testimony, if not perjury, was 'willfully blind' to the facts regarding Lancaster's licenses and just wrong as a matter of law regarding that under some theory McDuff was required to hold a securities license for his conduct relating to the "Lancorp Fund". USCA5.1993.

GOVERNMENT WITNESS QUILLING

Quilling testified that regarding the activities, Megafund was the subject of a SEC initiated case in "Dallas in Federal Court" (Northern District of Texas) and that he was the Receiver for Megafund and that for him to take over as Receiver for Megafund, the Government had to make "a showing to the court." USCA5.1896.

> Q. "What did it have to show?" (speaking of Megafund)
> A. "The Securities and Exchange Commission initiated that action in Dallas in Federal Court, and their initial filings are many times as thick, if not twice as thick as this binder sitting in front of me."..."and its designed to lay out for a judge such as his Honor, the entire case from a superficial viewpoint of what has been alleged in terms of securities fraud and other legal violations, the fact that the financial program is not legitimate, and people have been victimized and there are violations of security laws occurring..." (USCA5.1896)

Though testifying regarding Megafund, the implication is that "Lancorp Fund" was a fraud.

Further, Quilling's testimony is by omission misleading, in that Quilling was aware of the ONESCO litigation because he had cooperated with one of the lawyers representing Harold E. Pals et al, a Mr. Joel E. Goodman of the Goodman and Nekvasil P. A. out of Clearwater, Florida. USCA5.1899-1901. Specifically, Quilling supplied Lancaster's deposition (which Quilling had taken in his capacity of the Megafund Receiver) See The O. N. Equity Sales Company v Harold E. Pals et al, 551 F.Supp.2d 821; 2008 U. S. Dist. LEXIS 36676 (N. D. Iowa 2008).

It is not credible that Quilling was unaware of the findings of the twenty-one (21) ONESCO cases regarding the lack of insurance not being a basis for a fraud allegation, and the fact that McDuff was not involved as a solicitor of investors for "Lancorp Fund". Further, it is Quilling that claims after the "Lancorp Fund" became effective that it made no "Permitted Investments" (as that term is defined) and states under oath in response to the Government's question the following which is inaccurate, misleading and stated in a manner to intentionally mislead the jury:

Q. "…And based on your review of the business records and your operation of Lancorp, were the representations made to investors true and correct?"
A. "No."
Q. "What were the core and key misrepresentations made to the investors?"
A. "Well, the Funds did not remain on deposit in a A+ or Higher rated bank, the protection of the principal was not

> 100 percent guaranteed, interest was not paid, and the trust – the representation regarding the fact that the trust would be dealing only in Standard and Poor's A+ Rated or Higher Bond transactions simply never occurred. And the trust principal is insured, that representation was simply not true."

Quilling's testimony is misleading, false, and intentionally deceptive in the following respects:

(i) With regards to the claim regarding funds remaining on deposit with an A+ or higher rated bank – the evidence is that in fact the funds were in Piper Jaffray or U S Bank both of which were "Qualified" while in escrow that is until May 14, 2004;

(ii) The funds were then invested with Tricom-Citibank which investment qualified under the PPM (Appendix Doc. #19 and #20 Affidavit of Lance Rosenberg – excerpts from Lancaster's Sentencing), prior to the Megafund investment, with no investor loss; Quilling of course did not mention that fact, and since he is an officer of the Court, and allowed by the Prosecution and the Court great latitude to testify in a narrative manner, such fact could have only been intentionally left out;

(iii) Quilling being an experienced attorney and an expert should have further explained his answer such that the jury could understand that "Lancorp Fund" had as an "investment objective" that once escrow

was closed and it was well known to Quilling from his cooperation in the ONESCO litigation, that escrow closed on May 14, 2004, that is the investors' money was used to purchase shares of "Lancorp Fund". For the "Lancorp Fund" (dated March 17, 2003), stated the investment objective was doing the business of "Forward Commitments" in securities that were rated A+; subject to irrevocable purchase agreements; not only interest bearing, and

"in addition, to the extent cash is not invested in Permitted Investments, the Trust may invest in a Qualified Bank money market account, …or any obligation of a Qualified Bank, purchased directly or indirectly using a licensed broker-dealer or a fund…" (Appendix Doc. #21 page 3 of 4 and 4 of 4 – Article 1.16 Lancorp PPM)

An investment objective is just that, a plan, not an unqualified representation as Quilling testified to the jury;

(iv) Quilling's testimony that, "…and the trust principal is insured…" is of such complete disregard for the truth of the matter, it rises to the level of perjury. Quilling knew or should have known as the Prosecutor, that by May 2004, all investors in "Lancorp Fund" had been given the opportunity to rescind the escrow and receive their money back because of a "material change regarding the "Lancorp Fund's" insurance component".

GOVERNMENT WITNESS LOECKER:

Government witness Ron Loecker (hereinafter referred to as Agent Loecker) was the last witness in the trial. From his testimony, it is clear that Agent Loecker was the IRS Criminal Investigation Agent (CID) working both the "Lancorp Fund" case and the Megafund case. In response to questions from the Prosecutor, Agent Loecker testified regarding an entity called MexBank which the Government alleged was used in the wire fraud scheme and the promotional money laundering criminal episode. Agent Loecker stated:

> A. "...In March and April, Megafund returned a $500,000 payment in both months. You'll see the green indicating 9,365,000 was transferred to Megafund. Megafund then, again as I just stated returned a total of a million dollars over a two-month period. $824,165 were sent from Megafund into a Lancorp Account. The remaining portion of that $1 million, a total of $175,835 went to a MexBank account with Cash Cards International, which we determined was controlled by McDuff." USCA5.2010-2011

In fact, during the deposition of Steven Renner (Renner, owner and founder) of Cash Cards International taken May 12, 2006 by SEC Attorney Julia Huseman and Quilling, Renner made it perfectly clear that McDuff did not have authority to access or gain information on the MexBank account at Cash Cards International. (See Appendix Doc. #15 page 28 Deposition excerpt). Further, in a filing with the SEC addressed to the SEC through Julia Huseman, MexBank S. A. de C. V. by and through its Chief Operations Officer, stating that"

> "McDuff is not a 'control person' or shareholder, officer, record keeper or representative of MexBank S. A. de C. V. in any capacity. He has no authority, signatory or otherwise, over

> any MexBank accounts or operations. He is a representative of a Belize based corporation, 100% owned by a Belize-Citizen that has a 1% equity ownership interest in MexBank S. A. de C.V. ..." (See Appendix Doc. #7 page 11)

It is not credible that Agent Loecker did not have this information in as much as he was the case agent on Megafund and worked the "Lancorp Fund" case. With respect to Agent Loecker's testimony regarding cash disbursements from Megafund to "Lancorp Fund", Agent Loecker stated:

Q. "Turn to government's Exhibit 32 please. What is this document sir?"

A. "This is a breakdown of the transfers between Lancorp and Megafund."

Q. "And are these the wire – are three of these the wire transactions that are alleged as occurring in the indictment to support the wire fraud allegation?

A. "Yes sir." (USCA5.2012)

The Government then requests a narrative of the transactions from Agent Loecker and to paraphrase Agent Loecker's response:

> "There were three separate deposits in Megafund, the first occurring on February 8, 2005, Lancorp sent to Megafund $5 million by wire transfer."

Q. "Now describe what occurred with the check transaction on March 2nd."

A. "Sure. The agreement was, the following month after an investment was made by Lancorp to Megafund, Megafund [Agent Loecker meant Lancorp] was due a 10 percent return. A $5 million wire was done in February so at the end of March, Megafund returned a check for $500,000 to Lancorp." USCA5.2013.

Q. "Describe how that promoted the scheme in this case."

A. "Well a number of reasons. If the investors are lured into believing that they are making money, all is well, they don't know yet to question whether an insurance policy would be in place." USCA5.2014.

This testimony from Agent Loecker is right along the "party line" or in this case the witnesses attempt to convince the jury and the District Court that the insurance component is still an issue.

Moreover, the Government attempts to use the exact same wire transfers that are alleged to be the factual basis for the wire fraud charge against McDuff, as well as, the predicate acts for promotional money laundering. USCA5.2012-2013. This is the only evidence produced by the Government that these alleged lulling payments from Megafund to "Lancorp Fund" are wire fraud and money laundering crimes. Clearly implicating the doctrine of "merger" and proving that the money laundering and wire fraud alleged crimes "merged" under the state of the record and proof therein.

Additionally, Agent Loecker was instrumental in forum shopping this prosecution out of the United States district Court for the Northern District of Texas. (See Affidavit of Steven Coffman, Appendix Doc. #16). And as with the other Government witnesses, the Prosecution elicited the highly prejudicial and irrelevant testimony under Fed.R.Evid.403 regarding McDuff's prior conviction. Agent Loecker was the Government's final witness.

ARGUMENT AND AUTHORITIES IN SUPPORT OF ISSUE III

A. STANDARD OF REVIEW

The Fifth Circuit holds that "when analyzing whether constitutional error requires reversal, we ask 'whether the error was harmless beyond doubt'" See United States v Mendoza, 552 F.3d 483; 2008 U. S. App. LEXIS 6274 (5th Cir. 2008) citing Chapman v California, 386 U. S. 18, 21-24, 87 S. Ct. 824, 17 L.Ed.2d 705 (1967). With respect to prosecutorial misconduct, the Fifth Circuit holds that when reviewed on direct appeal, the tests have evolved from:

"As the supreme Court observed nearly a half century ago, the prosecutor may prosecute with earnestness and vigor, indeed, he should do so. But while he may strike hard blows, he is not at liberty to strike foul ones." Berger v United States, 295 U. S. 78, 88, 55 S. Ct. 629, 633, 79 L.Ed.2d 1314 (1935). "To determine whether the prosecutor violated this rule, the reviewing court must weigh the degree to which the alleged improper argument may have affect the substantial rights of the defendants." United States v Rhoden, 453 F.2d 598, 600 (5th Cir. 1972). "Pertinent factors include: (1) the magnitude of the prejudicial effect of the statements; (2) the efficacy of any cautionary instructions; and (3) the strength of the evidence of defendant's guilt." Id. United States v McPhee, 731 F.2d 1150, 1152 (5th Cir. 1984).

The Court while reading excerpts from the Superseding Indictment introduced statements regarding McDuff's prior conviction for a non-related felony offense and stated to the effect that McDuff violated securities laws by not having the 'requisite securities license' while directing Gary L. Lancaster regarding the affairs of

"Lancorp Fund". There is no securities fraud charge in the Superseding Indictment. The jury will view such a statement from the Presiding Judge as absolute gospel regarding the issue. Further, the Court allowed unabated, Government witnesses to testify that McDuff and Lancaster violated various securities laws. This Court has held that "Evidence in criminal trials must be strictly relevant to the particular offenses charged." See United States v Carillo, 660 F.3d 914 (5th Cir. 2011). Securities fraud was not charged in the Original or Superseding Indictment, and to permit evidence of securities fraud was plain error, highly prejudicial and affected McDuff's substantial rights, to the affect, of calling into question the integrity of the trial process.

The seminal case on the issue of admitting evidence of prior bad acts is United States v Beechum, 582 F.2d 898, 911 (5th Cir. 1978), in which this Court established a two-step process for determining the admissibility of such evidence. First, is the evidence relevant to an issue other than the defendant's character? Second, does it "possess probative value that is not substantially outweighed by its undue prejudice and meet the other requirements of [R]ule 403."id. This analysis continues to be the standard that this Court will apply. See United States v St. Junnis, 739 F.3d 193, 203 (5th Cir. 2013) (applying test under Beechum). The extrinsic evidence in the instant case does not pass the Beechum test. The evidence of McDuff's prior conviction was not relevant to any issue other than McDuff's character, and because it had no

probative value, it does not pass a Fed.R.Evi.403 balancing test. After the jury heard the Presiding Judge, state before the opening statement that McDuff was a felon, and after hearing several Government lawyers or agents, and a United States District Court appointed Receiver (also a lawyer) testify that McDuff violated the securities laws, they were convinced of McDuff's guilt in this case because McDuff had been previously convicted of felony money laundering. The effect of this evidence had to be that McDuff was just a person of bad character, and the Government cannot show that this error is harmless.

Misstatements of law by the Government and Government witnesses, regarding McDuff's duty to disclose his criminal history are misleading, inaccurate and false representations. Further, statements and testimony by Government witnesses to the effect that McDuff was required by law to hold a securities license to speak to a potential investor and refer them to Lancaster is misleading, inaccurate and a false representation of what the securities laws requires as well as irrelevant to the issues at trial.

There are several categories of securities licenses (See Appendix Docs. #22 and #23). The different securities licenses that Lancaster held pursuant to his deposition testimony taken by Julia Huseman and Quilling on March 25, 2006 are identified as follows:

Q. "What licenses do you currently hold, securities licenses?"
A. "A six, 63, 65, and 7." (See Appendix Doc. #6)

Further at sentencing, Lancaster testified that he held the requisite securities licenses, despite the Government's attempt from the beginning to the end of trial to elicit evidence that Lancaster held no securities license. (See Appendix Docs. #3 and #32) USCA5.1992-1993.

According to the Financial Industry Regulatory Authority (FINRA) website, the licenses stated above allow Lancaster to legally do the following:

(i) Series 6 – "is known as a limited-investment securities license. It allows its holders to sell "package" investment products such as mutual funds… and investment trusts (emphasis ours)."

(ii) Series 7 – "License is known as the General Securities Representative (GS) license. It authorizes licensees to sell virtually any type of individual security."

(iii) Series 63 – "License is known as the Uniform Securities Agent license, is required by each state and authorizes licensee to transact business in that state."

(iv) Series 65 – "License is required by anyone intending to provide any kind of financial advice or service on a non-commission basis." (See Appendix Docs. #22 and #23)

Further, the FINRA provides the following with regard to requisite licenses and filings required:

> "Once all relevant securities tests have been taken and a passing grade received, licensee must register their securities licenses with an approved broker dealer who holds their licenses and oversees their business…"

"Those who intent to hold themselves out to the public as Registered Investment Advisors (RIA) must register with the state they do business in if their assets under management are less that $25 million, or with the SEC if the assets exceed $25 million. Registered Investment Advisors do not need to associate themselves with a broker dealer." (See Appendix Doc. #23, page 3, "RIA Requirements")

The following Government witnesses testified that Lancaster did not have the required securities licenses and that the "Lancorp Fund" was not registered with the SEC, nor had it made the required filings for Reg. D exemption:

(i) Jessica Magee (SEC attorney/ investigator)

(ii) Ron Loecker (IRS/ CID case agent on Megafund and associated on the "Lancorp Fund" case)

Further, both Magee and Loecker knew or should have known the following from documents in their possession or the possession of the Government Prosecutors:

(1) Lancaster's deposition (March 25, 2006) (Quilling present, Huseman questioning) – Lancaster testified that he held a Series 6, 7, 63 and 65 licenses.

(2) The publication by FINRA (Appendix Doc. #3) listing Lancaster as holding a Series 63 and 65 license, as well as the fact that twenty-one (21) District

Court Judges found in the ONESCO cases that Lancaster was licensed to engage in securities transactions, and a registered investment advisor.

(3) The FINRA publication (Appendix Doc. #23, page 3) paraphrasing states that: one holding a Series 65 License a Registered Investment Advisor managing 'their fund' may do so without being engaged with a broker-dealer, and more importantly the fund is not required to be registered with the SEC if under $25 million in assets.

Quilling and Magee, in responding to questions posed by the Government, stated in effect, that it was a misrepresentation of Lancaster and McDuff and a violation of the securities law to not be registered with the SEC, such testimony constitutes a misstatement of law. Either Quilling and Magee were grossly negligent or they intentionally misstated the law.

The evidence in the case conclusively demonstrates that the only contact McDuff had with those who invested in "Lancorp Fund" was that of an introduction to Lancaster. See United States v Abdulwahab, 715 F.3d 521; 2003 U. S. App. LEXIS 8627 (4th Cir. 2013).

There is indisputable evidence that Lancaster was fully licensed to sell securities and to be a Registered Investment Advisor and there is indisputable evidence in the record on appeal that "Lancorp Fund" never had more than $25 million in assets under management to trigger an obligation to register with the SEC.

Further, the Government had in its possession conclusive evidence reflecting that Lancaster and/or Norman Reynolds prepared and filed in the States and with the SEC, the exemption notice of a 506 Regulation D Fund. The SEC had in its files, the actual "file stamped" forms required for a Reg. D filing. (See Appendix Doc. #25) which said filings were withheld from the criminal trial evidence by the Government.

The SEC, Quilling and Loecker all knew or should have known of this exculpatory evidence, and either did not provide it to the Government or if provided the Government, suppressed the exculpatory evidence and misrepresented to the jury alleged facts that were claimed to be intrinsic to the conspiracy to commit wire fraud.

CONCLUSION

In summary, the Government's case and proof of a conspiracy to commit wire fraud were based on claims of securities fraud, due to the following:

(i) Alleged failure to register the "Lancorp Fund" with the SEC when under the law there was no requirement to register with the SEC;

(ii) Alleged failure of McDuff and Lancaster to hold the "requisite securities licenses"; the Government suppressed exculpatory evidence proving that Lancaster was licensed to sell securities, and his license was held by the O. N. Equity Sales Company at the time he sold the "Lancorp Fund" shares that is on May 14, 2004; and the Government

suppressed the exculpatory evidence regarding McDuff not being required to be licensed to discuss or introduce a prospective purchaser to "Lancorp Fund";

(iii) The wire fraud allegations in the Superseding Indictment are based on three (3) wire transfers from Lancorp to Megafund according to Agent Loecker's testimony.

However, the Government suppressed evidence of the existence of a fraudulent attorney's opinion letter from Megafund on which Lancaster relied to make the transfers to Megafund. Further, Agent Loecker identified the Government's Exhibit 29 as the "Lancorp Fund II" PPM dated June 1, 2005, (the original PPM drafted by Norman Reynolds (hereinafter Reynolds) is dated March 17, 2003) and the Government failed to disclose the exculpatory facts that the "Lancorp Fund II" transactions after June 1, 2005 were done with a PPM drafted by Lancaster alone concealed from Reynolds and McDuff, thus establishing the fact that Lancaster acted alone and controlled "Lancorp Fund". From this evidence, the Government's Superseding Indictment for a violation of 18 USC § 1349 is clearly barred by the statute of limitations as the original indictment was filed on June 11, 2009 and McDuff's introductions to "Lancorp Fund" (original) ended on or about May 14, 2004 at the time the original "Lancorp Fund" became effective. (Governments Exhibit No. 51)

There is no credible evidence in the record to support that McDuff did any acts as charged in the Indictment.

ISSUE IV

THE GOVERNMENT VIOLATED APPELLANT MCDUFF'S DUE PROCESS RIGHTS BY ENGAGING IN A COURSE OF CONDUCT THAT VIOLATED THE PRECEPTS OF BRADY V MARYLAND, 373 U. S. 83, 87, 83 S. CT. 1194, 1197, 10 L.ED.2D 215 (1963) BY CONCEALING EXCULPATORY EVIDENCE FROM APPELLANT, THE DISTRICT COURT AND THE JURY.

STATEMENT OF FACTS REGARDING ISSUE IV

This case began with the SEC and Quilling (as Receiver for Megafund and "Lancorp Fund") running parallel investigations with the FBI and the IRS Criminal Intelligence Division (IRS/CID). As has been shown in previous sections of this Brief and the Appendix Documents, during the depositions of Lancaster, Renner, Reynolds, and the various investor interviews conducted by the SEC and FBI, in conjunction with the IRS, a large volume of exculpatory evidence, both documentary and testimonial, was developed which did not support the allegations of securities fraud in the parallel civil complaints and did not support the Government's theory of the criminal case, that is a conspiracy to commit wire fraud based on (i) alleged misrepresentations in the Original PPM, (ii) the omission of McDuff to disclose a prior felony conviction to anyone with whom he may have discussed the "Lancorp Fund" opportunity, (iii) the alleged failure of Lancaster and or McDuff to hold the requisite securities license, (iv) the alleged requirement of the "Lancorp Fund" being

required to register with the SEC, (v) the investment of $9,365,000 into Megafund, and (vi) the alleged receipt of ill-gotten gains from the alleged conspiracy which is alleged to be promotional money laundering, a violation of 18 USC § 1956 (a) (1) (A) (i).

ARGUMENT AND AUTHORITIES IN SUPPORT OF ISSUE IV

A. STANDARD OF REVIEW:

This Court reviews Brady violations and questions de novo. United States v Skilling, 554 F.3d 229 (5th Cir. 2009). Provided however, "a deliberate deception on the part of the prosecution by the presentation of known false evidence is not compatible with the 'rudimentary demands of justice'." Mooney v Halahan, 294 U. S. 103, 112, 55 S. Ct. 340, 79 L.Ed 791 (1935). "The same result obtains when the State, although not soliciting false evidence, allows it to go uncorrected when it appears." Napue v Illinois, 360 U. S. 264, 269, 79 S. Ct. 1173, 1177, 3 L.Ed.2d 1217 (1959). The scope of these cases and Brady was expanded by Giglio v United States, 405 U. S. 150, 92 S. Ct. 763, 31 L.Ed.2d 104 (1972), applying the materiality standard of Brady supra, the Court required a new trial if "the false testimony could… in any reasonable likelihood have affected the judgment of the jury…" The cases hold that, an exception to the requirements under Brady exists where the case included false testimony and the prosecution knew or should have known of the falsehood. The cases hold that, "in that event, a new trial must be held if there was

any reasonable likelihood that the false testimony would have affected the judgment of the jury." United States v Antone, 603 F.2d 566; 1979 U. S. App. LEXIS 11493 (5th Cir. 1979).

B. ARGUMENT IN SUPPORT

Government witness Biles described meeting McDuff "one time" and did not think he could recognize him when asked by the Government. USCA5.1807. Additionally, witness Biles testified as follows:

Q. "And what was the situation in the meeting?"
A. "His situation… my interpretation was that he was basically like the salesperson for Lancorp…he was telling my wife and myself about the investment and how it worked…"
Q. "Did your wife's cousin have prior investment experience with McDuff as well?"
A. "I believe he did. I just know that he was the one who introduced us to the investment opportunity…"
Q. " Did Gary McDuff give you any documents at this meeting?"
A. "He gave me one set of documents that kind of laid out the investment itself." USCA5.1807, 09.

Witness Biles subsequently identified what was marked Government Exhibit 55 which is in evidence and is the original PPM dated March 17, 2003, it is clear that the date of this meeting where McDuff is alleged to have introduced Biles and his wife to the investment would have necessarily been before May 14, 2004 (the date "Lancorp Fund" became effective or 'broke escrow' and the sale of securities took place), because he contacted Lancaster and subsequently subscribed for

"Lancorp Fund" shares, paying money into the Lancorp escrow on Jan. 28, 2004. USCA5.1816.

The actual testimony from Biles proved the following:

(i) He was introduced to the "Lancorp Fund" by McDuff and one of his own relatives;

(ii) Lancaster sold the shares of "Lancorp Fund" to Biles and Lancaster directed Biles how and where to send his investment funds. USCA5.1814-16. Not one scintilla of evidence from any witness, certainly not Benyo or Biles, proved that McDuff lied to anyone regarding "Lancorp Fund". McDuff could not know what Lancaster's investment or management decisions would be after the "Lancorp Fund" became effective on May 14, 2004, when the subscription escrow paid into "Lancorp Fund" the escrowed monies and Lancaster effectuated the sale of shares of stock in the "Lancorp Fund".

The Government produced Lancaster in restraints to testify against McDuff and part of Lancaster's testimony was that McDuff in representing a UK Bank Group arranged for Lancaster to be interviewed and to obtain information on the UK Banking Group, and that McDuff introduced Lancaster to an attorney to draft the PPM utilizing a Fund structure and the activities in which the Fund would engage. USCA5.1872-3.

An initial subject that the Government questioned Lancaster about was why McDuff would choose Lancaster to be the principal Trustee/Officer of the "Lancorp Fund", as it was alleged to be McDuff's idea to establish "Lancorp Fund" according to the Government's theory, of McDuff's motive to engage in a conspiracy with Lancaster, in that regard the following testimony came from Lancaster:

Q. "Now at some point in time, did you find out Mr. McDuff had a [redacted]?"
A. "Yes. I don't remember the circumstances…"
Q. "…And did this have anything to do with why you were chosen and selected to head up Lancorp?"
A. "In large part, it did, because of course, he would be ineligible to represent the fund in any capacity [redacted]
Q. "Okay. So because of [redacted], it disqualifies him from being able to deal with securities, and you were chosen to take over and represent yourself to investors. Is that true?"
A. "Yes." USCA5.1874.

The prosecutor, testifying in the form of leading questions, either is grossly negligent or intentionally misleading as he knows or should have known that pursuant to the provisions of 15 USC § 780 (b) (6) (A) (ii) & (iii), that McDuff was in fact by the terms of the statute and law, eligible to conduct the affairs of "Lancorp Fund", and not disqualified because of a stale 10 year old conviction. There is no evidence to support that it was the intention of McDuff's employers for McDuff to manage the "Lancorp Fund", as they desired an experienced licensed professional to manage the fund.

Lancaster, then answering questions from the Government testified to the effect that even though he knew certain statements in the PPM to be misleading or false, he did not object. USCA5.1874-76. Most telling in the PPM is, that Lancaster has sole discretion to direct payments out of the Fund; McDuff has no authority whatsoever to manage or direct any fund activities. (Appendix Doc. #5 page 5 of 13). Yet, Lancaster at the Government's behest, testifies that McDuff was responsible for setting up the insurance. USCA5.1876. More disingenuous is, Lancaster, a former licensed insurance agent and an investment banker, with an insurance license and multiple securities licenses and many years of experience as an employee of the Trust Department of a major US Bank, and a Registered Investment Advisor with several different major broker-dealers, stating the following under oath:

Q. "What actually happened to the investor's money?"
A. "I don't even know for sure. It essentially disappeared. It went under the purview of Megafund, and no accounting was given for where the funds went." USCA5.1875-76, Appendix Doc. #9.

In fact, the Government, the SEC, Quilling and Lancaster by March 26, 2013 (the date of Lancaster's testimony) all, absent willful blindness, knew or should have known where Lancaster wire transferred the "Lancorp Fund" money, when he transferred said money and the amounts, and the receiving people or companies (See Appendix Doc. #26); See the reconciliation from Quilling given to the Government, IRS and SEC on or about July 31, 2007. In fact, the only person who did not know

where the "Lancorp Fund" monies had gone was Appellant McDuff, as it was only after the criminal trial did McDuff obtain the reports prepared by Quilling.

Further, Lancaster, in response to the Government's questions regarding insurance for "Lancorp Fund" states as follows:

Q. "…whose idea was it to set up insurance on this particular offering?"
A. "That came from Gary McDuff."
Q. "Was insurance ever set up?"
A. "No." USCA5.1876.

The remainder of Lancaster's testimony describes how he did not take certain actions in the operation of the original "Lancorp Fund". Lancaster testified in response to the Government's questions:

Q. "Turning to Megafund, when did you first hear the name Megafund?"
A. "I was introduced to Megafund by Gary McDuff…"
Q. "So whose idea was it, then, to send the Lancorp money to Megafund?"
A. "Gary McDuff."
Q. "Did you do any research into…independent research into Megafund to find out what they were doing with the money?"
A. "No."
Q. "Did you rely exclusively on what Mr. McDuff told you?"
A. "That and the letters of representation from two different attorneys as to the activity."
Q. "Attorneys that Megafund indicate were associated with Megafund?"
A. "Correct." USCA5.1883.

Such testimony from Lancaster is not credible in light of Lancaster's Sworn Declaration, sworn testimony in two depositions, a specific finding by the District

Court for the Northern District of Texas, and findings in several ONESCO cases; facts that were known or should have been known by the Government.

The prosecutor attempted to bolster Lancaster's testimony with the following exchange:

Q. "...there are serious consequences if you do not tell the truth in these proceedings?"
A. "Yes."
Q. "Have you told the truth here today?"
A. "I have." USCA5.1891-2.

Problematic with Lancaster's and the Government's questions and answers is that they are lies, half-truths, and leave out exculpatory evidence that is known to both Lancaster, the Government and several other Government agents and attorneys, as outlined below:

"Declaration of Gary Lynn Lancaster" sent on June 30, 2005 to the SEC, (McDuff received the "Declaration" after his trial in the Eastern District of Texas; his mother retrieved it and other documents from the offices of the SEC in Fort Worth, Texas);

Lancaster's declaration (Appendix Doc. #6) excerpts, states:

(i) "Lancaster is the owner and CEO of Lancorp Financial Group, LLC..." Lancorp Financial Group runs a private investment fund that was offered pursuant to Rule 506 of Regulation D. The Lancorp Financial Group

offering became effective in April 2004 and the Fund currently has 100 investors.";

(ii) "in late 2004 early 2005, I first learned about Megafund Corporation (Megafund) from … Gary McDuff.";

(iii) "in January 2005, I spoke several times with Mr. Leitner about the operations of Megafund. Leitner stated that all funds invested in Megafund… and that all funds were completely insured against loss of any kind.";

(iv) "Leitner advises that the funds are secure in top-tier banking institutions/ brokerage accounts and that the principal amount of the investment is insured by a major insurance carrier against all losses including fraud and that an attorney opinion letter would be forthcoming.";

(v) "On February 2, 2005, I signed a joint venture agreement on behalf of Lancorp Financial Group LLC [note that Lancorp Financial Group LLC is a different corporation from "Lancorp Fund"] to invest in the MF1025 offering…";

(vi) "On February 7, 2005, I received a facsimile from Leitner, attached to which was a letter dated February 5, 2005 from the law offices of Kenneth W. Humphries (Humphries letter)…";

(vii) "After receiving the Humphries letter I contacted Humphries via telephone. During this conversation I asked Mr. Humphries for the name of the insurance company that purportedly insured all the principal invested in Megafund.";

(viii) "On February 8, 2005... pursuant to Leitner's instructions, I wired $5,000,000 to... Megafund."

No mention is made that McDuff having any influence regarding decisions made to invest in Megafund at the time of sending this Sworn "Declaration" under the penalty of perjury to the SEC. Further, Lancaster declares:

(ix) "On April 5, 2005, I wired $2,885,000 to Megafund...";

(x) "On May 4, 2005, I wired $1,480,000 to Megafund..."

Again, there is absolutely no mention of Appellant McDuff ever being aware of the investments.

This declaration is clearly at odds with the context of Lancaster's answer to the Government's very limited questions regarding why Lancaster would invest $9,365,000 into Megafund. Certainly, the finding of the United States District Court for the Northern District of Texas that Lancaster made the investment in Megafund in reliance on Humphries opinion letter as well as this Declaration to the SEC was known or should have been known to the Government prosecutors. Appendix Doc. #14; Quilling v Humphries case opinion.

In addition, Lancaster on Nov. 17, 2005 and again on Mar. 25, 2006, gave a deposition to SEC attorney Huseman and Quilling, stating under oath the following: Deposition November 17, 2005 (Appendix Doc. #6; excerpts from the 11/17/05) (Julia Huseman for the SEC; Michael J. Quilling, Receiver for Megafund) Excerpts and page numbers of the Deposition: Page 10 lines 12-14, 15-18, line 25; page 11 lines 1-7:

(Ms. Huseman):

Q. "What license do you hold?"
A. "Life, Health, Series 6, 63, 65 and 7 are the ones that I've qualified for."
Q. "Are any of them active?"
A. "They have been – all of them are active – well in fact, I've just learned that my securities license is now not being held…"
Q. "Prior to opening the record… what I am marking as Exhibit 6, which is your declaration which was submitted with the case that was filed in July. Have you had a chance to review that?"
A. "I have."
Q. "Is there anything in that, that you wish to change at this time?"
A. "I don't think so, no."

Page 12, lines 3-25; page 13 lines 1-25:
A. "It never got registered. It never – went effective or became registered."
Q. "When did you initiate the Peoples Avenger Fund?"
A. "I – I don't remember exactly. It was – it was a work in progress that was transferred over to me."
Q. "By whom?"
A. "Secured Clearing."
Q. "And what is Secured Clearing?"
A. "Secured Clearing is – a company that was owned by a gentleman in England who was – had had a previous Fund, as I understood it, and was going – wanted to do a public fund to have an unlimited number of investors."
Q. "And what was this gentleman's name?"
A. "Terrance D'Ath."
Q. "How did you meet him?"

A. "I met him through Gary McDuff who was a director for Secured Clearing in Houston, Texas."
Q. "How did you meet Gary McDuff?"
A. "I met Gary McDuff through a client of US Bank that he was representing."
Q. "What was the client's name?"
A. "Morris Cerello."
Q. "And how long have you known Mr. McDuff?"
A. "Since 2001, I think."
Q. "What is the current nature of your relationship with Mr. McDuff?"
A. "Currently, I have no relationship with him… he represents Secured Clearing and his interests were transferred to MexBank, so I have no direct dealings or relationship with him at all."

Page 13 line 25; page 14 lines 1-9:

Q. "And how much money did MexBank contribute to Lancorp Financial Fund?"
A. "They contributed no direct money. They paid some attorney's expenses, and that was the only direct compensation."
Q. "To you?"
A. "To me right."
Q. "And to your knowledge how did they compensate Mr. McDuff?"
A. "I don't know."

Page 16 lines 3-24:
Q. "What was the next Fund that you attempted to initiate?"
A. "Lancorp Financial Business Trust."
Q. "And when did you initiate that?"
A. "…I think it was complete in 2003."
Q. "When you say 'we began', who began?"
A. "Norman Reynolds."
Q. "… Did he …is he the one who prepared the offering documents?"
A. "Norman Reynolds prepared absolutely everything. He has been legal counsel for me for all Lancorp's activity."
Q. "And when you said that you completed registration who did you register the fund with?"
A. "Well, Norman Reynolds did the registration."
Q. "With whom?"
A. "The Fund was registered in the State of Nevada."

Q. "Okay. But in terms of a securities offering, who did you register securities offering with?"
A. "I don't know. I'd have to ask Mr. Reynolds."

Page 18 line 18:
Q. "And did you register the fund as a Reg. D?"
A. "Yes."

Page 23 lines 23-25:
Q. "Who introduced you to Megafund?"
A. "I was introduced by Gary McDuff, through his father, John McDuff."

Page 24 lines 6-11, Page 25 lines 4-6:
Q. "Did you ever meet Mr. Leitner?"
A. "I did not."
Q. "Did you ever have any conversations or dealings with Mr. Leitner?"
A. "Well, I've had numerous conversations with Mr. Leitner."
Q. "And which one did you invest your investors' money in?"
A. "I invested in MF1025 plan." [Speaking of Megafund]

Page 25 lines 17 - 21:
Q. "And what did you understand you were investing your investors' money in?"
A. "That they – that the – the investments – he wasn't specific other than saying he would comply with the permitted investment section of my memorandum."

Page 28 line 15:
Q. "What due diligence did you do on Megafund before you invested $9.3 million…?"
A. "Correct. The primary due diligence was just looking at the referral, the references from Stan Leitner and getting a letter in writing from legal counsel verifying that the money would be held as agreed and would be insured."

Page 30 lines 11-25; page 31 lines 1-10:
Q. "Okay. What due diligence besides reading this letter did you do?" [Humphries representation letter]
A. "I also requested and was assured I would also receive the same kind of written verification from corporate counsel for the trader."

Q. "And who was – did you understand the trader to be?"
A. "I – I was not given the name of the trader."
Q. "Did that strike you as odd?"
A. "At that time it didn't because I understand confidentiality agreements and he could not disclose the name."
Q. "You had a pretty significant background in investments. You were licensed. You had a Series 6, Series 7; is that correct?"
A. "Correct."
Q. "And none of the – the secrecy in this program or the outlandish returns, none of this raised a red flag to you?"
A. "At the time, my only concern was that I had verification that the funds were secure."
Q. "Why did you think you would get the funds back?"
A. "Because the assurance of Mr. Humphries that they would be held as agreed."

Lancaster never once testified (in Nov. 2005) that McDuff had anything to do with Lancaster doing business with Megafund, other than to have his (McDuff) father introduce apparently via a teleconference (as Lancaster testified he never had met Leitner) to Stanley Leitner.

Page 37 lines 11-25:

Q. "Okay. Let me stop you right there, who is "Lancorp Financial Fund?"
A. "Lancorp Financial Fund is the entity of the investment deal."
Q. "And who is an officer or a control person at Lancorp Financial Fund?"
A. "I am."
Q. "Anyone else?"
A. "No."
Q. "And the other thing – Lancorp Financial Business Trust, is that what you called it?"
A. "Lancorp Financial Fund Business Trust is the legal registered name."
Q. "And you structured an agreement with…"
A. "Lancorp Financial Group, LLC."

Page 38 lines 1-14:

Q. "And who is the officer or control person of Lancorp Financial Group, LLC?"

A. "I am."

Q. "So you structured an agreement with yourself essentially?"

A. "Correct."

Q. "And what was that agreement?"

A. "That agreement was that Lancorp Financial Group would take over – all management of the funds and pay the fund up to a maximum of 22 percent per year. The first 22 percent of all earnings would go to the fund."

Q. "And how did you make your investors aware of this arrangement?"

A. "I didn't."

Again, no mention of McDuff directing or participating in any of the activities of "Lancorp Fund", that is to say, in Lancaster's sworn deposition testimony (in Nov. 2005) apparently telling the unvarnished truth, McDuff had nothing to do with "Lancorp Fund" other than to have introduced two (2) potential investors, Government witnesses Benyo and Biles, to Lancaster; and at worst, McDuff repeated what he had read from the PPM that his parents had received from Lancaster, and stated only what had been told by Lancaster. Benyo and Biles both subscribed into escrow only after establishing an independent relationship with Lancaster as evidenced by this trial testimony. (Government's Exhibit No. 16 and Appendix Docs. #24 and #29 – page 2 of 2)

CONCLUSION

The evidence that was suppressed by the various Government agencies, with knowledge of it being imputed to the Government prosecutors, is exculpatory, beyond a reasonable doubt, regarding the following allegations and issues:

(i) McDuff's alleged sale of securities:

McDuff did nothing more than make an introduction to two (2) potential subscribers to the "Lancorp Fund". Each subscriber was required to deal with Lancaster in order to subscribe for shares of the "Lancorp Fund". Government witnesses' (Benyo and Biles) testimony reflect that is was only after discussion with Lancaster that they subscribed for "Lancorp Fund" shares and sent money to the "Lancorp Fund" escrow.

(ii) McDuff's alleged misrepresentation regarding "Lancorp Fund" insurance:

Government suppressed exculpatory deposition testimony and Lancaster's Declaration (both made within a few months of the time of the events and occurrences that made the basis of the Superseding Indictment against McDuff), provide evidence which clearly contradicts Lancaster's trial testimony, and demonstrates that Lancaster interjected perjured testimony, that was known or should have been known by the Prosecution Team. Allegations by the Government and testimony evidence regarding the claim of fraud with respect to misrepresenting that "Lancorp Fund" was insured, is without merit, and in fact, it is beyond a reasonable doubt, that all investors knew before purchasing shares in the "Lancorp Fund" that there was no insurance component to insure the invested principal; not one single item of evidence that suggests or supports the notion that McDuff was

responsible for obtaining insurance for the Fund. In fact, Lancaster's deposition is clear and unequivocal that it was he (Lancaster) that was in charge of all operations, activities and investments made by "Lancorp Fund".

(iii) Lancaster's motive for perjured testimony:

Further, the Prosecution Team allowed Lancaster to perjure himself in order to be charged with a crime having a 60 month statutory maximum, instead of being charged with 18 USC § 1349 thereby giving an equivalent effect of an opportunity to obtain a Rule 35 or § 5K1.1 motion from the Government to downward depart in his case. Lancaster entered a guilty plea to violating 18 USC § 371 conspiracy to commit wire fraud, a conspiracy statute with a 60 month statutory maximum. Such conduct on the part of the Prosecution Team is reprehensible and violates McDuff's Sixth Amendment right to a jury trial, and the "fundamental fairness interests" provided to those charged with crimes pursuant to Supreme Court jurisprudence. (Peugh v United States, 2013 U. S. LEXIS 4359 (2013), discussing "fundamental fairness" issue).

(iv) McDuff's alleged creation of the "Lancorp Fund" PPM (Prospectus and Cash Management Agreements).

Lancaster's deposition testimony proves conclusively as does the deposition testimony of the attorney Reynolds and billing statements from Reynolds' firm (Appendix Doc. #27) that it was Lancaster's and Reynolds' collaboration that

created the PPM, its terms, conditions, and representations. The Prosecution Team knew or should have known this exculpatory information prior to trial. From Lancaster's sworn declaration and deposition testimony as well as Reynolds' sworn testimony that McDuff's contribution to the drafting of a PPM was to supply the form used by his employer Secured Clearing Corporation and the UK Banking group headed up by Terrence D'Ath.

(v) McDuff's omission to disclose his prior conviction.

Lancaster's sworn deposition testimony is to the effect that Lancaster and Reynolds were both aware of the conviction. Further, as briefed herein absent a duty to disclose, there is no duty on McDuff to make such disclosure.

(vi) McDuff's alleged sending of the prospectus (PPM) to potential investors to induce them to make payments to "Lancorp fund".

In as much as Reese is deceased and that there is no evidence to support the allegation that McDuff gave a copy of the "Lancorp Fund" to anyone other than witness Benyo and witness Biles, the Government is and was aware at the time of the trial that McDuff did nothing more than introduce Benyo and Biles to Lancaster who operated "Lancorp Fund" in which McDuff's parents had invested. Lancaster in his two (2) depositions with the SEC and Quilling, taken in Nov. 2005 and Mar. 2006, always maintained that McDuff had no authority with respect to "Lancorp

Fund". Further, that he (Lancaster) with the assistance of legal counsel managed the affairs of "Lancorp Fund".

(vii) McDuff's alleged agreement to conspire with Reese and Lancaster to "defraud investors and to obtain money and (emphasis ours) property from these investors... a violation of 18 USC § 1343." (The violation of 18 USC § 1343 was charged [in the Superseding Indictment], in the conjunctive). There is no credible evidence in the record to support that McDuff's alleged conspiracy with Lancaster, and/ or Reese.

The Government cannot prove beyond a reasonable doubt that these errors were harmless. (See DeLoach). For the foregoing reasons, this Court should grant an Appellant Acquittal or alternatively reverse and vacate McDuff's conviction and sentence and remand for a new trial in the Northern District of Texas.

ISSUE V

THE DISTRICT COURT ERRED BY FAILING TO DISMISS COUNT TWO OF THE SUPERSEDING INDICTMENT, AS SUCH IS BARRED B THE DOCTRINE OF "MERGER" AS ANNOUNCED BY THE SUPREME COURT IN SANTOS v. UNITED STATES, 553 U. S. 507(2008).

STATEMENT OF FACTS REGARDING ISSUE V

The Superseding Indictment in Count Two charges McDuff with a violation of 18 USC § 1956 (a) (1) (A) (i) that is, promotional money laundering, and aiding and abetting a violation of 18 USC § 2. The allegations state that:

"on March 22, 2005, McDuff and Reese aided and abetted by GLL (Lancaster) caused Leitner to sign and send a check number 1133 in the amount of $500,000 from a bank account... "Megafund Corporation Operating Account"... to Lancorp Financial Group LLC in Oregon... which involved the proceeds of a specified unlawful activity, that is a violation of 18 USC § 1343 (wire fraud) with the intent to promote the carrying on of specified unlawful activity...and that while conducting . . . knew that the property involved . . . represented the proceeds of some form of unlawful activity."

The check that is alleged to be proceeds of Megafund (a known Ponzi scheme) paid to Lancorp Financial Group LLC, was issued at the specific request of Lancaster as has been shown by Lancaster's testimony in the suppressed evidence that is, Lancaster's two depositions to the SEC and Quilling and Lancaster's "Declaration" to the SEC. Appendix Doc. #6. The record is devoid of evidence that would support the Government's allegation that McDuff did any act to aid and abet the issuance of a check by Leitner on behalf of Megafund to Lancorp Group. At the time of the payment, in March 2005, the alleged conspiracy was ongoing according to the Superseding Indictment.

Further, Quilling and the Government knew or should have known Quilling's testimony was incomplete, misleading and omitted exculpatory information as to McDuff. Quilling was asked by the Government prosecutor to identify Government's Exhibit 29. Quilling's answer was misleading, incomplete and continued the suppression of exculpatory evidence favorable to McDuff.

Trial Transcript Page 223 lines 16-25; page 224 lines 1-2:

Q. "Based on your review of the business records... for example the prospectus (PPM) and other documentation?"

A. "I did."

Q. "Please take a look at Government's Exhibits 29 and 30, which have also been shown to you outside of Court. Do you recognize these documents?"

A. "I do."

Q. "Is 29 a copy of the prospectus...?"

A. "They are." USCA5.1898-9.

In fact, Quilling and the prosecution knew or should have known that Government's Exhibit 29 was a second "Lancorp Fund" titled "Lancorp Fund II" and dated June 1, 2005, prepared by Lancaster without the knowledge of McDuff or Reynolds, which left out many of the components of the original "Lancorp Fund". Most importantly, "Lancorp Fund II" expressly left out the insurance component. Yet, Agent Loecker testifies as if this was the original "Lancorp Fund" and the Government does nothing to correct the false testimony.

Agent Loecker's testimony did reveal that there was a contract between Megafund and "Lancorp Group" as manager for "Lancorp Fund" for a 10% per month payment for any amount invested in Megafund from "Lancorp Fund". Lancorp Group received $500,000 as a payment in March 2005 for "Lancorp Fund's" February 2005 investment of $5 million in Megafund. It is telling that Lancaster never mentions McDuff in any capacity once Lancaster had control of the investor's funds. Further, in Lancaster's deposition testimony with the SEC and Quilling given March 25, 2006, Lancaster explained that he drafted "Lancorp Fund II" (dated June 1, 2005) on his own by copying selected parts of the original

"Lancorp Fund" PPM without disclosing to Reynolds that he was engaged in this practice, It should be noted that there is never any mention of McDuff being involved whatsoever in Lancaster's actions. Appendix Doc. #6.

In Lancaster's deposition on March 25, 2006, with Julia Huseman for the SEC present, Receiver Quilling takes the following testimony:

Deposition page 226 lines 2-7:

Q. "...but the one that you drew up yourself, that you were responsible for putting together." [Lancorp Fund II dated June 1, 2005] "Did anybody help you with it, no lawyer, or anybody, you just cut and pasted it from other stuff?"

A. "Well I just took it really out of the private placement memorandum..."

Deposition page 292 lines 14-17:

Q. "... Besides introducing you to Stan Leitner and bringing investors to you, what else did Gary McDuff do for Lancorp?"

A. "Nothing."

The foregoing was known in 2006 by the SEC and Quilling and constructively known to the Government yet the Government allowed Quilling, Loecker and Lancaster to testify in a manner and context that was misleading to the Court and Jury by intentionally omitting exculpatory evidence as to McDuff's role in these transactions alleged to be money laundering.

ARGUMENT AND AUTHORITIES IN SUPPORT OF ISSUE V

A. STANDARD OF REVIEW

In as much as McDuff presented an oral motion to dismiss the case before opening statements, the Fifth Circuit reviews sufficiency of the evidence issues de novo. United States v Kennedy, 707 F.3d 553 (5th Cir. 2013).

B. ARGUMENT

There is no evidence, nor did the Government attempt to prove this payment to Lancorp Group was anything more than a Ponzi lulling payment or payment of necessary expenditures in the continuation of the underlying wire fraud conspiracy.

The Superseding Indictment alleged that the wire fraud conspiracy encompassed the time period "September 19, 2003 through on or about July 5, 2005." The money laundering transaction set out as the basis for Count Two a violation of 18 USC § 1956 (a) (1) (A) (i) promotional money laundering as alleged in the Superseding Indictment occurred on March 22, 2005, a time in which the underlying conspiracy to commit wire fraud was continuing. Based on the Superseding Indictment and the testimony of Agent Loecker in answers to questions posed by the Government, the payment from Megafund to Lancorp of $500,000 in March 2005 was an overt act of the conspiracy to commit wire fraud. Further at trial the Government elicited the following testimony: (USCA5.2012 Lines 22-25), (USCA5.2013 Lines 1-25), (USCA5.2014 Lines 1-9)

A. "This is a breakdown of the transaction between Lancorp and Megafund."
Q. "And are these the wire …are three of these wire transactions that are alleged as occurring in the indictment to support the wire fraud allegations?"
A. "Yes Sir."
Q. "And now describe what occurred with the check transaction on March 2nd. [intended March 22nd]"
A. "Sure. The agreement was the following month after an investment was made by Lancorp to Megafund, Megafund [Agent Loecker intended to say Lancorp] was due a 10 percent return. A $5 million wire was done in February. So at the end of March, Megafund would return a check for $500,000 to Lancorp."

Q. "Describe how that promoted the scheme in this case."
A. "Well a number of reasons. If the investors are lured into believing that they are making money, all is well, they don't know yet to question whether an insurance policy would be in place because they have no need to verify it …some investors made subsequent investments based on believing everything is well…"

Clearly, Agent Loecker's testimony is that he considered the $500,000 payment to Lancorp from Megafund to be evidence of wire fraud, between Megafund and a victim "Lancorp Fund", as well as the promotional component of the charged § 1956 money laundering charge. Further, Agent Loecker correctly identifies that Lancorp is "due a 10% return", that is payment of expenses that are paramount to the continuation of the scheme.

The seminal Fifth Circuit opinion regarding the doctrine of "merger" as announced by the Supreme Court in Santos v. United States, 553 U. S. 507 (2008), is the case of Garland v. Roy, 615 F.3d 391 (5th Cir. 2010) which held that "merger" was present when:

(1) the government did not prove or attempt to show that Garland engaged in money laundering with "proceeds" narrowly defined as profits rather than gross receipts";
(2) the same transaction may have been used to prove both the underlying unlawful activity and the money laundering charges; and therefore,
(3) Garland's conviction for mail and securities fraud potentially "merged" with his money laundering convictions as defined by Justice Stevens and the plurality opinion.

Following Garland, the Fifth Circuit has held:

> "…we noted in Garland that a merger occurred when a defendant could be punished for the same transaction under the money laundering

> statute as well as under another statute, namely the statute criminalizing the specified unlawful activity underlying the money laundering charge..." See United States v Barton, 2013 U. S. App. LEXIS 8528 (5th Cir. 2013); See also United States v Kennedy, 707 F.3d 553 (5th Cir. 2013) holding:
>
> "The concept of merger is implicated when a defendant is convicted under two criminal statutes for what is actually a single crime; that is, convicted under the money laundering statute for essentially the same conduct that constituted the conduct of the "unlawful activity" upon which the money laundering is premised-here wire fraud," citing United States v Linberry,702 F.3d 210, 215 (5th Cir. 2012).

"Accordingly to address merger in the money laundering context, we ask whether the money laundering crime is based upon the same or continuing conduct of the underlying predicate crime. Under this reasoning, merger may be proven in two ways: (i) a defendant may demonstrate the underlying unlawful activity was not complete at the time the alleged money laundering occurred; or (ii) a defendant may show the transaction upon which the money laundering count is based was not a payment from profits of the underlying crime made in support of the new crime, but instead was a payment from gross receipts of the previously committed crime made to cover the cost of that same crime." (See United States v Harris, 666 F.3d 905, 910 (5th Cir. 2013)).

The evidence in the record from Government's witness Agent Loecker is that Government Exhibit 27 (March 22, 2005 check for $500,000) was a "lulling" payment in furtherance of the wire fraud as well as a promotional money laundering violation. The testimony of Loecker alone satisfied the test as set out in Garland, Barton and Kennedy, that is the transaction itself provided the basis of the money laundering charge and is conduct for which McDuff was and could have been

charged with as conspiracy to commit wire fraud. In addition, should the Court not be moved by this failure of the Government to prove this essential element, the Government did not show that the payment was anything more than expense-related activity necessary for the continuation of the scheme derived directly from the gross receipts. By failing to show these necessities, "merger" requires the Court to reverse and vacate the money laundering conviction and sentence.

CONCLUSION

The District Court should have considered McDuff's Motion to Dismiss as a challenge to the sufficiency of the evidence and on its own motion, at the close of the evidence, granted a Rule 29 Motion dismissing Count Two of the Superseding Indictment. The evidence presented by the Government was clear that the $500,000 returned to Lancorp could be found to be evidence of a lulling payment to attempt to prevent the detection of the conspiracy to commit wire fraud as testified by Loecker. Under the Fifth Circuit jurisprudence "merger" is present if McDuff could have been charged with the transaction alleged as money laundering, as conduct cognizable under the predicate offense in this case wire fraud. It is error for the District Court to have not dismissed Count Two of the Superseding Indictment. See Santos, Garland, and Kennedy.

ISSUE VI

THE SENTENCE IS PROCEDURALLY UNREASONABLE, BECAUSE THE INTENDED LOSS AMOUNT IS INCORRECT.

STATEMENT OF FACTS REGARDING ISSUE VI

LOSS CALCULATION

McDuff filed written objections to the loss calculation in the PSR on a number of grounds. Over objections, the District Court determined $10,986,000 as the intended loss. There is nothing in the record to demonstrate that the District Court gave any consideration to Ponzi payments made to "Lancorp Fund" as a credit against the loss, nor recovery of money from Megafund and misallocated by Quilling.

ARGUMENT AND AUTHORITIES IN SUPPORT OF ISSUE VI

A. STANDARD OF REVIEW:

This Court will review the District Court's calculations of the loss amount and other factual determinations for clear error, and will review legal questions about the interpretations of the Sentencing Guidelines de novo. United States v Morrison, 713 F.3d 271, 278-279 (5th Cir. 2013). In this context, this Court will review the District Court's method of determining the amount of loss de novo because the calculation of loss is an application of the guidelines and a question of law. Id.

B. ARGUMENT

McDuff's sentencing hearing was held April 16, 2014 in the United States District Court for the Eastern District of Texas. The United States Probation Office (USPO) made the following findings in the Presentence Investigation Report (PSR):

> 37. Base Offense Level: The guideline for 18 USC § 1349 offenses is found in USSG § 2X1.1 of the guideline… …It has been determined that investors made payments to Lancorp Fund totaling $10,986,884.16 which represents the intended loss for this case …increase by 20 levels."
>
> "…Pursuant to USSG § 1B1.3 (a) (1) (B) in the case of jointly undertaken criminal activity …Robert Reese was under a Cease and Desist Order from the State of California …increase by two levels;"

Further the USPO in the PSR postulated:

> "Testimony at trial indicated that some of the investments into the Lancorp Fund were based solely on the defendant's previous interaction with investors in legitimate investment opportunities. It is believed that the defendant violated a position of public or private trust, therefore two levels are added pursuant to USSG § 3B1.3"

Problematic with the USPO's characterization of the testimony of Benyo is that, it is a misrepresentation of Benyo's testimony. She did state that she had a previous investment experience with McDuff, but not that she had established any special or fiduciary relationship of trust with McDuff. In order to have such a trust relationship to arise the Government would have needed to show more in the way of Benyo's reliance on McDuff. In fact she testified that she had spoken with Lancaster before making a decision to invest in Lancorp. (USCA5.1785-1788). Moreover the Government's Superseding Indictment charges specifically it was the investment in Megafund and the payment of money from Megafund to "Lancorp Fund" that was the crux of the conspiracy to commit wire fraud charge. The withheld testimony of Quilling as well as his records concerning Megafund (that were withheld by the

Government nor tendered by Quilling) demonstrated that Benyo had prior to Lancorp fund, invested in Megafund. McDuff could not have logically occupied a position of trust with Benyo as she relied on Levoy Dewey to put her into Megafund and "Lancorp Fund". (Government Exhibit 2, page 002019)

McDuff filed objections prior to sentencing to the PSR not limited to, but including the above quoted offense level enhancements. In the record there is evidence that quantifies the return of more than $4,000,000 to the investors of "Lancorp Fund" that was not credited against the loss. Further in the record there is evidence that Reese's Cease and Desist Order from the State of California was issued 3 months after the "Lancorp Fund" became effective on May 14, 2004. Reese's Cease and Desist Order is dated August 14, 2004, (USCA5.524); "Lancorp Fund" was closed and became effective on May 14, 2004, thus Reese could not have violated a C & D Order that was yet to be issued when he raised money for "Lancorp fund" nor could McDuff have known of the Reese C & D in 2004 when he introduced Benyo and Biles to Lancaster. Further pursuant to the Judgment in this case the conspiracy ended on July 5, 2005. Pursuant to the Application Notes, USSG § 2B1.1 (b) (9) (C), the two level enhancement is only applicable to a prior order. Reese's C & D was post McDuff's conduct regarding "Lancorp Fund".

C. Loss Calculation

The District Court's use of $10,986,000 as the intended loss and the application of a twenty (20) offense level enhancement, over the objections of McDuff (USCA5.2132) is the genesis of a fatally flawed sentence. United States Sentencing Guidelines (USSG) § 2B1.1 application note 3 (E) (i) makes clear that in a fraud case in which the victims money and or the value in money of property returned to the victim shall be used as a credit against loss for sentencing purposes.

In this case, the Government witness Quilling prior to the Indictment of McDuff had made certain public filings and recoveries as the Receiver for "Lancorp Fund" that documented a proposed repayment to Lancorp of substantial funds in addition to the payment of $1,000,000 paid to "Lancorp Fund" prior to Quilling's Receivership being ordered. The maximum resulting loss attributable to McDuff is limited to approximately $757,000.

Fifth Circuit jurisprudence is clear, payments of money from a financial fraud to a victim that are paid before the detection of the crime are credited against the intended loss for sentencing purposes.

In this case, the District Court gave no credit to McDuff for money repaid to the "Lancorp Fund" investors, holding that the Government's proof of the amount of money raised by "Lancorp Fund" (the original dated March 17, 2003 and "Lancorp fund II" (dated June 7, 2005) totaled $10,986,000. Lancaster's testimony at trial was perjury by omission as he and the Prosecution omitted (as did Quilling

in his testimony) any references to "Lancorp Fund II", which raised $2,000,000 and used a document designated a Cash Management Agreement (CMA) as the investment vehicle. USCA5.1886. Quilling, the Prosecutor and Lancaster all concealed the fact that only Lancaster created "Lancorp Fund II" and the CMAs to the exclusion of all others and specifically McDuff.

Lancaster's deposition testimony taken by the SEC and Quilling in Nov. 2005 and Mar. 2006 clearly sets out that Lancaster excluded McDuff from any decisions or control of "Lancorp Fund" and even the knowledge of the existence of "Lancorp Fund II" and the CMAs through which Lancaster raised $2,000,000 after Megafund had defaulted on the repayment of all "Lancorp Fund" money invested with Megafund. There is no basis for McDuff to have foreseeability to or responsibility for the $2,000,000 raised for Lancorp Fund II" by Lancaster in July 2005. The Superseding Indictment states McDuff's alleged conspiracy ended on July 5, 2005. In March 2005 "Lancorp Fund" received $1,000,000 in payments from Megafund, and such should be credited against the intended loss thus $7,986,000 (before any additional payments to "Lancorp fund" investors) should be the intended loss, as of March 2005. The SEC and Quilling considered "Lancorp Fund" a victim of Megafund's Ponzi in July 2005, as such was in their pleading against Megafund et al in the United States District Court for the Northern District of Texas. See Appendix Doc. #6 pages 44-45.

B(1). Additional Credits to Intended Loss

At the time of Lancaster giving his deposition in March 2006 and through the indictment of Stanley Leitner (CEO/ Pres. Of Megafund) in the Northern District of Texas on Sept. 5, 2007, "Lancorp Fund" (dated March 17, 2003) was considered a victim of Megafund.

Per the published statements from Government witness Quilling (Appendix Docs. #26 & 33) and derived from Quilling's website published reconciliations, shows "Lancorp Fund" had another $4,372,290.71 recovered from Megafund et al and returned to investors during 2007 and 2008, prior to McDuff's June 2009 original indictment, which should have been credited against intended loss. Additionally Quilling used "Lancorp Fund" money (breaching his fiduciary duty to "Lancorp Fund" as Receiver) to pay his law firm billing for Megafund et al receivership in the amount of $1,081,573.04 as well as misallocating "Lancorp Fund" money to Megafund/Sarduaker/CIG/CILAK estates an amount of $1,864,836.65 which leaves an intended loss of $757,301 for which McDuff could be held accountable for, should McDuff be found responsible for any amount of loss. The first investment made by "Lancorp Fund" after closing escrow on May 14, 2004 was with Tricom Equities Limited and Tricom Futures Services Pty. Ltd. with said investment generating a profit for "Lancorp Fund". The Tricom investment was liquidated on or about December 9, 2004. (See Appendix Doc. #19 page 2, and #20).

Immediately preceding the February 8, 2005 investment in Megafund, no loss had occurred with "Lancorp Fund". There is no credible evidence in the record on appeal that supports a claim that Appellant McDuff made any decisions with respect to "Lancorp Fund" after the introduction of necessary parties in 2004. In that regard from a lens of foreseeability, McDuff should not be held accountable for any amount of intended loss. However, using the foregoing offsets and credits, the intended loss should be $757,301; which correlates to a 14-level enhancement under USSG § 2B1.1 (b) (1) (H) rather than the 20 offense level enhancement applied by the USPO and adopted by the District Court.

B(2). Abuse of Position of Trust Unsubstantiated

McDuff's 2 offense level enhancement for violation of a public or private trust under USSG § 3B1.3 is unsubstantiated and constitutes further error in McDuff's sentence. The only Government witness to testify that she had any previous investment experience was Benyo. The sum total of Benyo's testimony does not establish that she had any special relationship of trust with McDuff nor any broker-client relationship. (USCA5.1771-1772) (See United States v Ollison, 555 F.3d 152, 166 (5th Cir. 1993). Benyo signed a statement to "Lancorp Fund" that it was LeVoy Dewey who referred her to "Lancorp Fund", not McDuff. Further, Benyo, on her own, invested $20,000 in Megafund separate and apart from any investment made through "Lancorp Fund". (Appendix Doc. #30, Quilling's Megafund reconciliation

statements). The record is devoid of evidence to support a claim of a trust relationship with McDuff and any "Lancorp Fund" investor. The two offense level increase is not supported by the evidence in this case, and thus is procedural error.

B(3). Reese's Cease and Desist Order

Appendix Doc. #10 Reese's Cease and Desist Order (C & D Order) was issued in August 2004 approximately two (2) months after the "Lancorp Fund" investment closed escrow. It would be an impossibility for Appellant McDuff to have known of the C & D Order prior to the "Lancorp Fund" closing. There is no evidence that McDuff spoke to any potential investor after early 2004, thus an impossibility for McDuff to be accountable under any interpretation of USSG § 2B1.1 (b) (9) (C) and therefore to increase the offense level by two (2) levels is procedural error.

CONCLUSION

For the foregoing reasons McDuff respectfully requests that this Court reverse and vacate his conviction and sentence and grant an Appellant Acquittal, with an Order to require the immediate release from prison, or alternatively to reverse and vacate McDuff's conviction and sentence and remand for a new trial.

Respectfully Submitted,

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Certificate of Compliance

Pursuant to 5th Cir. R. 32.7(c), the undersigned certifies this brief does not comply with the type-volume limitations, as this brief contains 25,260 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii). On this same date, Motion for Leave of Court to file this extended brief was filed.

I further certify that this brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type-style requirements of Federal Rule of Appellate Procedure 32(a)(6) because this brief has been prepared in a proportionally spaced typeface using Microsoft Office Word in Times New Roman 14 point font.

/s/ ***D. Kyle Kemp***
Daniel Kyle Kemp
Attorney for Appellant Gary Lynn McDuff

EXHIBITS

A - J

EXHIBIT

A

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

In the Matter of GARY L. MCDUFF	ADMINISTRATIVE PROCEEDING File No. 3-15764

DECLARATION OF GARY LYNN MCDUFF

I, GARY LYNN MCDUFF, do hereby declare under penalty of perjury, in accordance with 28 USC § 1746, that the following stated facts are true and correct, and further that the facts in this affidavit are based on my personal knowledge of the events and occurrences stated herein.

1. I was born on October [redacted] in [redacted] Texas. I presently reside in [redacted]

2. From 1977 to 2012 I worked in residential subdivision development and private banking.

3. I attended college for two years after graduating from high school. I once held a Texas license to sell life insurance (1991-1993). I have held no other state or federal licenses of any type.

4. In 2001 I was employed by Secured Clearing Corporation which was owned by Terrance de'Ath of London, England. I was not an owner of any stock in that company. Mr. de'Ath sold his shares to Sir George Brown of Belize in 2005. Mr. Brown re-

tained me as an employee until his death in 2007 when the corporation ceased operating. I was a Director of Secured Clearing.

5. In late 2002 Mr. de'Ath, through Secured Clearing Corporation, advanced venture capital to Gary Lynn Lancaster to form a Fund that was completed on March 17, 2003. Mr. Lancaster was employed as a Private Wealth banker in the Trust Department of US Bank in LaJolla, California when he was first introduced to me in 2001 by one of his trust clients.

6. Mr. Lancaster represented to me that he held multiple securities licenses and had over twenty years of business experience. I introduced Mr. Lancaster to Mr. de'Ath.

7. Mr. de'Ath instructed me to ask Mr. Lancaster to fly to London for meetings there where they would negotiate the terms of a business agreement. I did not attend that meeting or any other business meeting with Mr. Lancaster.

8. The result of the London meeting, was that Mr. Lancaseter would form, own, and manage the Lancorp Financial Fund Business Trust (Lancorp Fund) using venture capital provided by Mr. de'Ath's Secured Clearing Corporation.

9. I was never an officer, director, employee, trustee, agent, owner, "control person" or "associated" with the Lancorp Fund, Mr. Lancaster or any entity owned, managed, operated or controlled by Mr. Lancaster.

10. I was never authorized by Mr. Lancaster to represent the Lancorp Fund nor did I represent Lancorp Fund in any capacity.

11. I never had signature authority over any Lancorp Fund accounts of any type, or any other entity owned, managed, or controlled by Mr. Lancaster.

12. I was not authorized by Mr. Lancaster to distribute Lancorp Fund Subscription Agreements and Private Placement Memorandums (PPM) nor to accept money from prospective investors/subscribers on behalf of the Lancorp Fund; therefore, I did not.

13. I did not know where Mr. Lancaster held bank accounts for the Lancorp Fund other than US Bancorp Piper Jaffray reflected in the Lancorp Fund Memorandum.

14. I never saw a Lancorp Fund check, nor did I see Mr. Lancaster sign a Lancorp Fund check.

15. I never saw Mr. Lancaster's signature on any check for the Lancorp Fund or for any entity which Mr. Lancaster owned, controlled or was employed by.

16. I never visited the Lancorp Fund offices or any office of any company owned, operated, managed or controlled by Mr. Lancaster, other than my initial meeting in 2001 with Mr. Lancaster at US Bank, LaJolla, California.

17. The Lancorp Fund began accepting investor subscriptions on March 17, 2003.

18. Robert Reese contacted me by telephone and introduced himself as someone having a number of clients he advised regarding their investments; that Mr. de'Ath's associates in London suggested he call me to ask questions about my knowledge of Mr. Lancaster's professional reputation. I answered his questions based on my past meeting with Mr. Lancaster at US Bank and comments made to me by his co-workers, which had been positive.

19. The extent of my relationship with Mr. Reese consisted of him calling me from time to time in 2003-2004 to ask me questions his clients asked him about the Lancorp Fund. Since most of

his questions were legal in nature, I directed him to Mr. Norman Reynolds who was legal counsel for the Lancorp Fund.

20. I did not know Mr. Reese, prior to the calls from him in 2003-2004, nor did I know any of his clients or the means by which he acquired them.

21. In 2001 I was introduced to [redacted] Benyo by [redacted] Dewey.

22. My next communication with Mrs. Benyo was in March 2003 over the telephone. [redacted] Dewey suggested that she call me to find out how to reach Mr. Lancaster and obtain information about the Lancorp Fund. I told her how to contact Mr. Lancaster, and what documents she could expect to receive from him. I provided her with the names of the documents based on what Mr. Lancaster had sent to my parents when they subscribed to purchase Lancorp Fund shares.

23. I did not know when Mrs. Benyo invested in the Lancorp Fund or how much she invested.

24. I did not provide her with any Lancorp Fund documents in person, by mail, fax, email or any other means. I did tell her that only Mr. Lancaster was permitted to send her such information.

25. She did call me and confirm that she had contacted Mr. Lancaster, who answered her questions to her satisfaction sufficiently for her to decide to invest with him. I did not have any further communication with Mrs. Benyo until after Mr. Lancaster notified her that the Lancorp Fund had been placed in the hands of a Receiver.

26. My last telephone contact with her was in 2006, Mrs. Benyo confirmed that Mr. Lancaster had distributed a memo to all inves-

tors advising them that he had been ordered to cease all communications with Lancorp Fund investors and instruct them to contact the Receiver Michael Quilling.

27. I discovered in late 2013 that Mrs. Benyo had invested directly in the Megafund on recommendation of [redacted] [redacted] Dewey.

28. Personal friends and neighbors, [redacted] Herring, introduced me to their relative [redacted] Biles. In February 2004 Mr. Herring arranged for Mr. Biles to meet me at a restaurant in Houston. At that meeting I showed him the Lancorp Fund documents Mr. Lancaster had sent my parents, that he would receive if he contacted Mr. Lancaster and requested them.

29. Mr. Biles' questions of me were similar in nature as those asked by Mrs. Benyo. I told him what I knew of Mr. Lancaster's background and how to contact him. I never met with or spoke to Mr. Biles after the first meeting referred to above.

30. I did not know if, when or how much money Mr. Biles invested in the Lancorp Fund, until I saw the Receiver's investor lists in late 2013 and early 2014.

31. Pursuant to United States District Court findings no shares of the Lancorp Fund dated March 17, 2003 were sold before May 14, 2004, and all such sales were executed by Mr. Lancaster. O.N. Equity Sales Co (ONESCO) was the broker-dealer that employed Lancaster at the time. Until late 2013 I was unaware of 21 ONESCO cases.

32. I received no commission from the Lancorp Fund directly or indirectly in relation to the sales of Lancorp Fund shares.

33. Through a private investigator in 2014 I confirmed that Mr. Lancaster was listed as an Investment Advisor Representative on the NASD-FINRA website holding multiple securities licenses,

during the times when Lancorp Fund shares were sold, and that the SEC had not revoked those licenses until August 10, 2006 by the NASD District No. 4 Department of Enforcement.

34. Based on Mr. Lancaster's representations to me in 2001, I believed that Mr. Lancaster was a holder of multiple securities licenses one of which was that of an Investment Advisor under his series 65 license.

35. My last communication with Mr. Lancaster by any means was a telephone call in early 2006 when he informed me that the SEC and the Receiver had ordered him to cease talking to all Lancorp Fund investors including me because I was employed by Secured Clearing Corp and Mr. de'Ath who had invested venture capital into Lancorp Group to form Lancorp Fund.

36. On June 7, 2006 I moved to Cuernavaca, Mexico (near Mexico City) to continue my employment with Secured Clearing Corporation.

37. I discovered in 2014 that the records maintained in Washington, DC headquarters of the SEC reflected that Gary Lancaster filed the appropriate Form D filing with the SEC as verified to me verbally by attorney Norman Reynolds in 2003 when he confirmed same to Mr. de'Ath. See Lancaster's FORM D filing.

Declaration pursuant to 28 USC § 1746:

I, GARY LYNN MCDUFF, declare under the penalty of perjury that the above stated facts and the information therein are within my personal knowledge and are true and correct.

Dated: June 1, 2015

Gary Lynn McDuff

EXHIBIT

B

DECLARATION OF GARY LYNN LANCASTER

I, Gary Lynn Lancaster, do hereby declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the following is true and correct, and further that this declaration is made on my personal knowledge and that I am competent to testify as to the matters stated herein:

1. I was born on April [redacted] in the State of Oregon, in the United States of America. My current residence is Vancouver, Washington, where I have resided since April 2005. I once held Series 6, 7, 63 and 65 licenses with the National Association of Securities Dealers, however, those licenses are currently inactive. I have no NASD disciplinary history.

2. Currently, I am the owner and CEO of Lancorp Financial Group LLC ("Lancorp Financial Group"), a privately-held Oregon limited liability company, with its primary place of business located in Vancouver, Washington. Lancorp Financial Group runs a private investment fund that was offered pursuant to Rule 506 of Regulation D. The Lancorp Financial Group offering became effective in April 2004, and the fund currently has 100 investors.

3. In late 2004 or early 2005, I first learned about Megafund Corporation ("Megafund") from an individual named Gary McDuff. I was told that Mr. McDuff's father (who in an investor in the Lancorp Financial Group fund) has been a long time friend of Stanley Leitner, the President and CEO of Megafund.

4. In January 2005, I spoke several times with Mr. Leitner about the operations of Megafund. Leitner stated that all funds invested in Megafund would be "traded" through a non-depleting account at a major brokerage firm, and that all funds were completely insured against loss of any kind. Leitner also stated that he had personally conducted a background check on the "Trader," and that the Trader was a licensed broker and that he "checked out." Further, Leitner

REDACTED

stated that investors in Megafund's MFC1025 offering would earn ten percent each month for a 12-month period.

5. During my conversations with Mr. Leitner, I asked about the propriety and legitimacy of the Megafund offering. In response to my inquiries, in early February I received a letter from Leitner dated January 31, 2005, wherein Leitner advises that the funds are secured in a top-tier banking institution/brokerage account and that the principal amount of the investment is insured by a major insurance carrier against any and all losses including fraud and that an attorney opinion letter about the Megafund offering would be forthcoming. A copy of that letter is attached hereto as Exhibit 1.

6. On February 2, 2005, I signed a joint venture agreement on behalf of Lancorp Financial Group to invest in the Megafund MFC1025 offering. A copy of the MFC1025 offering materials are attached hereto as Exhibit 2, and a copy of the signature page from the joint venture agreement is attached hereto as Exhibit 3.

7. On February 7, 2005, I received a facsimile from Leitner, attached to which was a letter dated February 5, 2005 from the law offices of Kenneth W. Humphries ("Humphries letter"). Both Leitner's facsimile and the Humphries letter are attached hereto as Exhibit 4. In his letter, Mr. Humphries states that he has been appointed general counsel to Megafund Corporation, and represents that: (1) all funds in the "trading program" are secured in a brokerage account at a major investment bank, and (2) the principal amount of the funds are insured against losses of every description. In his facsimile, Leitner states that the Humphries letter is intended as a "stop gap," and that a letter from the attorney representing the trader will be forthcoming.

8. After receiving the Humphries letter, I contacted Mr. Humphries via telephone. During this conversation, I asked Mr. Humphries for the name of the insurance company that

purportedly insured all principal invested in Megafund and for the name of the brokerage firm where Megafund investment funds were being held. Mr. Humphries informed me that he was prohibited from disclosing that information by various confidentiality and non-disclosure agreements. I also asked Mr. Humphries to send me a "hard copy" of his letter for my files, because the facsimile version I received was not clearly legible. Mr. Humphries promised to do so, but I never received the letter.

9. On February 8, 2005, Lancorp Financial Group invested $5,000,000 in the Megafund MFC1025 investment plan. Pursuant to Leitner's instructions, I wired $5,000,000 to Wells Fargo bank account no. 2043306683, held in the name of Megafund ("Wells Fargo bank account").

10. On February 9, 2005, I received an email from Leitner that attached a letter purported to be written by Lawrence H. Schoenbach, an attorney in New York. A copy of that letter is attached hereto as Exhibit 5. This letter, written to Lancaster Financial Group, LLC, claims to represent that money invested in Megafund will be secured in accounts at JPMorgan Chase Manhattan Bank, MAN Financial, or RefCO, Inc., and that principal investment amounts will be insured by Nationwide Financial Services.

11. According to the offering materials I received, interest payments for a specific month would be paid on or about the 20th of the following month. On or about March 23, 2005, I deposited a check in the amount of $500,000 payable on Megafund's Wells Fargo bank account, which represented the 10% earnings for the month of February for Lancorp Financial Group's $5 million initial investment.

12. On April 5, 2005, I wired $2,885,000 to Megafund's Wells Fargo bank account as an additional investment by Lancorp Financial Group in the Megafund MCF1025 investment plan.

13. On April 26, 2005, I received a wire transfer in the amount of $324,165 from an account at Southtrust Bank, held in the name of Megafund, for the March interest payment. The remainder of the $500,000 monthly interest payment was paid directly to a Lancorp Financial Group joint venture partner.

14. On May 4, 2005, I wired $1,480,000 to Megafund's Wells Fargo bank account as an additional investment by Lancorp Financial Group in the Megafund MCF1025 investment plan.

15. On or about May 20, I called Leitner to inquire about the April interest payment owed to Lancorp Financial Group. During this conversation, Leitner stated that Megafund's lawyer advised Megafund to change from a Joint Venture offering to an offering conducted pursuant to Rule 506 of Regulation D. As a result, Leitner's plan was for Megafund to close out the current offering, return all funds invested in Megafund, and then initiate a new offering under Regulation D. Mr. Leitner also told me that Lancorp Financial Group's funds would be returned in two steps – Megafund would first make the April interest payment, and then Megafund would return the invested principal amount of $7,885,000.00, followed by payment of the earnings/interest on the last invested deposit of $1.48 million, and then the return of the $1.48 million principal immediately thereafter.

16. Concerned about the viability of Megafund and the location of funds invested by Lancorp Financial Group, in or around early June 2005, I contacted Lawrence Schoenbach. At that time, Mr. Schoenbach stated that he did not know or represent Leitner, Megafund or any

entity doing business with them. Mr. Schoenbach immediately sent me a letter confirming his position. This letter is attached hereto as Exhibit 6.

17. On June 7, 2005, I sent an e-mail to Leitner requesting the return, pursuant to the terms of the Joint Venture agreement, of all funds invested by Lancorp Financial Group. That same day, Mr. Leitner sent me a response, via e-mail, stating that Lancorp Financial Group's "monies will be released incrementally over the next two weeks consistent [sic] with the terms and conditions relative to resolving the SEC inquiry." A copy of my e-mail to Leitner and his response are attached hereto as Exhibit 7.

18. From approximately May 20 through June 29, 2005, during numerous telephone conversations that took place between Mr. Leitner and me, Leitner provided several explanations as to why interest payments had not been made and investor funds had not been returned, including: (a) investor funds had been sent to the US in Euros, and had to be sent back and converted into dollars before being distributed; (b) the transfer investor funds was being delayed by the Department of Homeland Security; and (c) investor funds were frozen pursuant to a Temporary Restraining Order but that the facilitator, Trader and his attorney were working to have the freeze removed; and (d) an agreement was being negotiated with the Securities and Exchange Commission (SEC) whereby the return of investor funds by Megafund would resolve all SEC issues. Each time I talked to Leitner, he provided a date by which funds would be transferred to Lancorp Financial Group, but each deadline came and went without execution.

19. Neither Lancorp Financial Group, nor any persons or entities affiliated with or related to Lancorp Financial Group, have received any funds from Megafund or Leitner since April 26, 2005.

I, Gary Lynn Lancaster, do hereby declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the foregoing is true and correct.

Executed on the 30 day of June 2005.

Gary L. Lancaster

EXHIBIT

C

FW - 2975

COPY

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. FW-02975-A
MEGAFUND CORPORATION)

WITNESS: Gary Lynn Lancaster
PAGES: 1 through 156
PLACE: 1211 SW Fifth Avenue
Suite 1900
Portland, Oregon 97204

DATE: November 17, 2005

The above-entitled matter came on for hearing, pursuant to notice, at 9:20 a.m.

Q What year are we in now?
A It ended --
Q What year did you start at US Bank?
A I think it was '99 to 2002. And then I left US Bank in 2002 and I've been self-employed under Lan Corp. Financial Group since then.
Q Where is Lan Corp. Financial Group incorporated?
A It was -- it was incorporated in Oregon. It has subsequently been moved to Washington. Registration --
Oh, I left out an employer. Universal Underwriters was my last employer.
Q What licenses do you hold?
A Life, health, Series 6, 63, 65 and 7 are the ones that I've qualified for.
Q Are any of them active?
A They have been -- all of them are active -- well, in fact, I've just learned that my securities license is now not being held.
Q When did you learn that?
A Last week.
Q And how did you learn that?
A By looking online for my registration.
(SEC Exhibit No. 16 was marked for identification.)
Q Prior to opening the record, I gave you a copy of

Q What do you mean when you say it never came to fruition?

A It never got registered. It never -- never went effective or became registered.

Q When did you initiate the People's Avenger Fund?

A I -- I don't remember exactly. It was -- it was a work in progress that was transferred over to me.

Q By whom?

A By Secured Clearing.

Q And what is Secured Clearing?

A Secured Clearing is -- is a company that was owned by a gentleman in England who was -- had had a previous fund, as I understood it, and was going -- wanted to do a public fund to have an unlimited number of investors.

Q And what was that gentleman's name?

A Terrance D'Ath.

Q Could you spell that, please.

A T-e-r-r-a-n-c-e and I think it's D, apostrophe, A-t-h. I can't remember.

Q How did you meet him?

A I met him through Gary McDuff, who was a director for Secured Clearing in Houston, Texas.

Q How did you meet Gary McDuff?

A I met Gary McDuff through a client of US Bank that he was representing.

Q And what was the client's name?
A Morris Cerello.
Q Could you spell the last name.
A C-e-r-e-l-l-o, I think.
Q And how long have you known Mr. McDuff?
A Since 2001, I think.
Q What is the current nature of your relationship with Mr. McDuff?
A Currently, I have no relationship with him. His interests -- he represented Secured Clearing and his interests were transferred to Mex Bank, so I have no direct dealings or relationship with him at all.
Q When was the last time you did have direct dealings or a relationship with him?
A At the time that the joint venture agreement was executed and all of Secured Clearing's interests were transferred and I don't remember that. You have that document.
Q When you said -- when you say at the time the joint venture agreement was executed, what joint venture agreement are you referring to?
A Joint venture -- joint venture agreement with Mex Bank for sharing the profits earned by Lan Corp. Financial Fund.
Q And how much money did Mex Bank contribute to Lan

Corp. Financial Fund?

A They contributed no direct money. They paid some attorneys' expenses and that was the only direct compensation.

Q To you.

A To me, right.

Q And, to your knowledge, how did they compensate Mr. McDuff?

A I don't know.

Q And when you say you no longer have a relationship with him, why did you terminate that relationship?

A There was no basis for a relationship.

Q Would you characterize your relationship -- were you friends?

A Yeah, I like him. He seems to be a good guy. We spent a lot of time going back and forth with the attorney to try and get the People's Avenger Fund up and running.

Q Who was the attorney?

A Norman Reynolds.

Q Where is Mr. Reynolds located?

A In Houston, Texas.

Q Is he with a firm?

A Yes.

Q What firm?

A Currently, Glass, Phillips & Murray. At the time I

successfully registered with the SEC.

A That's correct.

Q What was the next fund that you attempted to initiate?

A Lan Corp. Financial Fund Business Trust.

Q And when did you initiate that?

A I think we began work on it in 2002 and the registration, I think, was complete in 2003.

Q When you say "we began," who began?

A Norman Reynolds.

Q And you were still working with Mr. Reynolds. Did he -- is he the one who prepared your offering documents?

A Norman Reynolds prepared absolutely everything. He has been legal counsel for me for all of Lan Corp.'s activity.

Q And when you said that you completed registration, who did you register the fund with?

A Well, Norman Reynolds did the registration.

Q With whom?

A The fund was registered in State of Nevada. It was a trust, so the trust was registered in Nevada.

Q Okay. But in terms of a securities offering, who did you register the securities offering with?

A I don't know. I'd have to ask Mr. Reynolds.

Q Okay.

A Yes. I've had -- I don't know how many, but a dozen, probably, requests for redemption.

Q And have you refunded their money to them?

A I have not. I have indicated to them that -- that I can't do anything with the funds until this issue is revolved.

Q When you say "this issue," what are you referring to?

A Well, the issue with Megafund.

Q And -- but none of those funds went into Megafund; correct?

A So you're specifically talking about the funds that did not go into Megafund.

Q Right.

A Okay. I've only had, of those people, three or four maybe that have requested redemption.

Q And have you paid -- have you given them their money back?

A I have not. I have indicated to them that I'm seeking legal counsel, guidance on what is or is not appropriate on how to handle the funds that were not part of the Megafund transaction.

Q Who introduced you to Megafund?

A I was introduced by Gary McDuff through his father, [redacted] McDuff.

Q And when you say "through his father, [redacted] McDuff," who did [redacted] McDuff know?

A [redacted] McDuff, as I understand it, had been personal friends with Stan Leitner, the principal of Megafund, for 15 plus years.

Q Did you ever meet Mr. Leitner?

A I did not.

Q Did you have any conversations or dealings with Mr. Leitner?

A Well, I've had numerous conversations with Mr. Leitner.

Q When did you first talk to Mr. Leitner about Megafund?

A Sometime in January.

Q Of?

A Of '05.

Q And what did Mr. Leitner tell you about Megafund?

A He sent me an outline of the scope of what the fund -- how it worked. There was two -- two specific plans that he was offering to investors.

Q Did he give you a choice of which plan he wanted to be a part of?

A Yes.

(SEC Exhibit No. 13 and 14 were marked for identification.)

Q I'm showing you what's been marked as Exhibit 13 and Exhibit 14. Are these the plans that he outlined to you?

A They are.

Q And which one did you invest your investors' money in?

A I invested in the MCF 1025 plan.

Q And how much money did you invest?

A All together?

Q Initially.

A Initially, 5 million.

Q And when did you send 5 million to Megafund?

A February of '05.

Q How much more did you invest?

A There were two other installments, one for 2,885,000 and another one for -- I think -- I'd have to do the math. The total was 9,365,000 all together.

Q And what did you understand you were investing your investors' money in?

A That they -- that the -- the investments -- he wasn't specific other than saying that he would comply with the permitted investment section of my memorandum.

Q What -- what does that mean?

A That means it could only be invested in specific things.

Q Okay. And what were those things?

A (Nods head.)

Q What percentage of your -- what -- what were you -- what did you think you were going to receive on a monthly basis?

A Up to 10 percent.

Q Monthly.

A Monthly.

Q Did it occur to you that any investment that pays up to 120 percent a year is probably -- there's probably something wrong with that?

A Not if they could prove it.

Q How did they prove it?

A Well, they would have to prove it by giving me the rate of return.

Q What due diligence did you do on Megafund before you invested 9.3 million, I believe? Is that correct?

A Correct.

The primary due diligence was just looking at the referral, the references from Stan Leitner and getting a letter in writing from legal counsel verifying that the money would be held as agreed and would be insured.

Q And who -- what legal counsel gave you that verification?

A A Mr. Humphries.

Q Did you speak to Mr. Humphries?

BY MS. HUSEMAN:

Q Is this the letter that you relied on?

A It is.

Q And is this the sum total of the due diligence you did on Megafund?

A Yes.

MR. SELLERS: Objection. This -- this isn't Mr. Lancaster's due diligence. This is the work protect of Kenneth Humphries.

BY MS. HUSEMAN:

Q Okay. What due diligence besides reading this letter did you do?

A I also requested and was assured I would also receive the same kind of written verification from corporate counsel for the trader.

Q And who was -- did you understand the trader to be?

A I -- I was not given the name of the trader.

Q Did that hit you as odd?

A At the time it didn't because I understand confidentiality agreements and he could not disclose the name.

Q You had a pretty significant background in investments. You were licensed. You had a Series 6, Series 7; is that correct?

A Correct.

consistent with that?

A No.

Q So why did you take -- keep more than you were supposed to?

A Well, I structured an agreement prior to any arrangement with Megafund. To try and get a better rate of return, I had an agreement between Lan Corp. Financial Fund and Lan Corp. Financial Group that Lan Corp. Financial Group would take over the management of the fund and pay the fund up to a maximum of 22 percent --

Q Okay. Let me stop you right there. Who is Lan Corp. Financial Fund?

A Lan Corp. Financial Fund is the entity of the investment deal.

Q And who is an officer or a control person at Lan Corp. Financial Fund?

A I am.

Q Anyone else?

A No.

Q And the other thing -- Lan Corp. Financial Business Trust, is that what you called it?

A Lan Corp. Financial Fund Business Trust is the legal registered name.

Q And you structured an agreement with --

A Lan Corp. Financial Group, LLC.

Q And who is the officer or control person of Lan Corp. Financial Group, LLC?

A I am.

Q So you structured an agreement with yourself, essentially.

A Correct.

Q And what was that agreement?

A That agreement was that Lan Corp. Financial Group would take over -- all management of the funds and pay the fund up to a maximum of 22 percent a year. The first 22 percent of all earnings would go to the fund.

Q And how did you make your investors aware of this arrangement?

A I didn't.

Q Is this arrangement in writing?

A Yes.

Q And where is that? Did you submit that to me?

A I don't know that I did.

Q Would you be willing to do so now?

A Absolutely.

Q I mean, not this second, but --

MS. HUSEMAN: Is that okay with you?

MR. SELLERS: Yes.

BY MS. HUSEMAN:

Q So this agreement is in writing. When did you

A Correct.

Q You placed the money with Megafund and you paid out two payments; is that correct?

A Correct.

Q And that's pretty much the extent of what you did.

A That was it, yeah.

Q And for that you were compensated 200 -- or excuse me -- approximately $325,000?

A Something like that.

Q When you say that Mex Bank contributed money up front, that that's what I'm hearing, is that what you mean to say, that they contributed money up front when you were setting up the fund?

A Secured Clearing did.

Q Secured Clearing --

A Yes.

Q -- excuse me.

And how much money did Secured Clearing contribute?

A I don't remember exactly. There were significant attorneys fees throughout the -- the process of attempting to get the People's Avenger Fund up and running.

Q When you say "significant attorneys fees," what do you mean?

A Thousands of dollars.

Q Okay. But, approximately, how much in total did

Q When you say you stepped into an existing situation, what do you mean?

A I was asked to be the fund manager for this fund, was introduced by Gary McDuff to Norman Reynolds and then briefed on all the activity that had occurred up to that point.

Q Why did they ask you to do this? Why did they ask you to be the fund manager?

A Because of my credentials, of my background and my working with the -- the client, Morris Cerello, that -- that introduced me that -- to Gary. That the way I conducted myself, they wanted somebody like me to manage the fund.

Q And they -- when they said they wanted you to manage the fund, how were you to be compensated for that management? Did they -- did they determine how you were compensated?

A No, that was determined by the -- the fund document.

Q That you executed with yourself.

A Correct.

Q Did they know how you were compensated?

A No.

Q Who did you send the money to Mex Bank -- who did you direct the payments to, Mr. --

A Trejo.

Q Trejo?
A Yeah.
Q And how did you send that money to Mex Bank?
A I sent a wire. The second time -- the second payment went directly from Megafund to Mex Bank.
Q And how was that arrangement set up?
A I directed Stan Leitner to send 40 percent of the -- of the profits, which was a specified number.
Q Why did you do that?
A Convenience.
Q Did someone ask you to do that?
A No. It just seemed like it would be easier for me to send it direct than send it to me and then forward it.
Q Well, wouldn't it have been easier, then, to just send payments -- have Megafund send payments directly to your investors?
A I don't know.
Q I'm just wondering why -- why you changed the --
A They really couldn't -- they really couldn't because they wouldn't know --
Q The percentage.
A -- the percentages or who was accumulating or anything.
Q I'm just trying to determine why you would change -- did Stan Leitner ask you why Mex Bank was getting

A Because the referrals that were coming in were supposed to be from like Bob Rees who knew what the outlines were and would only refer the kinds of people that are suitable for investment.

Q What reasons did you have to -- or what did you base your trust in Bob Rees on? And from what I've been able to ascertain, you didn't know him that well.

A Yeah, I didn't. I just made the presumption that -- that referrals that would be made to me for people in this would be screened people.

Q But what did you base that belief on?

A Representations made by Gary McDuff that, you know -- that the kinds of investors that they had been associating with were all, you know, pretty much sophisticated, high network people.

Q Did Gary McDuff make any representations to you about Mr. Rees?

A No, not specifically.

Q So you just kind of went on --

A I made the presumption that -- you know, that things were being done appropriately.

Q Now, you said that in the -- I'm sorry. On page 3, Roman numeral -- Roman numeral three, the bottom paragraph, "The investor shares have not been registered under the 1933 Act and are being offered pursuant to the private placement

EXHIBIT

D

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)

) File No. FW-02975-A

MEGAGUND CORPORATION)

WITNESS: Gary Lancaster

PAGES: 157 through 423

PLACE: Quilling, Selander, Cummiskey, Lownds, PC

Bryan Tower

2001 Bryan Street, Suite 1800

Dallas, TX

DATE: Saturday, March 25, 2006

The above-entitled matter came on for hearing, pursuant to notice, at 9:25 a.m.

for them actually taking the effort and spending the time to investigate him?

A Well, because his -- his -- I keep, had to keep records of everybody who was in attendance and who was doing what. And he was representing the transaction -- well, part of the transaction was going to occur. And they routinely do a background check on everybody.

Q Okay. So it wasn't anything specific that he did. It was simply --

A No.

Q -- just a matter of --

A No. It was routine.

Q Okay. I'm a little curious as to how you went from learning that Mr. McDuff had a criminal record to deciding that it would be, you know, good for you to do business with him?

A Well, I didn't do business with him, per se, because I was having everything done by Norman Reynolds.

His whole role and what subsequently became our agreement was, that there would be a profit sharing of earnings predicated on the investors that he was responsible for bringing to the fund.

Q And I understand that. But that seems to get a little ahead of the situation. As I understand the chronology of events you were working at U.S. Bank?

A Correct.

this information about Mr. McDuff. At that point, does he say, don't worry about my past, I would like to do business with you?

I mean how did it come about that the two of you got involved in any sort of business enterprise? Was it your idea? Did you approach him and say, I know this didn't go through, but maybe we can do something ourselves?

A No. He -- he was the instigator behind saying, look, we've got all of these investors. There's all of this money out there. He said he had the contacts to -- through Secured Clearing and Terrence D'Ath and these guys to do a number of very large securities transactions that could be arranged for and be very profitable. But they needed somebody who had my background to be responsible for the fund.

Q To manage the fund?

A Manage the fund.

Q And in your mind at that time, did you think that you would be doing the day-to-day operations, handling the actual investment of the money, or all of the above?

A The day-to-day operations of the fund itself. That the transactions would be taken care of by a broker dealer or by some other licensed entity.

Q But was it your understanding that you would have discretion to invest or make the investments on behalf of the fund as you saw fit?

A Yes. I would be responsible for that, yes.

Q Was there any discussion with Mr. McDuff about how the responsibility for the investment decisions would be made in so far as it's solely up to you? Or, you are the point person, but there will be some other people involved in making those decisions with you?

A No. There was never any discussion of other people making decisions with me.

Q Okay. Did you have any prior experience running any sort of private placement or mutual fund?

A No.

Q Did you explain this to Mr. McDuff?

A Yeah. And his explanation was that, that actually that would not be a challenge because the transactions were very simple. If you buy a security and you re-sell the security you make the spread.

Q Did it concern you at all that he didn't have the necessary experience to do this?

A Only a little bit. And that is where I was relying on -- on the other entities to -- execute the transactions so that I would make certain that it was done correctly.

That's why the agreement was made with the Australian firm, Tri Com, because they were the one actually executing the deal.

Q What about the actual investment decisions, where to

Mex Bank.

Q But why would he do that?

A I don't know.

Q If there is nothing wrong with this arrangement why would he do that? Did you ask him why?

A Not specifically, no.

MS. HUSEMAN: Okay. Off the record at 10:20.

(A recess was taken.)

MS. HUSEMAN: Back on the record at 10:35.

BY MS. HUSEMAN:

Q You said previous, before we went off the record, that you didn't do business with McDuff per se. What does that mean?

A It means we were not in business together as a partnership or entity or legally connected in any fashion.

Q Okay.

A Other than the agreement at the end where I agreed to send the requisite percentage of profits to Mex Bank.

BY MR. WERNER:

Q At the outset of the arrangement as Lancorp is being established, did you have any understanding or was there any discussion that Mr. McDuff would be compensated in any way as a result of the on going operations of the Lancorp private placement fund?

A Not him. But Secured Clearing, as the entity that

Q They who?
A Secured Clearing. Everything was Secured Clearing.
Q Who else was Secured Clearing besides Mr. McDuff?
A To my knowledge the only principals in Secured Clearing that I knew of for sure was Terrence D'Ath.
And then Gary McDuff was a director working for Mr. McDuff of Secured Clearing. So he was representing Secured Clearing.
So it wasn't him personally. It was a compensation arrangement with Secured Clearing to bring investors, bring these investors over.
Q Okay. I don't understand what you just said. The principal of Secured Clearing is Terrence D'Ath?
A That is my understanding.
Q And Gary McDuff worked for Terrence D'Ath?
A Yes. As a director of Secured Clearing.
Q But -- okay. So as the director of Secured Clearing, what was Secured Clearing going to be compensated for?
A For bringing the investors to the fund.
Q How many investors did Secured Clearing bring to the fund?
A I can't identify specifically. I'm presuming that the people who referred, which include the people that came from Bob Reese had -- because he -- my understanding is that Bob Reese and Gary McDuff had some kind of previous

relationship.

Q-- are those profits distributed pursuant to this joint venture agreement?
A Yeah.
BY MS. HUSEMAN:
Q So Mex Bank was aware that Gary McDuff was aware of your investment in First Ban Corp?
A I can't speak about Mex Bank, but Gary McDuff certainly was.
Q How was Gary McDuff aware of it?
A He was -- now say that question again, ma'am? Maybe I didn't catch it right.
Q So Gary McDuff and I assume Mex Bank, since it had taken over for Secured Clearing and if it's your joint venture partner was aware of your investment in First Ban Corp?
A In First Ban Corp, no.
Q Why?
A Do you mean First National Ban Corp?
Q Um-hum.
A There's no reason for me to disclose who I was making investments to. I could pull all the money out of Megafund and it wouldn't make any difference. I could go anywhere I wanted to. And that was my intention, was to take all of the money out of Megafund and engage it with First National Ban Corp.

Q And then just cut Mex Bank out?
A No. They would still continue to receive the joint venture agreement --
Q Percentage?
A -- percentage.
Q Of any pay out?
A Any pay out.
Q So why didn't you tell them that you had made an investment in First Bank -- First National Ban Corp or whatever it's called?
A I guess it never occurred to me that it was necessary.
Q It didn't occur to you that it was necessary to tell your joint venture partner that you redirected funds or directed funds in a new direction or directed funds to a new fund?
A No.
Q Why?
A Because I didn't feel it was necessary. They would receive their requisite share of whatever earnings the fund would make regardless of where I placed those funds.
Q Well, you said you did discuss this with Gary McDuff, then why did you discuss it with him?
A Once this was executed, I saw no reason to have any conversation with Gary McDuff.

I can't honor it for X reason?
A I'm -- I know I did that for some people but I don't remember who or how many.
Q And what was the reason you gave?
A That it was subsequent to the SEC investigation.
Q But how was the non-Megafund money in any way related to the SEC investigation as you saw it?
A It wasn't.
MS. HUSEMAN: So who was telling you that you couldn't give that money back?
BY MR. WERNER:
Q Or were you doing that on your own?
A Nobody was telling me not to give the money back. The only time that I remember being told not to give -- not to make redemption was by legal counsel at Schwabe.
BY MS. HUSEMAN:
Q And that was in October?
A In October.
Q So any decisions about that money prior to then would have been yours and yours alone?
A Yes.
Q And any representations that anyone might say that were made to them, that you were saying, the SEC won't let me, or the SEC said that I -- said that it's frozen, they would be mistaken?

EXHIBIT

E

TYPE OF OWNERSHIP

(Check One)

X Individual (one signature required)

_____ Joint Tenants with Right of Survivorship (both parties must sign)

_____ Tenants in Common (both parties must sign)

_____ Community Property (one signature required if interest held in one name, *i.e.*, managing spouse, two signatures required if interest held in both names).

_____ Trust

_____ Corporation

_____ Partnership

Please print here the exact name (registration) investor desires for the Shares.

Frances Lynn [redacted]

NAME OF REFERRING PARTY: Provide the name of the person(s) or entity who initially informed you of The People's Avenger Fund.

Name(s): Levoy Dewey

Address: [redacted]
Nashville, TN 37207

Phone: [redacted]

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Appendix Doc. #24
1 of 1

EXHIBIT

F

TYPE OF OWNERSHIP

(Check One)

✓ Individual (one signature required)

_____ Joint Tenants with Right of Survivorship (both parties must sign)

_____ Tenants in Common (both parties must sign)

_____ Community Property (one signature required if interest held in one name, *i.e.*, managing spouse, two signatures required if interest held in both names).

_____ Trust

_____ Corporation

_____ Partnership

Please print here the exact name (registration) investor desires for the Shares.

Jay C. [redacted]

NAME OF REFERRING PARTY: Provide the name of the person(s) or entity who initially informed you of Loncorp Financial Fund.

Name(s): Kevin and Saleaa Herring

Address: 1706 Joshua Tree
Deer Park, TX 77536

Phone: 281-478-9920

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Appendix Doc. #29
2 of 2

EXHIBIT

G

The O.N. Equity Sales Company -v- Dean K. Steinke, et al.
UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA
504 F. Supp. 2d 913; 2007 U.S. Dist. LEXIS 64842
CV 07-3170-JFW (FFMx)
August 27, 2007, Decided
August 27, 2007, Filed

Editorial Information: Subsequent History

Related proceeding at O.N. Equity Sales Co. v. Pals, 509 F. Supp. 2d 761, 2007 U.S. Dist. LEXIS 66121 (N.D. Iowa, 2007)Related proceeding at O.N. Equity Sales Co. v. Nemes, 2008 U.S. Dist. LEXIS 9189 (N.D. Cal., Jan. 28, 2008)

Counsel For The O.N. Equity Sales Company, Plaintiff: Adam R Fox, Michael T Purleski, LEAD ATTORNEYS, Squire Sanders & Dempsey, Los Angeles, CA; Marion H Little, Jr, LEAD ATTORNEY, Zeiger Tiggs & Little, Columbus, OH; Michael R Reed, LEAD ATTORNEY, Zeiger Tigges & Little, Columbus, OH.

For Dean K Steinke, Elisa D Hoffman, Margarita Robres, Beneficiary and Executrix of the Estate of Louis C Robres, Defendants: Joel A Goodman, LEAD ATTORNEY, Goodman and Nekasil, Clearwater, FL; Ryan K Bakhtiari, LEAD ATTORNEY, Aidikoff Uhl and Bakhtiari, Beverly Hills, CA.

Judges: PRESENT: HONORABLE JOHN F. WALTER, UNITED STATES DISTRICT JUDGE.

CASE SUMMARY

PROCEDURAL POSTURE: Defendants, three investors, initiated an arbitration against plaintiff, a broker-dealer, before the National Association of Securities Dealers, Inc. (NASD), relating to their investment in a fund that was set up by a former representative of plaintiff. Plaintiff filed suit, seeking a declaration that it had no obligation to arbitrate and to enjoin defendants from proceeding before the NASD. Defendants moved to compel arbitration.Because a claim for failure to supervise clearly arose in connection with the business of plaintiff for the purposes of NASD Rule 10301(a) and the challenged investment was made after a representative became a registered representative of plaintiff, defendants were plaintiff's "customers" for purposes of the Rule, and arbitration was compelled.

OVERVIEW: Defendants moved to compel arbitration on the grounds that plaintiff was required to arbitrate under Nat'l Ass'n Sec. Dealers Manual, Code Arb. P.R. 10101 and 10301(a). Plaintiff argued that it was not required to arbitrate with defendants because no written arbitration agreement existed, defendants were not its "customers," and the dispute underlying defendants' claims occurred before the former representative became a registered representative of plaintiff. The court disagreed with plaintiff's narrow interpretation of defendants' arbitration demand. Defendants sought redress not just for the alleged improper investments made by the representative, but also for the alleged failure of plaintiff to supervise him. A claim for failure to supervise clearly arose in connection with the business of plaintiff for the purposes of Rule 10301(a). Additionally, the actual investment using defendants' funds was not made until two months after the representative became a registered representative of plaintiff. Defendants were "customers" of plaintiff for purposes of Rule 10301(a). An arbitration agreement existed between the parties and defendants' claims were within the scope of the Rule.

OUTCOME: The court granted defendants' motion to compel arbitration. The court dismissed plaintiff's complaint without prejudice.

LexisNexis Headnotes

Civil Procedure > Alternative Dispute Resolution > Arbitrations > Arbitrability

The question whether parties have submitted a particular dispute to arbitration, i.e., the question of arbitrability, is an issue for judicial determination unless the parties clearly and unmistakably provide otherwise.

Civil Procedure > Alternative Dispute Resolution > Arbitrations > Arbitrability
Securities Law > Self-Regulating Entities > National Association of Securities Dealers

The Rules of the National Association of Securities Dealers, Inc. (NASD), do not require a written agreement to arbitrate. Relying on Nat'l Ass'n Sec. Dealers Manual, Code Arb. P.R. 10101 and 10301(a), numerous courts have held that even if there is no direct written agreement to arbitrate, the NASD Code serves as a sufficient agreement to arbitrate, binding its members to arbitrate a variety of claims with third-party claimants. Nat'l Ass'n Sec. Dealers Manual, Code Arb. P.R. 10101, entitled "Matters Eligible for Submission," provides for the arbitration of any dispute, claim, or controversy arising out of or in connection with the business of any member of the Association between or among members or associated persons and public customers, or others. Nat'l Ass'n Sec. Dealers Manual, Code Arb. P.R. 10301 provides, in relevant part, that any dispute, claim, or controversy eligible for submission under the Nat'l Ass'n Sec. Dealers Manual, Code Arb. P.R. 10100 Series between a customer and a member and/or associated person arising in connection with the business of such member or in connection with the activities of such associated persons shall be arbitrated under this Code, as provided by any duly executed and enforceable written agreement or upon the demand of the customer. Nat'l Ass'n Sec. Dealers Manual, Code Arb. P.R. 10301(a).

Civil Procedure > Alternative Dispute Resolution > Arbitrations > Arbitrability
Securities Law > Self-Regulating Entities > National Association of Securities Dealers

Based on Nat'l Ass'n Sec. Dealers Manual, Code Arb. P.R. 10101and 10301, courts have fashioned a two-part test that must be satisfied to trigger the National Association of Securities Dealers, Inc. (NASD), arbitration requirement. First, the claim must involve a dispute between either an NASD-member and a customer, or an associated person and a customer. Second, the dispute must arise in connection with the activities of the member or in connection with the business activities of the associated person.

Opinion

Opinion by: JOHN F. WALTER

Opinion

{504 F. Supp. 2d 914}

CIVIL MINUTES -- GENERAL

PROCEEDINGS (IN CHAMBERS): ORDER GRANTING DEFENDANTS' MOTION TO COMPEL ARBITRATION [filed 7/13/07; Docket No. 20]

ORDER DENYING MOTION FOR PRELIMINARY INJUNCTION AS MOOT [filed 7/23/07; Docket No. 23]ORDER VACATING SCHEDULING CONFERENCE

On July 13, 2007, Defendants Dean **Steinke**, Elisa Hoffman, and Margarita Robres, as Beneficiary and Executrix of the Estate of Luis Robres, (collectively "Defendants") filed a Motion to Compel Arbitration. On August 6, 2007, Plaintiff The **O.N. Equity Sales** Company ("ONESCO") filed its Opposition. On August 13, 2007, Defendants filed a Reply. Pursuant to Rule 78 of the Federal Rules of Civil Procedure and Local Rule 7-15, the Court found the matter appropriate for submission on the papers without oral argument. The matter was, therefore, removed from the Court's August 20, 2007 hearing calendar and the parties were given advance telephonic notice. After considering the moving, opposing, and reply papers, and the arguments therein, the Court rules as follows:

I. Factual Background

In 2003, Gary Lancaster ("Lancaster") organized the Lancorp Financial Fund Business Trust ("Lancorp Fund") and began to solicit investors through a private placement offering. Lancaster served as trustee of the Lancorp Fund. Individuals interested in purchasing "shares" in the Lancorp Fund were required to review the Private Placement Memorandum and execute a Subscription Agreement. Pursuant to the terms of the Subscription Agreement, the amount paid by investors for shares in the Lancorp Fund was initially **{504 F. Supp. 2d 915}** deposited into an escrow account and would be held in the escrow account until the closing date. By signing the Subscription Agreement, the investors agreed that they "may not cancel, terminate or revoke [the Subscription Agreement]." However, under the terms of the Private Placement Memorandum, the Lancorp offering was subject to "withdrawal, cancellation, or modification by [Lancorp] without notice." Each of the Defendants signed a Subscription Agreement in February of 2004.

Lancaster became a registered representative of Plaintiff ONESCO on March 23, 2004. 1 ONESCO is a full service retail broker-dealer with more than 1,000 registered representatives. Through its registered representatives, ONESCO offers a variety of investment products, including brokerage services, mutual funds, and vairable insurance products.

After becoming a registered representative of ONESCO, Lancaster notified Defendants in April of 2004 that a material condition of their investment had changed, specifically, that Lancorp had replaced the insurance component on their proposed investment. At that time, Defendants were required to either confirm their agreement to invest in the Lancorp Fund and acknowledge the change in the insurance component, or request withdrawal of their funds. Shortly thereafter, each of the Defendants acknowledged the changes in the Lancorp offering and reconfirmed their subscriptions. In a letter dated June 14, 2004, Lancaster advised Defendants that the Lancorp Fund "officially became effective as of May 14, 2004." Defendants' Motion at Exhibit F.

In March of 2007, Defendants initiated an arbitration against ONESCO before the National Association of Securities Dealers, Inc. ("NASD") relating to their investment in the Lancorp Fund. On May 14, 2007, ONESCO filed a Complaint with this Court for declaratory and injunctive relief against Defendants Specifically, ONESCO requests a declaration from this Court that "ONESCO has no obligation to arbitrate the NASD Actions" and "has no obligation to arbitrate any claims regarding or relating to the Lancorp Fund" and also seeks to enjoin Defendants from proceeding with the arbitration before the NASD. Complaint at PP 47, 50. In the present motion, Defendants move to compel Plaintiff to arbitrate before the NASD.

II. Discussion

"The question whether the parties have submitted a particular dispute to arbitration, i.e., the 'question of arbitrability,' is 'an issue for judicial determination [u]nless the parties clearly and unmistakably provide otherwise'" *Howsam v. Dean Witter Reynolds, Inc.*, 537 U.S. 79, 83, 123 S. Ct. 588, 154 L. Ed. 2d 491 (2002) (quoting *AT&T Technologies, Inc. v. Communications Workers*, 475 U.S. 643, 649, 106 S. Ct. 1415, 89 L. Ed. 2d 648 (1986)); *see also Litton Financial Printing Div. v. Nat'l Labor Relations Bd.*, 501 U.S. 190, 208-09, 111 S. Ct. 2215, 115 L. Ed. 2d 177 (1991) (quoting *AT&T Tech.)* ("Whether or not a company is bound to arbitrate, as well as what issues it must arbitrate, is a matter to be determined by the court, and a party cannot be forced to 'arbitrate the arbitrability question.'"). In this case, Plaintiff and Defendants agree that the issue of whether an arbitration agreement exists between the parties is a matter for the Court, not an arbitrator, to decide. However, Plaintiff claims that it is entitled to discovery and an evidentiary hearing, while Defendants argue that the Court may decide the issue on a summary motion without discovery or a hearing. The Court agrees with Defendants and finds that **{504 F. Supp. 2d 916}** based on the extensive briefing and evidence submitted by the parties, this issue can be resolved without further discovery or an evidentiary hearing. *See, e.g., Moses H. Cone Memorial Hospital v. Mercury Const. Corp.*, 460 U.S. 1, 22, 103 S. Ct. 927, 74 L. Ed. 2d 765 (1983).

Defendants move to compel arbitration on the grounds that Plaintiff is required to arbitrate under NASD Rules 10101 and 10301(a). Plaintiff argues that it is not required to arbitrate with Defendants because no written arbitration agreement exists. However, the NASD Rules do not require a written agreement to arbitrate. Relying on NASD Rules 10101 and 10301(a), numerous courts have held that "even if 'there is no direct written agreement to arbitrate . . ., the [NASD] Code serves as a sufficient agreement to arbitrate, binding its members to arbitrate a variety of claims with third-party claimants.'" *World Group Securities, Inc. v. Sanders*, 2006 WL 1278738 (D. Utah May 8, 2006) (quoting *MONY Secs. Corp. v. Bornstein*, 390 F.3d 1340, 1342 (11th Cir.2004)). "Rule 10101, entitled 'Matters Eligible for Submission,' provides 'for the arbitration of any dispute, claim, or controversy arising out of or in connection with the business of any member of the Association . . . between or among members or associated persons and public customers, or others.'" *Bornstein*, 390 F.3d at 1343. Rule 10301 provides, in relevant part, that "[a]ny dispute, claim, or controversy eligible for submission under the Rule 10100 Series between a customer and a member and/or associated person arising in connection with the business of such member or in connection with the activities of such associated persons shall be arbitrated under this Code, as provided by any duly executed and enforceable written agreement or upon the demand of the customer." NASD Rule 10301(a).

"Based on these two sections, courts have fashioned a two-part test that must be satisfied to trigger the NASD arbitration requirement. First, the claim must involve a dispute between either an NASD-member and a customer, or an associated person and a customer. Second, the dispute must arise in connection with the activities of the member or in connection with the business activities of the associated person." *Sanders*, 2006 U.S. Dist. LEXIS 28733, 2006 WL 1278738, at *4 (citing *Vestax Securities Corp. v. McWood*, 280 F.3d 1078, 1080 (6th Cir.2002)); *see also USAllianz Securities, Inc. v. Southern Michigan Bancorp, Inc.*, 290 F. Supp. 2d 827 (W.D. Mich. 2003).

Plaintiff argues that the foregoing NASD Rules do not apply to the arbitration claims brought by Defendants on the grounds that Defendants are not "customers" of ONESCO and the dispute does not "arise in connection with the activities of ONESCO" because the events underlying Defendants' claims occurred prior to Lancaster becoming a registered representative of ONESCO Specifically, Plaintiff narrowly construes Defendants arbitration claims as limited to alleged misrepresentations made by Lancaster in connection with Defendants' execution of the Subscription Agreements in

February of 2004, and argues that because those misrepresentations occurred before Lancaster was a registered representative of ONESCO, ONESCO cannot be compelled to arbitrate those claims under NASD Rule 10301(a).

The Court disagrees with Plaintiff's narrow interpretation of Defendants' arbitration demand. The plain language of Defendants' First Amended Statement of Claim indicates that they seek redress not just for the alleged improper investments made by Lancaster, but also for the alleged failure of ONESCO to supervise him after March 23, 2004. A claim for failure to supervise clearly "arises in connection **{504 F. Supp. 2d 917}** with the business" of ONESCO for the purposes of Rule 10301(a). *See, e.g., USAllianz,* 290 F. Supp. 2d 827; *Sanders,* 2006 U.S. Dist. LEXIS 28733, 2006 WL 1278738; *Vestax,* 280 F.3d 1078.

Additionally, the actual investment using Defendants' funds was not made until May of 2004 - two months after Lancaster became a registered representative of ONESCO. ONESCO argues that the relevant date is the date that the Defendants signed the "irrevocable" Subscription Agreements. However, pursuant to the terms of the Private Placement Memorandum and the Subscription Agreements, Defendants' money was held in an escrow account and the Lancorp Fund could cancel the Subscription Agreements and terminate the offering at any time prior to the initial closing date. As a result, there was no "sale of securities" until May of 2004. *See, e.g., Cohen v. Stratosphere Corp.,* 115 F.3d 695, 700-01 (9th Cir. 1997). Moreover, in April of 2004, Defendants were required to reconfirm their subscriptions or withdraw their funds as a result of the change in the terms relating to the insurance component - an event which occurred while Lancaster was working as a registered representative of ONESCO. Accordingly, Defendants are "customers" of ONESCO for purposes of Rule 10301(a). *See, e.g., John Hancock Life Ins. Co. v. Wilson,* 254 F.3d 48, 57-60 (2d Cir. 2001); *Sanders,* 2006 WL 1278738; *Getty v. Harmon,* 53 F. Supp. 2d 1053, 1056 (W.D. Wash. 1999)

For all of the foregoing reasons, the Court finds that an arbitration "agreement" exists between the parties in the form of NASD Rule 10301(a), and that Defendants' claims are within the scope of that Rule. Accordingly, Defendants' Motion to Compel Arbitration is **GRANTED.** Plaintiff's Complaint is **DISMISSED without prejudice.**

In light of the foregoing, Plaintiff's Motion for Preliminary Injunction is **DENIED as moot** The Scheduling Conference, currently on calendar for September 10, 2007, is **VACATED.**

IT IS SO ORDERED.

The Clerk shall serve a copy of this Minute Order on all parties to this action.

Footnotes

O.N. Equity Sales Co. Cases

1. The O.N. Equity Sales Company v Steinke
504 F.Supp. 2d 913, August 27, 2007 U.S. Dist. LEXIS 64842
(Central District of California)

2. The O.N. Equity Sales Company v Pals
509 F.Supp.2d 761, September 6, 2007 U.S. Dist. LEXIS 66121
(Northern District of Iowa, WD)

3. The O.N. Equity Sales Company v Venrick
508 F.Supp. 2d 872, September 17, 2007 U.S. Dist. LEXIS 68866
(Western District of Washington)

4. The O.N. Equity Sales Company v Gibson
514 F. Supp 2d 857, October 1, 2007 U.S. Dist. LEXIS 74763
(S.D. of West Virginia)

5. The O.N. Equity Sales Company v Prins
519 F. Supp. 2d 1006, November 6, 2007 U.S. Dist. LEXIS 82748
(District of Minnesota)

6. The O.N. Equity Sales Company v Wallace
2007 U.S. Dist. LEXIS 84945
(S.D. California), November 15, 2007

7. The O.N. Equity Sales Company v Samuels
2007 U.S. Dist. LEXIS 90332
(M.D. Florida), November 30, 2007

8. The O.N. Equity Sales Company v Rahner
526 F. Supp. 2d 1195, November 30, 2007 U.S. Dist. LEXIS 90197
(District of Columbia)

9. The O.N. Equity Sales Company v Emmertz
526 F. Supp. 2d 523, December 19, 2007 U.S. Dist. LEXIS 93405
(Eastern District of Pennsylvania)

10. The O.N. Equity Sales Company v Thiers
590 F. Supp. 2d 1208, January 10, 2008 U.S. Dist. LEXIS 3765
(District of Arizona)

11. The O.N. Equity Sales Company v Cui
2008 U.S. Dist. LEXIS 6828
(N.D. of California), January 16, 2008

12. The O.N. Equity Sales Company v Charters
2008 U.S. Dist. LEXIS 74403
(M.D. of Pennsylvania), January 25, 2008

13. The O.N. Equity Sales Company v Nemes
2008 U.S. Dist. LEXIS 9189
(N.D. of California), January 28, 2008

O.N. Equity Sales Co. Cases (continued)

14. The O.N. Equity Sales Company v Staudt
2008 U.S. Dist. LEXIS 7777
(District of Vermont), January 30, 2008

15. The O.N. Equity Sales Company v Cattan
2008 U.S. Dist. LEXIS 9827
(S.D. of Texas), February 8, 2008

16. The O.N. Equity Sales Company v Broderson
2008 U.S. Dist. LEXIS 11447
(E.D. Of Michigan), February 14, 2008

17. The O.N. Equity Sales Company v Pals
528 F.3d 564, March 10, 2008 U.S. App. LEXIS 12252
(Eighth Circuit Court of Appeals)

18. The O.N. Equity Sales Company v Stephens
2008 U.S. Dist. LEXIS 71623
(N.D. of Florida), March 28, 2008

19. The O.N. Equity Sales Company v Pals
551 F. Supp. 2d 821, May 5, 2008 U.S. Dist. LEXIS 36676
(N.D. of Iowa)

20. The O.N. Equity Sales Company v Gibson
553 F. Supp. 2d 652, May 15, 2008 U.S. Dist. LEXIS 39763
(S.D. of West Virginia)

21. The O.N. Equity Sales Company v Emmertz
2008 U.S. Dist. LEXIS 5219
(E.D. of Pennsylvania), July 30, 2008
71 Fed. R. Serv. 3d (Callaghan) 320

22. The O.N. Equity Sales Company v Robinson
2008 U.S. Dist. LEXIS 111778
(E.D. of Virginia), August 25, 2008

EXHIBIT

H

User Guidance

www.adviserinfo.sec.gov

Investment Adviser Representative Public Disclosure Report

GARY LYNN LANCASTER

CRD# 2730640

Report #23767-84997, data current as of Tuesday, August 20, 2013.

Section Title	Page(s)
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User Guidance

www.adviserinfo.sec.gov

Investment Adviser Representative Qualifications

PASSED INDUSTRY EXAMS

This section includes all required state securities exams that the Investment Adviser Representative has passed. Under limited circumstances, an Investment Adviser Representative may attain registration after receiving an exam waiver based on a combination of exams the Investment Adviser Representative has passed and qualifying work experience. Likewise, a new exam requirement may be grandfathered based on an Investment Adviser Representative's specific qualifying work experience. Exam waivers and grandfathering are not included below.

This individual has passed the following exams:

Exam	Category	Date
Uniform Securities Agent State Law Examination (S63)	Series 63	04/29/1996
Uniform Investment Adviser Law Examination (S65)	Series 65	11/11/1998

PROFESSIONAL DESIGNATIONS

This section details that the Investment Adviser Representative has reported 0 professional designation(s).

No information reported.

Appendix Doc. #3
2 of 2

Did you register it with the Commission?

A I didn't.

Q Did you register it with any state?

A Yes. Every state where investors sent an application to purchase shares, registration was filed in each of those states.

Q What states were those?

A There's probably 20. I don't know. I couldn't recite them all to you without checking my records.

MS. HUSEMAN: Did you want to say something?

MR. SELLERS: Yeah. I'm -- I'm advised that those are not technically registrations in the sense that you're talking about, so I don't want the record to be misconstrued that my client is saying that he did a securities registration in those states. Those are simply the -- the state registration.

THE WITNESS: The Reg. D -- the Reg. D registration, is that what you're referring to?

BY MS. HUSEMAN:

Q I'm just asking -- you conducted a securities offering.

A Yes.

Q Either it has to be registered or there's an exemption.

A I see.

EXHIBIT

I

SHINDER GANGAR

AFFIDAVIT OF FACTS

On this 18th day of February 2014, under penalty of perjury, on my oath, I, Shinder Singh Gangar attest to the following facts stated herein as being true, based on my personal knowledge, and to which I will and do hereby testify.

Further to my Witness Statement of November 9, 2013, I provide this additional information for clarity and detail of the things GARY MCDUFF was told by myself and others in the U.S., UK, and the Bahamas, which caused him to believe that the investment operation, taken as a whole, and the men behind it were at all times conducting only legitimate and legal transactions.

1. At the 2001 meeting in the New York offices of the broker-dealer firm of EMS owned by David Hardy, Mr. McDuff was shown references, and the resume' of Terry Dowdell and Michael Boyd. The CEO of the firm, Ken MacKay, also showed him extensive transaction information regarding an EMS Cash Management Agreement being managed by EMS for a former client of Dobb White & Co. Mr. McDuff was allowed to contact the trust officer, Sue Dignan, at Wells Fargo Bank, acting as the Custodian. After speaking to Sue Dignan, Mr. McDuff agreed to become involved in assisting EMS, David Hardy, Terry Dowdell, Michael Boyd, and Dobb White & Co. in contracting with other major banks willing to provide Custodian services for investors who wanted to place their minimum of $10 million dollars in the EMS Cash Management Agreement. Mr. Mackay provided Mr. McDuff all the information he would need to present to banks to accomplish the task.

2. Mr. McDuff established a Custodian and Cash Management Agreement with Cole Taylor Bank in Chicago, and with U.S. Bank in La Jolla, California, using the documentation and references that EMS representatives gave to him.

3. The only persons associated with EMS whom Mr. McDuff either met in person, or communicated with by telephone or other means, were David Hardy in the Bahamas, Ken MacKay, David Cooper, and Anthony Mitchell in New York, and Michael Boyd in Connecticut. He did not ever meet or speak to Terry Dowdell.

4. Mr. McDuff's role was not to raise money from investors. There were numerous financial planners and consultants already doing that. The need was for relationships to be established at the banks that the investors wanted to act as their custodian. Mr. McDuff was not asked to solicit investors. He was asked to retain law firms that were knowledgeable in structuring entities or parameters that conformed to the relevant laws and guidelines governing the management of client money.

5. Mr. McDuff was never asked to be a manager of investor funds. He had already proven to me and my associates in the UK that his talent was in negotiating and establishing relationships with financial institutions, to provide specific services needed by clients.

6. I introduced Gary McDuff to a number of my colleagues in the UK that had provided administrative support in dealing with Dobb White client funds placed with us for investment. Among them were Alan White, David Taylor, Mike Steptoe, and Ian Collins. I also introduced Gary McDuff to three bankers who were in the process of purchasing a small bank in Dominica. They were Terrence de'Ath, Iain McWhirter, and Chris Stone. They were aware of his banking contacts and his reputation of completing assignments. They were also aware that he had a 1993 conviction in relation to the sale of his home. In fact, I first met Mr. McDuff through a mutual friend who had told me of a man from Texas who was in London being interviewed by Granada Television in relation to how and why he had been convicted. His conviction was no secret to anyone in London who knew him or knew of him. In 2003 the story of his conviction was posted on the internet website www.GaryMcDuff.com. See page 20 of Part II of the Public Service Investigation Report.

7. Mr. McDuff worked closely with Mr. Stone, Mr. McWhirter, and Mr. De'Ath in the trust department of the Dominica bank. To accommodate U.S. customers who chose to, or were required to invest their money only in the U.S., it was recommended that a formal Investment Fund be formed in the U.S. and managed by a U.S. owner with the appropriate securities licenses. After hearing this recommendation by UK attorney Colin Riseam, Mr. De'Ath and I agreed to put our financial support behind the project.

8. Mr. McDuff had met Gary Lancaster, a banker who was working for U.S. Bank when the initial Cash Management Agreement with Michael Boyd, of Wilkinson Boyd was set in place. Following the unrelated legal problems of Mr. Dowdell, U.S. Bank closed that management account. Mr. Lancaster resigned his position from the bank, on invitation to work directly with Mr. De'Ath. Mr. Lancaster presented the same Cash Management Agreement to the broker-dealer firm of Piper Jaffray for consideration. The legal department of Piper Jaffray requested the CMA be modified to incorporate a number of changes. Mr. De'Ath instructed Mr. McDuff to consult with attorney Norman Reynolds about the changes. Mr. Reynolds had no objection. The CMA was completed and signed by Piper Jaffray as custodian, holding the investor's money on deposit in their brokerage account at U.S. Bank. It was countersigned by the investor and Gary Lancaster as the nominated manager by the investor. Five million dollars was placed in the account.

9. Contemporaneous to the Piper Jaffray CMA, Mr. Reynolds was nearing completion of the Lancorp Financial Fund, for which Mr. Lancaster had accepted venture capital from our group in the UK to form. Following Mr. Lancaster's trip to London, where he was presented with the opportunity by Mr. De'Ath, Mr. McWhirter, myself, and Mr. Riseam, the terms of the agreement were mutually agreed upon. We agreed to advance to Mr. Lancaster the money required to form and operate the Fund until it had enough money under management to be

self-sustaining and producing a respectable income for his investors. We agreed to use our brokers, financial planners and consultants to direct their clients to Mr. Lancaster. Also, we would direct the clients of Dobb White and the Dominica bank who wanted to invest in the U.S. to Mr. Lancaster for acceptance into his Fund. He would not be the one to raise money from investors for his Fund. We agreed to send them to him. We contacted our independent brokers, who had sent us clients in the past, and let them know the Lancorp Fund would soon be open for business, accepting investor subscriptions. Among the brokers we contacted were Elson Lui, Don Winkler, and Robert "Bob" Reese. None of these men knew Gary McDuff until I told them to contact Gary McDuff to obtain information about Gary Lancaster, the owner/manager of the Fund, and Norman Reynolds who had constructed the Fund to comply with U.S. laws. Mr. De'Ath and I asked Mr. McDuff to answer questions from these brokers so they would be better able to explain the opportunity to their clients. Since Mr. McDuff's parents were among the very first investors in the Lancorp Fund, he told me that Norman Reynolds verified that there was nothing wrong in him answering questions from these brokers, or their clients, about what he knew of the character of Mr. Lancaster, or how Mr. Reynolds had designed the Fund. The primary prohibitions Mr. Reynolds warned us, and Mr. McDuff to avoid, was no public advertising, and that only Mr. Lancaster was authorized to provide printed material about the Fund to prospective investors. That actually simplified the process for all of us. Everyone I am aware of abided by the instructions of Mr. Reynolds, including Gary McDuff. Prospective, and actual investors were sent directly to Mr. Lancaster to obtain any and all printed materials related to the Lancorp Fund. I recall seeing reports sent by Mr. Lancaster to Mr. De'Ath, showing how many subscription application booklets and private placement memorandums had been sent out as the Fund took on more and more investors nearing its 100-investor limit.

10. It was very important for Mr. Lancaster to keep Mr. De'Ath apprised of the accumulation of monies from investors in the escrow account. The Fund itself needed only Five million dollars to begin doing business. However, it needed Ten million dollars to qualify for the purchasing of insurance policies to protect investor's share value, from Lloyd's through First City insurance brokers.

11. From the beginning of the Lancorp Fund project, I had presented the representative of First City Partners, Mr. John Sevastopolu, with the question of him writing a Lloyd's policy for Lancorp Fund investors. Mr. Sevastopolu received a Lancorp Financial Fund Private Placement Memorandum, drafted by Norman Reynolds in 2003 as well as the professional history of Gary Lancaster. Mr. McDuff had previously negotiated the purchase of three separate insurance policies from First City to protect their Dobb White & Co. investment. Through that process, Mr. McDuff dealt with Mr. Sevastopolu directly following my introduction. On my instructions, Mr. McDuff provided Mr. Sevastopolu with all the information First City needed to review, in considering the request for insurance. The initial response from First City was to provide the insurance as laid out in the Lancorp Fund Memorandum. The Lancorp Fund, when reaching the minimum of Five million dollars

would be both an "Accredited and Qualified" investor, according to the definitions provided by Mr. Reynolds. There were three classifications of investors in the U.S. The lowest level was designated as "non-Accredited", having a net worth less than One million dollars, with annual income below Two hundred thousand dollars. The next level was designated as "Accredited", being investors with a net worth of more than One million dollars, with income above Two hundred thousand dollars per year, or a business trust with total assets in excess of Five million dollars. The highest level was designated as being both "Accredited and Qualified Purchasers" with more than Five million dollars to more than Twenty-five million dollars in owned investments. When reaching the minimum of Five million dollars, the Lancorp Fund would be both an "Accredited and Qualified" investor, according to the definitions provided by Mr. Reynolds.

12. It is significantly important to be aware that before the Lancorp Fund's completion, Dobb White and its network of independent financial planners anticipated directing in excess of Ten million dollars into the Lancorp Fund. The Fund needed that amount under management to be able to participate directly in syndication underwriting activity. Effectively, the Lancorp Fund would not be able to do business with Mr. De'Ath or the entities he worked with, until Lancorp had Ten million dollars minimum needed, to be able to participate in underwriting syndications offered by major institutions.

13. As Mr. Lancaster neared the Five million dollar mark that would allow the Lancorp Fund to begin operating, he indicated that he was ready to purchase the insurance for each of the investors who had authorized him to use a portion of their escrowed investment money to buy a policy for them as specified in the Memorandum. Mr. Sevastopolu at First City was put on notice to begin the process to issue the policies for each investor. Mr. Sevastopolu submitted the request to Lloyd's underwriters, who informed Mr. Sevastopolu that changes in the financial guaranty insurance industry had taken place, and they could not issue the coverage until the Lancorp Fund met the minimum investment capital under management to qualify to enter as a direct beneficiary participant in the underwriting activity outlined in the Memorandum.

14. This created a paradox for Mr. Lancaster that no one expected. For reasons unrelated to the Lancorp Fund, the accounting firm of Dobb White & Co. and its owners were forced into bankruptcy. That caused the anticipated transfer of Dobb White investors into the Lancorp Fund to be delayed for an extended period of time. The result was, instead of sending well over Ten million dollars in investor money in aggregate from existing investors to the Lancorp Fund, only a slow stream of new money from those investors and some new investors provided by referring professionals like Mr. Reese, had accumulated just over half enough to allow the Lancorp Fund to enter into underwriting syndications. Without enough money under management, First City could not issue a Lloyd's policy. Without the ability to purchase the insurance, Mr. Lancaster could not take the money out of the Lancorp Fund escrow account and begin doing business. This problem was presented to Mr. De'Ath and all the men he and I worked with in the UK.

15. After extensive review by everyone involved, it was decided that the only way the Lancorp Fund could participate in any syndicated activity with less than Ten million dollars would be to enter into a joint-venture with another syndication member that already had sufficient money under management to participate. The London legal team had instructed Mr. Reynolds to incorporate a provision into the Lancorp Fund to allow it to enter into permitted transactions indirectly through a broker-dealer, or a fund that had secured an underwriting contract with a major bank. No additional opening to other syndication participants was on offer. Mr. De'Ath, in London, explained to Mr. Lancaster that once he had the Lancorp Fund operational, there would be underwriting opportunities coordinated by Fiscal Holdings for Mr. Lancaster to join as an underwriter. Some would be offered indirectly by large underwriters needing multiple small participants to supply money to them to purchase securities. This opportunity existed only because of the issuing institutions credit or debt ceiling exposure limit. The collective decision by everyone here in the UK was to seek out a broker-dealer or a fund that would allow Mr. Lancaster to add his Five, or Six million dollars to their larger amounts involved in these types of transactions. I was involved in discussions with Tricom securities, a broker-dealer in Australia, and Weavering Capital, an investment fund in London, to explore the possibility of Mr. Lancaster adding his funds to theirs. After several weeks of negotiations with the owner of Tricom, Mr. Lance Rosenberg, and David Bizzell reached an agreement to provide Mr. Lancaster with a bank obligation from the custodian bank that would assure that any security purchased would have a value greater than the amount paid for it. The issuing bank involved in that transaction was Citibank. The term of the investment activity was expected to be twelve months.

16. I was instructed to contact Mr. Lancaster to explain the offer made by Tricom. I delegated the contact of Mr. Lancaster to David Bizzell, since he would be the person who would obtain the contract from Mr. Rosenberg. I contacted Mr. McDuff and asked him to have Mr. Lancaster find out from Mr. Reynolds what needed to be done to modify the Lancorp Fund Memorandum to replace the insurance element with a bank obligation assuring all purchased securities would have a higher value than the amount paid.

17. After the discussion with Mr. Reynolds, Mr. Lancaster reported to David Bizzell that the Memorandum could only be amended, causing a material change, if each member affected by the change were to sign an approval form, showing his or her acceptance of the change. Any investor that did not agree to the change must have their escrowed money returned to them. Mr. McDuff reported this to me. Mr. Lancaster agreed to send notices to the investors.

18. According to Mr. Lancaster's report back to us in London, and the documents I have reviewed on pages 45, 84, 86, and 90 of Part II of the Public Service Investigation Report, he did, in fact, obtain the required approval from the investors to begin investing their money without insurance. Mr. Lancaster then reported to David Bizzell that the amendment

replacing insurance with the bank obligation had been accepted by enough investors to allow him to launch the investment phase with Tricom, and all investors who had not accepted the change had been fully refunded.

19. Mr. Lancaster then obtained the bank obligation assuring value, and the investment contract from Lance Rosenburg, the owner of Tricom. In keeping with the contract flow that attorney Colin Riseam and Mr. De'Ath had discussed with Mr. Lancaster, Tricom contracted with the Lancorp Group, and the Lancorp Group contracted with the Lancorp Fund. Tricom paid out earnings to Fiscal Holding and to the Lancorp Group. Mr. Lancaster reported that he paid the Lancorp Fund investors their pro-rata share of the earnings. The investment opportunity ended after eight months, when Tricom returned all of the money back to Mr. Lancaster. None of those transactions had any connection to the compensation paid to Mr. McDuff by Secured Clearing Corporation. Mr. De'Ath paid Mr. McDuff a paid stipend that had nothing to do with any earnings derived from Fiscal Holdings placing Lancaster's money in any investments. Mr. McDuff was paid the same stipend before, and after, the Lancorp Fund was created. Everything Mr. McDuff did for Mr. De'Ath was as an employee of Secured Clearing Corporation. Dobb White & Co. had contracted with Secured Clearing Corporation in the past, so I know this to be true.

20. Gary McDuff was, at all times, subordinate to his superior, Mr. De'Ath. Mr. De'Ath insisted on compliance of the highest standard in all his business activities. Mr. McDuff was required to abide by that standard. Mr. De'Ath had advanced the money, through Secured Clearing, to form and operate the Lancorp Fund, yet he held no authority to command Mr. Lancaster to do anything. If Mr. De'Ath had no authority over Mr. Lancaster's business decisions, it is not correct to suggest that Mr. McDuff did.

21. From the very beginning, I was present in the meetings when the men in the UK, with whom I had professional ties, chose Mr. Lancaster. Mr. Lancaster was never asked to be the "front" for anyone. It was certainly never suggested that he would be nothing more than a puppet, whose strings would be pulled by the men in London, or by anyone else. None of the men in London ever told him to obey any command from Mr. McDuff. It was quite the opposite. Mr. De'Ath offered Mr. Lancaster the assistance of Mr. McDuff to use in any way he might need during the forming of the Fund. Mr. McDuff was clearly designated to be the servant of Mr. Lancaster. It was made very clear that Mr. Lancaster would be the sole person in control of the Fund. For advancing the money for the Fund formation, and the operating money to Mr. Lancaster, Mr. De'Ath asked only that whenever he (Mr. De'Ath, via Secured Clearing Corporation, or his Fiscal Holdings partners) presented qualifying investment opportunities to Mr. Lancaster, that Lancaster would give those investments priority consideration, provided the investment offered equal earnings and measure of safety than other investment opportunities. It was understood that such consideration would be given only if the investments conformed to the Lancorp Fund investment criteria. Each investment opportunity was to be presented to Mr. Lancaster in a contract that would state what portion of the profit would vest to Secured Clearing Corporation, and what portion

would vest to Mr. Lancaster and his investors. This is what transpired with the Tricom investment. Tricom divided the profits three ways. Tricom's portion, Lancaster's portion, and Fiscal Holding's portion. Mr. De'Ath was paid his share in proportion to his equity in Fiscal Holdings. Mr. McDuff was paid nothing, because he had no equity in any participating entity.

22. The Tricom investment ended in December of 2004. As Mr. De'Ath's health failed, my partner and I found ourselves embroiled in the bankruptcy and related legal battle. Before Mr. De'Ath retired, the final activity I have knowledge of involved Robert Reese requesting to be compensated for referring his clients to the Lancorp Fund. In the past, he had been compensated by Dobb White, which was permitted under UK law. Mr. Reese complained that the State of California had ordered him to stop introducing investors to any investment unless he obtained a securities license. He had always represented himself to be an investment advisor who had a permit to aid his clients in making investment decisions. He told us that Mr. Lancaster had made it clear to him that the Lancorp Fund could not pay any fees or commissions for shares purchased by his clients in the Lancorp Fund.

23. Mr. De'Ath suggested that the lawyers provide directives on how to address this unexpected problem. After Mr. Reynolds told the men in London that the Lancorp Fund would not be permitted to pay anything to introducers of clients into the Lancorp Fund, they agreed that Mr. Lancaster would not do so, because it was prohibited. Such compensation would be paid from monies earned by other entities participating in the same transactions that were not part of any money due to Mr. Lancaster or the Lancorp Fund.

24. Several attorneys in Belize had been involved in providing Mr. McDuff with solutions that Secured Clearing Corporation needed to provide specific services for Mr. De'Ath and Dobb White. The Queen of England had knighted one of the attorneys. He was the former chief justice to the Supreme Court. He had understanding of laws of many governments, including the U.S. The Belize attorney suggested forming a company named Dividends Inc. that would own a portion of Secured Clearing Corporation, thereby making it entitled to a portion of Secured Clearing Corporation's earnings. Dividends Inc. would offer a special series of stock to anyone who caused Secured Clearing's earnings to increase by making syndication participation money available to Secured Clearing Corporation, or its affiliate, Fiscal Holdings, by increasing the total amount of money under Lancaster's management. If the referring parties exercised the option extended to them to buy shares of Dividend Inc., they would become stockholders in Dividends Inc. and be entitled to their respective portion of income earned by Dividends Inc. through its partial ownership of Secured Clearing Corporation. Mr. Reynolds said he saw no conflict with any regulation for an entity that may contract with the Lancorp Fund as provided in the Memorandum to do anything it chose with profits it earned from transactions it did jointly with the Lancorp Fund, provided those profits did not contractually belong to the Lancorp Fund and were not paid out of the Lancorp Fund. It was my belief that this stock ownership resolved the issue raised by Mr. Reese. Mr. Reese, along with John Burke and Al Masters were among the first financial

advisors who purchased shares in Dividends Inc. This was the last activity of which I had direct knowledge.

25. My personal and company bankruptcy proceedings forced me to withdraw from all investment coordinating activities. When I withdrew, so did Alan White, David Taylor, Mike Steptoe, Ian Collins, and Chris Stone. Mr. De'Ath retired for health reasons. Iain McWhirter and Barry Northrop pursued other professional opportunities. One of the final negotiations of Mr. De'Ath was to merge the assets of Secured Clearing Corporation, owned by Mr. De'Ath, with Secured Clearing Corporation-Belize, , under the control and ownership of Victoria Avilez, Mr. Roy Cadle, and Sir George Brown. Mr. McDuff had introduced me to attorney John Avilez in London in 1999. I have since been informed that John Avilez and Sir George Brown died before charges were brought against Mr. Lancaster, Mr. Reese, or Mr. McDuff in relation to the Lancorp Fund. Because Mr. De'Ath had provided the investment or underwriting capital for the Lancorp Fund, Mr. De'Ath had conveyed the right to present investment opportunities to Secured Clearing Corporation, to present investment opportunities to Mr. Lancaster to participate in, and earn a contracted portion of profits in excess of any profits due to the Lancorp Fund. Mr. McDuff already had a working relationship with the attorneys in Belize, and they knew he had been providing funding to Mr. Lancaster on behalf of Mr. De'Ath. Victoria Avilez appointed Mr. McDuff to be a Director of Secured Clearing Corp-Belize.

26. In my final communications with Mr. De'Ath and Mr. McDuff, it was my understanding that Secured Clearing Corp-Belize had purchased ownership in MexBank in Mexico City, and part of the trade involved Secured Clearing Corporation assigning its venture capital repayment rights owed by Mr. Lancaster to MexBank. MexBank lawyers were to provide the legal services required to secure the release of monies held in a Secured Clearing bank account held at Banamex in Mexico City so it could be returned to the court-appointed receiver in the UK in charge of settling the bankruptcy of Dobb White & Co. Some monies scheduled to be paid out to Dobb White clients was being held in that account when the bankruptcy court ordered the account to be suspended and the money paid over to the receiver, Baker Tilly. Banamex was not cooperating with the receiver or the bankruptcy court so legal intervention was required. I do not know the outcome of those proceedings. I have seen court documents of consecutive proceedings spread out over more than three years of litigation, trying to free the money for the receiver. The last documentation presented to me, showed that in early 2012, Mr. McDuff had petitioned a Mexican government agency known as SIEDO to intervene in demanding the money be returned to the receiver.

I have reviewed the factual content of Part I of the Public Service Investigation Report, and I hereby confirm the truth of the account of the facts in relation to me, to Dobb White, and all the people and entities I introduced to Mr. McDuff, beginning on page 65. Even though I was not involved at the time Mr. Lancaster became aware of the Megafund, I can set some facts straight that are inaccurate in the allegations made against Mr. McDuff.

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a) The Cash Management Agreement on pages 72 through 75 of the Public Service Investigation Report is not the one created by EMS, Wilkinson Boyd, or Jackson Walker, which involved Mr. McDuff. It is devoid of being restricted to use by Qualified Purchasers only.

b) The Lancorp Fund was permitted to invest in "any obligation" of a qualified bank directly or indirectly using a broker-dealer or a fund, whenever the Lancorp Fund cash was not invested in "Permitted Investments" See article 1.16. (d) (i).

c) Norman Reynolds confirmed that he had done everything required under U.S. securities laws to file or register the Lancorp Fund with the SEC as a Reg D 506 Fund exempt from public registration requirements. Based on Mr. Reynolds representations, everyone was under the absolute impression that it was indeed an exempt fund.

d) When Mr. Lancaster was in London, he explained that he held a series 6,7,63, and 65 license, and that his series 65 license allowed him to act as an investment advisor.

e) Mr. McDuff went out of his way to inform people he dealt with, of his prior conviction. When, in 2003, he published the [redacted] website story assembled by Granada Television reporters, it was read by me, and was considered common knowledge among those here who knew him.

f) The Lancorp Fund was never slated to maintain an insurance policy to protect investor's funds against loss. The insurance broker, First City, had agreed to offer each investor an opportunity to purchase their own individual insurance policy if they wanted one. But, that offer would only be available to each Lancorp Fund investor once the Lancorp Fund reached Ten million dollars under management. John Sevastopolu was the insurance broker that confirmed this to me.

g) The representation that Mr. Lancaster had been involved in a similar investment program in Europe prior to the Lancorp Fund's formation, was, in my estimation, Norman Reynolds drawing on what he gleaned from his visit to Mr. De'Ath's offices in London, and the Five million dollar transaction Mr. Lancaster had structured at U.S. Bancorp Piper Jaffray, under the guidance of Mr. De'Ath. Every Cash Management Agreement preceding that one, had been successful, and not one penny of client funds had ever been lost. For this reason, that was not a misrepresentation of fact.

h) Any suggestion that Mr. Lancaster would retain control over the money placed in the Lancorp Fund at all times is impossible. The Memorandum discloses that the money will be used to purchase any obligation of banks whenever the cash is not invested in "permitted investments". Each time Mr. Lancaster made a purchase on his own, or indirectly through a broker-dealer or a fund, he had to give up control of the money. As long as whatever was

being purchased conformed to the Memorandum, he was obligated and authorized by each subscribing investor to release their money.

i) It is complete error to suggest that the Lancorp Fund was created to deceive investors into investing, by promising insurance protection, knowing that no such insurance would be provided. As I explained above, it would be available when the Lancorp Fund had enough money under management to qualify for it. That allegation must be disposed of, in view of what Mr. Lancaster did to modify the Memorandum, eliminating the insurance option, and giving every investor the option of a refund of their money before using it to conduct business.

j) I was present when the idea for the Lancorp Fund was conceived in London. Mr. McDuff became involved later. It was not his idea. Bankers and lawyers in London recommended it should be formed. No one in the UK had ever heard of the Megafund, or a man named Stan Leitner, so I can confirm with certainty that the Lancorp Fund was not created to be a Ponzi scheme, or for the purpose of investing in the Megafund.

In conclusion, and on a much more personal level, I would like to say this about the character of Gary McDuff, which I have observed since 1998.

I have always found Gary McDuff to be completely truthful and honest. He was always one who did everything in his power to ensure that everything we did was fully compliant with all the complex securities law in all jurisdictions. To this end he always insisted upon using reputable law firms who were experts in that field. My dealings with Gary McDuff over many years have been completely open and transparent. I hold Gary McDuff in the highest regard and cannot help feel that a huge mis-carriage of justice has occurred.

Furthermore, Mr. McDuff respects, honors, and protects his parents. It is my opinion that he would never knowingly place his parents or their money in harm's way. If he had ever expected his parents would lose the money they invested in the Lancorp Fund, he would have stopped them from making the investment.

The Lancorp Fund was created with only honorable intentions. Until January 2005, when my first-hand knowledge ended, Mr. Lancaster conducted himself with confidence and integrity. Mr. McDuff never once reported to me, or to Mr. De'Ath, that Mr. Lancaster was not operating the Fund properly, or that he was anything other than a qualified professional, and constantly vigilant in making sure that all laws and regulation were strictly followed.

I stand ready to testify of these facts in person or by live video appearance to insure justice is based on accurate facts.

18th February, 2014

Shinder Singh Gangar, Affiant

18th February, 2014

Sarah Randall
Solicitor

References in Support:

1. Public Service Investigation Report Part I
2. Public Service Investigation Report Part II
3. INDEX A through L - Jackson Walker archived files provided to Norman Reynolds by Terrence de'Ath directly or by Gary McDuff on orders of Mr. de'Ath.

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INDEX

Archived files of Jackson Walker, LLP, of documents relating to legal work done for the client Terrence de'Ath of Secured Clearing Corporation.

A. Introduction to the EMS Group – 13 pages

B. Custody Agreement & Cash Management Agreement of April 2000 between EMS and Wells Fargo Bank – 18 pages

C. Legal Opinion of the Custody Agreement between EMS and Wells Fargo Bank – 11 pages

D. Legal Opinion of the Cash Management Agreement between EMS and Wells Fargo Bank – 7 pages

E. Cash Management Agreement between Cole Taylor Bank and EMS – 7 pages

F. Custody & Cash Management Agreement between US Bank and Cash Management Agreement – 9 pages

G. Custody Agreement, Cash Management Agreement & Legal Opinion by Jackson Walker for Secured Clearing Corporation – 32 pages

H. Overseas Development Bank and Trust, miscellaneous information – 50 pages

I. Dobb White & Co Lloyd's insurance broker coverage – 44 pages

J. The Avenger Fund Private Placement Memorandum – 61 pages

K. US Representative Office requirements report for Overseas Developments Bank and Trust of Dominica - 23 pages

L. Billing records or any miscellaneous information reflecting Secured Clearing Corporation as the client of Jackson Walker.

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EXHIBIT

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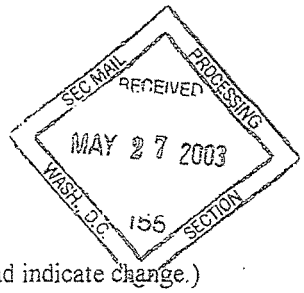
FORM D

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549



NOTICE OF SALE OF SECURITIES
PURSUANT TO REGULATION D,
SECTION 4(6), AND/OR
UNIFORM LIMITED OFFERING EXEMPTION

Name of Offering ([ ] check if this is an amendment and name has changed, and indicate change.)

Offering of Investor Shares of the Trust

Filing under (Check box(es) that apply): [ ] Rule 504 [ ] Rule 505 [X] Rule 506 [ ] Section 4(6) [ ] ULOE

Type of Filing: [X] New Filing [ ] Amendment

A. BASIC IDENTIFICATION DATA

1. Enter the information requested about the issuer

Name of Issuer ([ ] check if this is an amendment and name has changed, and indicate change.)

Lancorp Financial Fund Business Trust

Address of Executive Offices (Number and Street, City, State, Zip Code)	Telephone Number (Including Area Code)
1382 Leigh Court, West Linn, Oregon 97068	(503) 675-5017
Address of Principal Business Operations (if different from Executive Offices) (Number and Street, City, State, Zip Code)	Telephone Number (Including Area Code)

Brief Description of Business

Lancorp Financial Fund Business Trust is an unregistered closed-end non-diversified management investment company. Its investment objective involves the issuance of Forward Commitments to large financial institutions relating to debt securities bearing interest or sold at a discount.

Type of Business Organization
[ ] corporation [ ] limited partnership, already formed [ ] other (please specify):
[X] business trust [ ] limited partnership, to be formed

	Month			Year		
Actual or Estimated Date of Incorporation or Organization:	0	3		0	3	[X] Actual [ ] Estimated

Jurisdiction of Incorporation or Organization: (Enter two-letter U.S. Postal Service abbreviation for State: CN for Canada; FN for other foreign jurisdiction)	N	V

GENERAL INSTRUCTIONS

Federal:

Who Must File: All issuers making an offering of securities in reliance on an exemption under Regulation D or Section 4(6), 17 CFR 230.501 et seq. or 15 U.S.C. 77d(6).

When to File: A notice must be filed no later than 15 days after the first sale of securities in the offering. A notice is deemed filed with the U.S. Securities and Exchange Commission (SEC) on the earlier of the date it is received by the SEC at the address given below or, if received at that address after the date on which it is due, on the date it was mailed by United States registered or certified mail to that address.

Where to File: U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Form D-050903

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signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

Information Required: A new filing must contain all information requested. Amendments need only report the name of the issuer and offering, any changes thereto, the information requested in Part C, and any material changes from the information previously supplied in Parts A and B. Part E and the Appendix need not be filed with the SEC.

Filing Fee: There is no federal filing fee.

State:
This notice shall be used to indicate reliance on the Uniform Limited Offering Exemption (ULOE) for sales of securities in those states that have adopted ULOE and that have adopted this form. Issuers relying on ULOE must file a separate notice with the Securities Administrator in each state where sales are to be, or have been made. If a state requires the payment of a fee as a precondition to the claim for the exemption, a fee in the proper amount shall accompany this form. This notice shall be filed in the appropriate states in accordance with state law. The Appendix to the notice constitutes a part of this notice and must be completed.

Potential persons who are to respond to the collection of information contained in the form are not required to respond unless the form displays a currently valid OMB control number.

ATTENTION

Failure to file notice in the appropriate states will not result in a loss of the federal exemption. Conversely, failure to file the appropriate federal notice will not result in a loss of an available state exemption unless such exemption is predicated on the filing of a federal notice.

A. BASIC IDENTIFICATION DATA

2. Enter the information requested for the following:

- Each promoter of the issuer, if the issuer has been organized within the past five years;
- Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer;
- Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
- Each general and managing partner of partnership issuers.

Check Box(es) that Apply: [X] Promoter [X] Beneficial Owner [X] Executive Officer [X] Director [ ] General and/or

Full Name (Last name first, if individual)

Lancaster, Gary L.

Business or Residence Address (Number and Street, City, State, Zip Code)

[redacted] West Linn, Oregon [redacted]

Check Box(es) that Apply: [X] Promoter [ ] Beneficial Owner [X] Executive Officer [X] Director [ ] General and/or

Full Name (Last name first, if individual)

Lancaster, Larry R.

Business or Residence Address (Number and Street, City, State, Zip Code)

[redacted] West Linn, Oregon [redacted]

		Yes	No
1.	Has the issuer sold, or does the issuer intend to sell, to non-accredited investors in this offering?	[X]	[ ]

Answer also in Appendix, Column 2, if filing under ULOE.

2. What is the minimum investment that will be accepted from any individual? $ 25,000.00

		Yes	No
3.	Does the offering permit joint ownership of a single unit?	[X]	[ ]

4. Enter the information requested for each person who has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering. If a person to be listed is an associated person or agent of a broker or dealer registered with the SEC and/or with a state or states, list the name of the broker or dealer. If more than five (5) persons to be listed are associated persons of such a broker or dealer, you may set forth the information for that broker or dealer only.

Full Name (Last name first, if individual)

N/A

Business or Residence Address (Number and Street, City, State, Zip Code)

N/A

Name of Associated Broker or Dealer

N/A

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) [ ] All States

[AL]	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
[RI]	[SC]	[SD]	[TN]	[TX]	[UT]	[VT]	[VA]	[WA]	[WV]	[WI]	[WY]	[PR]

(Use blank sheet, or copy and use additional copies of this sheet, as necessary.)

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

1. Enter the aggregate offering price of securities included in this offering and the total amount already sold. Enter "0" if answer is "none" or "zero." If the transaction is an exchange offering, check this box [ ] and indicate in the columns below the amounts of the securities offered for exchange and already exchanged.

Type of Security	Aggregate Offering Price	Amount Already Sold
Debt	$ -0-	$ -0-
Equity	$ 5,000,000	$ -0-
[X] Investor Shares [ ] Common [ ] Preferred		
Convertible Securities (Warrants are included in the purchase, but at no charge)	$ -0-	$ -0-
Partnership Interests	$ -0-	$ -0-
Other (Specify) Profit Rights	$ -0-	$ -0-
Total	$ 5,000,000	$ -0-

Answer also in Appendix, Column 3, if filing under ULOE.

2. Enter the number of accredited and non-accredited investors who have purchased securities in this offering and the aggregate dollar amounts of their purchases. For offerings under Rule 504, indicate the number of persons who have purchased securities and the aggregate dollar amount of their purchases on the total lines. Enter "0" if answer is "none" or "zero."

	Number Investors	Aggregate Dollar Amount of Purchases
Accredited Investors	-0-	$ -0-
Non-accredited Investors	-0-	$ -0-
Total (for filings under Rule 504 only)		$

Answer also in Appendix, Column 4, if filing under ULOE.

3. If this filing is for an offering under Rule 504 or 505, enter the information requested for all securities sold by the issuer, to date, in offerings of the types indicated, in the twelve (12) months prior to the first sale of securities in this offering. Classify securities by type listed in Part C - Question 1.

Type of Offering	Type of Security	Dollar Amount Sold
Rule 505	N/A	$ N/A
Regulation A	N/A	$ N/A
Rule 504	N/A	$ N/A
Total		

4. a. Furnish a statement of all expenses in connection with the issuance and distribution of the securities in this offering. Exclude amounts relating solely to organization expenses of the issuer. The information may be given as subject to future contingencies. If the amount of an expenditure is not known, furnish an estimate and check the box to the left of the estimate.*

Transfer Agent's Fees	[ ]	$ N/A
Printing and Engraving Costs	[ ]	$ N/A
Legal Fees	[ ]	$ N/A
Accounting Fees	[ ]	$ N/A
Engineering Fees	[ ]	$ N/A
Sales Commissions (specify finders' fees separately)	[ ]	$ N/A
Other Expenses (filing fees)	[ ]	$ N/A
Total	[ ]	$

*The Trust will not pay any of the above-described expenses.

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

b. Enter the difference between the aggregate offering price given in response to Part C - Question 1 and total expenses furnished in response to Part C - Question 4.a. This difference is the "adjusted gross proceeds to the issuer." $ 5,000,000

5. Indicate below the amount of the adjusted gross proceeds to the issuer used or proposed to be used for each of the purposes shown. If the amount for any purpose is not known, furnish an estimate and check the box to the left of the estimate. The total of the payments listed must equal the adjusted gross proceeds to the issuer set forth in response to Part C - Question 4.b above.

	Payments to Officers, Directors, & Affiliates	Payments To Others
Salaries and fees	[ ] $ -0-	[ ] $ -0-
Purchase of real estate	[ ] $ N/A	[ ] $ N/A
Purchase, rental or leasing and installation of machinery and equipment	[ ] $ N/A	[ ] $ N/A
Construction or leasing of plant buildings and facilities	[ ] $ N/A	[ ] $ N/A
Acquisition of other businesses (including the value of securities involved in this offering that may be used in exchange for the assets or securities of another issuer pursuant to a merger)	[ ] $ N/A	[ ] $ N/A
Repayment of indebtedness	[ ] $ N/A	[ ] $ N/A
Working capital	[ ] $ 5,000,000	[ ] $ N/A
Other (specify):	[ ] $ -0-	[ ] $ -0-
Column Totals	[ ] $ 5,000,000	[ ] $ -0-
Total Payments Listed (column totals added)	[ ] $ 5,000,000	[ ] $

The issuer has duly caused this notice to be signed by the undersigned duly authorized person. If this notice if filed under Rule 505, the following signature constitutes an undertaking by the issuer to furnish to the U.S. Securities and Exchange Commission, upon written request of its staff, the information furnished by the issuer to any non-accredited investor pursuant to paragraph (b)(2) of Rule 502.

D. FEDERAL SIGNATURE

Issuer (Print or Type)	Signature	Date
Lancorp Financial Fund Business Trust	Gary L. Lancaster	May 9, 2003
Name of Signer (Print or Type)	Title of Signer (Print or Type)	
Gary L. Lancaster	Trustee	

ATTENTION
Intentional misstatements or omissions of fact constitute federal criminal violations. (See 18 U.S.C. 1001.)

E. STATE SIGNATURE

1. Is any party described in 17 CFR 230.262 presently subject to any of the disqualification provisions of such rule? Yes [ ] No [X]

See Appendix, Column 5, for state response.

2. The undersigned issuer hereby undertakes to furnish to any state administrator of any state in which this notice is filed, a notice on Form D (17 CFR 239.500) at such times as required by state law.

3. The undersigned issuer hereby undertakes to furnish to the state administrators, upon written request, information furnished by the issuer to offerees.

Offering Exemption (ULOE) of the state in which this notice is filed and understands that the issuer claiming the availability of this exemption has the burden of establishing that these conditions have been satisfied.

The issuer has read this notification and knows the contents to be true and has duly caused this notice to be signed on its behalf by the undersigned duly authorized person.

Issuer (Print or Type)	Signature	Date
Lancorp Financial Fund Business Trust	Gary Lancaster	May 9, 2003
Name (Print or Type)	Title (Print or Type)	
Lancaster, Gary L.	Trustee	

INSTRUCTION:
Print the name and title of the signing representative under his signature for the state portion of this form. One copy of every notice on Form D must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.