

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

FILED
U.S. DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
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LAURA A. BRIGGS
CLERK

UNITED STATES SECURITIES)
AND EXCHANGE COMMISSION,)
)
Plaintiff,)
)
KENNETH R. PAYNE,)
JOHANN M. SMITH,)
DANIEL G. DANKER, CONSTANCE)
BROOKS-KIEFER,)
HEARTLAND FINANCIAL SERVICES,)
INC., AND JMS INVESTMENT)
GROUP, LLC.)
)
Defendants.)

Civil Action No. IP00-1265 C -T/K

**SECOND MOTION FOR INTERIM COMPENSATION
OF JAMES A. KNAUER AS RECEIVER**

James A. Knauer, the appointed and acting Receiver herein, moves the Court for an interim Order authorizing the payment of fees for his services as the Receiver in these proceedings and in support thereof, states as follows:

1. On August 21, 2000, the undersigned was appointed as the Receiver for Heartland Financial Services, Inc., JMS Investment Group, LLC, and their related companies (the "Heartland Companies").
2. Since the date of his appointment the Receiver has performed the duties of his office and, accordingly, requests the Court to authorize payment of interim compensation for his services.
3. This Motion seeks an award of compensation for services of the Receiver from March 1, 2001, through and including the 31st day of October 2001, and the Receiver believes that all such work performed and services rendered were proper and necessary in order to administer the receivership estate.
4. The Receiver has performed various services all of which are described in detail in the report of work in process, a copy of which is attached hereto and incorporated

by reference herein and marked as Exhibit "A" to this Application. The services performed by the Receiver for and on behalf of the Receivership include, but are not limited to, the following:

- a. Participated in numerous telephone calls and conferences with Investors and their counsel;
- b. Assembled, as nearly as possible, all assets of the Defendants and arranged for the liquidation of the assets;
- c. Attended and participated in meetings and numerous telephone calls and investigations pertaining to possible litigation over claims and third party lawsuits including the claims against investors who received excess profits, potential claims against brokerage firms and persons who received commissions from the Heartland Companies, various third party loans;
- d. Directed the actions of the Receiver's counsel;
- e. Directed the pursuit of claims against investors who had received payments in excess of their investments;
- f. Directed the filing of litigation against several brokerage firms who held the licenses of defendants Payne and Danker;
- g. Traveled to Grenada and arranged for the liquidation of the assets of the Receivership located on that island;
- h. Participated in the resolution of claims objections of investor claims; and
- i. Prepared motions for the allowance of claims and motions to make an interim partial distribution to creditors of the Receivership.

The *Receiver's Third Report of Acts and Transactions* filed herewith contain detailed narratives of the activities of the Receiver and his counsel undertaken in pursuit of their responsibilities in conducting the affairs of this Receivership. These reports are incorporated herein by reference:

(H.I.)

5. Exhibit "A" to this Application provides a detail of the time expended by the

Receiver in this cause.

6. The Receiver has allocated the work performed by him into four categories as follows:

- a. Organization and Administration of the Receivership. Includes setting up files; preparing filings with the Court on matters which are not the subject of specific categories; fielding investor inquiries; working with accountants for the Receiver; reviewing files of the Heartland companies; organizing and ultimately maintaining the investor website; meeting with the Securities and Exchange Commission and other federal investigative agencies; setting up bank accounts; investigating each of the Heartland companies with regard to its organization, assets and liabilities; investigating claims of the receivership estate against third parties and interviewing witnesses, deposing witnesses and issuing subpoenas for information related to the Receivership; preparing reports on activities of the Receiver for filing with the Court.
- b. Liquidation of Assets. Includes matters related to possession of and obtaining title to or the right to dispose of assets of the Receivership estate, including arranging to secure assets and securing Court approval for asset disposition.
- c. Litigation. Includes all activities related to the pursuit of claims involving litigation or the threat of litigation by the Receiver. This category includes actions of the Receiver to recover so-called 'excess profits' from investors who received more from the Heartland companies than they actually invested.
- d. Claims Administration. Includes the process of developing a methodology for calculating creditor claims in the Receivership; arranging for a bar date and the publication of notices to creditors of the existence of the Receivership and the claims filing deadline; arrangements for receiving creditor claims; the process of negotiation

of claim issues and, if necessary, the process of preparing, filing and litigating claims objections of the Receiver and, ultimately, the distribution of Receivership funds to the holders of allowed claims in the Receivership.

7. Set forth below is a summary of the work performed by the Receiver by category:

WORK ALLOCATION

Description	Amount Requested
Organization and Administration of the Receivership	\$5,125.00
Liquidation of Assets	\$11,450.00
Litigation	\$7,325.00
Claims Administration	\$550.00

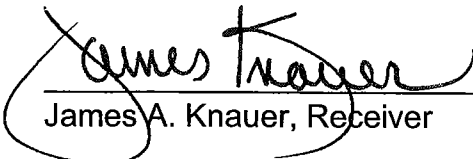
8. All travel time shown in the description of services has been billed at ½ the requested hourly rate.

9. The Receiver requests compensation for his services totaling 109.80 hours at an hourly rate of \$250.00 per hour, or the sum of \$24,450.00.

10. No agreement or understanding exists between the Receiver and any other person for the sharing of compensation to be received for services rendered in connection with this case.

THEREFORE, James A. Knauer, as Receiver for Heartland Financial Services, Inc., and its affiliated entities, requests that the Court award him an interim allowance of compensation for services in the amount of \$24,450.00, or such sum as deemed proper by the Court.

Respectfully submitted,


James A. Knauer, Receiver

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing has been served upon the following parties by placing a copy of the same in the United States Mail, first class postage pre-paid, on this ~~20th~~ 20th day of November, 2001:

Paul A. Montoya
Kara M. Washington
Jeannette L. Lewis
United States Securities and Exchange
Commission
500 West Madison Street
Suite 1400
Chicago, Illinois 60661

Fred D. Scott
Attorney at Law
55 Monument Circle
Suite 814
Indianapolis, Indiana 46204

Dexter B. Johnson
Mallon & Johnson, P.C.
19 S. LaSalle Street
Suite 1202
Chicago, Illinois 60603

Dennis Zahn
Symmes, Voyles, Zahn, Paul & Hogan
700 Jefferson Plaza
One Virginia Avenue
Indianapolis, Indiana 46204



William Bock, III

Kroger, Gardis & Regas, L.L.P.
111 Monument Circle, Suite 900
Indianapolis, Indiana 46204-2152
317-692-9000 - phone
317-264-6832 - fax

EXHIBIT "A"

re: JAK's Time

DRAFT STATEMENT

Bill this statement as is/as modified []
 Return to me for letter []
 Hold this statement/Do not send []
 Send only **previous** balance []
 Close this matter as of __/__/__.
 Make **Inactive**/leave on shelf. []
 Other Comments _____

	Rate	HOURS	
03/01/01			
JAK Work on revisions to investor complaint.	250.00	0.50	253
JAK Call from Trevor St. Bernard to discuss GIFSA meeting and license revocation issues.	250.00	0.40	254
03/03/01			
JAK Call from Vanessa Vogue of Belize regarding condo.	250.00	0.30	116
JAK Call from J. Coulter re taxpayer advocates response to letter proposal and discuss several questions concerning claim settlement.	250.00	0.40	117
03/04/01			
JAK Correspondence from Dankers counsel and letter of reply.	250.00	0.30	118
03/08/01			
JAK Return several calls regarding bank add.	250.00	0.30	119
03/09/01			
JAK Calls regarding bank add.	250.00	0.40	120
JAK Letter to P. Johnson at Bank One concerning additional comments on Bank One claim.	250.00	0.20	121

re: JAK's Time

	Rate	HOURS	
03/10/01			
JAK Prepare letter to various investors explaining the status of Grenada bank and the circumstances for its sale and send e-mails to various investors.	250.00	0.80	122
03/12/01			
JAK Correspondence from J. Smith; letter to J. Smith in response regarding turnover of bank accounts.	250.00	0.40	123
JAK Letter to Norwest Mortgage regarding D. Danker.	250.00	0.30	124
JAK Final revisions to Receivers second activity report.	250.00	0.60	125
03/13/01			
JAK Draft Response to K. Payne regarding his Federal Form 1099.	250.00	0.40	126
JAK Review and payment of all outstanding bills of Receivership.	250.00	0.70	127
03/14/01			
JAK Revisions to broker subpoenas and letter.	250.00	0.30	128
JAK Review of revised tax information letter to investors received from Birk, Gross, Bell and Coulter.	250.00	0.30	129
03/16/01			
JAK Investor call.	250.00	0.20	130
JAK Review of subpoenas to four banks requested by accountants and discuss several issues related to scope of subpoenas with paralegal.	250.00	0.30	131
03/18/01			
JAK Review accounting of Trevor St Barnard in Grenada and prepare spreadsheet of accounting and letter to Trevor with questions			

re: JAK's Time

	Rate	HOURS	
concerning accounting.	250.00	1.30	132
JAK Review final drafts of tax advice letter for investors with claims against Heartland and for investors who owe Heartland and draft cover letter for transmittal of same.	250.00	0.60	133
03/20/01			
JAK Analyze claims against John Durm family and their multiple accounts and prepare letter response to their inquiries.	250.00	0.50	134
03/26/01			
JAK Review documents and letter from counsel for Robert Burns and letter to his counsel in response to settlement offer.	250.00	0.50	135
JAK Review of letter from counsel for Rosses proposing settlement of their claims and response letter.	250.00	0.50	136
03/28/01			
JAK Call from probation office regarding D. Danker pre-sentence investigation.	250.00	0.30	111
JAK Review of documents produced by FFP securities regarding accounts of D. Danker and JMS.	250.00	0.50	112
03/30/01			
JAK Call from counsel for Bank One regarding the investor class action lawsuit and lengthy discussion about their suit issues and receivership information.	250.00	0.50	113
JAK Call from attorney for Herb Eaton to discuss the action by Bank One against his client.	250.00	0.30	114
03/31/01			
JAK Work on fee applications.	250.00	1.00	115

re: JAK's Time

	Rate	HOURS	
04/02/01			
JAK Meeting with V. Bailey regarding bank subpoenas and modifications to website.	250.00	0.40	137
04/04/01			
JAK Research regarding issue consolidating numerous entities on alter ego and other theories regarding pending RICO action.	250.00	0.80	138
JAK Call from J. Coulter on claims resolution questions.	250.00	0.20	139
JAK Review of class action complaint.	250.00	0.30	140
04/05/01			
JAK Call from Manwell Gonzales to discuss his objections to receipt of a 1099 and claims that he was a salaried employee.	250.00	0.20	141
04/09/01			
JAK Review response to Trident Securities Subpoena.	250.00	0.30	142
04/13/01			
JAK Receive and review of response of Sharon Larson to subpoena and letter to her counsel.	250.00	0.60	143
JAK Call to Paul Johnson regarding Bank One claim.	250.00	0.20	144
04/16/01			
JAK Call from Peoples Bank in relation to subpoena and their responses.	250.00	0.20	145
JAK Meeting with paralegal to discuss Peoples call; also review response of Bank One to its subpoena; revisions to investor complaint to recover excess payments.	250.00	0.70	146
JAK Review of correspondence from Accountants on various investor claims.	250.00	0.30	147

re: JAK's Time

	Rate	HOURS	
04/17/01			
JAK Review of settlement letter for Ross trust proposing settlement of \$170 thousand on claim; letter to BGBC for comments on issues raised by investor.	250.00	0.50	148
JAK Review response of investor Roger Platek concerning his claim and BGBC correspondence regarding the same and letter to investor to further explain accountants calculations and offset adjustments.	250.00	0.40	149
JAK begin review of all KGR and personal time entries for inclusion in fee petition.	250.00	1.50	150
04/20/01			
JAK Call from Ron Plasky regarding investor claim.	250.00	0.20	151
JAK Review of confidentiality order for disclosure of investor information in Maddox class action.	250.00	0.30	152
JAK Meeting with Bock to discuss claim against Tom Burns.	250.00	0.30	153
04/29/01			
JAK To home of Danker in attempt to contact occupants.	250.00	1.00	154
JAK Review of claims letters regarding accounts of the Zelmans and accountants responses.	250.00	0.40	155
04/30/01			
JAK Review of subpoenas to 3 brokerage firms to Peoples Bank and revisions to same.	250.00	0.30	156
JAK Call from Bernice Warner regarding claim of Retirement Accounts, Inc.	250.00	0.20	157
JAK Fax to Kara Washington of SEC on Danker home and mortgage status.	250.00	0.30	158

re: JAK's Time

	Rate	HOURS	
05/01/01			
JAK Work on motion to retrieve coins from D. Danker home.	250.00	0.50	159
JAK Call to J. Wools regarding additional home inspection.	250.00	0.20	160
05/03/01			
JAK Work on turnover orders; review of documents produced and compare with documents discovered in offices; letters to counsel for Brinker and Bentz demanding turnover of personal property; call to Kevin McShane regarding turnover of computers; call to Jackie Hobbs on arrangements for Saturday trip to Cincinnati.	250.00	3.00	161
05/08/01			
JAK Call from K. Johnson.	250.00	0.20	162
JAK Review letter from Mrs. Warner concerning IRA account charges and letter to Retirement Accounts, Inc., concerning their collection of charges from Heartland Investors.	250.00	0.60	163
JAK Prepare letter to Ross' counsel setting forth revised settlement figures.	250.00	0.30	164
05/09/01			
JAK Review of Additional calculations on Ross investor claim and correspondence to Maddox.	250.00	0.30	165
JAK Review of Danker trust agreement regarding Emma Schutz Danker and letter to SEC regarding the same.	250.00	0.40	166
05/10/01			
JAK Work on Receiver's Fee Petition; work on KGR fee petition; work on accountants fee petition.	250.00	3.00	167
JAK Call to Terry Heath in England concerning possible sale of bank equipment with software.	250.00	0.30	168

re: JAK's Time

	Rate	HOURS	
05/14/01			
JAK Meet with Victoria to review various documents.	250.00	0.30	169
JAK Review memorandum regarding Dankers coins and prepare memo regarding sale procedures.	250.00	0.30	170
05/15/01			
JAK Call from Mark Maddox and discuss investor check suit.	250.00	0.30	171
05/22/01			
JAK Call from Roger Waldman regarding investor demand letter. Call from Josephine Mosley regarding settlement demand letter and discuss terms of settlement. Review of related case objection response in Bank One suit. Review of settlement proposal by Rosss per Mark Maddox and letter proposing alternatives.	250.00	1.20	172
05/23/01			
JAK Call from Maddox regarding Condor case.	250.00	0.10	173
JAK Call from Investor White regarding claim settlement.	250.00	0.20	174
05/24/01			
JAK Letter to Mr. and Mrs. Ronald Plassman concerning investor settlements.	250.00	0.30	175
05/25/01			
JAK Call from Kara Washington regarding fee hearing.	250.00	0.10	176
JAK Meeting with Irwin Levin and Mark Maddox regarding Condor class action; discuss actions against brokerage firms.	250.00	1.00	177
05/28/01			
JAK Revisions to Motion to Sell Coin Collection.	250.00	0.30	178
JAK Revisions to investor recovery			

re: JAK's Time

	Rate	HOURS	
complaint.	250.00	0.40	179
05/30/01			
JAK Pleading review.	250.00	0.40	180
05/31/01			
JAK Revisions to prior fee orders based upon lack of objections received.	250.00	0.50	181
06/01/01			
JAK Call from Investor; Ron Plasman to discuss settlement of his case.	250.00	0.30	182
06/04/01			
JAK Conference with R. Brissenden on preparation of Investor lawsuits.	250.00	0.50	183
JAK Additional revisions to Complaint.	250.00	0.40	184
JAK Meeting with V. Bailey regarding website postings and work on investor complaint.	250.00	0.30	185
JAK Call from counsel for investor's estate for status.	250.00	0.20	255
06/05/01			
JAK Review response of Conder in Union Planters lawsuit arguing against related case status.	250.00	0.50	256
06/12/01			
JAK Conference with B. Bock on status of RICO action.	250.00	0.40	193
06/14/01			
JAK Letter to T. Bays concerning late filed claim of Nathan Living Trust.	250.00	0.30	194
JAK Review various correspondence concerning investor settlements and related matters.	250.00	0.30	195
06/19/01			
JAK Call from K. Washington of SEC re Danker foreclosure suit.	250.00	0.20	196

re: JAK's Time

	Rate	HOURS	
JAK Review of complaint and prepare fax memo to plaintiffs attorney suggesting dismissal of SEC and adding receiver.	250.00	0.40	197
06/21/01			
JAK Call from Kara Washington of SEC regarding getting investor list for NASD and call to W. Wools to arrange same.	250.00	0.30	257
06/22/01			
JAK Call from Kara Washington of SEC regarding status of Danker foreclosure suit; call to Feiwells office and discuss suit with Doug Hannoy; call back Kara Washington.	250.00	0.60	199
06/23/01			
JAK To home of Danker for inspection.	250.00	1.50	186
JAK Review of Ross trust collateral to be pledged to secure their settlement note and memo to Tanya regarding the same.	250.00	0.50	198
06/25/01			
JAK Correspondence from Kara Washington regarding Danker foreclosure suit.	250.00	0.20	187
06/26/01			
JAK Review of settlement acceptance of David Richey on behalf of Jacksons (\$52.2M) and McKibbens (\$82.5).	250.00	0.30	188
JAK Correspondence.	250.00	0.30	189
JAK Letter to Union Planters Bank regarding closed account.	250.00	0.30	190
06/28/01			
JAK Review of Ross settlement and pledge documents and revisions to same.	250.00	0.40	191
JAK Letter to O. Warner concerning Retirement Accounts, Inc., claims			

re: JAK's Time

	Rate	HOURS	
against Investors and letter to Retirement Accounts, Inc., regarding the same	250.00	0.80	192
07/02/01			
JAK Call with M. Weisenbach about appraisal of Danker home.	250.00	0.20	200
JAK Callback from Reimer & Butterman on Belize foreclosure and in view of their lack of information, call to other counsel and explain facts related to Belize foreclosure; prepare fax memo to new counsel; call back from new counsel after he has read complaint and checked at court.	250.00	1.00	201
JAK Review of file and prior orders and prepare Receivers motion to include assets of Payne in Receivership and prepare entry on motion.	250.00	2.50	202
07/03/01			
JAK Call to M. Chebat regarding condo foreclosure and results of his investigation.	250.00	0.30	203
07/09/01			
JAK Communication from Belize counsel regarding condo suit.	250.00	0.30	204
JAK Investor mail.	250.00	0.20	205
07/10/01			
JAK Review of pleadings and correspondence received from Oliver and Bernice Warner and draft response letter.	250.00	0.50	206
JAK Review of letter of Julia Ritter concerning Receivers fees and draft response.	250.00	0.30	207
JAK Review of D. Danker foreclosure complaint and draft appearance and motion for extension of time to respond to same; prepare draft answer.	250.00	1.30	208

re: JAK's Time

	Rate	HOURS	
JAK Letter to Union Planters Bank regarding account closing.	250.00	0.30	209
07/12/01			
JAK Review of written objections to fees and draft responses to same.	250.00	0.70	210
07/17/01			
JAK Revise letter to K. Payne for meeting.	250.00	0.30	211
07/19/01			
JAK Pay accumulated bills of receivership.	250.00	0.60	212
07/20/01			
JAK Letter to Butterfield Reimer in Belize to cease representation.	250.00	0.30	213
07/24/01			
JAK Conference with B. Bock on additional work to be done on case.	250.00	0.30	214
07/25/01			
JAK Review of completed appraisal of Danker home.	250.00	0.30	215
JAK Draft motion to sell Danker Home.	250.00	0.50	216
JAK Investor call.	250.00	0.20	217
JAK Posting June receipts.	250.00	0.50	218
07/26/01			
JAK Review proposed settlement agreement with K. Payne and discuss the same with B. Bock.	250.00	0.40	219
JAK Call to Belize counsel concerning payoff on Condominium.	250.00	0.20	220
07/30/01			
JAK Revisions to Receivers motion to sell Danker Real Estate and prepare Order regarding the same.	250.00	0.50	221
08/03/01			
JAK Meeting with R. Brissenden to review of all responses to date			

re: JAK's Time

	Rate	HOURS	
on investor recovery complaints and discuss solutions for settlements and strategies for proceeding.	250.00	1.00	222
08/06/01			
JAK Letter to Belize counsel regarding K. Payne Condo.	250.00	0.30	223
JAK Correspondence from M. Chabat.	250.00	0.20	224
08/07/01			
JAK Conference with W. Wools on Bank One claim.	250.00	0.30	225
JAK Conference with R. Brissenden on status of investor suits.	250.00	0.30	226
JAK Bank account postings.	250.00	0.30	227
JAK Letter to investor concerning settlement questions on settlement payment.	250.00	0.30	228
08/08/01			
JAK Call with K. May and client Jacksons on possibility of suit against Brokerage firms.	250.00	0.50	229
JAK Review of subpoena responses and arrange fax to May.	250.00	0.40	230
08/14/01			
JAK Lengthy conference with W. Bock on lawsuit filing against brokerage firms.	250.00	0.50	231
JAK Call from J. Carr on representing a number of investors on refund claims; review of spreadsheet and prepare revised sheet on investor claims for J. Carr and letter.	250.00	0.70	232
JAK Receive copy of contract for condo from Belize counsel and review of contract, complaint and payment accounting. Draft very lengthy letter to Belize counsel analyzing contract issues in			

re: JAK's Time

	Rate	HOURS	
light of allegations of complaint.	250.00	1.50	233
08/15/01			
JAK Call from Appraiser on D. Danker home.	250.00	0.20	234
JAK Call from W. Piatek.	250.00	0.20	235
08/16/01			
JAK Call from appraiser on D. Danker home.	250.00	0.20	236
JAK Call from W Piatek.	250.00	0.20	237
08/26/01			
JAK Review of investor settlements with Von Bank, Mr. and Mrs. Fletcher.	250.00	0.30	238
09/07/01			
JAK Review of correspondence and proposed pleading from Belize counsel; call to counsel; and fax memo.	250.00	0.80	239
09/10/01			
JAK Review of Mellon Bank response to subpoena re: Danker stock account.	250.00	0.30	240
09/24/01			
JAK Call from Trevor St. Barnard to report on problems related to Bank assets and discuss same.	250.00	0.30	241
JAK File review and commence preparations to go to Grenada.	250.00	0.50	242
09/25/01			
JAK Continue preparations to go to Grenada.	250.00	0.50	243
JAK Receive correspondence from counsel in Belize related to condominium and settlement offers; draft response letter.	250.00	0.50	244
JAK Review of four investor complaints to be filed.	250.00	0.50	245

re: JAK's Time

	Rate	HOURS	
JAK Investor call with questions about brokerage firm actions .	250.00	0.30	246
09/26/01			
JAK Travel to Grenada.	125.00	12.00	258
09/27/01			
JAK Meet with T. St. Bernard at his office; then to 21st Century Bank premises to inspect personal property and meet with landlord on rent and possibility of early lease termination; remain on site and review of all bank records at site throughout most of the rest of the day; also calls with HVAC installer on its value; calls with computer system installer regarding the same; meeting with Grenadian International Finance Security Agency representative concerning the offshore deposit escrow.	250.00	9.00	259
09/28/01			
JAK Go to storage to inspect Ford Automobile; return to bank premises to pack up records; further discussion on arrangements for sale of bank personal property; settle up utilities and rent claims through October.	250.00	4.00	260
09/29/01			
JAK Return to United States from Grenada.	125.00	12.00	261
10/04/01			
JAK Review of D. Danker title insurance and meet with W. Wools to request changes from title company.	250.00	0.30	247
JAK Review of terms of various investor settlements and discuss same with R. Brissenden.	250.00	0.40	248
10/08/01			
JAK Call from B. Friehofer concerning			

re: JAK's Time

	Rate	HOURS	
the claim against M. Mullins and discuss the circumstances of her death and claims issues; conference with R. Brissenden regarding the same.	250.00	0.50	249
JAK Correspondence (and reply) from Grenada counsel regarding sale of bank equipment.	250.00	0.30	250
10/22/01			
JAK Receive updated title work on D. Danker home; prepare partial Lis Pendens release; prepare Receiver's Vendor's affidavit; prepare Special Warranty Deed of Receiver; call to Mortgage Lender's Counsel to request payoff information and call from title company on closing requirements.	250.00	2.00	251
10/26/01			
JAK Several calls regarding arrangement for closing on D. Danker home tomorrow.	250.00	0.60	252
James A. Knauer	109.80	24,450.00	
FOR CURRENT SERVICES RENDERED	109.80	24,450.00	
Reproduction of documents			
TOTAL CURRENT WORK THIS STATEMENT		24,450.00	
BALANCE DUE		<u>\$24,450.00</u>	