

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF INDIANA  
INDIANAPOLIS DIVISION

UNITED STATES SECURITIES )  
AND EXCHANGE COMMISSION, )  
 )  
Plaintiff, )  
 ) Civil Action No. 00-cv-1265-JMS-TAB  
KENNETH R. PAYNE, )  
JOHANN M. SMITH, )  
DANIEL G. DANKER, CONSTANCE )  
BROOKS-KIEFER, )  
HEARTLAND FINANCIAL SERVICES, )  
INC., AND JMS INVESTMENT )  
GROUP, LLC. )  
 )  
Defendants. )

**RECEIVER'S STATUS REPORT**

James A. Knauer, the Receiver for Heartland Financial Services, Inc., and JMS Investment Group, LLC, Defendants herein<sup>1</sup>, in support of *Receiver's Status Report* states:

1. The undersigned was appointed Receiver for Heartland Financial Services, Inc. ("Heartland") and JMS Investment Group, LLC ("JMS") on August 21, 2000.
2. The Order appointing the Receiver directed that after the filing an initial inventory and appraisal of all property and assets in his possession or in the possession of others (the "Inventory Report") the Receiver should file reports of his acts and transactions (the "Activity Reports") in his official capacity as Receiver.
3. This is the Receiver's sixth report.

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<sup>1</sup> On December 26, 2000, the Court consolidated the assets and liabilities of the following companies: *Aero Technologies Ltd., Atlas Income Fund, LLC, BMC Investment Group, LLC, Caribbean Federal Trust, Ltd., Caribbean Federal Services, Ltd., Caribbean Financial Services, Caribbean Investments International, Ltd., Celtic Centre II, Ltd., Charmar, Ltd., Dolphin International Development, Ltd., Dolphin Peninsula Partners, First Fidelity Trust, Ltd., First International Limited, Heartland Advisory Services, Inc., Heartland Financial Services, Inc., Heartland International Trust Services, Ltd., Heartland Money Management of Florida, Inc., International Leisure Centers, Inc., JMS Investment Group, LLC, KJL Ltd. of Belize, Lincoln Fidelity Escrow Services, MDS Investment Ltd., PMK, Ltd., RMP, Ltd., Terens, Ltd., 1<sup>st</sup> Century Bank Group, Ltd., 21<sup>st</sup> Century International Bank & Trust, Ltd. of Grenada, 21<sup>st</sup> Century International Advisors, Inc., 21<sup>st</sup> Century International Advisors of Bermuda, Ltd., 21<sup>st</sup> Century International Advisors of Ireland, Ltd., 21<sup>st</sup> Century Personnel, LLC, Universal Financial Services, Ltd* and on July 5, 2001 the Court expanded the Receiver's authority to include the assets of Kenneth R. Payne.

4. Except for the receipt of small payments of restitution from the office of the United States Attorney, the Receivership has been relatively inactive since 2008.

5. The SEC has previously requested the Receiver not close the Receivership until it had obtained injunctive relief against the Defendants Danker and Payne, however now that partial injunctive relief has been granted and given the long delay since the last distribution to creditors, the Receiver sees no reason not to file his final report at this time.

6. The Receiver is in the process of preparing his final report and will file it within ten days of this status report, or before Thursday, February 3<sup>rd</sup>, 2011.

7. All assets of the Receivership have been liquidated and reduced to cash.

8. All claims of the Receivership have been allowed or disallowed.

9. The Receiver is accountable for approximately \$3,857,000 in receipts.

10. The Receiver has disbursed approximately \$2,200,000 to non-priority creditors.

11. Approximately \$187,000 was paid to the United States Internal Revenue Service to satisfy allowed priority tax claims,

12. The remaining sums, except for cash on hand (discussed in paragraph 13 below), were disbursed as costs of the Receivership and will be accounted for in the final report.

13. The Receiver has on hand the sum of \$79,000 as of this date.

14. There are presently unpaid claims of administration of approximately \$36,000 and the Receiver anticipates the cost of closing the Receivership, distributing the remaining funds and filing a supplemental final report will cost an additional \$7,500. The Receiver anticipates filing a request for final allowance of compensation for professional fees at the time of the filing of his Final Report.

15. The Receiver intends to file a motion to distribute the remaining funds of the Receivership in the approximate amount of \$35,500 on or about the time of the filing of his final report.

**NOTICE TO CREDITORS AND THE PUBLIC**

16. This report will be posted on the Heartland website within three business days of its filing.

THEREFORE the Receiver requests that the Court approve his *Receiver's Status Report* and for all other proper relief.

/s/ James A. Knauer  
James A. Knauer, Receiver  
Attorney #5436-49

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that the foregoing has been served upon the following parties by the Court's Electronic Case Filing System or by depositing a copy of same in the United States Mail, first class postage pre-paid, on this 24<sup>th</sup> day of January, 2011:

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

Irwin B. Levin  
Scott D. Gilchrist  
Eric S. Pavlack  
Cohen & Malad, L.L.P.  
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Fred D. Scott  
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Daniel G. Danker  
1910 NW Grove Ave.  
Topeka, KS 66606

Dexter B. Johnson  
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Dennis Zahn  
Symmes, Voyles, Zahn, Paul & Hogan  
700 Jefferson Plaza  
One Virginia Avenue  
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Joseph L. Meadows  
U.S. Department of Justice  
P.O. Box 55  
Ben Franklin Station  
Washington DC 20044

Kenneth R. Payne  
Register # 06422-028 FCI Seagoville  
Federal Correctional Institution P.O. Box  
9000 Seagoville, TX 75159

Constance Brooks-Kiefer  
3306 S. Ransdell Street  
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/s/ James A. Knauer  
James A. Knauer, Receiver  
Attorney #5436-49

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