

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

UNITED STATES SECURITIES)
AND EXCHANGE COMMISSION,)
)
Plaintiff,)
) Civil Action No. IP00-1265 C -T/K
KENNETH R. PAYNE,)
JOHANN M. SMITH,)
DANIEL G. DANKER, CONSTANCE)
BROOKS-KIEFER,)
HEARTLAND FINANCIAL SERVICES,)
INC., AND JMS INVESTMENT)
GROUP, LLC.)
)
Defendants.)

RECEIVER'S FIFTH REPORT OF ACTS AND TRANSACTIONS

James A. Knauer, the Receiver for Heartland Financial Services, Inc., and JMS Investment Group, LLC, Defendants herein¹, in support of *Receiver's Fifth Report of Acts and Transactions* 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

¹ 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., 1st Century Bank Group, Ltd., 21st Century International Bank & Trust, Ltd. of Grenada, 21st Century International Advisors, Inc., 21st Century International Advisors of Bermuda, Ltd., 21st Century International Advisors of Ireland, Ltd., 21st 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.

of his acts and transactions (the “Activity Reports”) in his official capacity as Receiver.

3. This is the Receiver’s fifth Activity Report.

BACKGROUND

4. Upon his appointment, the Receiver began to take possession of the assets of Heartland and JMS. To assist him in this endeavor he engaged, with the Court’s approval, the accounting firm of BGBC Partners, PC and the law firm of Kroger Gardis & Regas, L.L.P.
5. The Court issued an Order on August 10, 2000, directing financial institutions to freeze all bank accounts of the individual defendants in this action, namely Kenneth R. Payne, Johann M. Smith, Daniel G. Danker and Constance Brooks-Kiefer (the “Individual Defendants”).
6. On August 10, 2000, the Court issued an Order, enjoining and restraining, among other things, the Individual Defendants from:

transferring selling, assigning, pledging dissipating, concealing or otherwise disposing of in any manner, any funds, assets, accounts, or other property belonging to Defendants or in their possession, custody or control, wherever located.
7. The Receiver believes that he has now taken possession of, or liquidated, virtually all of the non-exempt assets of the Individual Defendants that have value over and above any valid liens.
8. In the course of examining the records of the Heartland Companies, the Receiver compiled a list of 28 names representing entities that were used by the principals of the Heartland Companies to either receive investor funds or as a means of diverting funds out of the Heartland Companies. In December, 2000 the Receiver requested that the Court administratively consolidate this cause and expand the Receivership to include all of the 28 entities that he had identified as being alter ego entities utilized to conduct the investment scheme. The Court approved the Receiver’s motion and ordered that all of

the entities identified by the Receiver would constitute part of the Receivership (hereafter collectively referred to as the “Heartland Companies”).

9. Due to the large number of creditors the Receiver maintains a website at www.heartlandfinancialinfo.com. The Heartland Companies website continues to be updated on a regular basis with copies of all pleadings filed in these and all related proceedings; a listing of miscellaneous information about the Heartland Companies assets and liabilities; all correspondence with the creditors of the Receivership; and other information is added to the site as the Receivership progresses.
10. The Receiver and his counsel continue to communicate directly with creditors providing them updates on the status of the case and recording any changes in their contact information.

ASSET COLLECTION AND LIQUIDATION SINCE THE RECEIVER’S FOURTH REPORT

Real Estate

11. *Payne Belize Real Estate*. As explained in an earlier report, litigation was pending in the country of Belize to establish ownership and the right to pay off a mortgage type of indebtedness for a condominium that was owned by Payne. Payne was purchasing the condominium on a form similar to a land contract; however, most of the records detailing the purchase are missing. The Receiver engaged a Belizian law firm to represent him in what is essentially a real estate foreclosure suit by the contract seller seeking to recover fee title to the condominium². The value of the unit was believed to be between \$120,000.00 and \$150,000.00. The original developer (the contract seller) claimed ownership under Belizian law as a forfeiture due to missed payments or, alternatively, that Payne owed approximately

² The condominium seller claims that forfeiture has occurred and it is unclear under Belizian law whether this is enforceable.

\$100,000.00, when, in fact, Payne actually failed to make a balloon payment of only \$40,000.00 that was due in June of 2000. The Receiver had offered to pay the remaining balance of \$40,000 in order to obtain title to the condominium, plus interest, but settlement offers were rejected. The Receiver's position with regard to the facts surrounding the contract is set forth in a letter sent to his Belizian counsel early in the litigation, a copy of which is attached hereto as Exhibit "A". After unsatisfactory communications problems, the Receiver terminated his original counsel and engaged a second Belizian law firm who appeared to be more optimistic about a successful defense. The Receiver also engaged a local realtor in an effort to confirm the value of the condominium. The realtor advised the Receiver that many of the units had fallen into disrepair and some of the units had decreased in value. The Receiver then requested the realtor to make an inspection of the particular unit, but despite repeated efforts to obtain the information, the realtor, one Lincoln Eiley, was never able to gain access to the unit. When it became clear that settlement was not possible, the Receiver requested his local counsel to arrange for a trial which the Receiver planned to attend. Local counsel then advised that trials were rare in Belize and that the courts held sessions only in certain months. Also, despite what the Receiver believed was an outrageous claim by the developer, local counsel became considerably less enthusiastic in his assessment of a probable outcome. Since the developer was now claiming more than \$100,000 was due and the value of the condominium and condition of the development was questionable, the Receiver asked to be furnished with comparable sales information for units in the development and information concerning the time to affect the sale of a unit. This information was only provided to the Receiver orally (apparently the custom in Belize) and was not encouraging. The local realtor advised the sale of units in this particular development were stagnant and it could be 6 months to a year to sell the condominium if the trial was successful. About that time, the Receiver was contacted by his local counsel

to advise that a trial date had been scheduled and was to occur within 48 hours. Local counsel professed not to have known of the impending date, but stated that he doubted he could convince the court of that fact and accordingly, had entered into a settlement agreement for the Receiver (without the Receiver's knowledge or consent) to pay the sum of \$112,000 to obtain title to the condominium, but that such sum would have to be paid immediately. The Receiver had also learned that the ultimate sale of the unit would involve not only the payment of realtor fees and other sale expenses, but the payment of significant transfer taxes imposed under Belize law. In light of the lack of satisfactory information on the value and marketability of the unit, the Receiver refused to agree to the settlement terms negotiated by his counsel, after which the counsel stopped responding, except to advise the Receiver that a judgment would be entered in favor of the developer. Thus any value in this asset has not been realized.

Bank Accounts and Investments

12. *Miscellaneous US Bank Accounts and Investments.* Heartland owns illiquid investment units in several partnerships that the Receiver is attempting to sell. The total amount collected to date from all bank and investment accounts of the Heartland Companies and their principals is \$893,283.54³.

Offshore Deposits

13. Heartland controlled *21st Century Banking Group, Ltd.*, in the country of Grenada. This enterprise was a bank that closed shortly after it opened.⁴ In order to obtain approval to begin business, a statutory deposit to secure the bank's performance was paid to the Grenadian International Finance Authority ("GIFSA") in the amount of \$100,000.00. Thus far, the country of

³ Receivership Cash Flow Report, attached, (see Items "Acquired Funds", "FROM Heartland Bank One", "FROM Lincoln Fidelity Escrow" & a portion of "Other Inc.").

⁴ Although unclear, there is reason to believe that the bank never actually opened. It had no accounts of any depositors.

Grenada has not recognized the authority of the Receiver to obtain a refund of the deposit.⁵ The Receiver obtained approval from this Court to hire Grenadian counsel on a contingent fee basis to attempt collection of the bank deposit. After receiving a formal demand from the Receiver's Grenadian counsel, GIFSA refused to recognize the Receiver's authority to recover the deposit. Grenadian counsel filed suit in the Supreme Court of Grenada and the West Indies Associated States in November, 2003, in the cause styled In the Matter of 21st Century Banking Groups Limited, claim number GDA HVC 2003/0507 (the "Grenadian Proceedings"). Notice of the Grenadian Proceedings was published in the Grenada Government Gazette and The Grenadian Voice in April and May, 2004. The Grenadian Proceedings came to hearing on May 20, 2004, before Justice Francis Belle. The Grenadian court dismissed the case, finding that the Receiver lacked standing to pursue the matter. The court also refused to recognize what the Receiver believes to be a readily-identifiable link between Heartland and 21st Century. In 2005, the Receiver renewed his efforts to repatriate the funds on deposit with GIFSA. These efforts were hampered by hurricane damage to Grenadian local counsel's offices, and to the Grenadian Supreme Court chambers, which were destroyed. While the Receiver continues to seek advice on ways to collect the banking deposit, it is doubtful it will be successfully collected.⁶

⁵ The Grenada International Financial Services Authority (a/k/a "GIFSA") is the governing body for overseeing bank licensure matters in Grenada. This organization was formed after Heartland's 21st Century Bank made its \$100,000.00 deposit with GIFSA's predecessor agency. GIFSA seems to be playing cat and mouse with the deposit and has not officially admitted that it has the deposit or that it is liable for its return. The predecessor agency no longer exists.

⁶ In an unrelated but similar proceeding, United States Securities and Exchange Commission v. Wellington Bank & Trust, et al., United States District Court, Southern District of Indiana, no. IP 01 0259 C H/G, the Receiver successfully caused the return of a GIFSA deposit, but with substantial and unexpected Grenadian receiver fees, and alleged statutory deductions from the deposit to the benefit of the Grenadian government.

Freeze Order Violations

14. *Freeze Order Violations.* In his last report, the Receiver explained his contention that a bank upon which the asset freeze Order issued in this cause was served has liability for failing to promptly initiate the account hold ordered by the Court. After a demand, upon the bank by the Receiver, the bank refunded \$146,000.00 of the money withdrawn.

Investor Claims for Repayment of Fictitious Profits

15. *Settlement of Investor Claims.* As previously reported, the Receiver has settled all of the recovery litigation and all of the claims in litigation are disposed of and the settlement funds collected. The total of all collections by the Receiver is the sum of \$2,738,955.53⁷. The Receiver also obtained a timeshare in Gatlinburg, Tennessee as a result of a settlement reached in a recovery litigation. The timeshare is currently listed for sale with a timeshare sales company, as well as several for sale by owner websites. The sale should yield approximately \$8,000.00.

Loans Commissions and Referral Fees

16. *Loans.* As of the last Activity Report the Receiver had filed a motion for summary judgment against Leslie Reed, who had received \$45,000 from the Heartland companies for services that were never performed, for which the Receiver obtained a judgment against Mr. Reed for the full amount. Mr. Reed filed bankruptcy on August 5th of 2005. The bankruptcy was deemed a “no-asset” case by the bankruptcy trustee.

Liquidation of Personal Property

17. Most of the personal property of the Heartland Companies or the individual Defendants has been liquidated and reduced to cash. Since the Receiver's

⁷ Receivership Cash Flow Report, attached, (see Item "Investor Repay").

last Activity Report, the following personal property has been liquidated.

<i>Property Description</i>	<i>Amount</i>
Jet Skis and Trailer	\$700.00
Rolex Watch	\$4,775.00
Firearms	\$550.00
TOTAL	\$6,025.00

18. There remains unliquidated some jewelry that was formerly the property of Payne which the Receiver had caused to be appraised. While the property was being liquidated, Mr. Payne sent the receiver a letter inquiring about its status and complaining that it was worth much more than the appraisals obtained by the Receiver. Accordingly, after receiving Payne's letter, the Receiver stopped the liquidation and the remaining property was appraised again. The second appraisal did not materially change the value opinions obtained from the first appraisal. The Receiver plans (as he once previously offered) to give Mr. Payne the opportunity to have his relatives make an offer to bid on the property (which is what Mr. Payne has suggested could occur in his letter), after which he will most likely offer it for sale on E-Bay.
19. The total amount collected to date from the sale of assets of the Heartland Companies and their principals is \$476,332.67⁸.

ADMINISTRATION

Costs of Administration of the Receivership

20. The Receiver, his law firm and the accountants for the Receivership will be filing requests for payment of fees and expenses at or near the time of the filing of this report. For the period covering December 2003 through May 31,

⁸ Receivership Cash Flow Report, attached, (see Item "Asset Sales").

2006. The accountants fees will approximate \$9,500.00 the Receiver's counsel's fees will approximate \$37,300.00 and the Receiver's fees will approximate \$9,000.00.

Current Accounting

21. A current report showing the income and expenses of the Receivership is hereto as Exhibit "B"

Closing of the Receivership

22. The Receiver believes that all remaining matters can be wound up, a final report filed and a final distribution made to all creditors by the end of this year.

Notice to Creditors and the Public

23. This report will be posted on the Receiver's website within three business days of its filing.

THEREFORE the Receiver requests that the Court approve his *Receiver's Fifth Report of Acts and Transactions* 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 12 day of July, 2006:

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

Joseph L. Meadows
U.S. Department of Justice
P.O. Box 55
Ben Franklin Station
Washington DC 20044

Irwin B. Levin
Scott D. Gilchrist
Eric S. Pavlack
Cohen & Malad, L.L.P.
136 North Delaware Street
Suite 300
P.O. Box 627
Indianapolis, Indiana 46206-0627

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

Kroger, Gardis & Regas, L.L.P.
111 Monument Circle, Suite 900
Indianapolis, Indiana 46204-5125
317-692-9000 - phone
317-264-6832 – fax



FOUNDED 1937

JAMES A. KNAUER
JOHN J. PETR
JAMES G. LAUCK
JAY P. KENNEDY
BRIAN C. BOSMA
GREGORY P. CAFOUROS
MARCIA ROAN
MADALYN S. KINSEY
WILLIAM BOCK, III
MARK J. COLUCCI
MICHELLE A. HOWDEN
BRETT R. FLEITZ
SAMUEL D. HODSON
JAMES S. MILLIGAN, III
TRICIA A. LEMINGER
Of Counsel
MICHAEL J. HEBENSTREIT
GARY A. SCHIFFLI
Retired
R. M. KROGER
JOHN E. GARDIS
WILLIAM J. REGAS

August 27, 2001

VIA FAX AND REGULAR MAIL

Michel Chabat, Esquire
Shoman & Chabat
62 Cleghorn St
Ground Floor
Belize City, Belize

Re: *Royal Palm Inn, Ltd., vs. Kenneth R. Payne*
Supreme Court of Belize, Action Number 203

Dear Mr. Chabat:

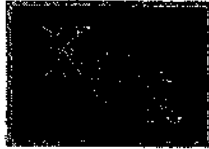
Thank you for forwarding to me the Contract which you obtained from the Plaintiff.

I have reviewed this Contract and readily determined that it has more holes than a piece of swiss cheese.

The following are my comments:

1. **Identity of the Parties.** The opening paragraph identifies *Royal Palm Villas, Ltd.*, as the "Seller ;" *Royal Palm Inn, Ltd.*, as the "Builder " and *Kenneth Payne* as the "Buyer."
2. **Structure of the Contract.** The Contract appears to be divided into two parts. In the first part Kenneth Payne ("Payne") agrees to buy a lot from the Seller for \$59,950.00 (¶ 1) which is to be paid over six months from the date of the Contract (¶ 4). Thus, the entire purchase price for the lot was due to be paid by April 5, 1995. In the event any of these payments were not timely paid, the Seller had the right to assess a late charge of five percent of the past due payment amount (¶ 6). Nothing in this paragraph allows an assessment of five percent per month, just a late charge of five percent of

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August 27, 2001
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the past due payment amount. Regardless, ¶ 6 appears to have no applicability to the present case, since it refers to payments for the lot that were to have been completed six years ago and it does not appear from the payment history previously provided to us that any payments for the lot are an issue. I simply note the five percent clause since it reappears in a similar fashion later in the Contract. The rest of the initial paragraphs, through ¶ 11 have little bearing on the present case.

In ¶ 12 of the agreement, the Seller agrees to finance \$59,950.00 for the construction of the unit on the lot previously purchased in the preceding 11 paragraphs. Of course, this creates an obligation between Payne and Royal Palm Villas, Ltd., (who is not the Plaintiff in the Court case). ¶ 12 sets out the amount of payments which are due, the interest, the number of payments due and when they are to commence. The numbering of the Contract then changes after ¶ 12 and the remaining paragraphs are referred to as "sections." Section I and II create an agreement between Payne and the Builder (who is the Plaintiff in the Court case) by the terms of which the Builder will build a unit (Section I) and Section II states how the Builder will be paid. It says the client shall pay to the Builder the sum of \$59,950.00, but refers to ¶ 12 for the manner of payment. As previously discussed, ¶ 12 says that the construction price will be financed by the Seller. Therefore, I cannot understand how a suit can be brought by the Builder when the Contract states (¶ 12) that the financing is being provided by the Seller (who presumably paid the Builder, why else would the Seller loan the money to Payne). Section II contains subparagraph's A-E each of which is marked with the hand written notation "n/a", meaning not applicable. Immediately following subparagraph's A-E is a paragraph stating that the Builder is to inform the Buyer by registered mail or personal phone call ten days prior to the time each payment described in subparagraph's A-E is required and the amount of the payment due (of course, these paragraphs were marked not applicable). The paragraph goes on to state that if the payment is not received within ten days of the notification, the Builder has the right to assess a late charge of five percent of the past due amount. Again, there is no reference to assessment of a monthly late charge of five percent. Each payment comes due only once, thereafter it simply remains delinquent if not cured and no reasonable construction of this paragraph would permit a monthly late charge of five percent. Of course, the payment which is due the following month would be subject to a late charge of five percent and each payment thereafter until the end of the Contract, at which time all payments (assuming proper notice had been given for each payment) would then have each been subject to one late charge of five percent.



Further on page seven, it states that if the construction is financed (which certainly appears to be the case here since the Seller agreed to provide the financing in ¶ 12) the Builder is to submit a draw request and draw against the mortgage funds. Since the Seller agreed to finance, it would be presumed that the Builder was paid in full upon completion.

3. **Issues.** Having reviewed the Contract in the Complaint, I note the following issues:
 - A. **Proper Party.** The Plaintiff, Royal Palm Inn, Ltd., is the Builder under the Contract. The Contract clearly states in ¶ 12 that the "Seller," Royal Palm Villas Ltd., is to provide the financing and the agreement by Payne to pay the Builder (contained in Section II) refers to ¶ 12. Thus, I do not see how the Builder could be the Plaintiff; it clearly appears that the obligation is from Payne to the Seller, as the Builder was (third paragraph on page 7) to obtain the construction money financed by the Seller from the Seller .
 - B. **Complaint Misstate the Terms of the Contract.** ¶ 4 of the Complaint says "... the Plaintiff (Builder) agreed to provide financing for the Defendant. ." as earlier discussed, this is not correct. The Seller (see ¶ 12) agreed to provide financing for the Defendant .
 - C. **Failure of Notice.** ¶ 10 of the Complaint states that the Plaintiff (Builder) has notified the Defendant verbally and in writing the above payments are overdue. My office receives all of Payne's mail and the mail of his companies and we have not received a single payment demand. Since Payne fled the United States to avoid prosecution in late August of 2000, I seriously doubt there was any verbal notification to him. Assuming the law of Belize allows for depositions to be taken, it would be interesting to require the Plaintiff to produce proof that it verbally notified Payne or sent him demands for past due payments.
 - D. **Attorney Fees.** There is no provision in the Contract that allows for recovery of attorney fees. In the United States, attorney fees are not recoverable in Contract cases, unless the Contract so provides. I understand the law in your country may be different, but I would be interested in your advice on this point.
 - E. **Five Percent Per Month Interest.** As earlier noted, ¶ 6 of the Contract references a right to collect five percent of a past due

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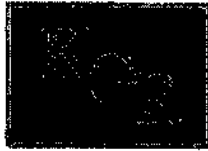
payment, but this paragraph relates only to the purchase price of the lot which is already paid for. ¶ 12 establishes terms for additional financing by the Seller but contains no other provision in the Contract which authorizes the Seller to collect any five percent late charge (or any other late fee for that matter). The first paragraph on page seven pertains to the Builder (who did not agree to loan the Buyer money in the Contract) and authorizes the Builder to collect a late charge of five percent of the past due amount, but there is no reference to the right to collect this each month. In fact, I believe the only payment which was not made was the final balloon payment, and, as earlier noted, this payment only came due one time. I cannot conceive of any Court in any country construing this provision as the right to collect five percent per month. Additionally, while this right is given to the Builder, it was the Seller who agreed to provide the financing in ¶ 12 and the language on page 7 does not refer to the Seller. Accordingly, I question not only whether the money is due to the Plaintiff/Builder (since the Contract seems to make it due to the Seller), but I question the right of anyone to collect a five percent charge, much less each month.

- F. **Title Transfer.** The Contract provided on page 2 (¶ A) that the title would be free and clear of all liens and encumbrances. According to information which you related to me by telephone, the Seller has been unable to comply with this provision of the agreement. If the Buyer had been willing to make the payment on the date that it was due and attend a closing, the Seller would not have been able to perform. In fact, you have indicated to me the Seller is not presently able to perform. Thus, I question whether the Seller has any right to demand final payment, much less to collect late charges when they are unable to deliver title free and clear to the property.

- G. **Rentals.** It is my understanding the property was rented by the Seller, acting as a Management Company. In fact, ¶ 10 (c) on page 5 provides that Royal Palm Inn. Ltd., is the management company for the property. I believe it quite likely that rent has been collected since June of 1999 when the balloon payment was due and these monies ought to be applied to reduce the outstanding balance, if the Seller has not already done so. Thus, we need an accounting.

- H. **Strategy.** As I previously mentioned to you in my earlier fax, I am willing to pay off all charges and damages claimed by the Plaintiff in

Michel Chabat, Esquire
August 27, 2001
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order to stop the accrual of further late charges. Alternatively, my preference would be to pay the money into the Belize Court, if this would stop the accrual of the charges going forward. In either event, given the apparent lack of foundation for the claims of the Plaintiff, I would like to contest the charges either by paying them and filing a suit to recover for overpayment, or to obtain a very prompt trial on the merits. At the rate these charges are accruing, there would be no equity in the property in a few more months.

I apologize for the length of this letter which, admittedly, rambles more than I had intended. I trust I have expressed my strong feelings about the ambiguities in this Contract which, in American Law, would be construed against the Seller who obviously prepared it.

Please forward to me a copy of the pleadings that you have filed on my behalf.

Please call me promptly upon your return to discuss these matters.

Sincerely,


James A. Krauer

JAK:hns

Heartland Cash Flow Report thru 5/31/06
4/1/99 Through 5/31/06

Category Description	4/1/99- 5/31/06
INFLOWS	
Acquired Funds:	
Danker	23,122.11
Payne	45,500.26
Smith	1,840.79
Acquired Funds-Other	94,442.13
TOTAL Acquired Funds	164,905.29
adjust	-1,778.37
Asset Sales	476,332.67
Interest Inc	77,400.34
Investor Repay	2,738,955.53
Other Inc	359,792.20
Refunds	6,651.79
FROM Heartland Bank One	501,126.35
FROM Lincoln Fidelity Escrow	50,000.00
TOTAL INFLOWS	4,373,385.80
OUTFLOWS	
Advertising	7,801.73
Appraisal	100.00
Bank Charges	12,208.99
Claim Distrib's	2,606,066.22
Litigation Exp:	
deposition exp	4,452.22
elec'n doc retrv	1,862.76
filing costs	4,117.00
misc	138.01
process service	315.00
Litigation Exp-Other	7,380.84
TOTAL Litigation Exp	18,265.83
Maintenance	700.00
Office Expense:	
copying exp	14,633.35
mailing exp	3,891.33
supplies	450.38
telecomm exp	4,238.19
Office Expense-Other	1,270.95
TOTAL Office Expense	24,484.20
Prof Fees:	
Accountants	239,694.68
Attorneys	424,274.50
Foreign Atty	15,555.10
Other	395.00
Receiver	78,861.00
Prof Fees-Other	40,850.00
TOTAL Prof Fees	799,630.28
Real Estate	595.00
Rent & Storage	41,503.84

Heartland Cash Flow Report thru 5/31/06
4/1/99 Through 5/31/06

Category Description	4/1/99- 5/31/06
Subcont Labor	9,579.58
Tax:	
Fed	187,454.27
TOTAL Tax	187,454.27
Travel	3,158.59
Utilities:	
Gas & Electric	182.63
Water	102.13
TOTAL Utilities	284.76
Website	2,040.00
Uncategorized Outflows	0.00
TO Heartland Bank One	500,000.00
TOTAL OUTFLOWS	4,213,873.29
OVERALL TOTAL	159,512.51