

receiver has to assert his own claim, his claim for theft or conversion or misapplication of funds and that is not a federal securities violation, and there was no securities transaction related to that conversion.

THE COURT: Thank you.

And Mr. Wheeler, do you have a reply?

MR. WHEELER: Again, Your Honor, just briefly in a cleanup. I'm not going to take a lot more of the Court's time. Mr. Bock concludes his presentation by saying and urging the Court to find liability here because of the position we place them in, that being the broker dealers without which the losses alleged in this case would not have occurred. The simple fact is and the evidence in this case, the allegations in this complaint, and remember this complaint at page 26 incorporates not only the RICO but at paragraph 26 it incorporates the entire SEC complaint, which also has Mr. Hlavacek's affidavit incorporated by reference. We know exactly where the money went, how it went and how they looted the money out. That is an allegation in this complaint because they have incorporated it therein in paragraph 26, where they say the 95 rhetorical paragraphs of the SEC's complaints are incorporated herein by reference as subparagraphs.

THE COURT: Well, actually we don't know where the money went. If we knew where the money went, everyone's life in this room would be a lot easier.

MR. WHEELER: I stand corrected, Your Honor. We know where a portion -- we at least know within the Lincoln escrow account and the D account, the checks in the checks out. But what we do know is the money was taken out of the JMS/Heartland account. And it was accomplished not because they were registered agents with broker dealers, that money went out because they were officers and directors of that. And Your Honor focused precisely when Your Honor asked Mr. Bock the question: How is Heartland deceived?

Heartland was deceived by its officers when they stole those accounts. Your Honor, the simple fact is there is no duty running from the broker dealers to JMS/Heartland to prevent their officers from looting that particular corporation, which is the only injury alleged in this case.

Finally, there was -- Mr. Bock made a reference and said that the duty argument has been newly raised. Perhaps he missed it in my brief, page 15, we specifically note notwithstanding these allegations as a matter of law the broker dealers owe no duty to Heartland/JMS to keep its own officers from using their positions as officers to loot the Heartland/JMS accounts.

Finally, Your Honor, and just for clarification in response to a question Mr. Knauer asked me during the break, I cited and made reference to a pending lawsuit involving investors. For clarification purposes that is not the Condor litigation.

There is litigation filed by a gentleman by the name of J. Piatek and Wendy Piatek involving investments made by them together with their attorney, Greg Hahn, listed on the investor sheets as Piatek/Hahn Investments in the amount of approximately a half million dollars currently pending before Judge McKinney under cause number IP 02-621, with a jury trial set --

THE COURT: IP 02-621?

MR. WHEELER: Yes, sir, Your Honor.

THE COURT: And this relates to Heartland/JMS Investments?

MR. WHEELER: Absolutely. The defendant is John Roberts Financial Group and in effect what it is is they downloaded the receiver's complaint apparently off the receivership website, and it's identical to the receivership complaint. The investors are asserting an identical set of claims which demonstrates for our purposes the fact that the investors are able to present and represent their own rights and present these claims along here against the broker dealers, Your Honor.

THE COURT: Are you in that case?

MR. WHEELER: Yes, Your Honor. And --

THE COURT: Has that been noted as a related case to the Heartland case?

MR. WHEELER: We discussed that with Magistrate

Shields as to whether it should or should not. And what I said is -- this was during the pretrial conference and we indicated we would raise it with the Court at this point in time.

Thank you, Your Honor.

THE COURT: I was not aware of that case.

All right. Thank you, counsel. I appreciate your comments and you have been very helpful in clarifying some thoughts in my mind, and I hope to have those thoughts revealed in a written entry before the 1st of October.

Is there anything else we need to do today?

MR. HELWIG: No, Your Honor.

THE COURT: Thank you all for coming over.

CERTIFICATE OF REPORTER

I, Patricia A. Cline, Official Reporter for the United States District Court, Southern District of Indiana, 340 U.S. Courthouse, 46 E. Ohio Street, Indianapolis, Indiana 46204, hereby certify that the foregoing transcript, constitutes a true, full and correct transcript of my shorthand notes taken as such Official Reporter of the proceedings hereinbefore entitled, and reduced to typewriting by computer to the best of my ability.

Patricia A. Cline

November 13, 2002

Patricia A. Cline, RPR, CM, FCRR

**Knauer v. Jonathon Roberts
Financial Group, et al.**

September 4, 2002

BACKGROUND FACTS

NASD MANUAL - 3010

“Each member shall establish and maintain a system to supervise the activities of each registered representative”

NASD MANUAL –

3010(e)

“Each member shall have the responsibility and duty to ascertain by investigation the good character, business repute, qualifications, and experience of any person prior to making such a certification in the application . . . for registration”

NASD MANUAL - 3030

“No person associated with a member in any registered capacity shall be employed by, or accept compensation from, any other person as a result of any business activity, other than a passive investment, outside the scope of his relationship with his employer firm . . .”

3010(c)

“Each member shall conduct a review, at least annually, of the businesses in which it engages, which review shall be reasonably designed to assist in detecting and preventing violations of and achieving compliance with applicable securities laws and regulations . . . Each member shall review the activities of each office, which shall include the periodic examination of customer accounts to detect and prevent irregularities or abuses”



HEARTLAND

FINANCIAL SERVICES, INC.

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 317-577-4730
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 Fax 317-577-4737

My daughter

ANALYSIS		Stock Unit Trust #149B	Principal	105,000.00		
CLIENT:		Christine Crawford	Annual interest rate (eg: 8.25)	10.500%		
		6500 Ralston	Term (in years)	2		
		Indianapolis, IN 46220	Payment periods per year	4		
		Account #870183	Start Date of Investment	5/27/97		
			Number of payments	8		
PAYMENT NUMBER	PAYMENT DATE	BEGINNING BALANCE	INTEREST	PRINCIPAL	DIRECT PAYMENTS	ACCUMULATIVE INTEREST
1	9/1/97	105,000.00	2,899.20	107,899.20		2,899.20
2	12/1/97	107,899.20	2,832.35	110,731.55		5,731.55
3	3/1/98	110,731.55	2,906.70	113,638.26		8,638.26
4	6/1/98	113,638.26	2,983.00	116,621.26		11,621.26
5	9/1/98	116,621.26	3,061.31	119,682.57		14,682.57
6	12/1/98	119,682.57	3,141.67	122,824.24		17,824.24
7	3/1/99	122,824.24	3,224.14	126,048.37		21,048.37
8	6/1/99	126,048.37	3,308.77	129,357.14		24,357.14
9	9/1/99	129,357.14	3,395.63	132,752.77		27,752.77
10	12/1/99	132,752.77	3,484.76	136,237.53		31,237.53
11	3/1/00	136,237.53	3,576.24	139,813.76		34,813.76
12	6/1/00	139,813.76	3,670.11	143,483.87		38,483.87

NOTE: First payment for 96 days @ \$30.20 per day = \$2899.20

NASD

KENNETH R. PAYNE, J.D.
President



HEARTLAND
FINANCIAL SERVICES, INC.

Registered Representative
FSC Securities Corporation
Member NASD, SIPC
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AFBC



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Heartland Bank Stock Programs

	Bought	Sold	% Gain
First Federal, Wabash IN	\$10	\$14.75	47.5%
First Federal, Marion IN	\$10	\$15.50	55.0%
First Federal, Marion IN*	\$10	\$17.25	72.5%
Morgan Financial Corp.	\$10	\$14.75	47.5%
Financial Securities Corp.	\$10	\$14.50	45.0%
Parkview Federal	\$10	\$16	60.0%
UF Bancorp, Evansville IN	\$10	\$18	80.0%
First Federal, Defiance OH	\$10	\$14.25	42.50%
First Federal, Covington KY	\$10	\$16.50	65.0%
Reliance Federal	\$10	\$21.50	115%
Standard Financial (June 94)	\$10	Holding	\$23.25 Current Price
Life Bancorp (Oct. 94)	\$10	Holding	\$25.00 Current Price
Indiana Community Bank (Nov. 94)	\$10	Holding	\$15.25 Current Price
Home Bancorp (April 95)	\$10	Holding	\$21.37 Current Price
Logansport Savings Bank (June 95)	\$10	Holding	\$13.62 Current Price
Klamath Falls Savings Bank (Sept. 95)	\$10	Holding	\$19.00 Current Price
Ashland Savings Bank (Dec. 95)	\$10	Holding	\$14.25 Current Price
Catskills Savings Bank (March 96)	\$10	Holding	\$16.50 Current Price
American Savings Bank (March 96)	\$10	Holding	\$15.00 Current Price
Home Financial (June 96)	\$10	Holding	\$15.37 Current Price
Preferred Savings (November 96)	\$10	Holding	\$14.00 Current Price
Advance Financial (December 96)	\$11	Holding	\$15.75 Current Price
GSB Financial (June, 1997)	\$10	Holding	\$14.50 Current Price

*First Federal of Marion was sold in two separate allotments.
 (Holding periods are no less than 12 months)



HEARTLAND FINANCIAL SERVICES, INC.

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Kenneth R. Payne, J.D.
President

Dear Investor:

Sept 2, '97
\$ 5,000

Enclosed is a prospectus on our new bank stock offering, Citizens Savings Bank of Frankfort, Indiana. We also enclose our track record on all previous bank offerings. We recommend this bank for potential high capital appreciation because of the following factors:

- * This institution is 81 years old and has a good reputation in the community.
- * This bank focuses on residential real estate mortgage lending, with 79% of the total portfolio on 1-4 bedroom single family residential mortgages.
- * The proforma book value per share range is \$13.32 - \$16.34; we can purchase the shares at \$10.00.
- * Ratio of non performing assets (bad debt) is very low, less than 1/2 of 1% (.45%)
- * Directors and Executive officers of the bank are personally purchasing 21.25% of the total shares.

This offering is limited and ends September 4th at noon, so if you have an interest, please call 317-577-4730.

Best Regards, Kenneth R. Payne

REGISTERED REPRESENTATIVE OFFERING SECURITIES THROUGH FFF SECURITIES, INC.
MEMBER NASD/SIPC



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Ref: Market Report, August - December 1997

Dear Valued Client:

I want to take a few moments to discuss the economic factors that we think will drive the market through December of 1997. Despite the negative statements last fall by Federal Reserve Chairman Greenspan, Louis Rukeyser, Dan Dorfman, etc., the market has done well for the first half of 1997.

There are specific recent events that lead us to conclude that the market will continue to thrive for the next 6-9 months. First, Chairman Greenspan's address to Congress indicated that no interest rate hikes were currently deemed necessary. As we know, interest rate increases will negatively impact the market; steady rates will support market growth.

Second, the public has widely embraced the balanced budget agreement. Investor confidence is necessary for market support and expansion. Included in the budget agreement is capital gains tax relief for the middle class (a reduction from 28% max to 20%, with an 8% savings to the investor). Also included is a doubling of the Federal Estate Tax Exemption.

In addition recent government figures demonstrate that individual and institutional investors continue to purchase both stocks and stock market funds. This trend also shows investor confidence.

Finally there is the matter of taxes. By holding the stocks in the portfolio until 1998 (+4 months), clients will defer taxes for an additional 16 months. You can use those dollars to your profit during this time period! You will then pay taxes at a lower rate.

In conclusion, we recommend that our clients continue to hold bank stocks and other equities in anticipation of further price rises. We recommend that these stocks be held in the portfolio until January, 1998, with review thereafter. This strategy makes the best use of the market, should result in higher gains, and reduced taxation. If you have any questions, please give a call at 317-577-4730.

Respectfully submitted,

Kenneth R. Payne

KRP/dfd



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