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APPEARANCES

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2 .  
3 FOR THE TRUSTEE:  
4 Samuel D. Hodson, Esq.  
5 KROGER, GARDIS & REGAS  
6 111 Monument Circle, Circle Center  
7 Suite 900  
8 Indianapolis, IN 46204  
9 .  
10 FOR THE DEPONENT:  
11 Gary L. Colasessano, Esq.  
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4 by Mr. Hodson  
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DEPOSITION OF SHEILA MARQUIS HAYNES

January 18, 2001

3 SHEILA MARQUIS HAYNES, the witness  
4 herein, having been first duly affirmed,  
5 under the penalties of perjury, to tell the  
6 truth, the whole truth and nothing but the  
7 truth, was examined and testified as follows:  
8 DIRECT EXAMINATION,

9 QUESTIONS BY-MR.HODSON:

10 Q. Ms. Marquis, my name is Sam Hodson.  
11 I am an attorney with the firm of Kroger,  
12 Gardis and Regas. We are the attorneys for  
13 James Knauer, the court appointed receiver  
14 for Heartland Financial Services Inc. Have  
15 you ever been deposed before?

16 A. No.

17 Q. A deposition is a sworn statement  
18 under oath. You will be giving testimony  
19 just as if you would if there were a trial.  
20 If at any time during the deposition you  
21 have a question, or don't understand a  
22 question I give, just tell me and I will  
23 restate the question.

24 A. Okay.

25 Q. Will you introduce yourself, please?

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1 A. Sheila Marquis Haynes.

2 Q. And how would you like to be  
3 addressed today?

4 A. You can address me as Sheila, that's  
5 fine.

6 Q. Where do you live?

7 A. 11350 Geist Bluff Court, Indianapolis,  
8 Indiana 46236.

9 Q. How long have you lived there?

10 A. About three years.

11 Q. Are you married?

12 A. Yes, I am. Currently separated,  
13 actually.

14 Q. To whom?

15 A. Harold Haynes.

16 Q. How long have you been married to  
17 Mr. Haynes?

18 A. Since May.

19 Q. Do you own the home you are living  
20 in?

21 A. No, I don't.

22 Q. Renting it?

23 A. It's kind of like a lease option.

24 Q. Are you employed?

25 A. No. I'm going to school.

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1 Q. Where do you go to school?

2 A. Methodist Hospital.

3 Q. And --

4 A. Part of IU.

5 Q. What are you studying?

6 A. Medicine.

7 Q. Have you been employed in the last  
8 year?

9 A. Yes, I have.

10 Q. What was your former occupation?

11 A. I worked at Classy Chassy as a  
12 dancer, but -- probably only worked five  
13 times.

14 Q. Have you ever worked at a --  
15 somewhere called Avalon, as a photographer?

16 A. Yes, that was my company.

17 Q. Avalon was your company?

18 A. Uh-huh. It was a photo company.  
19 Actually, it never kind of got off the  
20 ground, but --

21 Q. When did you work for Avalon?

22 A. I started it about a year ago,  
23 probably, I'm not really sure of the date.  
24 About a year ago.

25 Q. Do you know Ken Payne?

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1 A. Do I know Ken Payne?

2 Q. Yes.

3 A. Yes, I do.

4 Q. When did you meet Ken Payne?

5 A. Two and a half years ago.

6 Q. Where did you meet him?

7 A. I met him through a girl named  
8 Jodie Taffe.

9 Q. T-A-F-T --

10 A. T-A-F-F-E, I think.

11 Q. How did she know Ken Payne?

12 A. I'm not sure.

13 Q. Was she a dancer?

14 A. Yes, she was.

15 Q. Where did she work?

16 A. She worked at P. T.'s.

17 Q. How would you describe your  
18 relationship with Ken Payne?

19 A. Now or before?

20 Q. Before.

21 A. Actually, we were pretty good  
22 friends.

23 Q. Did you ever date him?

24 A. No.

25 Q. When did you last see him?

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1 A. August 9th was the last time we spoke  
2 or anything.

3 Q. Did you ever travel with Mr. Payne?

4 A. Yes, I did.

5 Q. Where did you go?

6 A. I went to Jamaica.

7 Q. When was that?

8 A. I don't know. A year ago. I'm not  
9 sure of the date.

10 Q. Would have been in 2000?

11 A. Yes.

12 Q. Anywhere else?

13 A. Yes, I went to New York. And I went  
14 to Las Vegas.

15 Q. Were all those trips in 2000?

16 A. Yes, they were.

17 Q. Did you go to New York or Las Vegas  
18 to see a particular person?

19 A. No. Actually, I went with a  
20 girlfriend.

21 Q. Who was Mr. Payne's girlfriend at  
22 that time?

23 A. Shelby Sword.

24 Q. Do you know Shelby?

25 A. Yes, I do.

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1 Q. Has Ken Payne ever given you a loan  
2 to make an investment in Heartland or any of  
3 its affiliates?

4 A. No, he has not.

5 Q. Have you ever made an investment in  
6 Heartland or any of its affiliates?

7 A. Yes, I have.

8 Q. Which one?

9 A. JMS.

10 Q. How much did you invest?

11 A. \$5,000 was my initial investment.

12 Q. What was the source of your \$5,000  
13 investment?

14 A. My ex-boyfriend. Actually, we put  
15 our money together and --

16 Q. What was his name -- or what is his  
17 name?

18 A. Steven Marqui.

19 Q. M-A-R-G-U-I-S?

20 A. No, it's M-A-R-Q-U-I, I think.

21 Q. Just a coincidence your names are  
22 that similar or did one of you change your  
23 name?

24 A. No, it's coincidence.

25 Q. Is Steven PH or V?

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1 A. V.

2 Q. Do you know where he lives?

3 A. I don't know. He's one of those  
4 wanderers.

5 Q. What did he do for a living?

6 A. He danced.

7 Q. Where?

8 A. At P. T.'s

9 Q. When did you make the investment in  
10 JMS?

11 A. October 26th or 27th of '99, I think.

12 Q. On August 10th of 2000, did you  
13 receive two checks from Ken Payne?

14 A. Yes.

15 Q. And in what amount would those checks  
16 have been?

17 A. One was for \$5,000 and the other one  
18 was for -- I don't know, 51 something. I  
19 can't read it.

20 Q. Your copy would be better than mine.  
21 Somewhat over \$51,000?

22 A. Yeah.

23 (The Court Reporter marked a document  
24 for identification as Deposition Exhibit-1.)

25 Q. I'm handing you what's been marked

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1 for identification purposes as deposition  
2 Exhibit 1, which consists of six checks, two  
3 of which appear to be made -- one in the  
4 amount of \$5,000 and one in the amount of  
5 \$51,500, and it's kind of obscured for the  
6 rest of the number. Do you recognize those  
7 checks?

8 A. I recognize this one (indicating).  
9 And that one (indicating).

10 Q. Are they the true and accurate copies  
11 of the checks that you received from  
12 Ken Payne?

13 A. As far as I can tell.

14 Q. Is that the only money you have ever  
15 received from Ken Payne?

16 A. No.

17 Q. What other moneys have you received  
18 from Ken Payne?

19 A. He would give me money here and there  
20 for my photography business.

21 Q. Would these investments all have been  
22 in 2000 -- or gifts -- how would you  
23 characterize his transactions with you?

24 A. I'm not so sure I would characterize  
25 it as a gift, because we were supposed to be

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1 going into business together. Yeah -- I  
2 guess it would have been a gift. I don't  
3 know exactly how to characterize it.

4 Q. Did they all occur in 2000?

5 A. Yes.

6 Q. How much total would you say they  
7 were?

8 A. Maybe 8,000 total.

9 Q. Did you invest any other money in  
10 Heartland or any other of Ken Payne's  
11 ventures besides the \$5,000?

12 A. No, I did not.

13 Q. Other than the two checks, and the  
14 \$8,000 you received from Ken Payne in 2000,  
15 have you received any other money from  
16 Ken Payne or any of his companies?

17 A. Not any substantial amount. He would  
18 come into the bar when I was working there  
19 every once in a while and throw me some  
20 money there, but no, not really.

21 Q. What did you do with the \$55,000 you  
22 received in August?

23 A. Spent most of it on bills.  
24 Photography equipment.

25 Q. I see that you brought some documents

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1 with you today.

2 A. Uh-huh. First, these. I don't know  
3 if this has something to do with probably  
4 what's going on. But in the beginning, when  
5 I put my money in there, it was under my  
6 name and then me and Steven were having  
7 problems and I put it under my son's name.

8 And then after Steven left, Ken was  
9 supposed to have put it back in my name  
10 along with Connie. And I guess  
11 Jodie E-mailed and Connie said it was back  
12 in my name, but everything is still coming  
13 back in my son's name. I just got this the  
14 other day from you guys.

15 Q. Your son is Phillip Matthew Penrod?

16 A. Uh-huh.

17 Q. How old is he?

18 A. He's 19.

19 Q. And the investments were put in his  
20 name because you were having problems with  
21 your former boyfriend?

22 A. Uh-huh.

23 Q. But you gave instructions to have it  
24 put back in your name?

25 A. Yeah, in fact, Jodie Taffe was

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1 working and she E-mailed Sherrie and Johann,  
2 and I assumed it was back in my name because  
3 Johann -- but when I gave Johann my paper to  
4 relinquish all my stocks, he didn't say  
5 anything. Most of it is stocks that I  
6 pulled up on the internet that I invested in  
7 to show the climb in them.

8 MR. COLASESSANO: Actually, if you  
9 could make copies of that and substitute that  
10 for the actual original, that would be fine.

11 (The Court Reporter marked documents  
12 for identification as Deposition Exhibit-2  
13 and Deposition Exhibit-3.)

14 Q. I'm handing you what has been marked  
15 for purposes of identification as Exhibits 2  
16 and 3. Do you recognize those documents?

17 A. Yes, I do.

18 Q. Start with Exhibit 2. Would you tell  
19 me what that is?

20 A. That is an investment report that he  
21 mails out every quarter.

22 Q. He being Ken Payne?

23 A. I'm not really sure if it's Ken Payne  
24 or Johann. Someone from the office.

25 Q. Would Exhibit 3 be the same thing?

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1 A. Yes, it would.

2 Q. Did you ever receive any confirmation  
3 from either of these corporations, Looksmart,  
4 Ltd., or Tibco Software, Inc., that you owned  
5 stock?

6 A. No, the only thing I have received  
7 are those.

8 Q. Did Johann Smith or Ken Payne ever  
9 show you any stock certificates or any other  
10 evidence that they actually purchased stock  
11 with your \$5,000?

12 A. No, sir. Just that.

13 Q. Did you ever deal personally with  
14 Johann?

15 A. Yes.

16 Q. And tell me about your exchanges with  
17 Mr. Smith?

18 A. Well, I worked in their office for  
19 one week answering phones. And I dealt with  
20 him every day on a daily basis. And then  
21 again, like I said, when I cashed out my  
22 stocks, I handed him a letter directly and  
23 told him I wanted to cash my stocks out.

24 Q. When did you give him that letter?

25 A. Probably three days before I got my

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1 checks, so the 7th, maybe.

2 Q. When you say "him," is that --

3 A. Johann.

4 Q. -- Johann?

5 A. Uh-huh. I also talked with Johann.

6 Q. Did you talk with Ken?

7 A. One time.

8 Q. Were you working for Heartland when  
9 you made the investment of \$5,000?

10 A. No, I was not.

11 Q. How long did you work for Heartland?

12 A. One week.

13 Q. When was it?

14 A. It was in May. It was when everybody  
15 went to Florida in the office.

16 Q. May of 2000?

17 A. Uh-huh. The only people that were  
18 left in the office were Johann, Bob Smith  
19 and Ken, but he never came in.

20 Q. We received some notes from  
21 Vickie Peavey. Do you know Vickie Peavey?

22 A. Yes, I do.

23 Q. How do you know Vickie Peavey?

24 A. She works in the office.

25 Q. Her notes indicate that Ken Payne

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1 gave you \$5,000 to make an investment. Do  
2 you have any idea why Vickie would believe  
3 that?

4 A. No, I do not.

5 Q. Did you ever discuss any kind of loan  
6 or your investment with Vickie Peavey?

7 A. I have never hardly talked to her at  
8 all.

9 Q. When was the last time that you have  
10 spoken to Johann Smith?

11 A. The day I gave him that letter.

12 Q. Have you spoken to anybody from  
13 Heartland or JMS, or any of its affiliates,  
14 since August 10th of 2000?

15 A. No, I have not.

16 Q. Have you been contacted by  
17 representatives of the Securities and  
18 Exchange Commission, Internal Revenue  
19 Service, U.S. Marshals?

20 A. I think the first one.

21 Q. Securities and Exchange Commission?

22 A. I think they were just keeping me  
23 posted. It might have been as a victim  
24 witness.

25 MR. COLASESSANO: I didn't bring all

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1 the things that you gave me.

2 A. I think it was victim witness. And  
3 the only contact that was was just to tell  
4 me what was going on, basically.

5 Q. You brought a whole stack of things  
6 with you. Did any of these pertain to  
7 Heartland?

8 A. No, this is just my bills and stuff,  
9 basically. And then a copy of the check and  
10 a copy of when will I get my checks. And

11 this stuff from you. This is what he gave  
12 me when I first initially invested my money.  
13 That's it.

14 Q. This indicates --  
15 (The Court Reporter marked a document  
16 for identification as Deposition Exhibit-4.)

17 Q. You have handed me what has been  
18 marked for purposes of identification as  
19 deposition Exhibit No. 4, a document entitled  
20 JMS Investment Group L.L.C. Do you recognize  
21 this?

22 A. Yes, I do.

23 Q. This is a document that was given to  
24 you when you invested your \$5,000?

25 A. Yes.

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1 Q. This document seems to indicate that  
2 the minimum investment was \$10,000 and you  
3 put up \$5,000?

4 A. Yeah.

5 Q. Did anybody tell you that somebody  
6 else was putting up the \$5,000 to meet the  
7 minimum investment required by the group?

8 A. No.

9 Q. How did you choose Looksmart and  
10 Tibco?

11 A. Actually, he chose them for me.

12 Q. He being Ken Payne?

13 A. I think. I'm not sure. When I first  
14 was going to invest, he, meaning Ken Payne,  
15 was going to invest in Engage Technology.  
16 He said that was a really good investment  
17 for me to start out in. I don't know  
18 whatever happened to that, because the next  
19 thing I knew I was investing in Looksmart  
20 and Tibco. Which I didn't know anything  
21 about investments. I just knew that I  
22 wanted to invest and kind of trusted him to  
23 make decisions.

24 Q. What made you decide to invest money  
25 with Ken Payne and Johann?

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1 A. Several reasons. They said it was a  
2 good way to save money and make money. And  
3 I had never done it before. And basically,  
4 they said I would have a good outcome on  
5 stocks, that that was the best way to go.  
6 So I tried it.

7 Q. Have you ever been to Ken Payne's  
8 home?

9 A. Yes, I have.

10 Q. When was the last time you were  
11 there?

12 A. Maybe June or July.

13 Q. Can you describe what kind of  
14 furnishings and things he had there, anything  
15 extraordinary?

16 A. Very elaborate.

17 Q. Pianos, art?

18 A. Oh, he had quite an extensive art  
19 collection. When you walked in the door,

20 everything in his living room -- you know,  
21 the main living area, was all leather, had a  
22 beautiful desk, big screen TV, surround  
23 sound. In the dining room, I know it was --  
24 it was quite an elaborate dining room table.  
25 I'm not really sure what it was, but it was

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1 beautiful. He did have a pool table  
2 downstairs and art down there. All the  
3 bedrooms, all of them were beautifully  
4 designed and decorated.

5 Q. Do you know Valerie Cork?

6 A. Yes, I do.

7 Q. When was the last time you spoke to  
8 Valerie Cork?

9 A. Probably June, July, the last time I  
10 was there.

11 Q. When did you first find out that  
12 there was trouble involving Heartland  
13 Financial Corporation and Mr. Payne and  
14 Mr. Smith?

15 A. When the newspapers came out.

16 Q. When would that have been?

17 A. The 11th, maybe the 12th.

18 Q. Of August?

19 A. Yeah. And I thought it was  
20 bankruptcy at first.

21 Q. What made you demand your money on  
22 the 7th?

23 A. Well, when I worked in his office --  
24 what started the whole thing, when I worked  
25 in his office, people were calling.

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1 Q. That would have been back in May?

2 A. Uh-huh. Wanting their money. And  
3 they were getting blown off, basically. You  
4 know, the check is in the mail, or Johann  
5 would say the check is in the mail. And  
6 they would keep calling me and yelling at  
7 me. I don't know what's going on, I will  
8 give them the message, but they just kept  
9 getting blown off.

10 Then when I started asking Ken about  
11 my stocks, he was basically blowing me off.  
12 And told me that I only earned \$5,000 on  
13 both of my stocks.

14 Well, the monthly reports there, I  
15 wasn't exactly sure at the time how to read  
16 them, so I asked him about it. I said  
17 well -- I'm not really sure exactly what  
18 part I asked about. But where it said, you  
19 know, your cash flow -- I will show you  
20 here, "current value." I asked him about  
21 the current value. He said, yeah, that's  
22 how much you have net on your stocks. And I  
23 said, wait a minute, that's way over \$5,000.

24 When I started doing some checking  
25 and I went to another broker, a different

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1 broker, and they pulled them up and said  
2 your stocks are way over \$5,000. They are

3 worth over \$51,000, and they said if I were  
4 you, I would get your money. I started  
5 pressuring him for my money. He told me I  
6 couldn't take it out for a year or a day.

7 When I asked Edward Jones about it,  
8 they said there's no such thing as a year  
9 and a day stock. You can get your money out  
10 any time you want to get your money out.

11 So I went back to him and argued with  
12 him, argued with Johann, telling them I want  
13 my money. This took several months, it just  
14 wasn't an overnight thing. And to make a  
15 long story short, I finally got my money.  
16 It was through a lot of money and a lot of  
17 help through Edward Jones.

18 MR. HODSON: I have nothing further.

19 MR. COLASESSANO: Nothing.

20 COURT REPORTER: What do you wish to  
21 do about signature?

22 MR. HODSON: Would you like a chance  
23 to review your deposition and check it for  
24 errors?

25 MR. COLASESSANO: That would be fine.

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1 COURT REPORTER: Did you want a copy,  
2 sir?

3 MR. COLASESSANO: Please.

4 FURTHER THE DEPONENT SAITH NOT.

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1 STATE OF INDIANA )  
2 ) SS:  
3 COUNTY OF MARION )

4 I, Linda Mayo Baynes, a Notary Public  
5 in and for said county and state, do hereby  
6 certify that the deponent herein was by me  
7 first duly sworn to tell the truth, the  
8 whole truth and nothing but the truth in the  
9 aforementioned matter;

10 That the foregoing deposition was  
11 taken on behalf of the Trustee, that said

12 deposition was taken at the time and place  
13 heretofore mentioned;

14 That said deposition was taken down  
15 in stenograph notes and afterwards reduced to  
16 typewriting under my direction; and that the  
17 typewritten transcript is a true and accurate  
18 record of the testimony given by said  
19 deponent;

20 And that the deposition upon oral  
21 examination was taken down in Stenograph  
22 notes and afterwards reduced to typewriting  
23 under my direction and thereafter presented  
24 to said witness for signature;

25 I do further certify that I am a  
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1 disinterested person in this cause of action;  
2 that I am not a relative or attorney of any  
3 of the parties, or otherwise interested in  
4 the event of this cause of action, and am  
5 not in the employ of the attorneys for any  
6 of the parties.

7 IN WITNESS WHEREFORE, I have hereunto  
8 set my hand and affixed my notarial seal  
9 this 29th day of January, 2001.

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Linda Mayo Baynes, Notary Public  
Residing in Marion County, Indiana  
My Commission Expires:  
December 31, 2007

00027  
1 CAPTION  
2 The Deposition of SHEILA MARQUIS  
3 HAYNES, taken in the matter, on the date,  
4 and at the time and place set out on the  
5 title page hereof.

6 It was requested that the deposition  
7 be taken by the reporter and that same be  
8 reduced to typewritten form.

9 It was agreed by and between counsel  
10 and the parties that the Deponent will read  
11 and sign the transcript of said deposition.

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CERTIFICATE

1  
2 STATE OF :  
3 COUNTY/CITY OF :  
4 Before me, this day, personally  
5 appeared, SHEILA MARQUIS HAYNES, who, being  
6 duly sworn, states that the foregoing  
7 transcript of his/her Deposition, taken in  
8 the matter, on the date, and at the time and  
9 place set out on the title page hereof,  
10 constitutes a true and accurate transcript of  
11 said deposition.

12  
13 SHEILA MARQUIS HAYNES

14 .  
15 SUBSCRIBED and SWORN to before me this  
16 day of , 2001 in the  
17 jurisdiction aforesaid.

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19 My Commission Expires Notary Public

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DEPOSITION ERRATA SHEET

1  
2 .  
3 RE: Baynes & Shirey, Inc.  
4 Case Caption: UNITED STATES SECURITIES &  
5 EXCHANGE COMMISSION VS. KENNETH R. PAYNE, ET AL.  
6 .  
7 Deponent: SHEILA MARQUIS HAYNES  
8 Deposition Date: January 18, 2001

9 .  
10 To the Reporter:  
11 I have read the entire transcript of my  
12 Deposition taken in the captioned matter or  
13 the same has been read to me. I request  
14 that the following changes be entered upon  
15 the record for the reasons indicated. I  
16 have signed my name to the Errata Sheet and  
17 the appropriate Certificate and authorize you  
18 to attach both to the original transcript.

19 .  
20 Page No./Line No. Reason:  
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24 SIGNATURE : \_\_\_\_\_ DATE : \_\_\_\_\_

25 SHEILA MARQUIS HAYNES