

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

UNITED STATES SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

ALANAR, INC., et al.,

Defendants,

and

CHURCHMEN'S INVESTMENT CORPORATION, et al.,

Relief Defendants.

Judge: David F. Hamilton

CIVIL ACTION NO.:

1:05-CV-1102-DFH-DFH

Magistrate Judge: Tim A. Baker

**RECEIVER'S ELEVENTH REPORT OF RECEIPTS AND
EXPENDITURES AND REPORT OF ACTS AND TRANSACTIONS**

The Receiver, Bradley W. Skolnik, hereby submits the Receiver's Eleventh Report of Receipts and Expenditures and Report of Acts and Transactions.

Background

1. On July 26, 2005, this Court entered an Order of Permanent Injunction and Other Relief in which it appointed Bradley W. Skolnik as the Independent Monitor to oversee various facets of the operations of several of the Defendants in this proceeding.
2. On December 20, 2005, this Court entered its Order Granting Plaintiff Securities and Exchange Commission's Motion to Convert Monitorship to Receivership (the "Receivership Order"). Pursuant to this Court's Receivership Order, as amended, Bradley W. Skolnik was appointed as the Receiver in this action and was authorized to employ the law firms of Stewart & Irwin, P.C. and Harrison & Moberly, LLP, and the accounting firm of BGBC Partners, LLP, to assist him.

3. This Court's Receivership Order directs that the Receiver shall file with the Court an inventory of all property and assets within sixty (60) days after his appointment as Receiver.

4. This Court's Receivership Order further provides that within 30 days after the filing of the inventory, and at regular intervals of three (3) months thereafter until discharged, the Receiver shall file reports of his receipts and expenditures of the receivership and acts and transactions performed in his official capacity as Receiver.

5. The Receiver timely filed the Receiver's first ten reports of receipts and expenditures and acts and transactions in this matter. Pursuant to the Receivership Order, the Receiver's Eleventh Report of Receipts and Expenditures and Acts and Transactions is due at this time.

Eleventh Report of Receipts and Expenditures

6. The Schedule of Gross Receipts and Expenses of the Receivership for the period beginning June 15, 2008 through September 14, 2008 as well as the period since the inception of the Receivership on December 20, 2005 through September 14, 2008 is attached hereto and incorporated herein as Exhibit A.

7. The accounts in the Schedule of Gross Receipts and Expenses of the Receivership have been reclassified to correspond with the terms of the Approved Alternative Alanar Receivership Plan adopted by this Court. Under the plan, the Alanar bond issues are divided into one of two primary categories, designated as either Category "A" or Category "B." Category A bond issues consist of those bond issues that have filed an election agreement with the Receiver as of April 14, 2008 and are either current in their payments or have paid off their entire obligation in full. Investors in the Category A bond issues will soon be receiving additional information regarding the future administration of and the distributions to investors to be made from these bond issues. The sums collected and held for the benefit of the investors in the Category B bond issues, as

well as the investors in the Churchmen's Bond Funds, are now pooled into a common fund (the "Common Fund").¹ Distributions from the Common Fund to investors in the Category B bond issues and the Churchmen's Bond Funds will be made on a pro rata basis in accordance with each investor's Adjusted Net Investor Claim ("ANIC").

8. The Schedule of Gross Receipts and Expenses of the Receivership reveals that during the period from June 15, 2008 through September 14, 2008, the Common Fund had gross receipts of \$480,672. Operating costs and disbursements, consisting in large part of payroll, professional fees, forced place insurance and administrative expenses totaled \$598,745, resulting in a deficiency of receipts over operating costs and disbursements of \$118,073 for the period from June 15, 2008 through September 14, 2008. Since the inception of the Receivership on December, 20, 2005 through September 14, 2008, the accounts that now comprise the Common Fund had gross receipts of \$10,574,929. Operating costs and disbursements since the inception of the Receivership on December 20, 2005 total \$3,563,126, resulting in an excess of receipts over operating costs and disbursements of \$7,011,803 during the period from December 20, 2005 through September 14, 2008.

9. The Common Fund balance, as of September 14, 2008, is approximately \$18,800,000. Investor claims against the Common Fund are expected to total approximately \$87,000,000.

10. The Schedule of Gross Receipts and Expenses of the Receivership also further reveals that during the period from June 15, 2008 through September 14, 2008, the Category A Bond Issue accounts had gross receipts of \$608,713. Since the inception of the Receivership on

¹ The Schedule of Gross Receipts and Expenses of the Receivership, therefore, includes, a reclassification of sinking fund payments and payoffs received for Category B bond issues. In conjunction with the Approved Alternative Alanar Receivership Plan, the Category B bond issue proceed and repayment accounts have been consolidated and pooled into the Common Fund.

December, 20, 2005 through September 14, 2008, the Category A Bond Issue accounts had gross receipts of \$19,043,104.

11. In accordance with this Court's Order dated June 19, 2006 and directions received from investors, cash deposits totaling \$1,439,032 in IRA accounts for which Receiver Defendant Guardian Services, LLC. provides custodial services or 401(k) accounts for which Alanar, Inc. serves as plan administrator, have been distributed directly to investors or rolled over to a new custodian. *See Distribution of Non-Alanar Investments and Cash Deposits in IRAs and 401(k) Accounts, ¶¶ 27-29, *infra*.*

Report of Activities and Transactions

Forensic Investigation

12. BGBC Partners, LLP., the accounting firm retained by the Receiver, has expended a substantial amount of time and resources examining an extraordinary number of records, books, documents and data maintained by or on behalf of the Receiver Defendants in both hard copy and electronic formats. The forensic work to be performed by the accountants in connection with this matter is extensive as Alanar, Inc. and the related entities that comprise the Relief Defendants had approximately:

- Fifty-two (52) separate entities (forty-two (42) of which are bond funds),
- Four hundred thirty-eight (438) separate bond/brokerage accounts,
- Over three hundred (300) open bond issues, with an aggregate outstanding balance due from issuers of almost \$165,000,000, and
- Over ten thousand (10,000) investment accounts.

13. A 105 page Accountants' Preliminary Report prepared by BGBC Partners, LLP, detailing their findings and activities, was attached to the Receiver's First Inventory, Appraisal and Preliminary Report filed in this matter on February 21, 2006.

14. BGBC Partners, LLP, prepared a second and updated report dated April 3, 2006 ("Accountants' Second Report") which supplements their first preliminary report with updated data and exhibits. These revisions and updates result from new or more accurate information obtained in connection with the continuing forensic investigation. On April 5, 2006, the Receiver filed the 97 page Accountants' Second Report with this Court. Because of the sheer magnitude of the operations of the Receiver Defendants and the level of allegedly inappropriate commingling of funds and other conduct that has been uncovered to date by the accountants and the Receiver, the forensic investigation is still ongoing.

15. The staff of the paying agent Defendants continues to work closely with the accountants and the Receiver in connection with the forensic investigation and ongoing administration of the Receivership estate. Inasmuch as these paying agents are still operating entities, the Receiver continues to devote a substantial amount of time to overseeing the day-to-day operations and administration of these entities. In particular, the paying agent Defendants are still actively collecting payments from issuers and responding to the multitude of issuer and investor inquiries.

Adoption and Implementation of Plans for Distribution of Receivership Estate Assets

16. In preparation for the development of a proposed plan for the resolution of at least some of the most critical matters affecting investors and issuers in this case, the Receiver and his advisors had in-depth meetings, communications and discussions for many months with prospective successor trustees and others who might be interested in servicing the individual bond issues and bond funds on an ongoing basis. Because of the complexity of this matter and

the sheer magnitude of the challenges presented, this process proved to be very time consuming. A number of these parties, including several prospective successor trustees submitted proposals and shared their recommendations with the Receiver and his advisors. The Receiver, his accountants and counsel devoted a considerable amount of time examining and reviewing all such proposals.

17. The Receiver and his counsel and accountants also devoted a substantial amount of time to the preparation of the proposed plan for distribution of the assets of the Receivership Estate and claims process that are the subject of the Motion and Memorandum Concerning Proposed Plan to Pool Assets and Adopt Claims procedure that was filed on April 12, 2007. Because of its extensive experience in SEC receivership proceedings, the law firm of Stenger & Stenger, P.C. was retained in part to assist in connection with the evaluation of various proposals and the preparation and presentation of the plan to pool assets and claims process proposed by the Receiver.²

18. In addition to the plan submitted by the Receiver, a group of bondholders, who have intervened in this action and who refer to themselves as the Bondholder Committee, filed a proposed plan for the distribution of the assets of the Receivership Estate.

19. On July 10, 2007, the Receiver filed the Receiver's Alternative Plan for Distribution of the Assets of the Receivership Estate ("Receiver's Alternative Plan"). The Receiver's Alternative Plan was developed following in-depth and extensive discussions and negotiations with the Bondholder Committee. The Bondholder Committee approved the Receiver's Alternative Plan and the Plaintiff, U.S. Securities and Exchange Commission, expressly stated that it had no objections to the plan.

² Phillip S. Stenger of the law firm Stenger & Stenger, P.C. is the author of *Receivership Sourcebook*, (2nd Edition, 2006)

20. An evidentiary hearing on the proposed plans, including the Receiver's Alternative Plan, was held on July 16, 2007 in Terre Haute, Indiana. The Receiver and his counsel and accountants devoted an extensive amount of time to preparation for the July 16, 2007 hearing.

21. On August 28, 2007, this Court entered its Findings of Fact and Conclusions of Law Regarding July 16, 2007 Evidentiary Hearing. Pursuant to its Findings of Fact and Conclusions of Law, the Court adopted an Approved Alternative Alanar Receivership Plan, which is based, in substantial part, upon the Receiver's Alternative Plan. Copies of the Court's Findings of Fact and Conclusions of Law Regarding July 16, 2007 Evidentiary Hearing and the Approved Alternative Alanar Receivership Plan are posted on the Receiver's website and have been mailed to all investors and issuers.

22. The Receiver, the Defendant paying agents, and the Receiver's counsel and accountants continue to work with counsel for the Terre Haute State Bank and First Security Bank, as well as representative of Alanar Rehab, Inc., to implement the provisions of Approved Alternative Alanar Receivership Plan adopted by the Court. Pursuant to Article IV of the Approved Alternative Alanar Receivership Plan, the Receiver made a series of payments totaling \$195,000 to the Terre Haute Savings Bank, First Security Bank and Alanar, Rehab, Inc. The staff of the Defendant paying agents, the Receiver and the Receiver's accountants have met with and continue to provide information to the representatives of Alanar Rehab, Inc. in an effort to provide it with the information Alanar Rehab, Inc. needs to perform its duties under the terms of the Approved Alternative Alanar Receivership Plan.

23. Under the terms of the Approved Alternative Alanar Receivership Plan, the Alanar bond issues are divided into one of two categories, designated as either "Category A" or "Category

B.”³ The Receiver timely filed the Receiver’s Motion for Designation of Category B Bond Issues Pursuant to Approved Alternative Alanar Receivership Plan on June 12, 2008.

24. On May 5, 2008, this Court entered an order adopting a claims process that will be utilized to implement the terms of the Approved Alternative Alanar Receivership Plan. Pursuant to the Court’s order the investors in the Category B bond issues were timely sent the necessary forms setting forth the Receiver’s calculation of their Adjusted Net Investor Claim (“ANIC”). The Receiver, his accountants and the staff of the Paying Agent Defendants devoted a substantial amount of time in preparing for the issuance and mailing of the ANIC forms to over 10,000 investors in the Category B bond issues.

25. A substantial amount of time and resources continue to be devoted to the administration of the claims process adopted by this Court. Investors who disagree with the calculation of their ANIC had until August 15, 2008 within which to submit a Request for Redetermination to the Receiver. A total of 560 Requests for Redetermination have been submitted by investors. Following the receipt of a Request for Redetermination from an investor, the Receiver conducts an inquiry into the issues raised by the investor and issues a Final Determination Notice. Investors who disagree with the Receiver’s Final Determination Notice may request a review of the Receiver’s determination by filing a written Request for Adjudication with the Court within (30) thirty days from the date of the issuance of the Final Determination Notice. To date,

³ Category A Bond issues consist of those bond issues that have filed an election agreement with the Receiver as of April 14, 2008 and are either current in their payments or have paid off their entire obligation in full. Investors in the Category A bond issues will soon be receiving additional information regarding the future administration of and the distributions to investors to be made from these bond issues.

Under the approved plan, the sums collected for the benefit of the investors in the “Category B” bond issues, as well as the investors in the Churchmen’s Bond Funds, will be pooled into a common fund (the “Common Fund”). Distributions from the Common Fund to investors in the Category B bond issues and the Churchmen’s Bond Funds will be made on a pro rata basis in accordance with each investor’s Adjusted Net Investor Claim (ANIC). No date has yet been determined for the initial distribution from the Common Fund.

approximately 50 investors have filed Requests for Adjudication with this Court to which the Receiver is entitled to formally respond.

26. On June 24, 2008, the Receiver filed a Motion to Adopt Trade Creditor Claims Procedure in the United States District Court for the Southern District of Indiana. Copies of the motion and the proposed trade creditor claims procedure were sent to all known trade creditors and bond issuers and posted on the Receiver's website. Pursuant to the Order Implementing Objection Procedure for Receiver's Motion to Adopt Trade Creditor Claims Procedure entered by this Court, interested parties were afforded until August 8, 2008 within which to submit any objections to the proposed trade creditor claims process. The Motion to Adopt Trade Creditor Claims Procedure is still pending before the Court.

Distribution of Non-Alanar Investments and Cash Deposits in IRAs and 401(k) Accounts

27. The Receiver Defendant, Guardian Services, LLC ("Guardian"), provides custodial services for approximately eight hundred forty IRA accounts and the Receiver Defendant, Alanar, Inc. serves as a plan sponsor for approximately fifty 401(k) accounts maintained by the employees of Alanar, Inc. and several other Receiver Defendants. In addition to church bonds and other bond issues underwritten by Alanar, Inc. and the Defendant and Non-Defendant Bond Funds sold by Alanar, Inc. (all of which bonds and bond funds are hereinafter referred to as "Alanar related investments"), these IRA and 401(k) accounts also contained cash deposits totaling more than \$1.4 million dollars and other non-Alanar related investments in products such as mutual funds and REITs that were not specifically underwritten by Alanar, Inc. or any of its related entities. The accounting reports prepared by BGBC Partners, P.C. reveal that there is no evidence of any inappropriate commingling, misapplication or raiding of the cash deposits or non-Alanar related investments in these IRA or 401(k) accounts.

28. On June 15, 2006, the Receiver petitioned for authority to distribute the cash deposits and the non-Alanar related investments presently held in these IRA and the 401(k) accounts to the holders (not including the Defendants Vaughn A. Reeves, Sr., Vaughn A. Reeves, Jr., Jonathan Christopher Reeves and Joshua Craig Reeves, whose assets are frozen pursuant to this Court's order) of such IRA and 401(k) accounts, or, at the direction of any such account holder, to rollover the cash deposits and non-Alanar related investments to a new custodian. This petition was approved by the Court on June 19, 2006.

29. Pursuant to the Court's order, letters were sent to the holders of IRA accounts for which Guardian provides custodial services and holders of the 401(k) accounts for which Alanar, Inc. serves as plan sponsor advising them of the fact that the cash deposits and non-Alanar related investments are now available for distribution to investors or rollover to a new custodian. In accordance with directions received from investors, certain non-Alanar related investments, as well as cash deposits totaling \$1,439,032, in IRA accounts for which Guardian provides custodial services or 401(k) accounts for which Alanar, Inc. serves as plan administrator, have been distributed directly to investors or rolled over to a new custodian.

Public Sales (Auctions) of Real Estate

30. The Receiver has conducted public sales (auctions) pursuant to 28 USC §§ 2201 and 2202 of the following parcels of real estate owned or controlled by the Receivership estate:

<u>Parcel</u>	<u>Date of Public Sale</u>	<u>Sale Price</u>
1140 Williams Road Columbus, Ohio	September 20, 2007	\$325,000
1104-06 McMillan Road Cincinnati, Ohio	October 5, 2007	\$100,000
Manorwood Development Benton Harbor, Michigan	November 28, 2007	\$225,000

101 South Main Street Sullivan, Indiana	January 24, 2007	\$80,000
1303 North Main Street Sullivan, Indiana	January 24, 2007	\$15,000
14 South Court Street Sullivan, Indiana	January 24, 2007	Receiver has not yet determined whether to accept bid of \$13,250
4217 Lippincott Blvd.	March 26, 2008	\$35,000
4201 Lippincott Blvd.	March 26, 2008	\$200,000
501 Middlebury Street Elkhart, Indiana	April 28, 2008	Receiver has not yet determined whether to Accept bid of \$9,000

Other Sales of Real Estate for Benefit of Bondholders

31. In addition to the aforementioned public sales of real estate, the Receiver has sold the following parcels of real estate owned or controlled by the Receivership estate pursuant to orders entered by this Court:

<u>Parcel</u>	<u>Date of Sale</u>	<u>Sale Price</u>
2015 – 2031 North Bend Road Cincinnati, Ohio	May 30, 2006	\$500,000
7601 Harrison Avenue Mt. Healthy, Ohio	August 3, 2006	\$952,000
344 North Seaport Blvd. Cape Canaveral, Florida	December 8, 2006	\$205,000

Payoffs of Indebtedness By Issuers and Borrowers

32. The Receiver and his counsel have spent a considerable amount of time responding to communications from and working with issuers that are interested paying off or working out their indebtedness on the bonds. Because of the Receiver Defendants' wide-spread instances of

misapplication and/or inappropriate co-mingling of funds in bond proceed and repayment accounts, the misuse and misapplication of monies in the bond funds, the failure to comply with accepted accounting standards and confusion occasioned by the myriad number of transactions that must be scrutinized, this has proven to be a challenging task for the Receiver, the accountants and the staff of Guardian who are assisting the Receiver and the accountants.⁴ Since the inception of the Receivership on December 20, 2005, the Receiver has received payoffs of indebtedness from the following bond issuers:⁵

<u>Bond Issuer</u>	<u>Date of Payoff</u>	<u>Amount Paid</u>
Ebenezer Deliverance Temple	April 25, 2006	\$463,461
Horizon Church, Inc.	July 7, 2006	\$451,692
Harvest Life Center	August 3, 2006	\$167,736
Faith Harbor Church, Inc.	December 28, 2006	\$374,364
North Galilee Missionary Baptist Church	April 2, 2007	\$68,226
Lawrence Church of God	May 1, 2007	\$98,469
St. Samuel Cathedral Church	July 24, 2007	\$178,546
The Way, The Truth and The Life Ministries, Inc.	November 13, 2007	\$113,300
The Spirit of God Fellowship Church, Inc.	November 19, 2007	\$170,046

⁴ In addition, pursuant to the terms of the Approved Alternative Alanar Receivership Plan, representatives of Alanar Rehab, Inc. are also in contact with and are assisting church bond issuers that may be interested in obtaining third party financing to pay off their indebtedness. The Receiver, the Receiver's accountants and the Guardian staff have periodically communicated with and continue to provide Alanar Rehab, Inc. with the information it needs to perform its duties under the Approved Alternative Receivership Plan.

⁵ Please note that not all bond issuers that paid off their indebtedness necessarily qualify as Category A bond issuers under the Approved Alternative Alanar Receivership Plan. In order to qualify as a Category A bond issuer, an issuer is required to satisfy the criteria set forth in the Approved Alternative Alanar Receivership Plan, including the requirement that the Category A Election Agreement be submitted by the "Determination Date" of April 14, 2008.

Alexander Temple Church of God In Christ	December 20, 2007	\$185,504
Faith Temple Church of God in Christ at Evanston	December 21, 2007	\$3,677,580
Apostolic Assembly of God In Christ Jesus	January 3, 2008	\$602,330
New Hope Worship Center	January 10, 2008	\$852,323
Old Union Christian Church	January 11, 2008	\$208,312
Christian Academy of Carrollton, Inc.	March 14, 2008	\$81,281
Antioch Baptist Church	March 27, 2008	\$188,769
Granite Springs Church	March 28, 2008	\$3,456,576
Nazarene Missionary Baptist Church	April 3, 2008	\$1,616,802
Bethel Assembly of God	April 10, 2008	\$5,280
West Meadows Baptist Church	April 11, 2008	\$2,400
Full Gospel Tabernacle of Plant City	April 23, 2008	\$20,077
New Community Church of Martinsville	May 19, 2008	\$170,319
Iglesia Templo De Alabanza	May 29, 2008	\$316,277
South Bend Pentecostal Church	May 30, 2008	\$249,759
Jubilee Praise Center	June 2, 2008	\$170,490
First Baptist Church of Peoria	June 2, 2008	\$1,002,075
Pleasantview Family Church	June 2, 2008	\$253,755

Victory Outreach – Raton	June 2, 2008	\$226,292
Iglesia DeDios Pentecostal	June 4, 2008	\$297,078
Restoration Christian Fellowship Church	June 9, 2008	\$139,718
New Hope Baptist Church	June 11, 2008	\$633,456
Trinity Family Worship Center	June 16, 2008	\$225,957
Cornerstone Bible Wesleyan Church	June 20, 2008	\$90,821
Solid Rock Church Of God	July 17, 2008	\$199,547

33. Prior to the initiation of this action by the Securities and Exchange Commission, the Receiver Defendant, Churchmen’s Capital Group, Inc., made a series of unsecured loans and advances to the New Hope Baptist Church, Inc., of Loveland, Ohio. On January 3, 2006, the New Hope Baptist Church, Inc. paid Churchmen’s Capital Group, Inc. the full amount of \$881,924.85, due and owing in connection with these loans. In addition, on May 18, 2007, the Eastside Church of Christ of Terre Haute, Indiana paid Churchmen’s Capital Group, Inc. the full amount of \$19,335.35 due and owing pursuant to an unsecured promissory note dated August 10, 2000.

Sales of Personal Property

34. The Receiver Defendant, AIC Aviation, Inc., owned several vehicles for which it has no need. Therefore, On August 24, 2006, the Receiver filed Receiver’s Petition for Authority to Conduct Auction of Vehicles Owned by Receiver Defendant AIC Aviation, Inc. The Court approved this motion on September 15, 2006 and the Receiver received net proceeds of \$28,315 from the sale of six vehicles conducted by the auctioneer.

35. In addition, AIC Aviation, Inc. also owned a Mitsubishi MU aircraft. On October 15, 2007, the Court entered an order authorizing the Receiver to engage the services of an aircraft broker to sell the plane. The aircraft was sold to Turbine Aircraft Marketing, Inc. on March 18, 2008 for the sum of \$140,000. Following the satisfaction of a substantial mechanics lien on the aircraft for services rendered to AIC Aviation prior to the filing of this action and the payment of brokerage fees and other miscellaneous expenses, the net proceeds received by the Receiver from the sale totaled 87,940

36. In conjunction with the public sale of the three parcels of real estate located in Sullivan, Indiana on January 24, 2008, the Receiver also auctioned off miscellaneous items of personal property owned by Alanar, Inc. and its related entities. The gross amount received at the January 24, 2008 public sale of these miscellaneous items of personal property totaled \$9,978.

37. A receiver has complete jurisdiction over property located within the jurisdiction in which he is appointed. If a receivership estate has an interest in real or personal property located in other jurisdictions the receiver can obtain complete jurisdiction over that property by filing a copy of the complaint and the order of appointment within 10 days of his appointment in the U.S. District Court in which the property is located pursuant to 28 U.S.C. § 754. Because some of the Receiver Defendants hold mortgages or liens on real estate or personal property owned by issuers located throughout the country, the Receiver, immediately following his appointment, filed copies of the Complaint and Receivership Order in virtually every U.S. District Court in the country in accordance with 28 U.S.C. § 754. This action was taken to better ensure that the Receiver could maintain jurisdiction over property located in the several states in which issuers are located.

Legal Proceedings

38. The Receiver and his counsel have been required to devote a significant amount of time to pending or threatened litigation and legal proceedings involving the Receiver Defendants, including a number of bankruptcy actions filed by churches that issued bonds and as well as petitions to intervene and other matters filed in this case.

39. On June 21, 2006, the Receiver filed the Receiver's Motion to Remove Indenture Trustee in which it requested the Court to remove the Southern Michigan Bank & Trust ("SMBT") as indenture trustee for all bond issuances at issue in this litigation for which it is served as trustee. On November 6, 2006, this Court issued an Entry on Motion to Remove Indenture Trustee granting the Receiver's Motion to Remove Indenture Trustee. Upon approving the Receiver's proposed form of notice to investors and issues of the fact that SMBT was being removed as indenture trustee, this Court formally entered an Order Removing Indenture Trustee on November 17, 2006. Pursuant to this Court's Order, the Receiver sent notices to all bondholders and issuers for all of the bond issues on which SMBT has served as indenture trustee in the form and manner approved by the Court.

40. On March 20, 2006, eight former of employees of Toddler Town Children's Ministry Inc., d/b/a Indiana Hope Services ("Toddler Town), an entity controlled by the Reeves Defendants, filed an action for unpaid wages against Toddler Town as well as the Receiver Defendants, Northstar Development Corporation and Alanar, Inc. Based upon his analysis of this matter, the Receiver settled this case for the sum of \$17,000 and the action was dismissed on February 8, 2008.

Communications With Investors

41. The Receiver has periodically sent mass mailings, including Court-ordered notices, to investors and other interested parties updating them on the status of this proceeding.

42. Because of the substantial costs that are incurred in connection with any first class mailing to over 10,000 investors, the Receiver has established a webpage regarding this matter on his law firm's website at www.alanarinfo.com. The webpage contains links to copies of pertinent court filings, accountants reports and other matters of interest to investors.

43. The Receiver has, on occasion, met with representatives of the aforementioned Bondholders Committee to discuss the status of the case.

44. The Receiver continues to field numerous calls and inquiries from investors and/or their counsel regarding the status of this matter. Because of the large volume of investor inquiries, the Receiver has utilized the services of one of his law firm's paralegals to help respond to calls and inquiries from investors.

WHEREFORE, the Receiver hereby respectfully submits this Receiver's Eleventh Report of Receipts and Expenditures and Report of Acts and Transactions.

Respectfully submitted,

s/Bradley W. Skolnik
Bradley W. Skolnik (1770-49)
Receiver

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CERTIFICATE OF SERVICE

Service of the foregoing was accomplished via the United States District Court's Electronic Notification and/or via U.S. Mail, first class postage pre-paid, this 29th day of September, 2008, addressed to:

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