

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: John Daniel Tinder

CIVIL ACTION NO.:

1:05-CV-1102-JDT-TAB

Magistrate Judge: Tim A. Baker

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

The Receiver, Bradley W. Skolnik, hereby submits the Receiver's Fourth 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, P.C. 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 Inventory, Appraisal and Preliminary Report and the Accountants' Preliminary Report on February 21, 2006.

6. The Receiver timely filed the Receiver's first three reports of receipts and expenditures and acts and transactions in this matter. Pursuant to the Receivership Order, the Receiver's Fourth Report of Receipts and Expenditures and Acts and Transactions is due on Tuesday, December 26, 2006.

Fourth Report of Receipts and Expenditures

7. The Schedule of Gross Receipts and Expenses of the Receivership for the period beginning September 16, 2006 through December 15, 2006 as well as the period since the inception of the Receivership on December 20, 2005 through December 15, 2006 is attached hereto and incorporated herein as Exhibit A.

8. The Schedule of Gross Receipts and Expenses of the Receivership reveals that during the period from September 16, 2006 through December 15, 2006, the Receivership had gross receipts of \$369,904. Operating costs and disbursements, consisting in large part of payroll and administrative expenses, totaled \$116,927, resulting in an excess of receipts over operating costs and disbursements of \$252,977 for the period from September 16, 2006 through December 15, 2006. Since the inception of the Receivership on December, 20, 2005 through December 15,

2006, the Receivership had gross receipts of \$1,530,678. Operating costs and disbursements since the inception of the Receivership on December 20, 2005 total \$775,110, for an excess of receipts over operating costs and disbursements of \$775,568 during the period from December 20, 2005 through December 15, 2006

9. The Schedule of Gross Receipts and Expenses of the Receivership also further reveals that during the period from September 16, 2006 through December 15, 2006, the paying agent Defendants collected sinking fund payments and other fees for deposit into the sinking fund accounts in the gross amount of \$780,585, which sums have been deposited into the appropriate bond issue sinking fund accounts maintained by the paying agents. Since the inception of the Receivership on December 20, 2005 through December 15, 2006, the paying agent Defendants have collected sinking fund payments and other fees for deposit into the sinking fund accounts in the gross amount of \$6,089,142, which sums have been deposited into the appropriate bond issue sinking fund accounts. In addition, since July 26, 2005, the date on which this action was filed, the paying agent Defendants have collected slightly more than \$11,480,500 in sinking fund payments and other fees for deposit into the sinking fund accounts.

10. In accordance with this Court's Order dated June 19, 2006 and directions received from investors, cash deposits totaling \$1,051,563, 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, ¶¶ 16 – 18, *infra*.

Report of Activities and Transactions

Forensic Investigation

11. BGBC Partners, P.C., 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 have 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
- Upwards of eleven thousand (11,000) individual investors.

12. A 105 page Accountants' Preliminary Report prepared by BGBC Partners, P.C., 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.

13. BGBC Partners, P.C. 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.

Paying Agents

14. The three paying agent Defendants – Guardian Services, LLC, First Financial Services of Sullivan County, Inc. and The Liberty Group, Inc. – continue to provide some of the paying agent/servicing agent services in connection with the outstanding bond issues. In particular, the paying agent Defendants are still actively collecting payments from issuers and responding to the multitude of issuer and investor inquiries. The staff of the paying agent Defendants continues to work closely with the accountants and the Receiver in connection with the forensic investigation. 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.

15. 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 continues to have communications and in-depth discussions with a variety of parties, including the investors' committee and prospective successor paying agents/trustees who could provide paying agent, trustee and/or other services in connection with the individual bond issues and bond funds. The ultimate objective of any such proposal, which will likely include the proposed appointment of a successor paying agent/trustee to service the individual bond issues and the bond funds, is to provide a platform or mechanism that will result in an increase in the rate of sinking fund payments by issuers and to reestablish principal and interest payments to investors as soon as possible to prevent further hardship to them.

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

16. 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 contain 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.

17. 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.

18. 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 \$1,051,563, 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.

Sale of Real Estate for Benefit of Bondholders

19. Pursuant to an Order entered by this Court on July 14, 2006, the Reeves Family Limited Partnership became a part of the Receivership Estate. The Reeves Family Limited Partnership owns significant assets including a condominium in Brevard County, Florida. On November 17, 2006, the Receiver filed a Petition for Order Authorizing Sale of Condominium Owned by Reeves Family Limited Partnership. This Court approved the petition on November 30, 2006. In accordance with this Court's Order, the sale of the condominium closed on December 8, 2006. Following payment of expenses and costs of closing, commissions, unpaid taxes and other miscellaneous fees, the net amount received by the Receivership Estate from the sale of the condominium totaled over \$205,000.

20. Alanar, Inc. was the underwriter of bonds issued by Emmanuel's New Mt. Zion Christian Center ("Emmanuel's"), a church located in Cincinnati, Ohio, in connection with two separate bond issues. The Receiver Defendant, First Financial Services of Sullivan County, Inc. ("First Financial Services"), served as paying agent and John Elmore as the trustee in connection with these two bond issues. Pursuant to the terms of the trust indenture, the trustee John Elmore held a mortgage for the benefit of the bondholders on real estate owned by Emmanuel's in Cincinnati, Ohio. The pastor of Emmanuel's died and the church defaulted on its obligations under the bonds. Prior to the initiation of this action by the Securities and Exchange Commission, the

paying agent and trustee retained the services of a law firm to collect sums due and owing from Emmanuel's and, if necessary, to enforce and foreclose on the mortgage held by the trustee for the benefit of the bondholders. Rather than defend against any mortgage foreclosure action, Emmanuel's delivered a deed in lieu of foreclosure to the trustee who became the record owner of the real estate on or about December 7, 2004. After taking delivery of the deed in lieu of foreclosure, the trustee and the paying agent marketed the above-referenced real estate for sale. On or about March 31, 2005, First Financial Services entered into a Real Estate Purchase Agreement with Tuwshiyah Community Development Corporation, an Ohio non-profit corporation ("TCDC"), under which TCDC agreed to purchase the subject real estate for the gross sum of \$500,000. The Receiver was advised that TDCD, the purchaser of the real estate, was finally prepared to close on the transaction for the sale of the real estate. On May 18, 2006, the Receiver filed a Petition for Order Authorizing Sale of Real Estate in connection with Emmanuel's New Mt. Zion Christian Center Bond Issues, which motion was approved by the Court. The sale of the real estate to the TDCD closed on May 30, 2006. Following the payment of delinquent taxes, costs of closing and the attorney fees incurred in connection with the collection of the indebtedness and sale of the real estate, the net amount recovered for the benefit of bondholders from the sale of the subject property totaled approximately \$372,909.

21. Alanar, Inc. was the underwriter of bonds issued by Apostolic Overcoming Holy Church of God, Inc., d/b/a Christ Memorial A.O.H. Church of God (hereinafter "AOH") in connection with two bond issues. First Financial Services served as paying agent on the AOH bond issues and purportedly as a successor trustee on these two bond issues. Pursuant to the terms of the trust indenture, the trustee held a mortgage for the benefit of the bondholders on real estate owned by AOH located in Mt. Healthy, Ohio. AOH defaulted on its obligations under the bonds

issued in connection with these bond issues. In 2001 the Receiver Defendant First Financial Services filed an action against AOH and other defendants in the Hamilton County, Ohio Court of Common Pleas to foreclose on the real estate. The Court of Common Pleas rendered a judgment finding that First Financial Services shall recover from AOH the sum of \$1,637,095.63 with interest and costs, together with a decree of foreclosure against AOH and the other defendants. The Receiver Defendant Liberty Group, Inc. purchased the real estate at a Sheriff's sale conducted in 2002 pursuant to the decree of foreclosure. On or about July 1, 2004, the Receiver Defendant Liberty Group, Inc. entered into a Land Installment Contract with the Hamilton County Mathematics and Science Academy, an Ohio nonprofit corporation, under which the Hamilton County Mathematics and Science Academy agreed to purchase the real estate for the sum of \$1,000,000. The Receiver was advised that the Hamilton County Mathematics and Science Academy is eligible for third party financing and would like to pay off the full balance due and owing under the terms of the Land Installment Contract. On May 19, 2006, the Receiver filed a Petition for Order Authorizing Sale of Real Estate to Hamilton County Mathematics and Science Academy, which was approved by the Court. By Order dated July 17, 2006, the Court, at the request of the Receiver, amended the Order Authorizing Sale of Real Estate to the Hamilton County Mathematics and Science Academy. The sale of the real estate to the Hamilton County Mathematics and Science Academy closed on August 3, 2006. The net amount recovered for the benefit of the bondholders from the sale of the property totaled \$952,000.

Payoffs of Indebtedness By Issuers and Borrowers

22. 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.

23. Following the Receiver's appointment, the Receiver was contacted by counsel for Faith Harbor Church, Inc. ("Faith Harbor") in connection with a proposed refinancing by Faith Harbor of a certain first mortgage indebtedness secured by a mortgage on real estate owned by Faith Harbor dated July 3, 2003 executed by Faith Harbor in favor of Receiver Defendant Churchmen's Capital Group, Inc. ("CCG"). Receiver believes the mortgage was executed in favor of CCG after funds were loaned to Faith Harbor by CCG, and was intended to evidence and secure the indebtedness of a bond offering underwritten by Alanar, Inc. on August 1, 2002. On August 1, 2003, Faith Harbor, Guardian Services, LLC and Southern Michigan Bank & Trust as indenture trustee ("SMBT") executed a Trust Indenture for Faith Harbor's issuance of first mortgage bonds in the amount of \$385,000. The Trust Indenture provides for a lien in favor of the indenture trustee, SMBT, on the same property that is subject to the mortgage granted to CCG. Faith Harbor has advised the Receiver that it has arranged refinancing to provide funds to pay in full the first mortgage bond indebtedness secured by the mortgage to CCG. In return for the payment to be made by Faith Harbor, Faith Harbor has requested the release by CCG of CCG's mortgage and the release of liens that SMBT in its capacity as indenture trustee, CCG and/or the Receiver may have against Faith Harbor and the real property owned by Faith Harbor. On December 13, 2006 the Receiver filed a Motion for Order Authorizing Receiver to Issue

Release of Mortgage in which he requested the Court to allow the Receiver to release a mortgage and any other liens held by CCG or SMBT, as former indenture trustee, on the property owned by Faith Harbor in connection with any proposed refinancing by Faith Harbor. Pursuant to an Order entered by this Court on December 14, 2006, as amended by an Amended Order Authorizing Receiver to Issue Release of Mortgage entered on December 22, 2006, this Court granted the Receiver's request for authority to release liens upon receipt of the full amount due and owing by Faith Harbor.

24. Alanar, Inc. was the underwriter of bonds issued by the Ebenezer Deliverance Temple, Inc. ("Ebenezer"). Shortly after Receiver's appointment, the Receiver was contacted by counsel for Ebenezer who advised the Receiver that Ebenezer desired to sell certain real estate secured by a mortgage executed by Ebenezer in favor of the paying agent Guardian and to pay the full amount due and owing to Guardian under the terms of the mortgage. On March 31, 2006, the Receiver filed a Motion for Order Authorizing the Receiver to Issue Release of Mortgage upon payment in full to the Receiver of the entire amount owed to Guardian by Ebenezer. The motion was approved by the Court on April 11, 2006. On April 25, 2006, the Receiver received payment in the full amount of \$463,461.70 due and owing by Ebenezer to Guardian in connection with the mortgage lien held by Guardian Services on the subject real estate. Pursuant to the terms of this Court's order, the Receiver caused the mortgage on the real estate to be released upon receipt of the funds.

25. Alanar, Inc. was the underwriter of bonds issued by Horizon Church, Incorporated ("Horizon"). The Receiver was advised that Horizon had obtained third party financing that would allow it to pay off the full amount of the indebtedness secured by a Deed of Trust-Security Agreement-Financing Statement that granted First Financial Services, the indenture trustee, a

lien for the benefit of the bondholders on real estate owned by Horizon. On June 30, 2006, the Receiver filed a Motion for Order Authorizing Receiver to Issue Release of Lien on Real Estate Owned by Horizon Church Incorporated upon full payment to the Receiver of the entire amount owed by Horizon. The motion was approved by the Court on July 6, 2006. On July 7, 2006, the Receiver received payment in the full amount of \$451,692.88 due and owing by Horizon in connection with the lien held by First Financial Services on the subject real estate.

26. Alanar, Inc. was the underwriter of bonds issued by Harvest Life Center. The Receiver was advised that Harvest Life Center had obtained third party financing that would allow it to pay off the indebtedness secured by a Deed of Trust that granted the indenture trustee, James O. Anderson, Jr., a lien for the benefit of the bondholders on real estate owned by Harvest Life Center. On July 20, 2006, the Receiver filed a Motion for Order Authorizing Receiver to Issue Release of Lien on Real Estate Owned by Harvest Life Center upon full payment to the Receiver of the entire amount owed by Harvest Life Center. The motion was approved by the Court on July 25, 2006. On August 3, 2006, the Receiver received payment in the full amount of \$167,736.25 due and owing by Horizon in connection with the lien held by James O. Anderson, Jr. on the subject real estate.

27. Prior to the initiation of this action by the Securities and Exchange Commission, the Receiver Defendant, Churchmen's Capital Group, Inc., had 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.

28. The Receiver anticipates filing additional requests for authority to release mortgage liens on real estate owned by bond issuers that are in the process of obtaining third party financing in order to pay off their indebtedness on bond issues.

Marshaling and Protecting Assets

29. The Receivership Order granted the Receiver the authority and power to take possession of the assets of Alanar, Inc., the Defendant Bond Funds, the Non-Defendant Bond Funds, the Paying Agents and the Relief Defendants, all of which are identified the Receivership Order and collectively referred to as the “Receiver Defendants.” In addition, the Receivership Order, as amended, further provides that the Receiver and his designees, shall have sole signatory authority for the Receiver Defendants at any bank, financial institution or brokerage firms which has possession, custody or control of any assets or funds of the Receiver Defendants, or which maintains accounts over which the Receiver Defendants and/or any of their officers, employees or agents have signatory authority. Pursuant to this Court’s Order, the Receiver has taken steps to provide that he has control over, and that he and his designee are added as the only authorized signatories on, the approximately 438 bank and brokerage accounts maintained by the Receiver Defendants.

30. This Court’s Order of Permanent Injunction and Other Relief, as amended, also directs financial institutions to freeze all bank accounts of the individual Defendants in this action, namely Vaughn A. Reeves, Sr., Vaughn A. Reeves, Jr., Jonathan Christopher Reeves and Joshua Craig Reeves (hereinafter collectively referred to as the “Reeves”). Pursuant to the order of Permanent Injunction and Other Relief, as amended, the Reeves continue to be specifically enjoined and restrained, among other things, from:

“transferring, selling, assigning, pledging dissipating, concealing or otherwise disposing of in any manner, any funds, assets, accounts, or other property belonging to any of them or in their possession, custody or control, wherever located.”

Because no monetary judgment has been entered in these proceedings against the Individual Defendants, the Receiver is not presently serving as a Receiver over any of the Individual Defendants or their personal property. Given the evidence amassed by the Receiver to date, however, it appears likely that at least some of the assets of the Reeves will become a part of this Receivership. For example, the Defendant Vaughn A. Reeves, Sr. is a general and limited partner and his wife is a limited partner in the Reeves Family Limited Partnership (“RFLP”), which is the record owner of commercial property in Sullivan, Indiana and a condominium in Florida. On July 13, 2006, the Plaintiff, United States Securities and Exchange Commission, the Receiver and the Defendant, Vaughn A. Reeves, Sr., filed an Agreed Motion to Add Reeves Family Limited Partnership to Receivership. Under the terms of the agreed motion, which was approved by the Court on July 14, 2006, the Defendant, Vaughn A. Reeves, Sr., agreed to turn the RFLP and its assets over the Receivership for liquidation. The Receiver is in the process of attempting to market the RFLP real estate for sale. *See Sale of Real Estate for Benefits of Bondholders, ¶ 19, supra.*

31. The Receiver Defendant, AIC Aviation, Inc. has title to and owns several vehicles. It has no need for these vehicles. 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 is in the process of arranging for the vehicles to be delivered to the auctioneer for sale.

32. 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 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

33. Prior to the filing of this action by the Securities and Exchange Commission, a number of the Receiver Defendants were involved in legal proceedings or settlement negotiations with issuers and other parties on a variety of matters. The Receiver, working with the staff of the paying agents, continues to be actively involved with these matters. One example of a pending legal matter that has required the Receiver's attention is the condemnation proceeding filed in the Dallas, Texas County Court by the Dallas Independent School District against Guardian, LLC, and others in a matter encaptioned, *Dallas Independent School District v. Apostolic Community Church, Inc. n/k/a Christian Temple of Dallas, Inc., et al.* Cause No. 04-06678. On March 13, 2006, the Receiver filed a Petition for Authority to Enter Into Settlement Agreement on Behalf of Defendants Guardian Services, LLC in this Court, which motion was approved by the Court.

34. The Receiver and his counsel have been required to devote a significant amount of time to pending or threatened litigation involving the Receiver Defendants, including an action filed by the Southern Michigan Bank & Trust, a trustee on several open bond issues, in the United

States District Court for the Southern District of Indiana in a matter encaptioned, *Southern Michigan Bank & Trust v. Guardian Services, LLC*, Cause No. 1:05-cv-1880-JDT-TAB.

35. 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.

Communications With Investors

36. Although the proceedings filed by the Securities and Exchange Commission against the Defendants were publicized locally, a substantial number of investors and issuers are located throughout the United States. In January 2006, the Receiver sent a notice via first class United States Mail to approximately 11,000 investors and all issuers advising them of the Receivership and providing information from the accountants regarding the status of investment accounts. On August 1, 2006, the Receiver sent another mass mailing to all investors updating them on the status of this proceeding. In addition, on December 18, 2006, the Receiver's accountants, BGBC Partners, PC, sent a letter to all investors providing general financial and tax information fro investors pertaining to their Alanar related investments.

37. Because of the substantial costs that are incurred in connection with any first class mailing to all 11,000 investors, the Receiver has established a webpage regarding this matter on his law firm's website at www.silegal.com/content/alanar.html. The webpage contains links to copies of pertinent court filings, accountants reports and other matters of interest to investors.

38. An ad hoc investors' committee has been formed by a group of Alanar investors. This investors' committee filed a request to intervene in this action which motion was approved by the Court on June 26, 2007. The Receiver has, on occasion, met with representatives of the investors' committee to discuss the status of the case.

39. 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 respectfully requests that the Court approve his Receiver's Second Report of Receipts and Expenditures and Report of Acts and Transactions, and for all other proper relief.

Respectfully submitted,

s/Bradley W. Skolnik
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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 26th day of December 2006, addressed to:

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