

FILED
FULTON COUNTY
COMMON PLEAS COURT
2011 NOV 14 A 11: 30
PAUL E. MACDONALD
CLERK

IN THE COURT OF COMMON PLEAS
FULTON COUNTY, OHIO

THE FARMERS & MERCHANTS
STATE BANK,

Plaintiff,

-vs-

ARCHBOLD ELEVATOR, INC., et al.,

Defendants.

) Case No. 11CV000128

) Judge Barber

) **RECEIVER'S SIXTH STATUS
REPORT**

) Gerald R. Kowalski (0022323)

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) Receiver and Counsel

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This report will summarize the Receiver's activities since the filing of its Fifth Status Report on October 11, 2011.

The Receiver has closed on the asset sales that were requested in the Receiver's Third and Fourth Motions to Approve Partial Sales which were approved by the Court.

The Receiver attended the court hearing on November 1, 2011 concerning the Receiver's Motion for Instructions Concerning the Sale of the Remaining Assets. At that hearing, the Court ruled that William L. and Lynnette Fricke failed to provide proof of adequate financing and the Court disqualified their bids. Immediately after the hearing, the Receiver continued negotiations with the remaining bidders and has entered into agreements for the sale of the remaining assets –

Henry Pig, O-MI-O and Kainos. The Receiver expects to file a motion approving these sales within the next seven days.

With Court approval of the Receiver's Motion to Approve Initial Distribution, the Receiver distributed \$4 million to Farmers & Merchants Bank. The Receiver is in negotiations with Farmers & Merchants Bank as to their final payoff. The Receiver will be seeking court approval of the final payoff to Farmers & Merchants and the Receiver will then propose a distribution process to the remaining secured creditors.

With the sale of the elevator, feed mill, truck/maintenance facility and the Leipsic / Fenstermaker assets, the only employees left in the Receivership are those responsible for the work at O-MI-O, Henry Pig, Kainos and the hog finishing business. Gerald Grain has consented to the continued use of office space at the elevator facility during the remaining months of the Receivership. With the reduction in employees and workload, the Receiver's consultant, George Green, will be spending one day per week rather than three at the facility. Mr. Green will continue to oversee the remaining hog operations. In addition to his one day per week at the facilities, Mr. Green will be available for internet and phone consultation and other work for one additional day per week.

The Receiver has filed a claim with the Court-appointed Receiver in the case of *The Huntington National Bank v. William L. Fricke, et al.* That case and receivership concerns a farm and two hog-raising facilities owned by Mr. Fricke and his wife. The Receiver has recently uncovered evidence that the Archbold Entities paid for various machinery and equipment at that facility and the Receiver is seeking reimbursement for those costs from the sale of the assets in that Receivership.

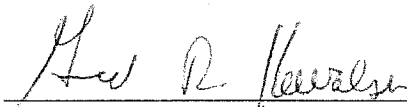
The Receiver has also uncovered evidence of possible fraudulent and preferential transfers. Pursuant to Paragraph 17(o) of the April 12, 2011 Order Appointing Receiver, the

Receiver is investigating these matters and will be determining if recovery of these transfers is feasible.

Last week, feed produced at the Archbold facility was found to be infected with vomitoxin (Deoxynivalenol) which is occasionally found in corn as a result of wet weather. We believe that the vomitoxin-tainted corn was delivered to the elevator within the last three weeks. Vomitoxin-tainted feed was used to feed pigs owned by Archbold and also pigs owned by IPC. When pigs eat this feed, they vomit after eating the feed or don't eat the feed thus causing weight gain issues. This problem has been minimal and a special product has been added to the existing feed inventory to neutralize the vomitoxin. We have a more complicated problem as a result of significant amount of feed now being returned by customers. This distressed feed inventory is being stored at the facility which is now owned by Gerald Grain and George Green is attempting to negotiate a resolution of this issue with Gerald Grain.

The Receiver has instructed its outside accountants to discontinue the monthly financial reports that were previously provided. With the sale of the business assets occurring rapidly, monthly reports are meaningless.

Respectfully submitted,



Gerald R. Kowalski, Receiver
Renisa A. Dorner
Receiver and Counsel

CERTIFICATE OF SERVICE

This is to certify that on this 11th day of November, 2011, a copy of the foregoing

Receiver's Sixth Status Report was served by email and ordinary United States mail upon:

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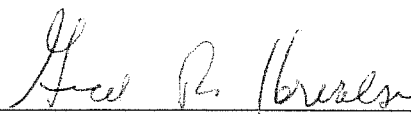
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