

FILED  
FULTON COUNTY  
COMMON PLEAS COURT  
2011 AUG -9 A 10:18  
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 THIRD STATUS  
REPORT**

) Gerald R. Kowalski (0022323)

) Renisa A. Dorner (0040192)

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)

) Receiver and Counsel

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On April 12, 2011, this Court issued an Order appointing Gerald R. Kowalski as the Receiver for Archbold Elevator, Inc., Kainos Operations, Ltd., O-MI-O, Inc. and Henry Pig, Inc. (the "Archbold Entities"). This report will summarize the actions taken by the Receiver since the Second Status Report which was filed on July 7, 2011.

The claims process which was discussed in previous reports has been completed. The Receiver is analyzing the claim forms and will provide a formal report and recommendation to the Court at a later date.

As a result of the Notice to Bidders which was mailed to prospective purchasers on July 1, 2011 the Receiver has received numerous Letters of Intent to purchase all or part of the business. The Receiver has interviewed each party who submitted a Letter of Intent and the Receiver is responding to due diligence requests from the potential bidders. Every potential bidder is required to sign a Confidentiality Agreement before documentation is provided. The Receiver's consultant, George Green, has conducted tours and inspections of the various Archbold Entities' facilities as requested by potential bidders. A Phase I Environmental Report has been requested by certain bidders and the cost of that report will be shared by the bidders who have expressed an interest in receiving this information. Formal bids for all or part of the Archbold Entities must be filed with the Receiver by August 30, 2011. Upon receipt of these bids, the Receiver will analyze them and make an appropriate recommendation to the Court.

Shultz Huber & Associates continues to perform independent accounting work for the Receiver. Attached to this Report is the June Financial Statement (Exhibit A) prepared by Shultz Huber & Associates. Shultz Huber also provided an updated Cash Flow Analysis on July 15, 2011. As a result of the lengthy and extreme heat wave in the Midwest during the month of July, fewer hogs have been sent to market to satisfy our contracts with IPC. During hot weather, pigs eat significantly less and thus are unable to meet their minimum market weight as scheduled. Because of the hot weather, approximately 3,000 fewer pigs were sent to market in July. This resulted in a short-term cash flow shortage of approximately \$400,000. Shultz Huber provided an updated cash flow analysis on August 4, 2011 to address the cash flow problems created by the extreme heat. The Receiver has addressed this issue and has provided detailed information concerning this problem to all of the creditors and the parties. The Receiver anticipates that most of the cash flow problems caused by the heat will be resolved in 30-45 days.

The IPC "weaner" contract which was discussed in previous reports is in full operation. All weaner pigs from the Receiver's sow operations are being sold to IPC pursuant to the Court-

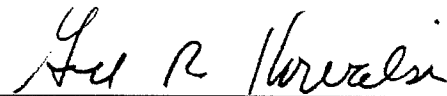
approved contract. Similarly, the interim elevator operation agreement with The Andersons which was explained in the Receiver's second report has been implemented and the elevator and the grain handling function of the Archbold Elevator is in full operation.

The Receiver has been notified by the German Mutual Insurance Company that it is not renewing its policies. German Mutual provides farm and business owner policies covering some of the Archbold Entities. The Receiver is working with its agent to secure replacement coverage or to extend the German Mutual policies for 90 days.

The Receiver continues to hold a weekly conference call with all of the parties. The Receiver continues to update its website with all pertinent pleadings and other information concerning the Receivership.

The Receiver believes that its budget for July and August which was reported in its Second Status Report will be less than originally projected. The Receiver anticipates that its budget for the months of July and August will be approximately \$90,000 which is a decrease of \$30,000 for that two-month period.

Respectfully submitted,



---

Gerald R. Kowalski, Receiver

Renisa A. Dornier

Receiver and Counsel

CERTIFICATE OF SERVICE

This is to certify that on this 8 day of August, 2011, a copy of the foregoing

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

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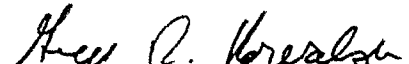
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\_\_\_\_\_  
Gerald R. Kowalski, Receiver  
Renisa A. Dorner  
Receiver and Counsel

**Gerald R. Kowalski,  
Court Appointed Receiver  
of Archbold Elevator, Inc.**

**Financial Statements**

**June 30, 2011**

**Exhibit A**

**Gerald R. Kowalski, Court Appointed Receiver of Archbold Elevator, Inc.**  
Archbold, Ohio

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SH&A

CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS DEVELOPMENT SPECIALISTS

SHULTZ HUBER  
AND ASSOCIATES, INC.

### Independent Accountant's Compilation Report

Gerald R. Kowalski,  
Court Appointed Receiver of Archbold Elevator, Inc.

We have compiled the accompanying statement of income of Gerald R. Kowalski, Court Appointed Receiver of Archbold Elevator, Inc. for the month ended June 30, 2011 and the accompanying supplementary information contained in the schedules on pages 3 and 4, which are presented for supplementary analysis purposes. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or provide any assurance about whether the financial statement and supplementary schedules are in accordance with accounting principles generally accepted in the United States of America.

The Receiver is responsible for the preparation and fair presentation of the financial statement and supplementary schedules in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statement and supplementary schedules.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements and supplementary schedules without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statement and supplementary schedules.

The Receiver has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included with the statement of income, they might influence the user's conclusions about the Company's results of operations. Accordingly, the statement of income is not designed for those who are not informed about such matters.

July 13, 2011  
Van Wert, Ohio

*Shultz Huber & Associates, Inc.*

SHULTZ HUBER & ASSOCIATES, INC.  
Certified Public Accountants

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**Gerald R. Kowalski, Court Appointed Receiver of Archbold Elevator, Inc.**  
Statement of Income

	<b>For the Month Ended June 30, 2011</b>
<b>Revenue</b>	\$ 5,220,166
<b>Cost of Goods Sold</b>	<u>4,798,752</u>
<b>Gross Profit</b>	<u>421,414</u>
<b>Operating Expenses</b>	
Overhead	203,201
Administrative	<u>9,635</u>
Total Operating Expenses	<u>212,836</u>
<b>Income From Operations</b>	<u>208,578</u>
<b>Other Income (Expense)</b>	
Interest Income	2,980
Miscellaneous Income	29
Discounts Earned	1,526
Sale of Fixed Assets	21,645
Discounts Allowed	(35,745)
Interest Expense	<u>(12,000)</u>
Total Other Income (Expense)	<u>(21,565)</u>
<b>Net Income Before Receivership Fees</b>	187,013
<b>Receivership Fees</b>	<u>103,600</u>
<b>Net Income</b>	<u><u>\$ 83,413</u></u>

## **Supplementary Information**

**Gerald R. Kowalski, Court Appointed Receiver of Archbold Elevator, Inc.**  
Schedule of Overhead Expenses

	<b>For the Month Ended June 30, 2011</b>
Labor Expense	\$ 79,668
Payroll Taxes	6,495
Gasoline	24,490
Truck Repairs	14,235
Mill Repairs & Maintenance	1,093
Rental Expenses	447
Pallet Expense	269
Gas & Electric	18,950
Company Insurance	13,111
Safety Meetings	1,230
Worker's Compensation	8,000
Real Estate Taxes	2,200
Fire and General Insurance	7,200
Depreciation	25,813
<b>Total Overhead Expenses</b>	<b>\$ 203,201</b>



**Gerald R. Kowalski, Court Appointed Receiver of Archbold Elevator, Inc.**  
Schedule of Administrative Expenses

	<b>For the Month Ended June 30, 2011</b>
Office Supplies	\$ 2,066
Postage Expenses	389
Clothing Allowance	928
Promotion and Advertising	63
Telephone Expense	2,708
Bank Service Charges	1,318
Cash Short & Over	(505)
SEP Plan Match	1,369
Bad Debts	1,500
Miscellaneous	(201)
<b>Total Administrative Expenses</b>	<b>\$ 9,635</b>

