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August 1, 2006

Re: Alanar, Inc.

Dear Alanar Investor:

I am writing to provide you with a brief update regarding the Alanar matter now pending in the United States District Court here in Indianapolis.

As explained in the letter that was mailed to all investors earlier this year, distributions to investors have been interrupted as a result of the serious allegations of commingling and misapplication of funds.

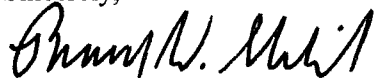
The investigation is still ongoing. However, as noted in the Receiver's Second Report of Receipts and Expenditures and Report of Acts and Transactions filed on June 23, 2006, the Receiver has had communications and discussions with prospective successor paying agents/trustees who could provide paying agent, trustee and/or other services in connection with the individual bond issues and bond funds. The purpose of these discussions is to develop a plan for presentation to the Court which is intended to resolve the most critical matters affecting investors and issuers in this case.

The ultimate objective of any such proposed plan, 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 the eventual restoration of principal and interest payments to investors as soon as possible to prevent any further hardship. As noted in the accountants' reports, however, some bond issues appear to be nonperforming and it is unclear if and when distributions will resume in connection with any such bond issues that are in default.

Unfortunately, these types of cases can be quite complicated and very time consuming. Indeed, this matter is one of the more complicated receivership cases that attorneys and regulators have encountered. Periodic updates, including the preliminary reports issued by the forensic accountants, are posted from time to time on my law firm's website at [www.silegal.com](http://www.silegal.com)

We expect to be in further contact with investors in the very near future as this case progresses.

Sincerely,



Bradley W. Skolnik  
Receiver