

For Immediate Release

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## **Church Extension Makes Significant Distribution**

Lawsuit Settlements Provide Substantial Funds

**Anderson, Indiana, August 29, 2006** - Today, Church Extension of the Church of God, Inc. ("CE") distributed approximately \$6,800,000 to over 3,000 unsecured creditors. This distribution was made possible by the settlement of two lawsuits, one against the former Board of Directors and certain officers of CE and the other against CE's former auditing firm. The directors and officers lawsuit was settled for a cash payment of \$5.1 million (\$4 million of which was contributed by the Integrity Advisors Group, a group of concerned business persons looking for ways to augment the expected recovery for CE's creditors) and, the auditing firm lawsuit was settled for a cash payment of \$1.85 million. There were also claims against CE that were fully released as part of both settlement agreements providing additional benefit for CE's creditors.

After extensive settlement negotiations and upon analyzing the facts and the applicable law, the burdens and expense of litigation, including the risks and uncertainties associated with protracted trials and appeals, the plaintiffs and their counsel concluded that the settlement agreements were fair, reasonable, and adequate. The defendants in both cases disputed all allegations of wrongdoing and entered into the settlement agreements to avoid the uncertainties inherent in all litigation and the expenses of defending the cases.

### Distributions Paid to Date

This week's distribution, when added to the previous 14 distributions made by CE, brings the total recovery to date to approximately 46% of original claim balances. This equates to over \$39 million that has been repaid to CE noteholders and creditors since Judge David Hamilton of the US District Court for the Southern District of Indiana (the "Court") approved the Plan for Noteholder Repayment (the "Plan") in February of 2003.

### Future Distributions

CE continues its orderly liquidation under the Plan and under the Conservatorship that was established by the Court in July of 2002. Barry Bentley, the Asset Restructure Officer of CE, states, "The Board of Directors and staff of CE remain committed to maximizing the recovery for the creditors. These settlements and the resulting distribution represent an important milestone in that effort but there is still more work to be done." While CE has liquidated a substantial amount of its assets since this process began, there are still significant assets yet to be liquidated. CE continues to market these assets. The principal assets remaining include real estate holdings, HUD financed apartment complexes, and notes and contracts receivable collateralized by real estate. As CE continues to turn these assets into cash, additional distributions will be made. The exact timing and amounts of future distributions cannot be determined at this time.

The current expectations are that the total recovery from the assets of CE and from litigation proceeds will fall somewhere between 53% and 68% of original claim balances (with 46% already paid out). This is an estimate based on what is known today and is not a guaranteed outcome. There are significant variables left that can greatly affect the amounts of the remaining distributions.

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*Church Extension of the Church of God, Inc. has been executing an orderly liquidation of all its assets for the benefit of its creditors since the United States District Court for the Southern District of Indiana approved the Plan for Noteholder Repayment in February, 2003.*