

IN THE UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF INDIANA  
INDIANAPOLIS DIVISION

UNITED STATES SECURITIES AND	)	
EXCHANGE COMMISSION,	)	
	)	
Plaintiff,	)	
	)	
v.	)	CAUSE NO. 1:05-cv-01102-DFH-TAB
	)	
ALANAR, INC., et al.,	)	
	)	
Defendants,	)	
	)	
and	)	
	)	
CHURCHMEN’S INVESTMENT	)	
CORPORATION, et al.,	)	
	)	
Relief Defendants.	)	

**RECEIVER’S MOTION TO MODIFY APPROVED ALTERNATIVE ALANAR  
RECEIVERSHIP PLAN AND AUTHORIZE PARTIAL DISTRIBUTIONS TO  
HOLDERS OF CERTAIN CATEGORY A BONDS**

Bradley W. Skolnik, Court-appointed Receiver (the “Receiver”), by counsel, respectfully moves the Court to modify the “Approved Alternative Alanar Receivership Plan” (the “Approved Plan”) as set forth herein and authorize the Receiver to make partial distributions to holders of certain “Category A” Bond Issues, and would show the Court:

1. On July 26, 2005, the United States Securities and Exchange Commission (the “Commission”) filed its Complaint in this action against numerous entities and Defendants, including Vaughn A. Reeves, Sr., Vaughn A. Reeves, Jr., Jonathan Christopher Reeves and Joshua Craig Reeves (collectively, the “Reeves”), alleging that the Reeves, through the companies they created and controlled, including Defendant, Alanar, Inc. (“Alanar”), raised at

least \$120,000,000 through Bond Issues and \$50,000,000 through the sale of Bond Fund units;<sup>1</sup> that the Reeves violated federal securities laws by misusing the proceeds of the Bond Issues and the Bond Fund unit sales, by misapplying repayments from the churches issuing such bonds (the “Issuers”), and by making false and misleading statements to the purchasers and potential purchasers of the bonds or Bond Fund units. (Findings of Fact and Conclusions of Law Regarding July 16, 2007 Evidentiary Hearing (Docket No. 320) (“Findings and Conclusions”), Procedural History, ¶1).

2. Also on July 26, 2005, the Court entered an “Order of Permanent Injunction and Other Relief” (Docket No. 8) (the “July 26, 2005 Order”) in which the Court appointed Mr. Skolnik as Independent Monitor with a mandate to protect the interest of bondholders and Bond Fund investors (the “Investors”). (July 26, 2005 Order, Section IX.A.). As Monitor, Mr. Skolnik was given final approval authority over the day to day operations of Alanar, Defendants, Guardian Services, LLC, First Financial Services of Sullivan County, Inc. and The Liberty Group, Inc. (collectively, the “Paying Agents”), the Bond Funds named as Defendants in this action, the non-defendant Bond Funds, and certain entities named as Relief Defendants in the Commission’s Complaint (collectively, the “Relief Defendants”). (Findings and Conclusions, Procedural History, ¶2).

3. On December 20, 2005, the Court entered its “Order Granting Plaintiff Securities and Exchange Commission’s Motion to Convert Monitorship to Receivership” (Docket No. 73) (the “Receivership Order”), appointing Mr. Skolnik receiver for Alanar, the Defendant Bond

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<sup>1</sup> As used in this Motion, the term “Bond Issues” means the hundreds of bond offerings conducted by Alanar on behalf of churches and other entities throughout the United States, as discussed herein. The term “Bond Funds” means the forty-two (42) limited liability companies (some of which are named as Defendants in this action), the offering of units in which was conducted by Alanar.

Funds, the non-defendant Bond Funds, the Paying Agents, and the Relief Defendants (collectively, the “Receivership Defendants”). (Findings and Conclusions, Procedural History, ¶3).

4. On April 13, 2007, the Receiver filed his “Motion and Memorandum Concerning Proposed Plan to Pool Assets and Adopt Claims Procedure” (Docket No. 230) (the “Pooling Motion”) in which the Receiver alleged that the Reeves, utilizing the corporate instrumentalities of the Receivership Defendants, conducted a Ponzi Scheme and violated various securities laws. (Pooling Motion, ¶¶12-29).

5. On July 16, 2007, the Court held an evidentiary hearing in this action and heard arguments and evidence on the Pooling Motion and other plans for distribution of the assets of the Receivership Estate to Investors, including the Receiver’s “Unopposed Motion for Court to Consider Receiver’s Alternative Plan for Disposition of Assets of Receivership Estate” (Docket No. 295) (the “Alternative Plan”). (Findings and Conclusions, Procedural History, ¶17).

6. On August 28, 2007, the Court entered the Findings and Conclusions, and concluded that the Reeves’ conduct had all the essential elements of a Ponzi Scheme. (Findings and Conclusions, Conclusions of Law, ¶¶1-7).

7. Also on August 28, 2007, the Court approved the Alternative Plan with certain modifications (Findings and Conclusions, Conclusions of Law, ¶17.j.), and entered the Approved Plan (Docket No. 321) on the docket.

8. The Approved Plan creates three (3) different categories of Bond Issues: Category A, Category B, and “Other.” (Approved Plan, Section II.A.1.).

9. The Approved Plan provides that Category A Bond Issues will consist of those bond issues that have filed an “Election Agreement” with the Receiver as of the “Determination Date” reflecting the issuer’s

acceptance of all the conditions in this Plan, including the terms and conditions for transfer of collateral to Successor Trustee and Successor Transfer/Paying Agent and are (a) “Current” as of the “Determination Date,” or (b) have paid their obligations in full (either through refinancing or otherwise) as of the “Determination Date,” or (c) are in the process of refinancing their bond obligations with a recognized third party lender and have a valid commitment letter from the lender as of the “Determination Date.”

(Approved Plan, Section II.A.2.).

10. Under the terms of the Approved Plan, the Receiver shall transfer all collateral of Category A Bond Issues, less Receivership administrative and professional fees incurred by the Receiver through the “Determination Date,”<sup>2</sup> out of the Receivership Estate and to the Successor Trustee and Successor Bond Transfer/Paying Agent, who will resume making normally scheduled payments to bondholders. (Approved Plan, Section IV.1.-5.).

11. The Approved Plan also states that Category A bondholders “will be assessed all Receivership administrative and professional fees incurred as of the ‘Determination Date’ pro rata[,]” as well as the acceptance fees of the Successor Trustee and Successor Bond Transfer/Paying Agent. (Approved Plan, Section V.B.1.-2.).

12. According to the Approved Plan, “[t]he final determination of whether a bond issue qualifies as Category A, Category B, or ‘Other’ shall rest with the Receiver subject only to the approval of the court.” (Approved Plan, Section II.A.5.).

13. There are currently forty-three (43) Bond Issuers who elected Category A status and the Receiver initially determined qualified as “Category A Bond Issuers.”<sup>3</sup> However, there

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<sup>2</sup> The Approved Plan provides that the “Determination Date” was “the first business day seven and one-half months after the court approves [the Approved Plan]” (Approved Plan, Section I.), or April 14, 2008.

<sup>3</sup> The Approved Plan defines “Category A Bond Issuers” as “those church bond issuers that have elected Category A status, have met all conditions as stated in this Plan for being treated as a Category A Bond Issuer and have been approved by the Receiver for transfer to Successor

are still issues to be resolved as to whether some of those Bond Issuers will remain qualified for Category A status.

14. Currently, thirty (30) of the “Category A Bond Issuers” whose status is not in question have submitted funds to fully pay off their Bond Issues, and several others are attempting to obtain pay off funds. For these Bond Issues, transferring the collateral to the Successor Trustee and Successor Bond Transfer/Paying Agent and resuming scheduled payments is unnecessary and would only result in unneeded expenses. The Receiver proposes that bondholders in these Bond Issues will surrender their bonds to be cancelled by the Receiver and will receive pay off distributions from the funds submitted.

15. The Approved Plan does not provide for “Category A Bond Issuers” making full pay offs of their Bond Issues, and the Approved Plan states that “its terms may only be changed by prior court Order.” (Approved Plan, Section XII.).

16. Because the final number of “Category A Bond Issuers” remains uncertain, an issue remains as to the assessment of Receivership administrative and professional fees to Category A bondholders. Although the Receiver has calculated the Receivership administrative and professional fees incurred as of the “Determination Date,” the proper allocation of those fees cannot be made until a final determination of the total number of “Category A Bond Issuers” is made.

17. The Receiver can make partial distributions to Category A bondholders whose Issuers have submitted pay off funds by setting aside funds for the assessment of Receivership administrative and professional fees once the total number of “Category A Bond Issuers” is finally determined.

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Trustee and Successor Transfer/Paying Agent as provided in this Plan.” (Approved Plan, Section I.).

18. According to the Approved Plan, “[b]ondholders in Category A will be assessed all Receivership administrative and professional fees incurred as of the ‘Determination Date’ pro rata based on each bondholder’s ‘ANIC,’ which will be calculated by the Receiver, subject to approval of the Court.” (Approved Plan, Section V.B.1.).<sup>4</sup>

19. The forensic accountants retained by the Receiver have advised the Receiver that allocating Receivership administrative and professional fees by Category A bondholders’ ANIC’s will be ineffective, difficult to administer, and will result in inconsistencies because bondholders have invested in different types of bonds with different repayment terms (e.g., compound vs. simple interest bonds).

20. The Receiver’s forensic accountants recommend allocating Receivership administrative and professional fees pro rata based on the total outstanding bond principal plus accrued interest owed, which will provide a consistent allocation for all Category A Bondholders.

21. The Approved Plan states that “its terms may only be changed by prior court Order.” (Approved Plan, Section XII.).

22. Accordingly, the Receiver respectfully requests that the Court amend the Approved Plan to allocate Receivership administrative and professional fees among bondholders of Category A Bond Issues based on the total outstanding principal plus accrued interest owed and permit the Receiver to make partial pay off distributions to Category A bondholders where full pay off amounts have been submitted, and hold in reserve amounts sufficient to pay all

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<sup>4</sup> Under the Approved Plan, a bondholder’s “ANIC” represents their “Investor’s Adjusted Net Investor Claim” (Approved Plan, Section I.), which is calculated by subtracting bondholder payments on account of Bond Issue or Bond Fund investments from amounts invested by bondholders in Bond Issues or Bond Funds.

Receivership administrative and professional fees incurred as of the “Determination Date” until the number of “Category A Bond Issuers” is finally determined by the Receiver.

WHEREFORE, Bradley W. Skolnik, Court-appointed Receiver, by counsel, respectfully request that the Court modify the “Approved Alternative Alanar Receivership Plan” to permit the Receiver to make partial distributions to bondholders of Category A Bond Issues where full pay off amounts have been submitted and hold in reserve amounts sufficient to pay all Receivership administrative and professional fees as discussed herein, and to allocate Receivership administrative and professional fees pro rata among Category A bondholders based on the total outstanding bond principal plus accrued interest owed, along with such other relief as the Court deems just and proper.

Respectfully submitted,

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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 14<sup>th</sup> day of November, 2008, addressed to:

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