

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.)	

ORDER ADOPTING INVESTOR CLAIMS PROCEDURE

Bradley W. Skolnik, Court-appointed receiver (the "Receiver"), by counsel, having filed his "Motion to Adopt Investor Claims Procedure" (the "Claims Procedure Motion"), requesting that this Court enter an order approving the proposed Investor Claims Procedure submitted by the Receiver, and the Court having considered the Claims Procedure Motion, finds and orders as follows:

I.

BACKGROUND

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 million through the sale of Bond Fund units;¹ 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 (“**Guardian**”), First Financial Services of Sullivan County, Inc. (“**First Financial**”) and The Liberty Group, Inc. (“**Liberty**”) (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

¹ 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). The Receiver’s powers and duties include the power to:

Oversee all aspects of the operations of the Receivership Defendants with full powers of an equity receiver, including, but not limited to, full power over all funds, assets, collateral, premises (whether owned, leased, occupied, or otherwise controlled), choses in action, books, records, papers and other property belonging to or in the possession of or control of the Receiver Defendants, and any of their subsidiaries or affiliates.

(*Receivership Order, Section III.1.a.*).

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 Alternative Alanar Receivership Plan*” (Docket No. 321) (the “**Approved Plan**”) on

the docket. Neither the Approved Plan nor the Findings and Conclusions, however, provide a mechanism for the presentation and approval of Investor claims in connection with the ultimate distributions that will occur under the Approved Plan.

8. On February 22, 2008, the Receiver filed the Claims Procedure Motion, requesting Court approval of a proposed procedure for the review and determination of Investor Claims (the “**Investor Claims Procedure**”). A copy of the proposed Investor Claims Procedure is attached as **Exhibit C** to the Claims Procedure Motion.

9. Also on February 22, 2008, the Receiver filed a “*Motion for Hearing on the Proposed Investor Claims Procedure*” (the “**Hearing Motion**”), requesting that the Claims Procedure Motion be set for hearing and that procedures be established to provide interested parties with notice of the hearing and an opportunity to object or comment on the Claims Procedure Motion. The hearing was held on May 1, 2008.

10. Notice of the hearing (the “**Hearing Notice**”) was mailed to all Investors and Issuers known to the Receiver at the addresses indicated in the Receiver’s records, and the Court has reviewed all objections and comments timely and properly sent in response to the notice.

11. On May 2, 2008, the Receiver tendered a revised Investor Claims Procedure to the Court which included the changes proposed and approved by the Receiver and the Court at the May 1, 2008 hearing. Those changes may be summarized as follows: (1) The Receiver shall mail or caused to be mailed the Claims Packet to all Investors no later than July 1, 2008; (2) August 15, 2008 is established as the Claims Bar Date; (3) Requests for Adjudication may be referred to a Magistrate Judge or Special Master appointed by the Court; and (4) final determinations of a Magistrate Judge or Special Master following a Request for Adjudication or

referral of an Investor Claim by the Receiver may be appealed to the Court through procedures to be established by the Court as needed.

12. The Court, having examined the Claims Procedure Motion, the Findings and Conclusions, the Approved Plan, and the evidence presented at the May 1, 2008 hearing on the Claims Procedure Motion, having reviewed the comments and objections sent pursuant to the Hearing Notice, having heard the arguments of counsel at the May 1, 2008 hearing, and having reviewed the revised Investor Claims Procedure tendered by the Receiver, now enters its Findings of Fact and Conclusions of Law.

II.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. As indicated in the Findings and Conclusions entered by this Court, the Reeves' conduct had all the essential elements of a Ponzi Scheme. (*Findings and Conclusions, Conclusions of Law*, ¶¶1-7).

2. There are currently approximately 11,500 Investors of record who purchased bonds directly in church Bond Issues and/or purchased interest(s) in the Bond Funds. (*Declaration of Erika M. Gaffin*, ¶10). A list of these known Investors who participated in Bond Issues and/or who purchased Bond Fund units is attached as **Exhibit A** to the Claims Procedure Motion.

3. Based on the Declaration of Erika M. Gaffin, attached as **Exhibit B** to the Claims Procedure Motion, the Court finds that Alanar's accounting records reflecting Investor investments in Bond Issues and Bond Funds and interest and principal payments were reasonable, accurate and reliable, and can be relied upon to accurately determine the claim of each Investor. (*Gaffin Declaration*, ¶¶4-9).

4. Under the terms of the Approved Plan, the Receiver shall provide each investor with a statement of his or her Adjusted Net Investor Claim ("ANIC"), defined as the amount of investment in a Bond Fund or Bond Issue by an Investor less all payments received by such Investor, whether as interest or principal. (*Approved Plan, Sections I.; V.B.1.; VI.A.1.; VI.B.1.; IX.B.2.; IX.B.4.; X.3.*).

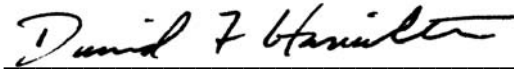
5. The Court finds that it is in the best interests of the Investors, and is fair, reasonable and equitable, for the Court to adopt the revised Investor Claims Procedure tendered to the Court on May 2, 2008. Additionally, the Court further finds and orders that:

- A. The proposed Statement of Claim Form attached as **Exhibit 1** to the Investor Claims Procedure is hereby approved and adopted by the Court as fair, just and equitable;
- B. The proposed letter to Investors summarizing the terms of the Investor Claims Procedure, attached as **Exhibit 2** to the Investor Claims Procedure, is hereby approved and adopted by the Court as fair, just and equitable;
- C. The Receiver is hereby directed to properly comply with the notice provisions of the Investor Claims Procedure as of the dates of this Order;
- D. The Court hereby establishes a Claims Bar Date, as defined in the Investor Claims Procedure, for Investors who disagree with the calculation of their ANICs to file their Statement of Claim Forms with the Receiver on or before August 15, 2008. The Court determines that such a Claims Bar Date to be fair, just and equitable.

6. The Investor Claims Procedure provides for notice to Investors by mailing and website posting of the Investor Claims Procedure; a right to file an objection to the Investor Claims Procedure with the Court; review of the Investor Claims Procedure by the Court; the

right to request a redetermination of the ANIC from the Receiver; and the right to request adjudication by Court of any such request. In addition, the Receiver has expended significant effort to identify Investors and notify them of their potential claims and the steps to be taken to protect and assert such claims. These provisions and actions afford proper due process to Investors.

Dated: May 5, 2008



DAVID F. HAMILTON, CHIEF JUDGE
United States District Court
Southern District of Indiana

Distribution to:

John Joseph Sikora, Jr.
UNITED STATES SECURITIES & EXCHANGE COMMISSION
sikoraj@sec.gov

Jason A. Howard
UNITED STATES SECURITIES & EXCHANGE COMMISSION
howardja@sec.gov

Bradley W. Skolnik
STEWART & IRWIN, P.C.
bskolnik@stewart-irwin.com

Michael J. Rusnak
David I. Rubin
HARRISON & MOBERLY, LLP
mrusnak@h-mlaw.com
drubin@h-mlaw.com

H. James Maxwell
hjmesq@kc.rr.com

Joshua D. Hague
Mark J.R. Merkle
KRIEG DEVAULT
jdh@kdlegal.com
mmerkle@kdlegal.com

Gordon J. Toering
WARNER NORCROSS & JUDD, LLP
gtoering@wnj.com

Nicholas A. Miller
INDIANA STATE ATTORNEY GENERAL
nmiller@atg.state.in.us

Charles L. House
ATTORNEY AT LAW
P.O. Box 26565
1100 Main
Kansas City, MO 64196

Vaughn A. Reeves, Sr.
5243 Terrace Ridge Drive
Milford, OH 45150-5819

Vaughn A. Reeves, Jr.
900 Hillside Drive
Sullivan, IN 47882

Jonathan Christopher Reeves
207 E. Washington Street
Sullivan, IN 47882

Joshua Craig Reeves
5243 Terrace Ridge Drive
Milford, OH 45150-5019