

**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 AUTHORIZE THIRD PARTIAL DISTRIBUTIONS TO
HOLDERS OF "CATEGORY B" AND "OTHER" BONDS, INVESTORS IN BOND
FUNDS AND APPROVED TRADE CREDITORS**

Bradley W. Skolnik, Court-appointed Receiver (the "Receiver"), by counsel, respectfully moves the Court to authorize the Receiver to make partial distributions to holders of "Category B" and "Other" Bond Issues, Investors in Bond Funds, and those Trade Creditors whose "Trade Creditor Claims" were approved by the Receiver, 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;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, 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

¹ 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 August 28, 2007, the Court entered the “Approved Alternative Alanar Receivership Plan” (the “Approved Plan”) (Docket No. 321) for distribution of the assets of the Receivership Estate on the Court’s docket.

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

6. 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.).

7. Category B Bond Issues are defined as “those bond issues that are not treated as a Category A Bond issue or Other and are also recognized by the Receiver to be included in the Category B designation.” (Approved Plan, Section II.A.3).

8. The Approved Plan also provides that “[b]ond issues not treated as Category A or Category B will be treated as ‘Other’ and will remain under Receiver’s control pursuant to further order of the court.” (Approved Plan, Section II.A.4).

9. Pursuant to the Approved Plan, “the Receiver will file a motion with the court designating a Bond Issue as Category B, not later than sixty (60) days after the ‘Determination

Date.” (Approved Plan, Section II.A.3). On June 13, 2008, the Receiver filed his “Motion for Designation of Category B Bond Issues Pursuant to Approved Alternative Alanar Receivership Plan” (Docket No. 399), which was granted by the Court on June 27, 2008 (Docket No. 410).²

10. Under the terms of the Approved Plan, “Category B bonds and ‘Other’ bonds will be pooled under this Plan and distributions will be paid to bondholders in Category B and ‘Other’ no less than annually.” (Approved Plan, Section X.2.). The Approved Plan also states that “[a]ll amounts owed to members of bond funds for bond fund investments in Category A, Category B, or ‘Other’ bond issues will be subject to pooling, based on each member’s ‘ANIC,’ as determined by the Receiver and approved by order of the Court.” (Approved Plan, Section IX.2.).³

11. The Approved Plan also required the Receiver to establish a process for “specified third party creditors to file claims against pooled funds.” (Approved Plan, Section XI.1.). This language contemplates pro rata distributions to creditors like the distributions to holders of Category B and “Other” Bond Issues and Investors in Bond Funds.

12. The Trade Creditor Claims Procedure adopted by the Court on June 12, 2009 (Docket No. 724) defines “Trade Creditors” as “(a) those natural persons and entities that have provided goods or services to or otherwise have non-investment claims against the Alanar

² An additional Bond Issue was re-designated from Category A to Category B by Order of the Court dated July 31, 2009. (Docket No. 754).

³ The Approved Plan also contemplates pooling and pro rata distributions to “members of bond funds for bond fund investments in Category A, Category B, or ‘Other’ bond issues” (Approved Plan, Section IX.2.-3.).

Business Entities; (b) those Governmental Authorities with non-investment claims against the Alanar Business Entities; and (c) [Issuers].” (Trade Creditor Claims Procedure, Section I.(xvi)).⁴

13. The Receiver requests that the Court authorize him to use \$10,000,000 of pooled funds from the Receivership Estate to make partial distributions to those Investors holding Category B and “Other” Bonds through investment in either Bond Issues or Bond Funds, and to those Trade Creditors whose “Trade Creditor Claims”⁵ were approved by the Receiver.

14. The Approved Plan provides that distributions will be made pro rata based on the Adjusted Net Investor Claim (“ANIC”) for each Investor. (Approved Plan, Section X.3.). The Investor Claims Procedure approved by the Court on May 5, 2008 (Docket No. 392) defines “ANIC” as:

an Investor’s Adjusted Net Investor Claim which shall be calculated by subtracting all payments made to an “**Investor**” (as defined herein) on account of investment in Bond Issues or Bond Funds from all Investor payments to an Alanar Business Entity in connection with or on account of Bond Issues or Bond Funds as defined in Section I.(i) herein. Investors who have zero or negative ANICs will not be entitled to participate in a Receivership Estate distribution. In calculating ANICs for Investors with multiple investments, the Receiver shall net positive and negative ANICs to arrive at one combined ANIC for each Investor.

(Investor Claims Procedure, Section I(ii)).

15. Pursuant to the Investor Claims Procedure approved by the Court on May 5, 2008 (Docket No. 392), the Receiver has calculated ANIC’s for each Investor and has notified Investors of the calculation.

16. Similarly, the Trade Creditor Claims Procedure provides that the Receiver will calculate an Adjusted Trade Creditor Claim (“ATCC”) for each Trade Creditor Claim

⁴ The Approved Plan also provides that “Category A Bond Issuers may file a claim with the Receiver as a general creditor for any lost receivables paid by that issuer under this Plan.” (Approved Plan, Section V.A.3.).

⁵ As defined by Section I.(xviii) of the Trade Creditor Claims Procedure.

determined to be valid by the Receiver. (Trade Creditor Claims Procedure, Section II.(vii)). The Trade Creditor Claims Procedure defines “ATCC” as:

a Trade Creditor’s Adjusted Trade Creditor Claim which shall be calculated for non-“**Issuers**” (as defined herein) by subtracting all payments made to a “**Trade Creditor**” (as defined herein) on account of goods or services provided to an Alanar Business Entity from the dollar amount of goods or services provided to an Alanar Business Entity **before the date of the Court’s Order appointing the Receiver (December 20, 2005)**. An Issuer’s Adjusted Trade Creditor Claim shall be calculated by subtracting all payables from all receivables for each of the Issuer’s Bond Issues. Trade Creditors who have zero or negative ATCCs will not be entitled to participate in a Receivership Estate distribution. In calculating ATCCs for any Trade Creditors with multiple claims, the Receiver shall net positive and negative ATCCs to arrive at one combined ATCCs for each Trade Creditor.

(Trade Creditor Claims Procedure, Section I.(ii)).

17. Forty-five (45) Proof of Claim Forms were filed with the Receiver by various individuals and entities claiming Trade Creditor status. Pursuant to the Trade Creditor Claims Procedure, the Receiver has calculated ATCC’s for each Trade Creditor whose Trade Creditor Claim was approved by the Receiver and has notified those Trade Creditors of the calculation.

18. The Investor Claims Procedure authorizes Investors who disagree with the calculation of their ANIC to request a redetermination from the Receiver. (Investor Claims Procedure, Section II.(v)-(vi)). If an Investor is dissatisfied with the Receiver’s “Final Determination”⁶ of their “Request for Redetermination,”⁷ the Investor may seek a final adjudication of their Request from the Court. (Investor Claims Procedure, Section II.(vii)-(viii)).

19. A number of Investors filed “Requests for Adjudication”⁸ with the Court following the Receiver’s Final Determination of their Requests for Redetermination. On June 30,

⁶ As defined by Section I.(viii) of the Investor Claims Procedure.

⁷ As defined by Section I.(xvi) of the Investor Claims Procedure.

⁸ As defined by Section I.(xv) of the Investor Claims Procedure.

2009, the Court entered its “Order Appointing Special Master to Recommend Resolution of Investors Requests for Adjudication” (Docket No. 737) (the “Special Master Investor Order”), appointing Charles E. Bruess as Special Master (the “Special Master”), and authorizing the Special Master to conduct appropriate evidentiary hearings on Requests for Adjudication and to submit reports and recommendations regarding Requests for Adjudication to the Court. (Special Master Investor Order, p. 2).

20. On November 13, 2009, the Special Master issued Reports and Recommendations for the Requests for Adjudication which had previously been filed with the Court. (Docket Nos. 849-986). The Special Master Order provides that any objection to a Report and Recommendation must be filed and served no later than twenty-one (21) calendar days after the Report and Recommendation is docketed. (Special Master Investor Order, p. 3). Several Investors filed objections to the Special Master’s Reports and Recommendations with respect to their ANIC calculations, and those objections were overruled by the Court’s Entry on Objections to Special Master’s Reports dated January 12, 2010 (Docket No. 1024).

21. Similar to the Investor Claims Procedure, the Trade Creditor Claims Procedure authorizes Trade Creditors who disagree with the calculation of their ATCC to request a redetermination from the Receiver. (Trade Creditor Claims Procedure, Section II.(viii)-(ix)). If an Trade Creditor is dissatisfied with the Receiver’s “Final Determination”⁹ of their “Request for Redetermination,”¹⁰ the Trade Creditor may seek a final adjudication of their Request from the Court. (Trade Creditor Claims Procedure, Section II.(x)-(xi)).

⁹ As defined by Section I.(ix) of the Trade Creditor Claims Procedure.

¹⁰ As defined by Section I.(xiv) of the Trade Creditor Claims Procedure.

22. One Trade Creditor filed a “Request for Adjudication”¹¹ with the Court following the Receiver’s Final Determination of his Request for Redetermination. On October 19, 2010, the Court entered its “Order Appointing Special Master to Recommend Resolution of Trade Creditors’ Request for Adjudication” (Docket No. 1073) (the “Special Master Trade Creditor Order”), appointing and authorizing the Special Master to conduct appropriate evidentiary hearings on the Request for Adjudication and to submit one or more reports and recommendations regarding the Request for Adjudication to the Court. (Special Master Trade Creditor Order, pp. 1-2). That Request for Adjudication remains pending before the Special Master.

23. On December 9, 2009, the Receiver filed his “Motion to Authorize Second Partial Distributions to Holders of ‘Category B’ and ‘Other’ Bonds, Investors in Bond Funds and Approved Trade Creditors” (Docket No. 1012) (the “Second Distribution Motion”), requesting Court authorization to make an second \$10,000,000 partial distribution from pooled funds to those Investors and Trade Creditors. On December 17, 2009, the Court entered an Order granting the Second Distribution Motion (Docket No. 1017) (the “Second Distribution Order”). In part, the Second Distribution Order provides that

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that distributions will not be made where the amount distributed will be less than \$10, but the Receiver shall hold such amounts until a subsequent distribution where the aggregate amount to be distributed is \$10 or more.

(Second Distribution Order, p. 2).

24. Due to the due to the time, expenses and administrative costs of preparing and mailing distribution checks, the Receiver again requests that partial distributions not be made to any Investors whose ANIC or any Trade Creditor whose ATCC will result in a distribution under

¹¹ As defined by Section I.(xiii) of the Trade Creditor Claims Procedure.

\$10. The amount to be distributed to these Investors and Trade Creditors will be carried forward and held until a subsequent distribution where the aggregate amount to be distributed is \$10 or more.

WHEREFORE, Bradley W. Skolnik, Court-appointed Receiver, by counsel, respectfully requests the Court's authorization to: (1) Use \$10,000,000 of pooled funds from the Receivership Estate to make partial distributions to holders of Category B and "Other" Bond Issues, Investors in Bond Funds, and those Trade Creditors whose Trade Creditor Claims were approved by the Receiver; (2) that distributions not be made where the amount distributed will be less than \$10 and the Receiver shall hold such amounts until a subsequent distribution where the aggregate amount to be distributed is \$10 or more; and (3) such other relief as the Court deems just and proper.

Respectfully submitted,

HARRISON & MOBERLY, LLP

By /s/ Michael J. Rusnak
Michael J. Rusnak
Attorney No. 10682-49

By /s/ David I. Rubin
David I. Rubin
Attorney No. 22525-53
Attorneys for Court-appointed
Receiver

HARRISON & MOBERLY, LLP
10 West Market Street
Suite 700
Indianapolis, IN 46204
(317) 639-4511
(317) 639-9565 (Fax)
mrusnak@h-mlaw.com
drubin@h-mlaw.com

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 21st day of December, 2010, addressed to:

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

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

H. James Maxwell
hjmesq@kc.rr.com

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

Brett J. Miller
Anne L. Cowgur
BINGHAM McHALE LLP
bmiller@binghammchale.com
acowgur@binghammchale.com

James H. Voyles
VOYLES ZAHN PAUL HOGAN & MERRIMAN
jvoyles@vzphmlaw.com

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

Vaughn A. Reeves, Sr.
11315 Expedition Way
Louisville, KY 40291

Vaughn A. Reeves, Jr.
5235 Terrace Ridge Drive
Milford, OH 45150

Jonathan Christopher Reeves
11315 Expedition Way
Louisville, KY 40291

Joshua Craig Reeves
832 6th Street
Bettendorf, IA 52722

/s/ Michael J. Rusnak
Michael J. Rusnak

HARRISON & MOBERLY, LLP
10 W. Market Street
Suite 700
Indianapolis, IN 46204
(317) 639-4511
(317) 639-9565 (Fax)
mrusnak@h-mlaw.com