

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

UNITED STATES SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

ALANAR, INC., et al.,

Defendants,

and

CHURCHMEN'S INVESTMENT CORPORATION, et al.,

Relief Defendants.

Judge: John Daniel Tinder

CIVIL ACTION NO.:

1:05-CV-1102-JDT-TAB

Magistrate Judge: Tim A. Baker

**THIRD MOTION FOR INTERIM COMPENSATION
OF BRADLEY W. SKOLNIK AS RECEIVER**

Bradley W. Skolnik, the appointed and acting Receiver herein, files the Third Motion for Interim Compensation of Bradley W. Skolnik as Receiver. In support thereof, the Receiver shows the Court as follows:

1. On July 26, 2005, the Court entered an Order of Permanent Injunction and Other Relief in which it appointed Bradley W. Skolnik as the Independent Monitor in this proceeding.
2. On December 20, 2005, this Court entered its Order Granting Plaintiff Securities and Exchange Commission's Motion to Convert Monitorship to Receivership. Pursuant to this Order, as amended, Bradley W. Skolnik was appointed as the Receiver in this action and has been authorized to employ lawyers and other professionals to assist him in this action
3. On April 26, 2006, the Receiver filed a Motion for Approval of Unpaid Monitor's Fees and First Motion for Interim Compensation of Bradley W. Skolnik as Receiver, which motion requested approval of compensation for services, including fees and costs, of the receiver from December 21, 2005 through and including March 15, 2006. By order dated May 31, 2006, this

Court granted the Motion for Approval of Unpaid Monitor's Fees and First Motion for Interim Compensation of Bradley W. Skolnik as Receiver. On November 2, 2006, the Receiver filed the Second Motion for Interim Compensation of Bradley W. Skolnik as Receiver, which motion was granted by this Court on January 5, 2007.

4. The Receiver has continued to perform the duties of his office and accordingly requests this Court to authorize payment of Interim Compensation for his services during the eight and a half month period from September 1, 2006 through May 15, 2007.

5. This motion seeks an approval of compensation for services, including fees and costs, of the receiver from September 1, 2006 through and including May 15, 2007, and the Receiver believes that all such work performed and expenses incurred were proper and necessary in order to administer the Receivership estate.

6. The Receiver was granted the authority to take possession of the assets of the Receiver Defendants, all of which are specifically identified in this Court's December 20, 2005 Order, as amended.

7. The services to be rendered by the Receiver, his counsel and the forensic accountants retained by him are extensive as Alanar and the related entities that comprise the Receiver Defendant can best be described as a financial services conglomerate that consists of:

- Fifty-two (52) separate entities (forty-two (42) of which are bond funds),
- Four hundred thirty-eight (438) separate bond/brokerage accounts,
- Over three hundred (300) open bond issues with an aggregate outstanding balance due from issuers of almost \$165,000,000, and
- Upwards of eleven thousand (11,000) individual investors.

14. Over the eight and a half month period from September 1, 2006 through May 15, 2007, the Receiver has performed various services, many of which are described in detail in the statement of services rendered attached hereto and incorporated by reference herein as Exhibit A.¹ The services performed by the Receiver for and on behalf of the Receivership include, but are not limited to, the following:

- a. The Receiver has participated in numerous telephone calls and conferences with investors and their counsel. Because of the large volume of investor inquiries, the Receiver has utilized the services of one of his law firm's paralegals, Kim Spears, to help respond to calls and inquiries from investors.
- b. The Receiver has participated in numerous telephone calls and conferences with issuers and their counsel.
- c. The Receiver has established and maintained a webpage on his law firm's website to provide updates and information regarding the status of the case.
- d. In preparation for the development of a proposed plan for the resolution of at least some of the most critical matters affecting investors and issuers in this case, the Receiver and his advisors had in-depth meetings, communications and discussions with prospective successor trustees and others who might be interested in servicing the individual bond issues and bond funds on an ongoing basis. Because of the complexity of this matter and the sheer magnitude of the challenges presented, this process has proved to be very time consuming. A number of these parties, including several prospective successor trustees submitted proposals and shared their recommendations

¹ To ease the Court's analysis of requests for interim compensation of the Receiver and his counsel and accountants, the Receiver anticipates that future petitions for approval of fees will be filed quarterly.

with the Receiver and his advisors. The Receiver, his accountants and counsel devoted a considerable amount of time examining and reviewing all such proposals.

e. The Receiver and his advisors devoted a substantial amount of time to the preparation of the proposed plan for distribution of the assets of the Receivership Estate and claims process that are the subject of the Motion and Memorandum Concerning Proposed Plan to Pool Assets and Adopt Claims Procedure that was filed on April 12, 2007.

f. The Receiver has continued to work closely with the staff in Sullivan, Indiana in connection with the administration and operation of the Receiver Defendants. In particular, the Receiver has devoted an extensive amount of time to the oversight and administration of the day to day operations of the paying agents -- Guardian Services, LLC, First Financial Services of Sullivan County, and The Liberty Group, Inc., -- that serve as bond servicing agents and in some cases, as trustees, for over 300 open bond issues, as well as paying agent for the Bond Funds. Inasmuch as these paying agents are still operating in some respects, the Receiver continues to devote a significant amount of time to such activities.

g. The Receiver Defendant, Guardian Services, LLC ("Guardian"), provides custodial services for approximately eight hundred forty IRA accounts and the Receiver Defendant, Alanar, Inc. serves as a plan sponsor for approximately fifty 401(k) accounts maintained by the employees of Alanar, Inc. and several other Receiver Defendants. The Receiver has, from time to time, devoted time to matters involving IRA accounts for which Guardian provides custodial services or 401(k) accounts for which Alanar, Inc. serves as plan administrator.

h. The Receiver has devoted a significant amount of time to potential sales of real estate for the benefit of bondholders, as more fully described in the Receiver's Reports of Receipts and Expenditures and Reports of Acts and Transactions.

i. The Receiver continues to work closely with and has attended several in-depth meetings and conferences with BGBC Partners, LLP, the accountants who are serving as the forensic accountants and prepared the inventory of assets and liabilities, preliminary reports to the Court regarding the activities of the Receiver Defendants and the reports of receipts and expenditures.

j. The Receiver, working in conjunction with BGBC Partners, LLP, and the staff in Sullivan, Indiana, has devoted time to tax related matters involving the Receiver Defendants and Non-Defendant bond funds.

k. Pursuant to an order entered by this Court on July 14, 2006, the assets of the Reeves Family Limited Partnership ("RFLP") became part of the Receivership estate. As a result, the Receiver has been required to devote time to a variety of matters involving the RFLP, including the sale of real estate. On November 30, 2006, this Court entered its order authorizing the Receiver to sell a condominium in Florida that was held in the name of the RFLP.

l. The Receiver has been required to devote a significant amount of time to pending or threatened litigation and other legal matters, including bankruptcy proceedings, involving the Receiver or Receiver Defendants and has participated in conferences with counsel for the Receiver regarding various pending legal matters and issues.

m. The Receiver and his counsel and accountants continue to devote a substantial amount of time to preparation for, and matters that are the subject of, the hearing scheduled in this matter for July 16, 2007.

n. The Receiver and his counsel have spent a considerable amount of time responding to communications from and working with issuers that are interested in refinancing, paying off or working out their indebtedness on the bonds. Because of the Receiver Defendants' wide-spread instances of misapplication and/or inappropriate co-mingling of funds in bond proceed and repayment accounts, the misuse and misapplication of monies in the bond funds, the failure to comply with accepted accounting standards and confusion occasioned by the myriad number of transactions that must be scrutinized, this has proven to be a challenging task for the Receiver, the accountants and the staff of Guardian Services, LLC who are assisting the Receiver and the accountants. Several bond issues, which are described in detail in the Receiver's Reports of Receipts and Expenditures and Reports of Acts and Transactions, have been refinanced.

o. The Receiver and his advisors participated in the preparation of the quarterly Receiver's Reports of Receipts and Expenditures and Reports of Acts and Transactions that were filed in this action in September and December 2006 and March 2007.

15. Exhibit A provides a detail of the time expended by the Receiver from September 1, 2006 through May 15, 2007.

16. The Receiver requests compensation for his services totaling 419.40 hours at an hourly rate of \$225 per hour, or the sum of \$94,365.00, and for the services of his paralegal Kim Spears

totaling 5.30 hours at an hourly rate of \$95 per hour or the sum of \$503.50, and expenses and clerical costs in the amount of \$521.38, for a total amount due of \$95,389.88.

17. The Receiver proposes that the payment of the requested fees be made from the “E-Trade Account” in the name of Receiver Defendant Churchmen’s Investment Corporation subject to the same terms and conditions set forth in this Court’s Order dated May 31, 2006 approving the Receiver’s prior fees request in this matter. The funds from this “E-Trade Account” are maintained by the Receiver in the name of Receiver Defendant Churchmen’s Investment Corporation in a segregated interest bearing FDIC insured account with Fifth Third Bank.

18. No agreement or understanding exists between the Receiver and any other person for the sharing of compensation to be received for services rendered and expenses in connection with this case.

WHEREFORE, Bradley W. Skolnik, the Receiver herein, respectfully prays that the Court award Bradley W. Skolnik an interim allowance in the amount of \$95,389.88 for services rendered and expenses incurred in his capacity as Receiver in this matter from September 1, 2006 through May 15, 2007.

Respectfully submitted,

s/Bradley W. Skolnik
Bradley W. Skolnik (1770-49)
Receiver

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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 18th day of June 2007, addressed to:

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