

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

**RECEIVER'S FIRST REPORT OF RECEIPTS AND EXPENDITURES
AND REPORT OF ACTS AND TRANSACTIONS**

The Receiver, Bradley W. Skolnik, hereby submits the Receiver's First Report of Receipts and Expenditures and Report of Acts and Transactions.

Background

1. On July 26, 2005, this Court entered an Order of Permanent Injunction and Other Relief in which it appointed Bradley W. Skolnik as the Independent Monitor to oversee various facets of the operations of several of the Defendants 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 (the "Receivership Order"). Pursuant to this Court's Receivership Order, Bradley W. Skolnik was appointed as the Receiver in this action and was authorized to employ the law firm of Stewart & Irwin, P.C. and the accounting firm of BGBC Partners, P.C. to assist him.
3. This Court's Receivership Order directs that the Receiver shall file with the Court an inventory of all property and assets within sixty (60) days after his appointment as Receiver.

4. This Court's Receivership Order further provides that within 30 days after the filing of the inventory, and at regular intervals of three (3) months thereafter until discharged, the Receiver shall file reports of his receipts and expenditures of the receivership and acts and transactions performed in his official capacity as Receiver.

5. The Receiver timely filed the Receiver's First Inventory, Appraisal and Preliminary Report and the Accountants' Preliminary Report on February 21, 2006.

First Report of Receipts and Expenditures

6. The Schedule of Gross Receipts and Expenses of the Receivership for the period beginning December 20, 2005 through March 17, 2006 is attached hereto and incorporated herein as Exhibit A.

7. The Schedule of Gross Receipts and Expenses of the Receivership reveals that during the period in question, the Receivership Account had gross revenues of \$1,001,391. Operating costs and disbursements, consisting in large part of payroll and administrative expenses and property taxes, totaled \$157,126, resulting in net revenue of \$844,265.

8. The Schedule of Gross Receipts and Expenses of the Receivership also further reveals that the paying agent Defendants collected sinking fund repayments and other fees from bond issuers in the gross amount of \$1,159,528, which sums have been deposited into the appropriate bond issue sinking fund accounts maintained by the paying agents.

Report of Activities and Transactions

9. The Receivership Order granted the Receiver the authority and power to take possession of the assets of Alanar, Inc., the Defendant Bond Funds, the Non-Defendant Bond Funds, the Paying Agents and the Relief Defendants, all of which are identified the Receivership Order and collectively referred to as the "Receiver Defendants." In addition, the Receivership Order, as

amended, further provides that the Receiver and his designees, shall have sole signatory authority for the Receiver Defendants at any bank, financial institution or brokerage firms which has possession, custody or control of any assets or funds of the Receiver Defendants, or which maintains accounts over which the Receiver Defendants and/or any of their officers, employees or agents have signatory authority. Pursuant to this Court's Order, the Receiver has taken steps to provide that he has control over, and that he and his designee are added as the only authorized signatories on, the approximately 438 bank and brokerage accounts maintained by the Receiver Defendants.

10. This Court's Order of Permanent Injunction and Other Relief, as amended, also directs financial institutions to freeze all bank accounts of the individual Defendants in this action, namely Vaughn A. Reeves, Sr., Vaughn A. Reeves, Jr., Jonathan Christopher Reeves and Joshua Craig Reeves (hereinafter collectively referred to as the "Reeves"). Pursuant to the order of Permanent Injunction and Other Relief, as amended, the Reeves continue to be specifically enjoined and restrained, among other things, from:

“transferring, selling, assigning, pledging dissipating, concealing or otherwise disposing of in any manner, any funds, assets, accounts, or other property belonging to any of them or in their possession, custody or control, wherever located.”

Because no monetary judgment has been entered in these proceedings against the Individual Defendants, the Receivers is not presently serving as a Receiver over any of the Individual Defendants or their personal property. Given the evidence amassed by the Receiver to date, however, it appears likely that at least some of the assets of the Reeves will become a part of this Receivership.

11. BGBC Partners, P.C., the accountants retained by the Receiver, has expended a substantial amount of time and resources examining an extraordinary number of records, books, documents and data maintained by or on behalf of the Receiver Defendants in both hard copy and electronic formats. The forensic work to be performed by the accountants in connection with this matter is extensive as Alanar, Inc. and the related entities that comprise the Relief Defendants have approximately:

- Fifty-two (52) separate entities (forty-two (42) of which are bond funds).
- Four hundred thirty-eight (438) separate bank or brokerage accounts.
- Over three hundred eighty 380 open bond issues.
- Upward of 11,000 individual investors

A 105 page Accountants' Preliminary Report prepared by BGBC Partners, P.C., detailing their findings and activities, was attached to the Receiver's First Inventory, Appraisal and Preliminary Report filed in this matter on February 21, 2006. Because of the sheer magnitude of the operations of the Receiver Defendants and the level of allegedly inappropriate commingling of funds and other conduct that has been uncovered to date by the accountants and the Receiver, the forensic investigation is still ongoing.

12. The three paying agent Defendants – Guardian Services, LLC, First Financial Services of Sullivan County, Inc., and The Liberty Group, Inc. – continue to provide some of the paying agent/servicing agent services in connection with the outstanding bond issues. In particular, the paying agent Defendants are still actively collecting payments from issuers and responding to the multitude of issuer and investor inquiries. The staff of the paying agent Defendants continues to work closely with the accountants and the Receiver in connection with the forensic investigation. Inasmuch as these paying agents are still operating entities, the Receiver continues to devote a

substantial amount of time to overseeing the day-to-day operations and administration of these entities.

13. Prior to the filing of this action by the Securities and Exchange Commission, a number of the Receiver Defendants were involved in legal proceedings or settlement negotiations with issuers and other parties on a variety of matters. The Receiver, working with the staff of the paying agents, continues to be actively involved with these matters. One example of a pending legal matter that has required the Receiver's attention is the condemnation proceeding filed in the Dallas, Texas County Court by the Dallas Independent School District against Guardian, LLC, and others in a matter encaptioned, *Dallas Independent School District v. Apostolic Community Church, Inc. n/k/a Christian Temple of Dallas, Inc., et al.* Cause No. 04-06678. On March 13, 2006, the Receiver filed a Petition for Authority to Enter Into Settlement Agreement on Behalf of Defendants Guardian Services, LLC in this Court, which motion is scheduled for hearing on April 3, 2006.

14. The Receiver has been required to devote a significant amount of time to pending or threatened litigation involving the Receiver Defendants, including the action filed by the Southern Michigan Bank & Trust, a trustee on several open bond issues, in the United States District Court for the Southern District of Indiana in a matter encaptioned, *Southern Michigan Bank & trust v. Guardian Services, LLC*, Cause No. 1:05-cv-1880-JDT-TAB.

15. A receiver has complete jurisdiction over property located within the jurisdiction in which he is appointed. If a receivership estate has an interest in real or personal property located in other jurisdictions the receiver can obtain complete jurisdiction over that property by filing a copy of the complaint and the order of appointment within 10 days of his appointment in the U.S. District Court in which the property is located pursuant to 28 U.S.C. § 754. Because some

of the Receiver Defendants hold mortgages or liens on real estate owned by issuers located throughout the country, the Receiver, immediately following his appointment, filed copies of the Complaint and Receivership Order in virtually every U.S. District Court in the country in accordance with 28 U.S.C. § 754. This action was taken to better ensure that the Receiver could maintain jurisdiction over property located in the several states in which issuers are located.

16. Although the proceedings filed by the Securities and Exchange Commission against the Defendants were publicized locally, a substantial number of investors and issuers are located throughout the United States. The Receiver has therefore sent a notice to over 11,000 investors and all issuers advising them of the Receivership and providing information from the accountants regarding the status of investment accounts.

17. Because of the large number of investors and issuers who desire information regarding the status of these proceedings, the Receiver has established a webpage on his law firm's website at www.silegal.com/content/alanar.html. The webpage contains links to copies of pertinent court filings, the accountants preliminary report and letters to investors from the Receiver and the accountants.

18. In preparation for the development of a proposed plan for the resolution of at least some of the matters affecting investors and issuers in this case, the Receiver has had communications with prospective substitute paying agents, trustees and others who could provide paying agent, trustee and other services in connection with the individual bond issues and bond funds.

19. An ad hoc investors' committee has been formed by a group of Alanar investors. This investors' committee has filed a request to intervene in this action which the Plaintiff Securities and Exchange Commission have opposed. The Receiver and his counsel devoted time and resources to evaluating and responding to the motion for intervention. Although the Receiver

does not support the motion to intervene, the Receiver has met with a representative of the investors' committee to discuss the status of the case.

WHEREFORE, the Receiver respectfully requests that the Court approve his Receiver's First Report of Receipts and Expenditures and Report of Acts and Transactions, and for all other proper relief.

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 23rd day of March 2006, addressed to:

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