

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 LAW FIRMS
AND ACCOUNTING FIRM RETAINED BY RECIEVER**

Bradley W. Skolnik, the Receiver herein, petitions the Court for authorization of payment of fees and expenses to BGBC Partners, LLP, the Receiver's accountants, and Harrison & Moberly, LLP, and Stenger & Stenger, P.C., the attorneys retained by the Receiver to assist in these proceedings. In support thereof, the Receiver shows the Court as follows:

Background

1. 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 specifically authorized to employ the law firm Harrison & Moberly, LLP, and the accounting firm of BGBC Partners, LLP, as well as other lawyers and professionals deemed necessary by the Receiver to carry out his duties and responsibilities.

4. This request for interim compensation for the law firms of Harrison & Moberly, LLP and Stenger & Stenger, P.C., and the accounting firm of BGBC Partners, P.C. is for work on behalf

of the Receiver performed by these firms. The Receiver believes all such work performed and services rendered were proper and necessary in order for Harrison & Moberly, LLP and Stenger & Stenger, P.C. to provide legal services to the Receiver and for BGBC Partners, LLP. to provide accounting services and assist in the forensic investigation in this matter.

5. 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 approximately:

- Fifty-two (52) separate entities (forty-two (42) of which are bond funds),
- Four hundred thirty-eight (438) separate bond/brokerage accounts,
- Over three (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.

**Request for Interim Compensation of Law Firms
of Harrison & Moberly, LLP and Stenger & Stenger, P.C.**

6. The law firms of Harrison & Moberly, LLP and Stenger & Stenger, P.C. have performed various services all of which are described in detail in the statements for services, copies of which are attached hereto and incorporated by reference herein as Exhibits A and B. The services performed by Harrison & Moberly, LLP and Stenger & Stenger, P.C. for and on behalf of the Receiver during the period from September 13, 2006 through May 15, 2007 include, but are not limited to, the following:

- a. The Receiver and his counsel have been required to devote a significant amount of time to legal matters and pending or threatened litigation involving the Receiver or

Receiver Defendants. This includes, but is not limited to, legal proceedings pending in state courts as well as a myriad of matters arising in connection with this action.

b. Counsel for the Receiver has participated in conferences with the Receiver and others and has prepared pleadings and papers for filing in connection with various pending legal matters.

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

d. The Receiver and his counsel and accountants 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. Because of its extensive experience in SEC receivership proceedings, the law firm of Stenger & Stenger, P.C. was retained in part to assist in

connection with the evaluation of various proposals and the preparation and presentation of the plan to pool assets and claims process proposed by the Receiver.¹

e. The Receiver and his counsel and accountants 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.

f. 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.

7. The attorneys from the law firm of Harrison & Moberly, LLP have devoted a total of 361.30 hours to this matter during the period from September 13, 2006 through May 15, 2007 at an average hourly rate of approximately \$226.51 for a total amount of fees of \$81,840.50 and incurred expenses of \$2,159.38, for a total amount due of \$83,999.88.

¹ Phillip S. Stenger of the law firm Stenger & Stenger, P.C. is the author of *Receivership Sourcebook*, (2nd Edition, 2006)

8. The attorneys from the law firm of Stenger & Stenger, P.C. have devoted a total of 163.30 hours to this matter during the period from February 1, 2007 through May 15, 2007 at an average hourly rate of approximately \$288.00 for a total amount of fees of \$47,107.00 and incurred expenses of \$2051.32, for a total amount due of \$49,158.32.

8. No agreement or understanding exists between the members of Harrison & Moberly, LLP or Stenger & Stenger, P.C. and any other person for the sharing of compensation to be received for services rendered in connection with this case.

9. Harrison & Moberly, LLP and Stenger & Stenger, P.C. have been employed by the Receiver pursuant to an agreement that their services would be billed on an hourly rate, subject to review and approval of this Court .

Request for Interim compensation of Accounting Firm of BGBC Partners, LLP

10. The accounting firm of BGBC Partners, LLP has performed various services all of which are described in detail in the detailed description of services rendered and statement attached hereto and incorporated by reference herein as Exhibit C.

11. The accountants and staff of BGBC Partners, LLP devoted a total of 633.75 hours to this matter during the period from September 1, 2006 through May 15, 2007 at an average hourly rate of approximately \$188.18, for a total amount of fees of \$119,250.00, and incurred costs and expenses of \$4,872.00, for a total amount due of \$124,131.00.

12. No agreement or understanding exists between the BGBC Partners, LLP. and any other person for the sharing of compensation to be received for services rendered in connection with this case.

13. 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.

WHEREFORE, Bradley W. Skolnik, the Receiver herein, respectfully prays that:

a. The Court award the Receiver's counsel, Harrison & Moberly, LLP, an interim allowance of compensation for legal fees and expenses in the amount of \$83,999.88, or such sum as the Court deems proper, and

b. The court award the Receiver's counsel, Stenger & Stenger, P.C., an interim allowance of compensation for legal fees and expenses in the amount of \$49,158.32, or such other sum as the Court deems proper, and

b. The Court award BGBC Partners, LLP, the accountants retained by the Receiver, an interim allowance of compensation for accounting fees and expenses in the amount of \$124,131.00, or such sum as the Court deems proper.

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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