

FORMER ALANAR, INC. EXECUTIVES CHARGED IN MASSIVE AFFINITY FRAUD CASE

Charges allege former Sullivan, Indiana pastor and three sons preyed on church members -- Press conference to be held today at 2:30 p.m. in Sullivan

(Sullivan, IN) – Former pastor Vaughn Reeves and his sons, Chip, Chris and Josh, face 10 separate felony counts each involving violations of the Indiana Securities Act. The charges allege the four engaged in a multi-million dollar, faith-based affinity fraud through the use of a modified Ponzi scheme. The charges were filed today in Sullivan Circuit Court by Sullivan County Prosecutor Robert Hunley II. The investigation was a collaborative effort by the Secretary of State’s Prosecution Assistance Unit, the Sullivan County Prosecutor’s office and the Indiana State Police. Each of the Reeves could face up to eight years in prison per charge if convicted.

“This case goes far beyond simple theft,” said Secretary Rokita. “The Reeves allegedly targeted their victims through their faith, and then exploited their religious convictions in order to hide their elaborate Ponzi scheme from potential investors.”

According to court documents, the Reeves allegedly committed affinity fraud by duping investors into buying bonds that raised at least \$120 million. The stated purpose for the vast majority of the bonds was to supposedly finance church construction and expansion. However, the Reeves allegedly shuffled this money among various accounts and stole approximately \$6 million for themselves in the process.

“This is a day a long time in the making. I’m glad to hold Vaughn Reeves and his sons accountable. People trusted their life savings to these men. Investors felt they were helping to build churches, not buy the Reeves expensive homes, fancy cars, airplanes and swimming pools. The Sullivan County Prosecutor’s Office is committed to bringing these men to justice,” said Prosecutor Hunley.

Secretary Rokita and Prosecutor Hunley will hold a press conference to discuss these charges today at 2:30 p.m. in the Circuit Court Room on the 3rd Floor of the Sullivan County Courthouse located at 100 Courthouse Square in Sullivan, Indiana.

The Reeves operated Alanar, Inc., as the umbrella company for their scheme. The charges allege that the Reeves violated securities laws by misapplying and misappropriating money from bond repayments made by churches issuing the bonds. The Reeves were also allegedly misappropriating money from people purchasing bonds, often members of the same church as was issuing the bond.

Alanar management created training materials to distribute to church members, who were encouraged to sell bonds to their fellow church members. The materials relied heavily on the religious convictions of the victims. For example, the church members

were trained to open the sales call with a prayer, quote Bible scripture during sales calls and to “never sell the facts, sell warm stewardship and the Lord.”

The allegations suggest the Reeves engaged in their scheme over the course of at least five years. By illegally moving money among bond accounts, the Reeves concealed the true rate of default on Alanar bonds from investors. Thousands of investors, predominantly Hoosiers, have been financially devastated by the Reeves’ alleged conduct.

In an effort to keep the victims informed of the status of the case, Secretary Rokita and Prosecutor Hunley have each set up Alanar information pages on the Web. For more information visit www.sullivancountyprosecutor.com and click on the “Alanar Information” section, or go to www.in.gov/sos/alanar.

The charges described are merely an accusation. The defendant is presumed innocent until and unless proven guilty. For more information on how to avoid becoming a victim of investment fraud, visit www.IndianaInvestmentWatch.com.

About the Prosecution Assistance Unit

In 2004, Indiana Secretary of State Todd Rokita created the Prosecution Assistance Unit within the Securities Division of the Secretary of State’s Office. Its sole purpose is to assist police and prosecutors in investigating and prosecuting criminal violations of the Indiana Securities Act and the Indiana Loan Brokers Act. The investigators and attorneys in the unit collectively have over 72 years of experience in investigating and prosecuting criminals. Since its inception, the Unit has helped to convict 42 criminals in state and federal courts across Indiana. In addition, courts have handed down over 300 years in sentences, and have ordered over \$29 million in restitution for crime victims. The Unit operates under the direction and supervision of the Securities Commissioner and the Senior Investigator.