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11 UNITED STATES DISTRICT COURT
12 EASTERN DISTRICT OF CALIFORNIA
13 SACRAMENTO DIVISION
14

15 SECURITIES AND EXCHANGE COMMISSION,

16 Plaintiff,

17 v.

18 SECURE INVESTMENT SERVICES, INC.,
19 AMERICAN FINANCIAL SERVICES, INC.,
20 LYNDON GROUP, INC., DONALD F. NEUHAUS,
and KIMBERLY A. SNOWDEN,

21 Defendants.

Case No. 2:07-cv-01724-LEW-CMK

RESPONSE TO DEFENDANTS'
REQUEST FOR EXTENSION

22 Plaintiff Securities and Exchange Commission (“Commission”) submits this response to
23 the e-mail message sent by Counsel for Defendants seeking a “minimum of two weeks” to
24 respond to the Commission’s application for a Temporary Restraining Order. The e-mail is
25 attached as Exhibit A to this submission. The Commission seeks emergency relief as outlined in
26 the papers filed yesterday in order to protect the more than \$25 million that investors have put in
27 the investment scheme operated by the Defendants. By Defendants’ own admission, much of the
28 investors’ funds are retirement savings. The Commission does not object to the scheduling of a

1 preliminary injunction hearing in two weeks, but believe the immediate issuance of the requested
2 emergency relief is necessary.

3 Because the only significant remaining assets are the life insurance policies, both the
4 requested Temporary Restraining Order and the Temporary Receiver are vital to prevent
5 continued fraudulent sales and to save investor assets from becoming worthless due to
6 mismanagement and failure to pay policy premiums. Without this relief, investors face the
7 imminent harm that one or more policies will lapse in the immediate short term—every day that
8 passes increases the risk that this will happen—leading to a significant loss to the investors.

9 The Commission’s papers lay out in detail why emergency relief is necessary to prevent
10 the collapse of the Ponzi scheme operated by Defendants. The scheme is underwater by at least
11 \$3 million in future premium payments, with only \$63,000 in the bank as of July 31, 2007. As
12 we state in our papers, as recently as August 2, 2007, Defendants victimized new investors by
13 misusing funds, taking \$250,000 of new investor money to pay previous investors—the new
14 investors may lose this entire amount and were kept in the dark about this misuse of their money.

15 Prior to the filing of the Commission’s action, the Commission provided notice to the
16 Defendants. On August 21, 2007 Defendants’ counsel was told that the Commission would seek
17 emergency interim relief at the earliest possible opportunity. On August 22, 2007, Defendants’
18 counsel was provided with all the papers filed by the Commission. He has now had nearly two
19 days from the time he received the papers to prepare a response, yet he is now seeking an
20 additional time to respond, requesting a “minimum of two weeks.” The fact that Mr. Norcross is
21 not representing the individual Defendants Donald Neuhaus and Kimberly Snowden in their
22 criminal proceedings highlights the fact that he had the ability to review the Commission’s
23 papers and respond.

24 Given the urgency of the Commission’s request to preserve the status quo, and the lack of
25 any showing that such relief would work to the detriment of the Defendants pending a hearing on
26 the preliminary injunction, the Commission requests that the Court deny Defendants’ request for
27 a prolonged briefing schedule on the Temporary Restraining Order and Temporary Receiver
28 requests. The Commission requests that the Court grant these requests and set the matter for a

1 hearing on a preliminary injunction. At that time the Court can make modifications to the order
2 as necessary, provide a full hearing to the Defendants, and enter a preliminary injunction if
3 appropriate. Such an order would protect investors without prejudice to the Defendants.
4

5 Dated: August 24, 2007

Respectfully submitted,

7 /S/ Lloyd Farnham
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