

**BOUTIN DENTINO GIBSON
DI GIUSTO HOPELL INC.**
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Attorneys for Receiver
Michael J. Quilling

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA
SACRAMENTO DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

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

Defendants.

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

STIPULATED MOTION FOR ORDER
AUTHORIZING RECEIVER TO
OBTAIN INTERIM BANK
FINANCING; ORDER

The parties, at the request of Michael J. Quilling, the Receiver appointed in these proceedings, (“Receiver”), respectfully submit this Stipulated Motion for Order Authorizing Receiver to Obtain Interim Bank Financing and Order.

BACKGROUND

1. By Order of August 24, 2007, the Court appointed Michael J. Quilling as Temporary Receiver for Secure Investment Services, Inc. (“SIS”), American Financial Services, Inc. (“AFS”), and Lyndon Group, Inc. (“LGI”). In that capacity, the Court has authorized and charged the Receiver to take complete and exclusive control, possession, and custody of all receivership assets.

2. The Order Appointing Temporary Receiver authorizes the Receiver to take all necessary actions for the preservation of Receivership Assets in this case:

1 The Receiver is hereby authorized . . . to incur such expenses and
2 make such disbursements as are necessary and proper for the
collection, preservation, maintenance and operation of the
Receivership Assets.

3 *Order Appointing Temporary Receiver* [Dkt. No. 27] at ¶ 12.

4 3. The receivership estate's largest single asset is the portfolio of life insurance
5 policies owned or otherwise managed by SIS, AFS and LGI. There are at least 42 separate
6 policies with a combined value of death benefits exceeding \$56 million. These policies,
7 however, carry premium obligations believed to be at least \$1.7 million a year. Failure to pay
8 those premiums will cause some of the life insurance policies to lapse.

9 4. The Receiver intends to continue paying premiums on the life insurance policies,
10 since those policies and their death benefits are the receivership estate's most valuable asset and
11 the most likely source from which to pay potential investors and creditors.

12 5. Pleadings filed by the Securities and Exchange Commission indicate that SIC,
13 AFS and LGI collectively have approximately \$65,000.00 in their bank accounts. As of this
14 date, the Receiver has no accurate information as to the exact amount of those funds which were
15 frozen by the Court's prior Order, nor has the Receiver obtained the funds from the banks.
16 Therefore, the Receiver has been negotiating with Sovereign Bank (in Dallas, Texas) to secure
17 financing to help cover the premium obligations. Specifically, Sovereign Bank has agreed to
18 provide the Receiver a \$200,000.00 line of credit for a ninety (90) day term. The loan will bear
19 interest at prime plus 1.25% and be payable interest only each month. During the term of the
20 loan, the Receiver will obtain better information and be prepared to recommend a permanent
21 financing solution assuming the Receivership remains in place after the hearing scheduled on
22 September 21, 2007. The Receiver submits that this arrangement is in the receivership estate's
23 best interests because it will ensure that enough funds are available to meet the premium
24 obligations until a more studied approach can be completed.

25 6. The loan is intended to be secured by all of the insurance policies in the portfolio.
26 This motion assumes that the Court will grant a motion to "pool" the policies, which is being
27 filed contemporaneously with this motion. The Receiver has chosen Sovereign Bank because
28

1 Sovereign Bank recently established a \$9 million line of credit in another large viatical case in
2 which the Receiver is also acting as receiver. Sovereign Bank understands the viatical/life
3 settlement industry and is comfortable making a loan in these proceedings assuming that the
4 policies can be pledged to them as collateral to secure any indebtedness.

5 7. The Receiver requests an Order authorizing him to borrow \$200,000.00 from
6 Sovereign Bank consistent with the foregoing.

7 **STIPULATION**

8 WHEREFORE, THE PARTIES STIPULATE to the entry of an order of this Court
9 authorizing the Receiver to borrow \$200,000.00 from Sovereign Bank consistent with the
10 foregoing.

11 BOUTIN DENTINO GIBSON DI GIUSTO
12 HODELL INC.

13 Dated: August 29, 2007

14 By /s/ Maralee MacDonald
15 Maralee MacDonald
16 Attorneys for Receiver

17 SECURITIES EXCHANGE
18 COMMISSION

19 Dated: August 29, 2007

20 By /s/ John S. Yun (as authorized on August 29, 2007)
21 Thomas J. Eme
22 John S. Yun
23 Attorneys for Plaintiff Securities
24 Exchange Commission

25 KENNY, SNOWDEN & NORINE

26 Dated: August 29, 2007

27 By /s/ Mark Norcross (as authorized on August 29, 2007)
28 Mark Norcross
Attorneys for Defendants
Donald Neuhaus and
Kimberly Snowden

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ORDER

IT IS SO ORDERED.

Dated: September 6, 2007

/s/ Ronald S. W. Lew
Honorable Ronald S. W. Lew
UNITED STATES DISTRICT COURT JUDGE