

1 BRUCE LOCKE, Bar #177807  
MOSS & LOCKE  
2 555 University Avenue #150  
Sacramento, CA 95825  
3 Telephone: (916) 569-0663  
blocke@mosslocke.com  
4 Attorneys for Defendant  
Donald Neuhaus  
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7 IN THE UNITED STATES DISTRICT COURT  
8 FOR THE NORTHERN DISTRICT OF CALIFORNIA  
9 SAN FRANCISCO DIVISION

10 SECURITIES AND EXCHANGE ) Case No. 2:07-cv-01724-LEW-CMK  
11 COMMISSION, )  
 ) ANSWER  
12 Plaintiff, )  
 ) DEMAND FOR JURY TRIAL  
13 )  
14 v. )  
 )  
15 SECURE INVESTMENT SERVICES, )  
INC., et.al., )  
16 )  
 )  
17 Defendants.  
18

19 Defendant, Donald Neuhaus, hereby admits, denies, and alleges as  
20 follows to the respective paragraphs in the Complaint:

- 21 1. Admits that this is a civil enforcement action but denies  
22 that defendant was involved in a fraudulent scheme or a  
23 "ponzi" scheme.  
24 2. Admits that defendant operated his business through Secure  
25 Investment Services, Inc., and American Financial Services,  
26 Inc., and Lyndon Group, Inc., but denies that the business  
27 was a scheme to defraud or that defendant used purchaser  
28 funds improperly, or that defendant could not meet future

1 premium obligations except by fraudulent means.

2 3. Denies that defendant concealed significant risks from  
3 purchasers or made false and misleading representations or  
4 that defendant was reckless in making representations to  
5 purchasers.

6 4. Denies that defendant was operating on borrowed time but  
7 admits why the Commission is bring this action.

8 5. Admits paragraph 5 of the Complaint.

9 6. Admits paragraph 6 of the Complaint.

10 7. Admits paragraph 7 of the Complaint.

11 8. Denies that defendant used the corporations to operate  
12 fraudulent schemes but admits the rest of the paragraph 8.

13 9. Admits paragraph 9 of the Complaint.

14 10. Admits paragraph 10 of the Complaint.

15 11. Denies that what defendant sells are securities or that  
16 defendant represented that returns could be as high as 125%  
17 but admits the remainder of the paragraph.

18 12. Denies that defendant encouraged purchasers to place their  
19 retirement savings into the program but admits the remainder  
20 of the paragraph.

21 13. Admits paragraph 13 of the Complaint.

22 14. Admits that defendant provided the purchasers of the  
23 fractional interests in the life insurance policies with the  
24 life expectancy certificates that defendant received from the  
25 various brokers and that defendant provided copies of the  
26 bonds to the purchasers either directly or indirectly.

27 15. Admits that after a policy is sold to a purchaser, premiums  
28 must be paid to keep the policy from lapsing and denies the

1 remainder of the paragraph.

2 16. Denies that defendant knew that investor funds must be "set  
3 aside" or represented that they would be "set aside" to pay  
4 future premiums but admits that the investor purchase  
5 agreements contained the language quoted in paragraph 16 of  
6 the Complaint.

7 17. Denies that the representations contained in the purchase  
8 agreement were false but admits that due to the fact that a  
9 number of the people whose lives were insured did not die  
10 within the period of their anticipated life expectancy and  
11 due to the fact that the bonding companies did not pay on the  
12 bonds, it was necessary for the defendant corporations to pay  
13 the premiums out of their earnings.

14 18. Denies that defendant could not have met the premium  
15 requirements from corporate earnings from the sale of the  
16 policies.

17 19. Admits that at times the corporate defendants used the cash  
18 value of policies but alleges that cash value was only used  
19 where it was appropriate to do so and where the purchasers  
20 were aware that the cash value would be used.

21 20. Admits that the corporate defendants paid commissions to the  
22 sales agents and denies that the investors were not aware  
23 that the sales agents were working for commissions or that  
24 defendant failed to disclose this obvious fact.

25 21. Denies that defendant took money from the corporate bank  
26 accounts that he was not entitled to and alleges that  
27 defendant transferred substantial funds to the corporate bank  
28 account from money that he borrowed against his home.

- 1 22. Denies the allegations in paragraph 22 of the Complaint.
- 2 23. Admits that a letter was sent to investors but denies that
- 3 defendant could not have paid the required money from the
- 4 companies' earnings.
- 5 24. Admits the allegations contained in paragraph 24 of the
- 6 Complaint.
- 7 25. Admits the allegations contained in paragraph 25 of the
- 8 Complaint but denies that the defendant knew that George
- 9 Kindness was not a medical doctor or that George Kindness had
- 10 been indicted for other crimes or that George Kindness and
- 11 AmScot pled guilty to any crime and further alleges that
- 12 George Kindness's marketing materials did indicate that he
- 13 was a medical doctor and did not indicate that he had been
- 14 prosecuted and convicted.
- 15 26. Denies the allegations contained in paragraph 26 of the
- 16 Complaint.
- 17 27. Admits that certain certificates were used that listed
- 18 Midwest as the company providing the life expectancies but
- 19 denies that defendant knew that Midwest was controlled by
- 20 Kindness.
- 21 28. Denies the allegations contained in paragraph 28 of the
- 22 Complaint.
- 23 29. Denies the allegations contained in paragraph 29 of the
- 24 Complaint.
- 25 30. Denies the allegations contained in paragraph 30 of the
- 26 Complaint.
- 27 31. Admits the allegations contained in paragraph 31 of the
- 28 Complaint.

1 32. Admits that the bonding companies have not made good on the  
2 bonds but denies that defendant knew that the bonding  
3 companies were not licensed to provide insurance in the  
4 United States and denies that defendant knew that the bonding  
5 companies were having licensing and regulatory problems.  
6 Denies the remaining allegations contained in paragraph 32 of  
7 the Complaint.

8 33. Admits that defendant used the bonding companies named in  
9 paragraph 33 but denies that defendant knew of any of the  
10 problems that the bonding companies had or that the bonding  
11 companies were engaged in fraud and further alleges that  
12 defendant was a victim of the fraud perpetrated by the  
13 bonding companies. Defendant has disclosed the problems with  
14 the bonding companies as the defendant became aware of the  
15 problems.

16 34. Admits that the Department of Corporations issued an order to  
17 defendant and AFS but alleges that defendant has not violated  
18 that order. Denies the remaining allegations in paragraph 24  
19 of the Complaint.

20 35. Admits the allegations contained in paragraph 25 of the  
21 Complaint.

22 36. Admits the language that is in quotes but denies the  
23 remaining allegations contained in paragraph 36 of the  
24 Complaint.

25 37. Denies the allegations contained in paragraph 37 of the  
26 Complaint.

27 38. Defendant hereby incorporates his responses to paragraphs 1  
28 through 37 of the Complaint.

1 39. Denies the allegations contained in paragraph 39 of the  
2 Complaint.

3 40. Denies the allegations contained in paragraph 40 of the  
4 Complaint.

5 41. Defendant hereby incorporates his responses to paragraphs 1  
6 through 37 of the Complaint.

7 42. Denies the allegations contained in paragraph 42 of the  
8 Complaint.

9 43. Denies the allegations contained in paragraph 43 of the  
10 Complaint.

11 44. Defendant hereby incorporates his responses to paragraphs 1  
12 through 37 of the Complaint.

13 45. Denies the allegations contained in paragraph 45 of the  
14 Complaint.

15 46. Admits the allegations contained in paragraph 46 of the  
16 Complaint.

17 47. Denies the allegations contained in paragraph 47 of the  
18 Complaint.

19 Wherefore, defendant respectfully requests that the Court deny the  
20 plaintiff any relief and grant to the defendant any and all relief that  
21 is due, appropriate, and just and equitable.

22  
23 DATED: November 9, 2007

Respectfully submitted,

24 \_\_\_\_\_  
/s/ Bruce Locke

Attorney for Defendant

25 \_\_\_\_\_  
Donald Neuhaus

