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**KENNY, SNOWDEN &
NORINE**

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UNITED STATES DISTRICT COURT
FOR THE 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

**ANSWER OF DEFENDANT
KIMBERLY SNOWDEN TO
COMPLAINT**

DEMAND FOR JURY TRIAL

Defendant, Kimberly Snowden, hereby admits, denies, and alleges to the respective paragraphs in the Complaint as follows:

1. Admits that this is a civil enforcement action, but denies that defendant was involved in a fraudulent scheme or a "Ponzi" scheme.
2. Denies that she held any ownership interest in Secure Investment Services, Inc., American Financial Services, Inc., and Lyndon Group, Inc., and denies that any such business was a scheme to

1 defraud or that defendant used purchaser funds improperly, or that defendant could not meet future
2 premium obligations except by fraudulent means.

3 3. Denies that defendant concealed significant risks from purchasers or made false and
4 misleading representations or that defendant was reckless in making representations to purchasers.
5 Denies generally and specifically, the allegations of paragraph 3.

6 4. Denies that defendant was operating on borrowed time, but admits why the Commission is
7 bringing 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 fraudulent schemes, but admits the
12 rest of the paragraph 8.

13 9. Admits paragraph 9 of the Complaint, but denies that this answering defendant "controlled"
14 any entity.

15 10. Defendant admits her age and residence. Denies that she served as an officer or director of
16 any of the corporate defendants, but admits she may have been identified as an officer of AFS without
17 her knowledge. Admits that she was employed as the office manager. Admits that she kept the books
18 and financial records. Denies that she prepared or maintained any financial "statements." Admits that
19 she had signature authority, but denies that she had "control" over any corporate bank account.

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

22 12. Denies that defendant encouraged purchasers to place their retirement savings into the
23 program, but admits the remainder of the paragraph.

24 13. Admits paragraph 13 of the Complaint.

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

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1 15. Admits that after a policy is sold to a purchaser, premiums must be paid to keep the
2 policy from lapsing and denies the remainder of the paragraph.

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

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

11 18. Denies that, as a corporate employee, this defendant owed any of the duties alleged in
12 paragraph 18. Defendant further denies that the corporate defendant could not have met the premium
13 requirements from corporate earnings from the sale of the policies.

14 19. Admits that at times the corporate defendants used the cash value of policies, but alleges
15 that cash value was only used where it was appropriate to do so, and where the purchasers were aware
16 that the cash value would be used. Further denies that the cash value of the policy was an asset of the
17 investors whose interest instead was a specified percentage of the face value of the policy. No investor
18 was told, nor had any expectation of receiving the cash value of the policy in addition to the face
19 amount of the policy.

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

23 21. Denies that defendant took money from the corporate bank accounts to which she was not
24 entitled, but instead received wages and bonuses as authorized by Don Neuhaus.

25 22. Denies the allegations in paragraph 22 of the Complaint.

26 23. Admits that a letter was sent to investors in the two Richter policies only, but denies that
27 defendant could not have paid the required money from the companies' earnings.

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1 24. Admits the allegations contained in paragraph 24 of the Complaint, but further alleges that
2 many, if not most of the life expectancy certificates from AmScot are signed by licensed physicians.

3 25. Admits the allegations contained in paragraph 25 of the Complaint, but denies that the
4 defendant knew that George Kindness was not a medical doctor or that George Kindness had been
5 indicted for crimes in no way related to the provision of life expectancy certificates. Denies that an
6 indictment is the equivalent of a conviction, or that George Kindness and AmScot pled guilty to any
7 crime and further alleges that George Kindness's marketing materials did indicate that he was a
8 medical doctor and did not indicate that he had been prosecuted and convicted. Further, George
9 Kindness did not plead guilty to the count of the indictment alleging that he had falsely represented
10 himself as an M.D.

11 26. Denies the allegations contained in paragraph 26 of the Complaint.

12 27. Admits that certain certificates were used that listed Midwest as the company providing
13 the life expectancies, but denies that defendant knew that Midwest was controlled by Kindness.
14 Further, denies that, except in rare circumstances, any corporate entity ordered or purchased life
15 expectancy certificates, but rather that such certificates came bundled with the policies from the
16 broker, except in connection with submittal of bond claims.

17 28. Denies the allegations contained in paragraph 28 of the Complaint.

18 29. Denies the allegations contained in paragraph 29 of the Complaint.

19 30. Denies the allegations contained in paragraph 30 of the Complaint.

20 31. Admits the allegations contained in paragraph 31 of the Complaint.

21 32. Deny the allegations of paragraph 32.

22 33. Admits that defendant used the bonding companies named in paragraph 33, but denies that
23 defendant knew of any of the problems that the bonding companies had or that the bonding companies
24 were engaged in fraud and further alleges that other than International Fidelity & Surety, Ltd., no other
25 bonding company used by the corporate defendants has defaulted on any obligation under bonds
26 issued to the corporate defendants.

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34. Admits that the Department of Corporations issued an order to defendant Neuhaus and AFS, but alleges that those defendants have not violated that order. Denies the remaining allegations in paragraph 34 of the Complaint.

35. Admits the allegations contained in paragraph 35 of the Complaint.

36. This answering defendant denies on lack of information or belief the allegations contained in paragraph 36 of the Complaint.

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

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

39. Denies the allegations contained in paragraph 39 of the complaint.

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

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

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

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

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

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


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

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

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

Dated: November 9, 2007

KENNY, SNOWDEN & NORINE



MARK D. NORCROSS
Attorneys for Defendant
Kimberly Snowden

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