

**BOUTIN GIBSON DI GIUSTO HODELL INC.**

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& LOWNDS, P.C.**

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Attorneys for Michael J. Quilling  
Receiver of Defendants Secure Investment Services, Inc.,  
American Financial Services, Inc., and Lyndon Group, Inc.

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

RECEIVER'S FIRST INTERIM  
APPLICATION TO ALLOW AND  
PAY ATTORNEY'S FEES AND  
EXPENSES OF LOCAL COUNSEL  
AND BRIEF IN SUPPORT

Hearing Date: April 4, 2008

Time: 10:00 a.m.

Department: To be determined  
Visiting Judge

TO THE HONORABLE RONALD S.W. LEW, UNITED STATES DISTRICT JUDGE:

Michael J. Quilling, Receiver, files this his First Interim Application to Allow and Pay  
Attorneys' Fees and Expenses of Local Counsel and in support of such would respectfully show  
unto the Court as follows:

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**BACKGROUND**

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2 1. On or about August 22, 2007, the Securities and Exchange Commission filed its  
3 Complaint and request for appointment of a receiver. On October 31, 2007, the Court issued its  
4 Order Appointing Receiver pursuant to which Michael J. Quilling was appointed to serve as  
5 Receiver in this case.

6 2. Pursuant to the terms of the Order Appointing Receiver, the Receiver was  
7 authorized to employ such attorneys as is necessary and proper in connection with the claims  
8 process. Subsequent to his appointment, the Receiver employed the law firm of Boutin Gibson  
9 Di Giusto Hodell Inc. ("BOUTIN") as his local counsel.

10 3. This Application seeks approval and payment of the fees and reimbursement of  
11 expenses for BOUTIN for the time period from August 22, 2007 through January 31, 2008.

12 4. Pursuant to paragraph 17 of the Order Appointing Receiver and after obtaining  
13 the consent of the SEC, the Receiver has paid BOUTIN 90% of their fees and 100% of their  
14 expenses. The purpose of this Application is to request Court approval of all of the fees and  
15 expenses and to allow payment of the 10% fee holdback.

16 5. During the period covered by this Application, the Receiver has incurred fees and  
17 expenses with respect to BOUTIN as to these proceedings on a monthly basis as follows:

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19 <b>Month</b>	<b>Fees</b>	<b>Expenses</b>
20 August, 2007	\$2,150.50	\$540.00
21 September, 2007	\$1,96.50	\$77.00
22 October, 2007	\$5,687.50	-0-
23 November, 2007	\$3,385.25	\$125.31
24 December, 2007	\$852.50	-0-
25 January, 2008	\$522.00	\$77.37
<b>TOTAL:</b>	<b>\$13,894.25</b>	<b>\$819.68</b>

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1 (b) The Novelty and Difficulty of the Questions. Many of the tasks reflected in  
2 Exhibit "A" involved factual and legal questions which were of substantial complexity.

3 (c) The Skill Requisite to Perform the Service. The Receiver believes that the  
4 services performed in this case have required individuals with experience in the U.S. District  
5 Court, Eastern District of California. BOUTIN has considerable experience in this district.

6 (d) The Preclusion of Other Employment Due to Acceptance of the Case. BOUTIN  
7 has not declined any representation solely because of their services as local counsel for the  
8 Receiver.

9 (e) The Customary Fee. The Receiver believes that the hourly rates sought herein are  
10 commensurate with or lower than the rates charged by other practitioners of similar experience  
11 levels in the Eastern District of California. During the course of these proceedings, the following  
12 lawyers at BOUTIN have performed legal services on behalf of the Receiver with respect to  
13 these proceedings: Chris Gibson (\$350.00 per hour), licensed in California since 1976; Maralee  
14 MacDonald (\$275.00 per hour in 2007; \$290.00 per hour in 2008) licensed in California since  
15 2000 (previously licensed in Wyoming).

16 (f) Whether the Fee is Fixed or Contingent. BOUTIN's fees are fixed insofar as  
17 monies exist by way of Receivership Assets from which to pay such fees. Payment of such fees,  
18 however, is subject to Court approval.

19 (g) Time Limitations Imposed by the Client or Other Circumstances. The time  
20 requirements during the period covered by this Application have been extreme at times, requiring  
21 almost daily attention by the Receiver and his attorneys.

22 (h) The Amount Involved and the Results Obtained. This case involves 49 insurance  
23 policies having a death benefit in excess of \$50 million. In excess of 600 investors invested  
24 more than \$31 million to purchase fractionalized interests in the insurance policies. At the time  
25 this case was filed, there was approximately \$400,000.00 of cash available to meet premium  
26 obligations in excess of \$1.6 million per annum.

27 Since his appointment, the Receiver has closed all known bank accounts and has taken  
28 possession of all known books and records. He has obtained accurate, current information

1 regarding each policy and has been able to pay premiums on the policies on a current basis. The  
2 Receiver has also arranged for a \$3 million line of credit to be utilized to pay premiums and  
3 other administrative expenses. The Receiver is investigating whether fraudulent transfer and  
4 other recoveries may be possible. A website is maintained by the Receiver so as to update the  
5 investors. Claim forms have been approved and mailed to all known investors. Approximately  
6 508 claim forms have been received back from investors.

7 In short, a tremendous amount of progress has been made with respect to the case in a  
8 relatively short period of time.

9 (i) The Experience, Reputation and Ability of the Attorneys. BOUTIN has several  
10 attorneys who work exclusively in the practice of civil trial law. The practice of those attorneys  
11 includes the representation of parties before this Court. The reputation of BOUTIN's attorneys  
12 is recognized and respected in this community.

13 (j) The Undesirability of the Case. The representation of the Receiver incident to  
14 this case has not been undesirable.

15 (k) The Nature and Length of the Professional Relationship with the Client.  
16 BOUTIN did not represent the Receiver in these proceedings prior to being retained in these  
17 proceedings.

18 (l) Awards in Similar Cases. BOUTIN believes that the fees requested in this case  
19 are less than or equal to those which have been awarded in similar cases in this District.

20 WHEREFORE, the Receiver respectfully requests that the Court allow the requested  
21 compensation for professional services and expenses rendered by BOUTIN and authorize the  
22 Receiver to pay the 10% fee holdback of \$1,389.42, as per itemization in Exhibit "A" attached  
23 hereto and for such other and further relief, general or special, at law or in equity, to which the  
24 Receiver and BOUTIN may show themselves justly entitled.

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Respectfully submitted,

BOUTIN GIBSON DI GIUSTO HODELL INC.

Dated: February 18, 2008

By /s/ Maralee MacDonald  
Maralee MacDonald  
Attorneys for Receiver of Defendants  
Secure Investment Services, Inc.,  
American Financial Services, Inc., and  
Lyndon Group, Inc.

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