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4 Attorneys for Receiver  
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10 UNITED STATES DISTRICT COURT  
11 EASTERN DISTRICT OF CALIFORNIA  
12 SACRAMENTO DIVISION

13 SECURITIES AND EXCHANGE COMMISSION,

14 Plaintiff,

15 v.

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

20 Defendants.

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

RECEIVER'S FIRST INTERIM  
APPLICATION TO ALLOW AND  
PAY (1) RECEIVER'S FEES AND  
EXPENSES AND (2) ATTORNEY'S  
FEES AND EXPENSES AND BRIEF  
IN SUPPORT

Date: April 4, 2008

Time: 10:00 a.m.

Courtroom: TBD Visiting Judge

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

22 Michael J. Quilling, Receiver, files this his First Interim Application to Allow and Pay  
23 (1) Receiver's Fees and Expenses and (2) Attorneys' Fees and Expenses and in support of such  
24 would respectfully show unto the Court as follows:

25 **BACKGROUND**

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

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1           2. Pursuant to the terms of the Order Appointing Receiver, the Receiver was  
2 authorized to employ such attorneys as is necessary and proper in connection with the claims  
3 process. Subsequent to his appointment, the Receiver employed the law firm of Quilling  
4 Selander Cummiskey & Lownds, P.C. ("QSCL") as his general counsel. The Receiver is an  
5 attorney and a shareholder of the law firm and has rendered many of the legal services which are  
6 the subject of this Application as well as performing his duties as the Receiver.

7           3. This Application seeks approval and payment of the fees and reimbursement of  
8 expenses for the Receiver and QSCL for the time period from August 22, 2007 through January  
9 31, 2008.

10           4. Pursuant to paragraph 17 of the Order Appointing Receiver and after  
11 obtaining the consent of the SEC, the Receiver has paid himself and QSCL 90% of their  
12 fees (\$187,918.20) and 100% of their expenses (\$15,222.24). The purpose of this  
13 Application is to request Court approval of all of the fees and expenses and to allow  
14 payment of the 10% fee holdback (\$20,879.80).

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

18           Month	Fees	Expenses
19           August, 2007	\$42,887.50	\$1,680.19
20           September, 2007	\$29,887.50	\$2,921.76
21           October, 2007	\$57,723.00	\$7,282.94
22           November, 2007	\$28,650.00	\$3,019.93
23           December, 2007	\$25,917.50	\$204.81
24           January, 2008	\$23,732.50	\$112.61
<b>TOTAL:</b>	<b>\$208,798.00</b>	<b>\$15,222.24</b>

25           6. Exhibit "A," which is attached hereto and incorporated herein by reference for all  
26 purposes conveys the following information for the time period of August 22, 2007 through  
27 January 31, 2008: (a) the number of hours worked by each attorney and staff member on a  
28 particular day; (b) the manner and type of work performed by each attorney and staff member;

1 (c) the customary billing rate for each person rendering service in this matter; and (d) the  
2 monetary value assigned to each task performed by a given attorney and/or staff member. Each  
3 of the invoices attached hereto as Exhibit "A" reflect aggregate expenses by category during a  
4 given month.

5 **JOHNSON FACTORS**

6 7. In support of this request for allowance of compensation and reimbursement of  
7 expenses, the Receiver and QSCL respectfully direct this Court's attention to those factors  
8 generally considered by courts in awarding compensation to professionals for services performed  
9 in connection with the administration of a receivership estate. As stated by the Fifth Circuit  
10 Court of Appeals in *Migis v. Pearle Vision, Inc.*, 135 F.3d 1041, 1047 (5th Cir. 1998) "The  
11 calculation of attorneys fees involves a well-established process. First, the court calculates a  
12 'lodestar' fee by multiplying the reasonable number of hours expended on the case by the  
13 reasonable hourly rates for the participating lawyers. (cite omitted.) The court then considers  
14 whether the lodestar figure should be adjusted upward or downward depending on the  
15 circumstances of the case. In making a lodestar adjustment the court should look at twelve  
16 factors, known as the Johnson factors, after *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d  
17 714 (5th Cir. 1974)." The Ninth Circuit has expressly adopted the Johnson factors in *Kerr v.*  
18 *Screen Extras Guild, Inc.*, 526 F.2d 67 (9<sup>th</sup> Cir. 1975); *see also Quesada v. Thomason*, 850 F.2d  
19 537, 539 (9<sup>th</sup> Cir. 1988). Those factors, as applied to the services rendered in this case by the  
20 Receiver and QSCL, are addressed below.

21 (a) The Time and Labor Required. The Receiver and QSCL respectfully refer the  
22 Court's attention to Exhibit "A" which details the involvement of the Receiver and QSCL's  
23 attorneys in this case during the five and one half month period covered by this Application  
24 during which a total of more than 1130 hours of attorney, Receiver and paraprofessional time  
25 have been expended.

26 (b) The Novelty and Difficulty of the Questions. Many of the tasks reflected in  
27 Exhibit "A" involved factual and legal questions which were of substantial complexity.  
28

1 (c) The Skill Requisite to Perform the Service. The Receiver believes that the  
2 services performed in this case have required individuals possessing considerable experience in  
3 asset seizure, tracing and liquidation. Both the Receiver and QSCL have considerable  
4 experience in such areas.

5 (d) The Preclusion of Other Employment Due to Acceptance of the Case. The  
6 Receiver and QSCL have not declined any representation solely because of their services as  
7 Receiver and counsel for the Receiver.

8 (e) The Customary Fee. The Receiver believes that the hourly rates sought herein are  
9 commensurate with or lower than the rates charged by other practitioners of similar experience  
10 levels in the Eastern District of California. During the course of these proceedings, the following  
11 lawyers at QSCL have performed legal services on behalf of the Receiver with respect to these  
12 proceedings: Michael J. Quilling (\$350.00 per hour), licensed in Texas in 1982 and Texas Board  
13 Certified in Business Bankruptcy Law and Civil Trial Law; D. Dee Raibourn (\$275.00 per hour)  
14 licensed in Texas in 1998; and Brent Rodine (\$200.00 per hour) licensed in Texas in 2005  
15 (previously licensed in Oklahoma).

16 (f) Whether the Fee is Fixed or Contingent. The Receiver's and QSCL's fees are  
17 fixed insofar as monies exist by way of Receivership Assets from which to pay such fees.  
18 Payment of such fees, 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. QSCL has several  
10 attorneys who specialize exclusively in the practice of civil trial law. The practice of those  
11 attorneys regularly includes the representation of bankruptcy trustees and receivers. The  
12 reputation of QSCL's attorneys is recognized and respected in their community in Texas.

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. QSCL  
16 did not represent the Receiver in these proceedings prior to being retained in these proceedings.

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

19 WHEREFORE, the Receiver respectfully requests that the Court allow the requested  
20 compensation for professional services and expenses rendered by the Receiver and QSCL and  
21 authorize the Receiver to pay the 10% fee holdback of \$20,879.80, as per itemization in Exhibit  
22 "A" attached hereto and for such other and further relief, general or special, at law or in equity,  
23 to which the Receiver and QSCL may show themselves justly entitled.

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DATED: February \_\_\_\_, 2008

Respectfully submitted,

/s/ Michael J. Quilling

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