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9 UNITED STATES DISTRICT COURT
10 EASTERN DISTRICT OF CALIFORNIA
11 SACRAMENTO DIVISION
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14 SECURITIES AND EXCHANGE COMMISSION,

15 Plaintiff,
16 v.

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

19 Defendants.
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Case No. 2:07-CV-01724-LEW-CMK

JOINT STATUS REPORT AND
STATEMENT RE RULE 26(f)
DISCOVERY CONFERENCE

Status Conference:
March 21, 2008, 10:00 a.m.
Honorable Ronald S.W. Lew

21
22 Pursuant to Rule 26(f) of the Federal Rules of Civil Procedure, the parties submit this
23 joint statement regarding case management and discovery.

24 **I. SERVICE AND JURISDICTION**

25 The defendants in this case have each been served in this action, and defendants Donald
26 Neuhaus and Kimberly Snowden have filed answers without contesting venue or personal
27 jurisdiction. Defendants, Secure Investment Services, Inc., American Financial Services, Inc.,
28 and Lyndon Group, Inc., (“Entity Defendants”) did not file answers to the complaint, but have

1 consented to jurisdiction, entry of a judgment of liability, and permanent injunction against them,
2 reserving the issue of remedies for later determination.

3 Since the filing of this action and after filing an answer to the complaint, Defendant
4 Neuhaus has died, and a Statement of Fact of Death was filed with the Court on December 5,
5 2007. Plaintiff Securities and Exchange Commission (“Commission”) has recently filed a
6 motion to substitute Linda Neuhaus, in her capacity as the administrator and personal
7 representative of the estate, in this action pursuant to Rule 25(a) of the Federal Rules of Civil
8 Procedure. The Commission has served Linda Neuhaus with the motion to substitute, as
9 required by the rule.

10 **II. COURT ACTION TO DATE**

11 Concurrently with the filing of this action, the Commission sought a temporary
12 restraining order and appointment of a Receiver. The Court issued a temporary restraining order
13 on August 24, 2007, and appointed Michael Quilling the temporary Receiver over the entities.
14 On October 31, 2007, the Court appointed Mr. Quilling the permanent Receiver. By orders
15 dated October 31, 2007 and November 7, 2007, the Court issued preliminary injunction orders
16 against all defendants.

17 On January 10, 2008, the Court approved the agreed resolution of the Commission’s
18 allegations and claims against the Entity Defendants in this action, now under the control of the
19 Receiver, ordering judgment against Secure Investment Services, Inc., American Financial
20 Services, Inc. and Lyndon Group, Inc. Without admitting or denying the allegations, the Entity
21 Defendants agreed not to contest the allegations in the complaint. Under the agreement as
22 approved by the Court, remedies against the entities will be determined at a later date.

23 The Court has approved Receiver requests to retain legal counsel, establish a claims
24 procedure, appoint an Examiner, approve a first set of investor claims, and other matters.

25 **III. RESOLUTION OF CLAIMS AND ISSUES**

26 As discussed above, the Entity Defendants in this action have agreed not to contest the
27 allegations in the Commission’s complaint, and the Court has ordered partial judgment against
28 these Defendant entities reserving the issue of remedies. Therefore there are no factual disputes

1 to be resolved by the Court with respect to the liability of the Defendant entities. Though
2 remedies have been reserved for determination at a later date, the parties anticipate being able to
3 resolve these issues without a trial or court hearings.

4 With respect to Defendant Donald Neuhaus, or the substituted personal representative of
5 his estate, the Commission and counsel are seeking to resolve all the claims against his estate.
6 This resolution is contingent in part on the resolution of issues regarding remaining assets
7 between the estate and the Receiver, because the Commission agrees that certain assets should be
8 transferred to the Receivership. Once these asset issues are resolved, the Commission expects to
9 resolve its claims against Neuhaus, subject to approval by the Commission.

10 The Commission and counsel for Defendant Kimberly Snowden have discussed
11 resolution of the claims against her, but the parties have not resolved any of the issues that will
12 be presented at trial. The parties do not believe that any alternative dispute resolution procedures
13 would assist with the resolution of these claims at this point in the litigation, but the parties are
14 open to a mandatory settlement conference before a Magistrate Judge at an appropriate time in
15 the future.

16 **IV. MOTIONS AND PLEADINGS**

17 The Commission does not at this time plan any amendments to the pleadings or the
18 addition of other parties except for the pending motion to substitute Linda Neuhaus as the
19 representative of the Neuhaus estate. The Defendant Snowden also does not at this time plan any
20 amendments to the pleadings or the addition of other parties.

21 There are no motions pending that would dispose of any claims or issues, and at this
22 stage of discovery none of the parties anticipates filing any such motions at this time. As
23 discovery progresses in the case, the parties may file at a later date motions seeking to narrow the
24 disputed issues.

25 **V. INITIAL DISCLOSURES**

26 The Commission served its initial disclosures on November 9, 2007, and intends to make
27 available to the Defendants all non-privileged documents in its investigative files. Defendant
28 Snowden served her initial disclosures on November 9, 2007.

1 **VI. ANTICIPATED SCOPE OF DISCOVERY**

2 During the early discovery conference held on February 15, 2008, the parties did not
3 identify any significant discovery issues.

4 **A. Plaintiff's proposed discovery**

5 The Commission anticipates taking the depositions of Defendant Snowden, employees
6 and affiliates of Secure Investment Services, Inc., and employees of certain third parties that did
7 business with Secure Investment Services, Inc. This discovery could be reduced if the parties are
8 able to reach agreements on the admissibility of certain third-party business records. The
9 Commission also anticipates serving a limited number of subpoenas on third parties, and a
10 limited number of document requests, interrogatories, and requests for admission on the
11 Defendant Snowden.

12 **B. Defendant Snowden's proposed discovery**

13 The Defendant Snowden anticipates taking a limited number of depositions of investors.
14 Snowden also anticipates serving document requests, interrogatories, and requests for admission
15 on the Commission and other parties.

16 **C. Other parties**

17 The other parties in the litigation do not anticipate conducting significant discovery in
18 anticipation of trial.

19 **VII. PROPOSED CASE SCHEDULE**

20 Plaintiff Commission believes that the issues in this case that will be presented at trial are
21 relatively narrow and straightforward, and that the case can be tried before a jury in no more than
22 15 court days. The Commission will be prepared for trial in Fall of 2008.

23 Defendant Snowden believes that the issues in this case can be tried in 15 court days.
24 Counsel Snowden anticipates being prepared for trial in March of 2009.

25 Depending on the trial dates ordered by the Court, deadlines for completing discovery
26 should be set accordingly.
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1 Dated: March 7, 2008

Respectfully submitted,

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3 /s/ Lloyd Farnham
4 JOHN S. YUN
5 THOMAS J. EME
6 LLOYD A. FARNHAM
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8 SECURITIES AND EXCHANGE COMMISSION

9 /s/ Mark D. Norcross
10 MARK D. NORCROSS
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13 KIMBERLY SNOWDEN

14 /s/ Bruce Locke
15 BRUCE LOCKE
16 MOSS & LOCKE
17 Attorneys for Defendant
18 DONALD NEUHAUS

19 /s/ Maralee MacDonald
20 MARALEE MACDONALD
21 BOUTIN GIBSON DI GIUSTO HODELL
22 Attorneys for Receiver of Defendants
23 SECURE INVESTMENT SERVICES, INC.,
24 AMERICAN FINANCIAL SERVICES, INC. AND
25 LYNDON GROUP, INC.
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