

1 MICHAEL J. QUILLING (Tex. Bar No. 16432300)
2 D. DEE RAIBOURN, III (Tex. Bar No. 24009495)
3 BRENT J. RODINE (Tex. Bar No. 24048770)

4 Attorneys for Receiver
5 QUILLING, SELANDER, CUMMISKEY & LOWNDS, P.C.
6 2001 Bryan Street, Suite 1800
7 Dallas, TX 75201
8 Telephone: (214) 871-2100
9 Facsimile: (214) 871-2111

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,
and KIMBERLY A. SNOWDEN,

19 Defendants.

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

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

Date: June 16, 2008

Time: 9:00 a.m.

Courtroom: 10

20
21 TO THE HONORABLE GARLAND E. BURRELL, JR., UNITED STATES DISTRICT
22 JUDGE:

23
24 Michael J. Quilling, Receiver, files this, his Second Interim Application to Allow and Pay
25 (1) Receiver's Fees and Expenses and (2) Attorneys' Fees and Expenses and in support of such
26 would respectfully show unto the Court as follows:
27
28

BACKGROUND

1
2 1. On November 17, 2006, 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 Quilling
9 Selander Cummiskey & Lownds, P.C. ("QSCL") as his general counsel. The Receiver is an
10 attorney and a shareholder of the law firm and has rendered many of the legal services which are
11 the subject of this Application as well as performing his duties as the Receiver.

12 3. This Application seeks approval and payment of the fees and reimbursement of
13 expenses for the Receiver and QSCL for the time period from February 1, 2008 through April
14 30, 2008.

15 4. **Pursuant to paragraph 17 of the Order Appointing Receiver and after**
16 **obtaining the consent of the SEC, the Receiver has paid himself and QSCL 90% of their**
17 **fees (\$105,358.50) and 100% of their expenses (\$5,084.08). The purpose of this Application**
18 **is to request Court approval of all of the fees and expenses and to allow payment of the**
19 **10% fee holdback (\$11,706.50).**

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

23

| Month | Fees | Expenses |
|----------------|---------------------|-------------------|
| February, 2008 | \$33,207.50 | \$1,091.41 |
| March, 2008 | \$44,357.50 | \$1,769.49 |
| April, 2008 | \$39,500.00 | \$2,223.18 |
| TOTAL: | \$117,065.00 | \$5,084.08 |

24
25
26
27
28

1 total of more than 292 hours of attorney, Receiver and paraprofessional time have been
2 expended.

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

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

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

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

20 (f) Whether the Fee is Fixed or Contingent. The Receiver's and QSCL's fees are
21 fixed insofar as monies exist by way of Receivership Assets from which to pay such fees.
22 Payment of such fees, however, is subject to Court approval.

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

26 (h) The Amount Involved and the Results Obtained. This case involves 48 insurance
27 policies having a death benefit of close to \$50 million. In excess of 600 investors invested more
28 than \$31 million to purchase fractionalized interests in the insurance policies. At the time this

1 case was filed, there was approximately \$400,000.00 of cash available to meet premium
2 obligations in excess of \$1.6 million per annum.

3 Since his appointment, the Receiver has closed all known bank accounts and has taken
4 possession of all known books and records. He has obtained accurate, current information
5 regarding each policy and has been able to pay premiums on the policies on a current basis. The
6 Receiver has also arranged for a \$3 million line of credit to be utilized to pay premiums and
7 other administrative expenses. The Receiver is investigating whether fraudulent transfer and
8 other recoveries may be possible. A website is maintained by the Receiver so as to update the
9 investors. Claim forms have been approved and mailed to all known investors. Approximately
10 534 claim forms have been received back from investors.

11 (i) The Experience, Reputation and Ability of the Attorneys. QSCL has several
12 attorneys who specialize exclusively in the practice of civil trial law. The practice of those
13 attorneys regularly includes the representation of bankruptcy trustees and receivers. The
14 reputation of QSCL's attorneys is recognized and respected in their community in Texas.

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

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

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

21 WHEREFORE, the Receiver respectfully requests that the Court allow the requested
22 compensation for professional services and expenses rendered by the Receiver and QSCL and
23 authorize the Receiver to pay the 10% fee holdback of \$11,706.50, as per itemization in Exhibit
24 "A" attached hereto and for such other and further relief, general or special, at law or in equity,
25 to which the Receiver and QSCL may show themselves justly entitled.

26 //

27 //

28 //

1 DATED: May 13, 2008

Respectfully submitted,

2 /s/ Michael J. Quilling

3 MICHAEL J. QUILLING (Tex. Bar No. 16432300)

4 D. DEE RAIBOURN, III (Tex. Bar No. 24009495)

5 BRENT J. RODINE (Tex. Bar No. 24048770)

6 Attorneys for Receiver

7 QUILLING, SELANDER, CUMMISKEY &

8 LOWNDS, P.C.

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28