

**BOUTIN GIBSON DI GIUSTO HODELL INC.**

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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 GEB CMK

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

Hearing Date: June 16, 2008  
Time: 9:00 a.m.  
Department: 10

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

Michael J. Quilling, Receiver, files this, his Second 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 February 1, 2008 through April 30, 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:

18

Month	Fees	Expenses
February, 2008	\$2,766.00	\$ 0.0
March, 2008	1,218.00	0.0
April, 2008	2,483.50	216.61
<b>TOTAL:</b>	<b>\$6,467.50</b>	<b>\$216.61</b>

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24          6.       Exhibit "A," which is attached hereto and incorporated herein by reference for all  
25 purposes conveys the following information for the time period of February 1, 2008 through  
26 April 30, 2008: (a) the number of hours worked by each attorney and staff member on a  
27 particular day; (b) the manner and type of work performed by each attorney and staff member;  
28 (c) the customary billing rate for each person rendering service in this matter; and (d) the

1 monetary value assigned to each task performed by a given attorney and/or staff member. Each  
2 of the invoices attached hereto as Exhibit "A" reflect aggregate expenses by category during a  
3 given month.

4 **JOHNSON FACTORS**

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

20 (a) The Time and Labor Required. The Receiver and BOUTIN respectfully refer the  
21 Court's attention to Exhibit "A" which details the involvement of BOUTIN's attorneys in this  
22 case during the three month period covered by this Application during which a total of more than  
23 25.60 hours of attorney and paraprofessional time have been expended.

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

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

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

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

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

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

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

22 Since his appointment, the Receiver has closed all known bank accounts and has taken  
23 possession of all known books and records. He has obtained accurate, current information  
24 regarding each policy and has been able to pay premiums on the policies on a current basis. The  
25 Receiver has also arranged for a \$3 million line of credit to be utilized to pay premiums and  
26 other administrative expenses. The Receiver is investigating whether fraudulent transfer and  
27 other recoveries may be possible. A website is maintained by the Receiver so as to update the  
28

1 investors. Claim forms have been approved and mailed to all known investors. Approximately  
2 508 claim forms have been received back from investors.

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

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

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

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

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

16 WHEREFORE, the Receiver respectfully requests that the Court allow the requested  
17 compensation for professional services and expenses rendered by BOUTIN and authorize the  
18 Receiver to pay the 10% fee holdback of \$646.75, as per itemization in Exhibit "A" attached  
19 hereto and for such other and further relief, general or special, at law or in equity, to which the  
20 Receiver and BOUTIN may show themselves justly entitled.

21 Respectfully submitted,

22  
23 BOUTIN GIBSON DI GIUSTO HODELL INC.

24 Dated: May 15, 2008

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