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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., LINDA NEUHAUS in her  
capacity as administrator and personal representative  
19 of the estate of Donald F. Neuhaus, and KIMBERLY  
A. SNOWDEN,

20 Defendants.  
21

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

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

Status Conference:  
June 9, 2008, 9:00 a.m.  
Honorable Garland E. Burrell, Jr.

22  
23 Pursuant to the Court's Related Case Order of April 25, 2008 and Rule 26(f) of the  
24 Federal Rules of Civil Procedure, the parties submit this joint statement regarding case  
25 management and discovery.

26 **I. SERVICE AND JURISDICTION**

27 Defendants Donald Neuhaus and Kimberly Snowden were served with the complaint and  
28 filed answers without contesting venue or personal jurisdiction. Defendants Secure Investment

1 Services, Inc., American Financial Services, Inc., and Lyndon Group, Inc., (“Entity Defendants”)  
2 were served with the complaint. They did not file answers to the complaint, but have consented  
3 to jurisdiction, entry of a judgment of liability, and permanent injunctions against them,  
4 reserving the issue of remedies for later determination.

5 After he filed an answer to the complaint, Defendant Neuhaus died, and a Statement of  
6 Fact of Death was filed with the Court on December 5, 2007. Accordingly, Plaintiff Securities  
7 and Exchange Commission (“Commission”) recently substituted Linda Neuhaus, in her capacity  
8 as the administrator and personal representative of Donald Neuhaus’ estate, in this action  
9 pursuant to Rule 25(a) of the Federal Rules of Civil Procedure.

## 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 Linda Neuhaus, the substituted personal representative of the estate of  
5 Donald Neuhaus, the Commission is seeking to resolve all the claims against the estate. This  
6 resolution is contingent in part on the resolution of issues regarding remaining assets between the  
7 estate and the Receiver, because the Commission agrees that certain assets should be transferred  
8 to the Receivership. Once these asset issues are resolved, the Commission expects to resolve its  
9 claims against the estate and Linda 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. The Defendant Snowden also does not at this time plan any  
19 amendments to the pleadings or the addition of other parties.

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

#### 24 **V. INITIAL DISCLOSURES**

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

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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 The 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 March of 2009.

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 The Commission and Defendant Snowden propose the following pre-trial schedule and  
26 deadlines: (1) expert and non-expert discovery complete by 90 days before trial; (2) designation  
27 of expert testimony and disclosure of expert reports by 30 days before the discovery cut-off; (3)  
28 designation of opposition expert testimony and disclosure of opposition expert reports by 15

1 days before the discovery cut-off; (4) disclosure of expert reply reports by 7 days before the  
2 discovery cut-off; and (5) dispositive motions filed 90 days before trial.

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4 Dated: May 21, 2008

Respectfully submitted,

5  
6 /s/ Thomas J. Eme  
JOHN S. YUN  
7 THOMAS J. EME  
LLOYD A. FARNHAM  
8 Attorneys for Plaintiff  
SECURITIES AND EXCHANGE COMMISSION

9  
10 /s/ Jonz Norine  
11 JONZ NORINE  
12 KENNY, SNOWDEN & NORINE  
Attorneys for Defendant  
13 KIMBERLY SNOWDEN

14  
15 /s/ Linda Neuhaus  
LINDA NEUHAUS  
16 Pro Se

17  
18 /s/ Maralee MacDonald  
MARALEE MACDONALD  
19 BOUTIN GIBSON DI GIUSTO HODELL  
Attorneys for Receiver of Defendants  
20 SECURE INVESTMENT SERVICES, INC.,  
AMERICAN FINANCIAL SERVICES, INC. AND  
21 LYNDON GROUP, INC.