BOUTIN GIBSON DI GIUSTO HODELL INC.
Chris Gibson, SBN 073353
Maralee MacDonald, SBN 208699
555 Capitol Mall, Suite 1500
Sacramento, CA 95814-4603
(916) 321-4444

QUILLING, SELANDER, CUMMISKEY & LOWNDS, P.C.
Michael J. Quilling (Tex. Bar No. 16432300) – Admitted Pro Hac Vice
D. Dee Raibourn, III (Tex. Bar No. 24009495) – Admitted Pro Hac Vice
Brent J. Rodine (Tex. Bar No. 24048770) – Admitted Pro Hac Vice
2001 Bryan Street, Suite 1800
Dallas, TX 75201
Telephone: (214) 871-2100
Facsimile: (214) 871-2111

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

MOTION FOR AUTHORIZATION TO ABANDON THE SLE-K(3) POLICY

Date: June 30, 2008
Time: 9:00 a.m.
Judge: Hon. Garland E. Burrell, Jr.

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

Michael J. Quilling, the Receiver appointed in these proceedings ("Receiver"), files this Motion for Authorization to Abandon the SLE-K(3) Policy and in support would show the following:

1. By Orders dated August 24, 2007 and October 30, 2007, the Receiver was appointed by this Court and charged with having, *inter alia*, "complete and exclusive control, possession and custody of all receivership assets."

2. In that the Receiver was not appointed as to Donald Neuhaus individually and because some of the insurance policies involving investors were held wholly or partially in his individual name, the Receiver negotiated, and received Court approval of [Dkt. No. 72], a Compromise and Settlement Agreement with Donald Neuhaus. One aspect of the Agreement was that he would transfer all policy interests held in his individual name to the receivership.

3. One of the assets over which the Receiver assumed control by virtue of the foregoing Orders was life insurance policy number 62782845 in the face amount of $1,000,000.00 issued by New York Life insuring the life of SLE-K(3) ("Policy").[1]

4. Books and records available to the Receiver indicate that prior to the appointment of the Receiver, Donald Neuhaus caused himself and 14 other individuals and entities to be registered as partial owners of the Policy on the records of New York Life. The ownership interest percentage of each was calculated based on the amount invested by each investor. Each investor was also registered as a partial beneficiary of the death benefits available under the Policy. A schedule of the ownership interests held by each investor is set forth in Exhibit 1 attached hereto. As reflected, Donald Neuhaus retained an ownership interest of only 2.60698%, which translates into the right to receive $26,069.80 upon the death of the insured.

5. The annual premium with respect to the Policy which is paid on a quarterly basis for 2008 is $78,000.00. Despite only owning 2.6% of the Policy, since his appointment through April 30, 2008, the Receiver has paid 100% of the premium required when due for a total of $54,000.00 during the period. Although the premium for 2009 and subsequent years is not known, generally premiums increase each year on average between 4 and 5 percent depending on the age of the insured and the company.

[1] In order to protect the identity of the insureds from those who may be interested in their early death, the Receiver will use an identifier comprised of the first three letters of the last name and the first letter of the first name. John Smith = SMI-J. If the policy covers two individuals, John and Sally Smith, the identifier is SMI-J&S. If there are multiple policies on the insured(s) a number designation follows – SMI-J&S(1).

6. With multiple owners and beneficiaries, the Policy has no value on the market, cannot be sold and, in its current state, the Policy is worthless to the receivership. If, however, all partial ownership interests were transferred to the receivership then, if necessary, the Policy could be sold and the funds contributed to the pool of funds to be shared by all investors [see Dkt. No. 56 – Order Pooling Assets]. Accordingly, on March 19, 2008 the Receiver began sending a letter to each partial owner of the Policy requesting that they transfer their ownership interest to the receivership in exchange for a claim against the receivership. A sample of the letter is attached as Exhibit 2. As of May 20, 2008, a total of 4 different investors holding an aggregate of 43.5125% of the Policy ownership have signed and returned forms transferring their interest to the receivership. Those investors are listed on the schedule attached hereto as Exhibit 3, as are the investors who have not returned their forms. Combined with the percentage already held by the receivership, the Receiver now controls 46.11948% of the Policy.

7. In an effort to encourage the remaining investors to transfer their interest, the Receiver began calling some of the owners to see if he could answer any questions they might have. When contacted, several of the owners were hostile and flatly refused to consider the matter and vowed to never cooperate with the Receiver. Accordingly, it has become abundantly clear to the Receiver that continued efforts to obtain complete ownership of the Policy is an exercise in futility and does not justify further expenditure of effort and fees by the receivership.

8. Thus, a couple of options exist as to how to proceed with the Policy to-wit: (1) leave things as they are; (2) have the Receiver bill each investor for their share of the premiums as they become due; or (3) have the receivership abandon its interest in the Policy and leave the remaining owners to fend for themselves. Each option is discussed below.

9. Option 1. Leaving things as they are does not make sense, financial or otherwise, for the receivership. The receivership has and will have to continue to borrow funds under its line of credit to pay 100% of the premium when the receivership only owns 2.6% of the Policy. In addition, the receivership will continue paying $50.00 per month to National Viatical, Inc. to monitor the Policy, the health of the insureds and process premiums in addition to fees and expenses relating to legal counsel. Moreover, since the Policy cannot be sold, there is no exit

strategy other than to await the death of the insured and that could take years even though the insured is 92. The out of pocket cost to the receivership has already substantially exceeded the amount it will ever receive in death benefits.

10. Option 2. The Receiver has also considered the possibility of continuing to conduct the business of the Policy and cover future premium requirements by requesting that the Court order that individual investors pay their respective percentage of the premium when due. Several investors have told the Receiver that they do not have the financial ability to pay their share of the premium. But even if they could, such an alternative will be extremely burdensome to the receivership in terms of legal fees and will not bring any benefit to the receivership unless both insureds were to die before the conclusion of the receivership because there is no ability to sell the Policy instead of continuing to hold it. Again, the receivership has already paid substantially more in premium than the amount it will ever recover in death benefits.

11. Option 3. The only alternative which makes financial sense for the receivership is for the Receiver to abandon the estate's 2.6% ownership interest and to allow the other partial owners to formulate their own devices by which to obtain funds to timely pay the premium. Unfortunately, the likely reality of such a scenario is that the Policy will lapse very quickly due to nonpayment of premium because many of the investors have indicated to the Receiver that they simply to do not have the financial ability to continue paying premiums for even a short period of time much less throughout the continued lifetimes of the insured. It is indeed unfortunate that the refusal of a few investors will likely bring about a complete loss of the investment of all of them, but there is simply no way around the current stalemate which exists.

12. The Receiver requests the Court schedule an evidentiary hearing to allow a complete record to be developed which justifies the action requested by the Receiver and to allow interested investors who hold ownership interests in the Policy to present their positions to the Court. If, at the conclusion of the hearing, the Court decides that the Receiver should be allowed to abandon the receivership estate's interest in the Policy, the Receiver will provide to each such owner a list of contact information for each known investor holding an interest in the Policy so that they can try to organize to save the Policy from lapsing. The Receiver will also

serve a copy of this motion upon each investor who holds an ownership interest in the Policy and notify them of any hearing date.

WHEREFORE, PREMISES CONSIDERED, the Receiver requests that the Court schedule an evidentiary hearing to consider the Receiver's request to abandon the receivership estate's ownership interest in the SLE-K(3) Policy and for such other and further relief, general or special, at law or in equity, to which the Receiver may show himself justly entitled.

Respectfully submitted,

Dated: May 30, 2008.

/s/ Michael J. Quilling
MICHAEL J. QUILLING (Tex. Bar No. 16432300)
D. DEE RAIBOURN, III (Tex. Bar No. 24009495)
BRENT J. RODINE (Tex. Bar No. 24048770)

Attorneys for Receiver
QUILLING, SELANDER, CUMMISKEY & LOWNDS, P.C.

MARALEE MacDONALD
BOUTIN GIBSON DI GIUSTO HODELL INC.
Attorneys for Receiver

CERTIFICATE OF SERVICE

I hereby certify that on the 30th day of May, 2008, a copy of this motion was served on all interested parties through the Court's electronic filing system. In addition, a copy of this motion was served on the following investors named as owners of the SLE-K(3) Policy by U.S. Certified Mail, Return Receipt Requested:

Certified Mail, Return Receipt Requested:

The Bunge Revocable Trust
3616 Fieldstone Drive West
Bozeman, MT 59715

Leonard J. and Betty A. Costa
4773 Salmon Drive
Paradise, CA 95969

Herschel Dixon
2215 Santa Clara Avenue
Chico, CA 95928

Frances L. Dudik
6901 Squaw Mountain Dr. #102
Las Vegas, NV 89130

Robert L. Eberle
2485 Grassy Springs Place
Las Vegas, NV 89135

Robert Erickson
8354 Citruswood Lane
Citrus Heights, CA 95610

Lucielle Erickson Jenkins
c/o Bobby Jenkins
1125 Cliff Park Way
Reno, NV 89523

Rakesh Joshi
15 Osprey Road
Chico, CA 95928

Fred & Sharon Kemp
1270 Kling Court
Paradise, CA 95969

Lorraine Machuta
13941 Chestnut Circle
Magalia, CA 95954

Robert J. Machuta
13941 Chestnut Circle
Magalia, CA 95954

Elaine R. Pierskalla
84 West Noble Heights
Tuson, AZ 85742

Kimberly Snowden
c/o Jonz Norine, Esq.
2701 Park Marina Drive
Redding, CA 96001

William E. Thornton
739 Grand Teton Way
Chico, CA 95973

/s/ Michael J. Quilling
Michael J. Quilling

Exhibit "1"

SLE-K(3)

Investor	Ownership Interest	Amount Invested
The Bunge Revocable Trust	7.5000000%	$ 37,500.00
Leonard J. and Betty A. Costa	2.0000000%	$ 5,000.00
Herschel Dixon	8.7500000%	$ 50,000.00
Frances L. Dudik	7.5000000%	$ 37,500.00
Robert L. Eberle	10.0000000%	$ 50,000.00
Robert Erickson	18.9524000%	$ 108,299.63
Lucielle Erickson Jenkins	19.2625000%	$ 110,071.15
Rakesh Joshi	3.5818400%	$ 17,909.20
Fred M. and Sharon A. Kemp	1.0000000%	$ 5,000.00
Lorraine Machuta	4.0000000%	$ 20,000.00
Robert J. Machuta	4.4335500%	$ 22,176.76
Elaine R. Pierskalla	1.0000000%	$ 5,000.00
Michael J. Quilling, Receiver	2.6069800%	$ -
Kimberly A. Snowden	1.4127000%	$ 7,063.72
William E. Thornton	8.0000000%	$ 40,000.00
TOTAL	**99.99997000%**	**$ 515,520.46**

Exhibit "2"

QSCL
QUILLING · SELANDER · CUMMISKEY · LOWNDS

Michael J. Quilling
BOARD CERTIFIED
BUSINESS BANKRUPTCY LAW
AND CIVIL TRIAL LAW
TEXAS BOARD OF LEGAL SPECIALIZATION

Telephone: 214.871.2100
Facsimile: 214.871.2111

March 19, 2008

VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Re: Case No. 2:07-CV-01724-LEW-CMK; Securities and Exchange Commission v. Secure Investments Services, Inc., American Financial Services, Inc., Lyndon Group, Inc., Donald F. Neuhaus, and Kimberly A. Snowden; U. S. District Court, Eastern District of California

Re: Insured Name:
Policy No.: 62782845

Dear

As you are probably aware, I am the Receiver appointed by the United States District Court for the Eastern District of California with respect to the above-referenced case. In connection with performing my duties I have taken possession of the books and records of the companies and have been administering the insurance policies (*i.e.*, paying the premiums and monitoring for the death of an insured). One of those policies is Policy No. 62782845 issued by New York Life covering the life of

I am writing to you because the books and records I have reviewed indicate that you have an ownership interest equal to % of the death benefit associated with the policy. Since my appointment, I have been paying 100% of the premiums which are due with respect to the policy. The annual premium at this time is approximately $78,000.00. When I was appointed, there was very little money available to pay premiums. In order to do so I have had to borrow the money from the bank. Although I have arranged to borrow a total of $3 million if necessary, I cannot keep doing so forever so I am exploring other possibilities, including a sale of all or some of the policies.

In order for me to formulate a plan to get as much money back to investors as quickly as possible, I need your assistance. In particular, I ask that you sign the enclosed document where indicated and return it to me in the enclosed envelope. If you sign the document, you will be transferring your % ownership interest to me in my capacity as Receiver. If I can find a buyer

for the policy the fact that you have transferred the interest to me will make the sale process much easier and faster. By transferring your interest to me you are giving up your ownership interest in the policy but you will have a claim for the principal amount you invested against the receivership estate. If you choose not to assign your interest, then, as more fully explained in the next paragraph, you will have to begin paying your share of the annual premium which right now is approximately $ This amount will increase in the future and may have to be paid for many years depending on when the insured dies.

If you decide to sign and return the enclosed form, I will hold it until I hear back from all the other partial owners. If some of the owners indicate that they are not willing to sign the form, then I may very well abandon the policy and quit paying premiums, in which event partial owners such as you will have to find a way to pay the premiums yourselves. I hope that I do not have to take that course of action because I want to do as much as I can to help you receive as much of your investment as possible.

If you have any questions at all, please call me and I will be happy to discuss the matter with you. In the alternative, please feel free to contact Steve Harr, the Examiner appointed in these proceedings. As Examiner, his role is to communicate with investors regarding how their interests are impacted by what I do as Receiver. Mr. Harr's phone number is (214) 855-7500, and he can be contacted at www.examinersis.com.

Very truly yours,

Michael J. Quilling

MJQ/ja
Enclosures

cc: Tom Eme, Securities & Exchange Commission
Steve Harr, Examiner
Catrina Tipton, National Viatical, Inc.
Maralee MacDonald, Esq.

Exhibit "3"

SLE-K(3)

Signed Transfer Forms Returned to Receiver

Investor	Ownership Interest
The Bunge Revocable Trust	7.5000000%
Herschel Dixon	8.7500000%
Lucielle Erickson Jenkins	19.2625000%
William E. Thornton	8.0000000%
SUB-TOTAL	**43.51250000%**
Michael J. Quilling, Receiver	2.6069800%
TOTAL	**46.11948000%**

SLE-K(3)

Transfer Forms Not Returned to Receiver

Investor	Ownership Interest
Leonard J. and Betty A. Costa	2.0000000%
Frances L. Dudik	7.5000000%
Robert L. Eberle	10.0000000%
Robert Erickson*	18.9524000%
Rakesh Joshi	3.5818400%
Fred M. and Sharon A. Kemp	1.0000000%
Lorraine Machuta	4.0000000%
Robert J. Machuta	4.4335500%
Elaine R. Pierskalla	1.0000000%
Kimberly A. Snowden	1.4127000%
TOTAL	**53.88049000%**

*Letter Returned "Attempted Not Known; Unable to Forward"