

**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

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

Date: October 20, 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 Third Interim Application to Allow and Pay  
(1) Receiver's Fees and Expenses and (2) Attorneys' Fees and Expenses and in support of such  
would respectfully show unto the Court as follows:

**BACKGROUND**

1. On November 17, 2006, the Securities and Exchange Commission filed its  
Complaint and request for appointment of a receiver. On October 31, 2007, the Court issued its

1 Order Appointing Receiver pursuant to which Michael J. Quilling was appointed to serve as  
2 Receiver in this case.

3 2. Pursuant to the terms of the Order Appointing Receiver, the Receiver was  
4 authorized to employ such attorneys as is necessary and proper in connection with the claims  
5 process. Subsequent to his appointment, the Receiver employed the law firm of Quilling  
6 Selander Cummiskey & Lownds, P.C. ("QSCL") as his general counsel. The Receiver is an  
7 attorney and a shareholder of the law firm and has rendered many of the legal services which are  
8 the subject of this Application as well as performing his duties as the Receiver.

9 3. This Application seeks approval and payment of the fees and reimbursement of  
10 expenses for the Receiver and QSCL for the time period from May 1, 2008 through August 31,  
11 2008.

12 4. Pursuant to paragraph 17 of the Order Appointing Receiver and after  
13 obtaining the consent of the SEC, the Receiver has paid himself and QSCL 90% of their  
14 fees (\$165,584.25) and 100% of their expenses (\$10,437.00). The purpose of this  
15 Application is to request Court approval of all of the fees and expenses and to allow  
16 payment of the 10% fee holdback (\$18,398.25).

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

20 Month	Fees	Expenses
21 May, 2008	\$44,985.00	\$423.04
22 June, 2008	\$48,847.50	\$3,203.96
23 July, 2008	\$51,560.00	\$4,710.25
24 August, 2008	\$38,590.00	\$2,099.75
25 <b>TOTAL:</b>	<b>\$183,982.50</b>	<b>\$10,437.00</b>



1 total of more than 1,127 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  
10 545 claim forms have been received back from investors. During the period covered by this  
11 Application, the majority of the time has been spent in connection with abandoning certain  
12 multiple owner policies and attempting to convince investors to transfer their interests to the  
13 Receiver to keep them from lapsing.

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

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

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

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

24 WHEREFORE, the Receiver respectfully requests that the Court allow the requested  
25 compensation for professional services and expenses rendered by the Receiver and QSCL and  
26 authorize the Receiver to pay the 10% fee holdback of \$18,398.25, as per itemization in Exhibit  
27 "A" attached hereto and for such other and further relief, general or special, at law or in equity,  
28 to which the Receiver and QSCL may show themselves justly entitled.

1 DATED: September 17, 2008.

2 Respectfully submitted,

3  
4 /s/ Michael J. Quilling

5 MICHAEL J. QUILLING (Tex. Bar No. 16432300)  
6 D. DEE RAIBOURN, III (Tex. Bar No. 24009495)  
7 BRENT J. RODINE (Tex. Bar No. 24048770)

8 Attorneys for Receiver  
9 QUILLING, SELANDER, CUMMISKEY &  
10 LOWNDS, P.C.  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

CERTIFICATE OF SERVICE

I hereby certify that on the 17th day of September, 2008, a copy of this Application was served on the following by First Class United States Mail:

Bazzle John Wilson  
1291 Nunneley  
Paradise, CA 95969

J.D. Zink  
Zink & Lenzi  
250 Vallombrosa Ave., #175  
Chico, CA 95926

/s/ Maralee MacDonald  
Maralee MacDonald

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28