

**BOUTIN GIBSON DI GIUSTO HODELL INC.**

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555 Capitol Mall, Suite 1500  
Sacramento, CA 95814-4603  
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**QUILLING, SELANDER, CUMMISKEY  
& LOWNDS, P.C.**

Michael J. Quilling (Tex. Bar No. 16432300) – Admitted Pro Hac Vice  
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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

NOTICE OF RECEIVER’S SECOND  
MOTION TO TRANSFER INTERESTS  
IN NUMEROUS INSURANCE  
POLICIES TO THE RECEIVERSHIP

Date: March 9, 2009  
Time: 9:00 a.m.  
Courtroom 10

TO: THE PARTIES AND ALL COUNSEL OF RECORD:

On March 9, 2009 at 9:00 a.m., or as soon thereafter as the matter may be heard before  
the Honorable Garland E. Burrell, Jr., at the U.S. District Court for the Eastern District of  
California, 501 I Street, Sacramento, California, Michael J. Quilling, the Receiver appointed in  
these proceedings, (“Receiver”), will move this the Court to issue an order:





1 **BOUTIN GIBSON DI GIUSTO HODELL INC.**

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10 UNITED STATES DISTRICT COURT  
11 EASTERN DISTRICT OF CALIFORNIA  
12 SACRAMENTO DIVISION

13  
14 SECURITIES AND EXCHANGE COMMISSION,

15 Plaintiff,

16 v.

17 SECURE INVESTMENT SERVICES, INC.,  
18 AMERICAN FINANCIAL SERVICES, INC.,  
19 LYNDON GROUP, INC., DONALD F. NEUHAUS,  
and KIMBERLY A. SNOWDEN,

20 Defendants.

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

RECEIVER’S SECOND MOTION  
TO TRANSFER INTERESTS IN  
NUMEROUS INSURANCE POLICIES  
TO THE RECEIVERSHIP

Date: March 9, 2009  
Time: 9:00 a.m.  
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21 TO THE HONORABLE GARLAND E. BURRELL, JR., UNITED STATES DISTRICT JUDGE:

22 Michael J. Quilling, the Receiver appointed in these proceedings (“Receiver”), files this  
23 Second Motion to Transfer Interests in Numerous Insurance Policies to the Receivership and, in  
24 support, would show the following:

25 1. By Orders dated August 24, 2007 [Dkt. No. 27], October 30, 2007 [Dkt. No. 80],  
26 and October 15, 2008 [Dkt. No. 326] this Court appointed the Receiver and charged him with  
27 having “complete and exclusive control, possession and custody of all receivership assets.”  
28

RECEIVER’S SECOND MOTION TO TRANSFER INTERESTS IN  
NUMEROUS INSURANCE POLICIES TO THE RECEIVERSHIP - Page 1

1           2.       The principal assets at issue in this case are forty-nine life insurance policies  
2 managed by the receivership entities. Donald Neuhaus (“Neuhaus”) held an ownership interest  
3 in many of those policies in his individual name. Since the Receiver was not appointed for  
4 Neuhaus individually, he negotiated a Compromise and Settlement Agreement that would  
5 transfer Neuhaus’ individual interests to the receivership estate. The Court approved that  
6 agreement by Order of October 26, 2007 [Dkt. No. 72].

7  
8           3.       Twenty-three policies at issue in this case are referred to as “multiple-owner  
9 policies” because numerous individual investors each hold a fractional ownership interest in  
10 them. Typically, each owner in a multiple-owner policy also has a beneficiary interest equal to  
11 his or her ownership percentage.

12           4.       These multiple-owner policies have been problematic for many reasons. One  
13 reason is that certain policy language prohibits some insurance providers from honoring transfers  
14 from Neuhaus or his entities to the Receiver without the written consent from all other owners of  
15 record. To remedy this problem, the Receiver filed a Motion to Transfer Don Neuhaus’ Interest  
16 in Numerous Insurance Policies [Dkt. No. 250]. The Court entered an order [Dkt. No. 278]  
17 granting that motion and directing certain providers to honor Neuhaus’ transfer forms without  
18 the other owners’ written consent.  
19

20           5.       Since then, other insurance providers have advised that they are unable to transfer  
21 fractional ownership and/or beneficiary interests to the Receiver without the other owners’  
22 written consent. The Receiver, therefore, files this Second Motion to Transfer Interests in the  
23 following policies:  
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<u>Policy</u>	<u>Provider</u>	<u>Policy No.</u>	<u>Interest Held By</u>	<u>Percentage Held</u>
KEU-P <sup>1</sup>	Pacific Life Insurance Company	VF51323970	Lyndon Group, Inc.	7.4846430%
BAU-R&L(1)	Pacific Life Insurance Company	1A22591080	Lyndon Group, Inc.	1.2090940%
BER-H&V	Transamerica Occidental Life Insurance Company	60045564	Donald Neuhaus	11.7562350%

6. With respect to the KEU-P policy, the Receiver filed a request to transfer the fractional ownership interest and beneficiary interest of Lyndon Group, Inc. (“LGI”) from LGI to “Michael J. Quilling, Receiver.” He signed that transfer form for LGI as its court-appointed Receiver. Pacific Life Insurance Company (“Pacific Life”) transferred the fractional ownership interest as requested, but will not transfer the fractional beneficiary interest without the other twenty-four owners’ written consent.

7. With respect to the BAU-R&L(1) policy, the Receiver filed a request to transfer LGI’s fractional ownership interest and beneficiary interest to “Michael J. Quilling, Receiver.” He signed that transfer form for LGI as its court-appointed Receiver. Pacific Life transferred the fractional ownership interest as requested, but will not transfer the fractional beneficiary interest without the other twelve owners’ written consent.

8. With respect to the BER-H&V policy, Linda Neuhaus signed a request to transfer Don Neuhaus’ fractional beneficiary interest to “Michael J. Quilling, Receiver.” She signed that transfer form as representative of Don Neuhaus’ estate. *See* Order of Substitution [Dkt. No. 132]. Transamerica Occidental Life Insurance Company n/k/a Transamerica Life Insurance Company (“Transamerica”), however, will not transfer the fractional beneficiary interest without the other six owners’ written consent.

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<sup>1</sup> In order to protect the identity of insureds from those who may have a financial interest in their death, the Receiver uses an identifier with the first three letters of their last name and the first letter of their first name(s). For example, John Smith is SMI-J while John and Sally Smith is SMI-J&S. If the insured has multiple policies, a number designation follows—e.g., SMI-J&S(1).

1           9.       The Receiver now seeks an Order directing Pacific Life and Transamerica  
2 (collectively, the “Insurance Providers”) to accept and process all requests to change ownership  
3 and beneficiary interests from Donald Neuhaus, Linda Neuhaus, LGI, or entities formerly under  
4 their control to the Receiver without the necessary written consent of other owners or third  
5 parties. The Receiver submits that those other owners do not have a legitimate reason to oppose  
6 this motion because none have a claim to the fractional ownership or beneficiary interests at  
7 issue and the instant motion does not seek to change, modify or otherwise alter their ownership  
8 or beneficiary interest in the policies. Furthermore, this Order would serve the receivership’s  
9 best interests because it increases receivership assets without spending the time and money  
10 needed to obtain written consent from the forty-two other owners. In fact, this Court already  
11 determined that such relief was warranted for other policies and in the receivership estate’s best  
12 interest. *See* Order [Dkt. No. 278].  
13

14           10.       The Receiver has prepared a Proposed Order, which is attached as Exhibit 1. He  
15 has also conferred with counsel for the Insurance Providers and it was determined that they do  
16 not oppose this motion or the Proposed Order. The Receiver also anticipates that the SEC, the  
17 Examiner, and Defendant Kimberly Snowden will file statements of non-opposition according to  
18 the local rules.  
19

20           WHEREFORE, PREMISES CONSIDERED, the Receiver requests that the Court enter  
21 the Proposed Order attached as Exhibit 1, which directs Pacific Life Insurance Company and  
22 Transamerica Occidental Life Insurance Company n/k/a Transamerica Life Insurance Company  
23 to accept and process all requests to change ownership and beneficiary interests from Donald  
24 Neuhaus, Linda Neuhaus, Lyndon Group Inc., or entities formerly under their control to the  
25 Receiver without the necessary written consent of other owners or third parties.  
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Submitted this 27<sup>th</sup> day of January, 2009.

Respectfully submitted,

/s/ Maralee MacDonald  
Chris Gibson, SBN 073353  
Maralee MacDonald, SBN 208699  
BOUTIN GIBSON DI GIUSTO HODELL INC.

Attorneys for Receiver

CERTIFICATE OF SERVICE

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I hereby certify that on the 27th day of January 2009, 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 by First Class U.S. Mail:

Bazzle John Wilson  
1291 Nunneley Road  
Paradise, CA 95969

/s/ Maralee MacDonald

Maralee MacDonald

# EXHIBIT 1

1 UNITED STATES DISTRICT COURT  
2 EASTERN DISTRICT OF CALIFORNIA  
3 SACRAMENTO DIVISION

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5 SECURITIES AND EXCHANGE  
6 COMMISSION,

7 Plaintiff,

8 v.

9 SECURE INVESTMENT SERVICES, INC.,  
10 AMERICAN FINANCIAL SERVICES, INC.,  
11 LYNDON GROUP, INC., DONALD F.  
12 NEUHAUS, and KIMBERLY A. SNOWDEN,

13 Defendants.

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

[PROPOSED] ORDER GRANTING  
RECEIVER'S SECOND MOTION  
TO TRANSFER INTERESTS IN  
NUMEROUS INSURANCE POLICIES  
TO THE RECEIVERSHIP

Date: March 9, 2009

Time: 9:00 a.m.

Courtroom 10

14 This matter comes before the Court on Receiver Michael J. Quilling's Second Motion to  
15 Transfer Interests in Numerous Insurance Policies to the Receivership. The Court, having  
16 considered the motion, the attached exhibits, the pleadings on file, and finding good cause  
17 therefore, determines that the motion should be granted.

18 IT IS ORDERED, ADJUDGED, AND DECREED that Pacific Life Insurance Company  
19 shall transfer all fractional beneficiary interests held by Lyndon Group, Inc. in Policy No.  
20 VF51323970 and Policy No. 1A22591080 to Michael J. Quilling, Receiver. The transfer shall  
21 occur without the written consent from any other owners of record in those policies. All future  
22 notices and communications regarding those fractional beneficiary interests that would have  
23 been provided to Lyndon Group, Inc. according to Pacific Life Insurance Company's normal  
24 business practices, shall hereafter be provided to the Receiver; provided, however, that all other  
25 notices and communications concerning the policies may be sent by Pacific Life Insurance  
26 Company to applicable fractional owners or beneficiaries according to its regular business  
27 practices.  
28

1 IT IS ORDERED, ADJUDGED, AND DECREED that Transamerica Occidental Life  
2 Insurance Company n/k/a Transamerica Life Insurance Company shall transfer all fractional  
3 beneficiary interests held by Donald Neuhaus in Policy No. 60045564 to Michael J. Quilling,  
4 Receiver. The transfer shall occur without the written consent from any other owners of record  
5 in that policy. All future notices and communications concerning the policy may be sent by  
6 Transamerica Life Insurance Company to applicable fractional owners or beneficiaries according  
7 to its regular business practices.

8 IT IS ORDERED, ADJUDGED, AND DECREED that neither Pacific Life Insurance  
9 Company nor Transamerica Life Insurance Company waive any other term, condition or  
10 obligation of the life insurance policies described in this Order.

11 IT IS ORDERED, ADJUDGED, AND DECREED that this Order does not change,  
12 modify or otherwise alter any of the interests or rights held by any of the other owners or  
13 beneficiaries in those Policies.  
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17 SIGNED this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

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21 UNITED STATES DISTRICT JUDGE  
22 HONORABLE GARLAND E. BURRELL, JR.  
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CERTIFICATE OF SERVICE

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I hereby certify that on the 27th day of January 2009, a copy of this [proposed] Order 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 by First Class U.S. Mail:

Bazzle John Wilson  
1291 Nunneley Road  
Paradise, CA 95969

/s/ Maralee MacDonald

Maralee MacDonald