

1 **BOUTIN GIBSON DI GIUSTO HODELL INC.**  
Chris Gibson, SBN 073353  
2 Maralee MacDonald, SBN 208699  
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3 Sacramento, CA 95814-4603  
(916) 321-4444  
4

5 **QUILLING, SELANDER, CUMMISKEY**  
**& LOWNDS, P.C.**  
Michael J. Quilling (Tex. Bar No. 16432300) – Admitted Pro Hac Vice  
6 D. Dee Raibourn, III (Tex. Bar No. 24009495) – Admitted Pro Hac Vice  
Brent J. Rodine (Tex. Bar No. 24048770) – Admitted Pro Hac Vice  
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10 Attorneys for Michael J. Quilling  
Receiver of Defendants Secure Investment Services, Inc.,  
American Financial Services, Inc., and Lyndon Group, Inc.  
11

12 UNITED STATES DISTRICT COURT  
13 EASTERN DISTRICT OF CALIFORNIA  
14 SACRAMENTO DIVISION  
15

16 SECURITIES AND EXCHANGE COMMISSION,  
17 Plaintiff,  
18 v.  
19 SECURE INVESTMENT SERVICES, INC.,  
AMERICAN FINANCIAL SERVICES, INC.,  
20 LYNDON GROUP, INC., DONALD F. NEUHAUS,  
and KIMBERLY A. SNOWDEN,  
21 Defendants.  
22

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

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

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

23 TO: THE PARTIES AND ALL COUNSEL OF RECORD:

24 On March 9, 2009 at 9:00 a.m., or as soon thereafter as the matter may be heard before  
25 the Honorable Garland E. Burrell, Jr., at the U.S. District Court for the Eastern District of  
26 California, 501 I Street, Sacramento, California, Michael J. Quilling, the Receiver appointed in  
27 these proceedings, (“Receiver”), will move this the Court to issue an order:  
28



**CERTIFICATE OF SERVICE**

I hereby certify that on the 4th day of February, 2009, a copy of this notice 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 other persons by First Class U.S. Mail:

4	Larry & Marilyn Anderson 6115 Christian Lane Eureka, CA 95503	Scott Arbuckle 3186 Kensington Drive El Dorado Hills, CA 95762	John B. Atkinson 8244 Woodyard Way Citrus Heights, CA 95624
6	Marc Bourreli 561 Hemlock Court Livermore, CA 94551	Diana L. Dean 13079 Bean Flat Road Chico, CA 95928	Frances L. Dudik 6901 Squaw Mountain Dr. #102 Las Vegas, NV 89130
9	Joanne L. Edwards 2 Burney Drive Chico, CA 95928	Wayne Edwards 2 Burney Drive Chico, CA 95928	Marion L. Fihn, Trustee 319 Merritt Street Mt. Shasta, CA 96067
11	Raghibir Gupta 9285 Caldera Way Sacramento, CA 95826	The Homan Family Trust c/o Laurence Homan 1656 Thomas Ranch Circle Nevada City, CA 95959	Steven M. Keeler PO Box 246 Winston, MT 59647
14	David Kirksey 3515 Jasmine Crest Encinitas , CA 92024	Ronald W. Kluck 3505 Panorama Drive Redding, CA 96003	James L. Kufeldt 1413 Mangrove Chico, CA 95926
16	James L. Kufeldt 1950 East 20th St. # C304 Chico, CA 95928	Tamara Lange 796 Brandon Bury Chico, CA 95926	E. Jolyn LeBaron 10 Bidwell Ridge Court Chico, CA 95928
18	Sharon L. Limroth 570 W. Riverview Circle Reno, NV 89509	Terry & Carolyn Matheny 5072 Foster Road Paradise, CA 95969	Ona Mertens 1901 Dayton Road #1 Chico, CA 95928
21	Julie Ann Muscato 296 Greenfield Avenue Auburn, CA 95603	Angelina Reyes 4882 County Road KK Orland, CA 95963	Willard Roesner Family Trust c/o Dawn Brown 4259 N Deerfield Coeur d' Alene, ID 83815
24	Sherrie L. Root 2626 Fair Street Chico, CA 95928	Audrey Eileen Schmidt 11856 County Road #19 Hanska, MN 56041	Jouji Wang c/o Linda Yu 1524 Boone Drive San Jose, CA 95118
26	David Weightman 5501 Spillman Avenue Sacramento, CA 95819	Timothy & Margie Wing 890 Shorebreeze Drive Sacramento, CA 95831	Bazzle John Wilson 1291 Nunneley Road Paradise, CA 95969

/s/ Maralee MacDonald

Maralee MacDonald

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**BOUTIN GIBSON DI GIUSTO HODELL INC.**

Chris Gibson, SBN 073353  
Maralee MacDonald, SBN 208699  
555 Capitol Mall, Suite 1500  
Sacramento, CA 95814-4603

**QUILLING, SELANDER, CUMMISKEY  
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Facsimile: (214) 871-2111

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 MOTION  
TO TRANSFER INTERESTS IN AN  
INSURANCE POLICY TO THE  
RECEIVERSHIP

Date: March 9, 2008  
Time: 9:00 a.m.  
Courtroom 10

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

Michael J. Quilling, the Receiver appointed in these proceedings (“Receiver”), files this  
Third Motion to Transfer Interests in an Insurance Policy to the Receivership and, in support,  
would show the following:

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

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

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

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

5. Since then, other insurance providers have advised that they are unable to transfer ownership and/or beneficiary interests to the Receiver without the other owners’ written consent. The Receiver, therefore, has filed a Second Motion to Transfer Interests [Dkt. No. 424] that addresses three specific policies.

6. This Third Motion to Transfer Interests addresses problems specific to the following policy:

<u>Policy</u>	<u>Provider</u>	<u>Policy No.</u>	<u>Interest Held By</u>	<u>Percentage Held</u>
BOT-M <sup>1</sup>	American General Life Insurance Company	U10005943L	Donald Neuhaus	4.0815538%

<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           7. Linda Neuhaus signed a request to transfer Donald Neuhaus' ownership and  
2 beneficiary interest in the BOT-M policy to "Michael J. Quilling, Receiver." She signed that  
3 transfer form as representative of Don Neuhaus' estate. See Order of Substitution [Dkt. No.  
4 132]. Because of the policy's language, however, American General Life Insurance Company  
5 ("American General") is unable to honor that transfer request without the written consent from  
6 the other thirty owners.

7           8. Furthermore, unlike other multiple-owner policies addressed in the Second  
8 Motion to Transfer Interests [Dkt. No. 424], the BOT-M policy contained a separate agreement  
9 in which each fractional owner directed American General to send all notices and  
10 communications regarding the policy to Donald Neuhaus on their behalf.

11           9. The Receiver now seeks an order directing American General to accept and  
12 process the transfer of interest from Donald Neuhaus to the Receiver without the written consent  
13 of other owners or third parties. The Receiver submits that those other owners do not have a  
14 legitimate reason to oppose this motion because none have a claim to the fractional ownership or  
15 beneficiary interests at issue and because this motion does not seek to change, modify or  
16 otherwise alter their ownership or beneficiary interest in the policy. Furthermore, this order  
17 would serve the receivership's best interests because it increases receivership assets without  
18 spending the time and money needed to obtain written consent from thirty other owners. In fact,  
19 this Court has already determined that such relief is warranted and in the receivership estate's  
20 best interest in a similar situation. See Order [Dkt. No. 278].

21           10. The Receiver also seeks an Order modifying any instructions previously provided  
22 to American General by the fractional owners in the BOT-M policy. That Order would direct  
23 American General to send all notices and communications regarding the policy to the Receiver  
24 on behalf of all owners. Each fractional owner in the BOT-M policy has been included on the  
25 certificate of service for this motion and given both notice of this requested change and an  
26 opportunity to object. Should there be any objections, the Receiver anticipates that a particular  
27 owner could direct American General to send notices directly to that owner.

1 11. The Receiver has prepared a proposed order, which is attached as Exhibit 1.  
2 American General has reviewed that proposed Order and states that it has no objection and does  
3 not oppose this motion. The Receiver anticipates that the SEC, the Examiner, and Defendant  
4 Kimberly Snowden will file statements of non-opposition according to the local rules.

5 WHEREFORE, PREMISES CONSIDERED, the Receiver requests that the Court enter  
6 the order attached as Exhibit 1 and direct American General Life Insurance Company to accept  
7 and process the transfer from Donald Neuhaus to the Receiver without written consent from the  
8 other owners of record. That order would further modify any instructions previously given by  
9 the fractional owners in the BOT-M policy and direct American General to send all future  
10 notices and communications to the Receiver on behalf of all of the owners.

11 Executed this 4th day of February, 2009.

12 Respectfully submitted,

13  
14 /s/ Maralee MacDonald  
15 Chris Gibson, SBN 073353  
16 Maralee MacDonald, SBN 208699  
BOUTIN GIBSON DI GIUSTO HODELL INC.

17 Attorneys for Receiver  
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CERTIFICATE OF SERVICE

I hereby certify that on the 4th day of February, 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 other persons by First Class U.S. Mail:

Larry & Marilyn Anderson 6115 Christian Lane Eureka, CA 95503	Scott Arbuckle 3186 Kensington Drive El Dorado Hills, CA 95762	John B. Atkinson 8244 Woodyard Way Citrus Heights, CA 95624
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Joanne L. Edwards 2 Burney Drive Chico, CA 95928	Wayne Edwards 2 Burney Drive Chico, CA 95928	Marion L. Fihn, Trustee 319 Merritt Street Mt. Shasta, CA 96067
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/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 THIRD MOTION  
TO TRANSFER INTERESTS IN AN  
INSURANCE POLICY  
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 Third Motion to  
15 Transfer Interests in an Insurance Policy to the Receivership. The Court, having considered the  
16 motion, the attached exhibits, the pleadings on file, and finding good cause therefore, determines  
17 that the motion should be granted.

18 IT IS ORDERED, ADJUDGED, AND DECREED that American General Life Insurance  
19 Company ("American General") shall transfer all ownership and beneficiary interests held by  
20 Donald Neuhaus in Policy No. U10005943L (the "BOT-M Policy" or the "Policy") to Michael J.  
21 Quilling, Receiver. The transfer shall occur without the written consent from any other owners  
22 of record in that Policy.

23 IT IS ORDERED, ADJUDGED, AND DECREED that any instructions previously  
24 provided to American General by the fractional owners of record in the BOT-M policy are  
25 hereby modified and American General is directed to send all future information, notices and  
26 communications regarding the Policy to the Receiver on behalf of all of the owners of the Policy.  
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1 IT IS ORDERED, ADJUDGED, AND DECREED that neither this Order nor American  
2 General waives any other term, condition, or obligation of the Policy.

3 IT IS ORDERED, ADJUDGED, AND DECREED that this Order does not modify or  
4 change the interests and rights held by any other owners or beneficiaries of the Policy.

5  
6 SIGNED this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

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10 UNITED STATES DISTRICT JUDGE  
11 HONORABLE GARLAND E. BURRELL, JR.  
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