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9 UNITED STATES DISTRICT COURT
10 EASTERN DISTRICT OF CALIFORNIA
11 SACRAMENTO DIVISION
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15 SECURITIES AND EXCHANGE COMMISSION,)
16 vs.)
17 SECURE INVESTMENT SERVICES, INC.,)
AMERICAN FINANCIAL SERVICES, INC.,)
18 LYNDON GROUP, INC., AND KIMBERLY A.)
SNOWDEN)
19 Defendants.)
20 _____)

Civil Action No.
2:07-CV-01724-GEB-CMK

PLAINTIFF SECURITIES AND
EXCHANGE COMMISSION'S
STATUS REPORT AND
DESCRIPTION OF THE
REMEDIES PHASE OF THIS
CASE

Date: August 18, 2009
Time: 9:00 a.m.
Courtroom: 10
Judge: Garland E. Burrell, Jr.

PLAINTIFF'S STATUS REPORT

Pursuant to the Court's Order entered on May 26, 2009 (the "Order"), plaintiff Securities and Exchange Commission ("Commission") hereby submits this Status Report, which includes a description of the remedies that remain to be pursued by the Commission against individual defendant Kimberly A. Snowden ("Snowden") and entity defendants Secure Investment Services, Inc. ("SIS"), American Financial Services, Inc. ("AFS") and Lydon Group, Inc. ("LG"):

Case Status:

In its Order, the Court granted in part and denied in part the Commission's summary judgment motion against Snowden. The Order established Snowden's liability on the Commission's three claims for offering and selling securities without the necessary registration in violation of Section 5 of the Securities Act of 1933 ("Securities Act"), for offering and selling securities through material misrepresentations and omissions in violation of Section 17(a)(1) of the Securities Act, and for making material misrepresentations and omissions in connection with the sale of securities in violation of Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 ("Exchange Act"). By virtue of the Order, there are no liability issues that remain to be resolved with respect to Snowden, and the jury trial that has been set for August 18, 2009 on liability issues against Snowden may be vacated as moot.

In August 2007, the Court appointed Michael Quilling as the receiver for entity defendants SIS, AFS and LG. Subsequently, on December 14, 2007, Mr. Quilling executed a Consent (the "Consent") on behalf of SIS, AFS and LG whereby those entities agreed to the entry of a permanent injunction against their further violations of the federal securities laws. SIS, AFS and LG also agreed in the Consent to bifurcate the proceedings against them so that the Commission's monetary claims against those entities for disgorgement and civil penalties would be decided by the Court at a later date. Under the terms of the Consent, the entity defendants have stipulated that the Court should deem the Complaint's allegations to be true in determining whether to impose disgorgement and civil monetary penalties against SIS, AFS and LG. Based upon the Consent, the Court issued a final judgment of permanent injunction and order bifurcating proceedings on January 10, 2008 against SIS, AFS and LG. By virtue of the Consent, there are no liability issues that need to be resolved by the Court as to entity

1 defendants SIS, AFS and LG.¹

2 ***The Commission's Potential Remedies Motions:***

3 In its Order, the Court determined that Snowden should pay \$574,518.45 in disgorgement
4 as being the investor money that she received from the "corporate fraud scheme." The Court also
5 determined that Snowden should pay prejudgment interest of \$53,103.32 on the disgorgement amount
6 for a total payment of \$627,621.77.² The Court declined, on summary judgment, to enter a permanent
7 injunction against Snowden.

8 Following the Order, there is the remaining remedies issue regarding the imposition of
9 civil monetary penalties against Snowden for her violations of the registration provisions in Section 5 of
10 the Securities Act and for her violations of the anti-fraud provisions in Section 17(a)(1) of the Securities
11 Act and Section 10(b) and Rule 10b-5 of the Exchange Act. The Commission's attorneys expect to file
12 a motion asking the Court to impose civil monetary penalties against Snowden based upon the Court's
13 prior summary judgment determinations that she acted with scienter in making material misstatements
14 and omissions to investors and that she sold unregistered securities.

15 In light of the Consent, the remaining remedies issue regarding SIS, AFS and LG involves
16 the imposition of disgorgement and civil monetary penalties. Because those entities are now under the
17 control of a court-appointed receiver and because the receiver is managing the assets – primarily
18 insurance policies – for the purpose of making a future distribution to the injured investors, the
19 Commission's attorneys will ask the Commission whether it wishes to dismiss the disgorgement and civil
20 monetary penalties claims against SIS, AFS and LG.

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24 Individual defendant Donald Neuhaus has passed away, and is therefore not a party to this case.

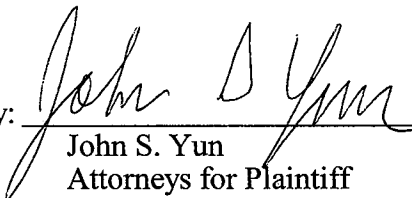
25 ²
26 After the Commission filed its summary judgment motion and after her opposition to the Commission's
27 motion was due, Kimberly Snowden and her husband filed a Chapter 13 bankruptcy proceeding, Case
28 No. 09-23233-B-13J, in an unsuccessful attempt to stay this district court case. The Commission may
move to dismiss the Snowdens' Chapter 13 bankruptcy action because it was filed in bad faith and
because the amount of Kimberly Snowden's disgorgement liability precludes the Snowdens from using
Chapter 13.

1 **Recommendation:**

2 The Commission's attorneys will request instructions from the Commission regarding the
3 dollar amount of civil penalties to seek against Snowden and regarding the voluntary dismissal of the
4 Commission's disgorgement and civil penalties claims against SIS, AFS and LG. To give them time to
5 consult with the Commission, the Commission's attorneys recommend that this matter be put over for
6 a further status conference in ninety days. During those ninety days, the Commission's attorneys will
7 seek the Commission's guidance regarding the remedies sought against Snowden and the entity
8 defendants. As stated previously, the Commission's attorneys also request that the August 18, 2009 jury
9 trial date on liability issues be vacated as moot.

10 DATED: June 15, 2009

11 SECURITIES AND EXCHANGE COMMISSION
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