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9 Attorneys for Michael J. Quilling  
Receiver of Defendants Secure Investment Services, Inc.,  
10 American Financial Services, Inc., and Lyndon Group, Inc.

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

15 SECURITIES AND EXCHANGE COMMISSION,

16 Plaintiff,

17 v.

18 SECURE INVESTMENT SERVICES, INC.,  
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 SIXTH INTERIM  
APPLICATION TO ALLOW AND  
PAY (1) RECEIVER’S FEES AND  
EXPENSES AND (2) ATTORNEY’S  
FEES AND EXPENSES AND BRIEF  
IN SUPPORT

Date: December 21, 2009

Time: 9:00 a.m.

Department 10

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

23 Michael J. Quilling, Receiver, files this, his Sixth Interim Application to Allow and Pay  
24 (1) Receiver’s Fees and Expenses and (2) Attorneys’ Fees and Expenses and in support of such  
25 would respectfully show unto the Court as follows:

26 **BACKGROUND**

27 1. On November 17, 2006, the Securities and Exchange Commission filed its  
28 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 April 1, 2009 through October 31,  
11 2009.

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 (\$123,207.30) and 100% of their expenses (\$5,369.49). The purpose of this Application  
15 is to request Court approval of all of the fees and expenses and to allow payment of the  
16 10% fee holdback (\$13,689.70).

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:

Month	Fees	Expenses
April, 2009	\$ 21,941.00	\$ 1,072.80
May, 2009	\$ 28,270.00	\$ 1,169.59
June, 2009	\$ 28,791.50	\$ 607.86
July, 2009	\$ 20,564.50	\$ 298.60
August, 2009	\$ 12,895.00	\$ 148.87
September, 2009	\$ 12,145.00	\$ 1,983.39

1	October, 2009	\$ 12,290.00	\$ 88.38
2	<b>TOTAL</b>	<b>\$ 136,897.00</b>	<b>\$ 5,369.49</b>

3  
4  
5 6. Exhibit "A," which is attached hereto and incorporated herein by reference for all  
6 purposes conveys the following information for the time period of April 1, 2009 through October  
7 31, 2009: (a) the number of hours worked by each attorney and staff member on a particular  
8 day; (b) the manner and type of work performed by each attorney and staff member; (c) the  
9 customary billing rate for each person rendering service in this matter; and (d) the monetary  
10 value assigned to each task performed by a given attorney and/or staff member. Each of the  
11 invoices attached hereto as Exhibit "A" reflect aggregate expenses by category during a given  
12 month.

#### 13 JOHNSON FACTORS

14 7. In support of this request for allowance of compensation and reimbursement of  
15 expenses, the Receiver and QSCL respectfully direct this Court's attention to those factors  
16 generally considered by courts in awarding compensation to professionals for services performed  
17 in connection with the administration of a receivership estate. As stated by the Fifth Circuit  
18 Court of Appeals in *Migis v. Pearle Vision, Inc.*, 135 F.3d 1041, 1047 (5th Cir. 1998) "The  
19 calculation of attorneys fees involves a well-established process. First, the court calculates a  
20 'lodestar' fee by multiplying the reasonable number of hours expended on the case by the  
21 reasonable hourly rates for the participating lawyers. (cite omitted.) The court then considers  
22 whether the lodestar figure should be adjusted upward or downward depending on the  
23 circumstances of the case. In making a lodestar adjustment the court should look at twelve  
24 factors, known as the Johnson factors, after *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d  
25 714 (5th Cir. 1974)." The Ninth Circuit has expressly adopted the Johnson factors in *Kerr v.*  
26 *Screen Extras Guild, Inc.*, 526 F.2d 67 (9<sup>th</sup> Cir. 1975); see also *Quesada v. Thomason*, 850 F.2d  
27 537, 539 (9<sup>th</sup> Cir. 1988). Those factors, as applied to the services rendered in this case by the  
28 Receiver and QSCL, are addressed below.

1 (a) The Time and Labor Required. The Receiver and QSCL respectfully refer the  
2 Court's attention to Exhibit "A" which details the involvement of the Receiver and QSCL's  
3 attorneys in this case during the seven month period covered by this Application during which a  
4 total of more than 1,066 hours of attorney, Receiver and paraprofessional time have been  
5 expended.

6 (b) The Novelty and Difficulty of the Questions. Many of the tasks reflected in  
7 Exhibit "A" involved factual and legal questions which were of substantial complexity.

8 (c) The Skill Requisite to Perform the Service. The Receiver believes that the  
9 services performed in this case have required individuals possessing considerable experience in  
10 asset seizure, tracing and liquidation. Both the Receiver and QSCL have considerable  
11 experience in such areas.

12 (d) The Preclusion of Other Employment Due to Acceptance of the Case. The  
13 Receiver and QSCL have not declined any representation solely because of their services as  
14 Receiver and counsel for the Receiver.

15 (e) The Customary Fee. The Receiver believes that the hourly rates sought herein are  
16 commensurate with or lower than the rates charged by other practitioners of similar experience  
17 levels in the Eastern District of California. During the course of these proceedings, the following  
18 lawyers at QSCL have performed legal services on behalf of the Receiver with respect to these  
19 proceedings: Michael J. Quilling (\$350.00 per hour), licensed in Texas in 1982 and Texas Board  
20 Certified in Business Bankruptcy Law and Civil Trial Law; Charles Baum (\$255.00 per hour)  
21 licensed in Texas in 1984; and Brent Rodine (\$200.00 per hour) licensed in Texas in 2005  
22 (previously licensed in Oklahoma).

23 (f) Whether the Fee is Fixed or Contingent. The Receiver's and QSCL's fees are  
24 fixed insofar as monies exist by way of Receivership Assets from which to pay such fees.  
25 Payment of such fees, however, is subject to Court approval.

26 (g) Time Limitations Imposed by the Client or Other Circumstances. The time  
27 requirements during the period covered by this Application have been normal but sometimes  
28 required almost daily attention by the Receiver and his attorneys.

1 (h) The Amount Involved and the Results Obtained. This case involves 48 insurance  
2 policies having a death benefit of close to \$50 million. In excess of 600 investors invested more  
3 than \$31 million to purchase fractionalized interests in the insurance policies.

4 Since his appointment, the Receiver has closed all known bank accounts and has taken  
5 possession of all known books and records. He has obtained accurate, current information  
6 regarding each policy and has been able to pay premiums on the policies on a current basis. The  
7 Receiver has also arranged for a \$4 million line of credit to be utilized to pay premiums and  
8 other administrative expenses. 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  
10 650 claim forms have been received back from investors. During the period covered by this  
11 Application the Receiver's staff has continued to process claim forms and transfers of fractional  
12 ownership interests from investors to the receivership estate. During this time frame the policies  
13 have all been stabilized and death benefits have been received.

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 \$13,689.70, 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.

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DATED: November 13, 2009

Respectfully submitted,

/s/ Michael J. Quilling  
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Attorneys for Receiver  
QUILLING, SELANDER, CUMMISKEY &  
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