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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

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

Date: August 16, 2010
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 Seventh 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 November 1, 2009 through June
11 30, 2010.

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 (\$129,172.50) and 100% of their expenses (\$2,060.36). 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 (\$14,352.50).**

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 November, 2009 | \$ 20,160.00 | \$ 77.29 |
| 22 December, 2009 | \$ 15,575.00 | \$ 142.43 |
| 23 January, 2010 | \$ 9,615.00 | \$ 51.02 |
| 24 February, 2010 | \$ 9,680.00 | \$ 46.01 |
| 25 March, 2010 | \$ 14,925.00 | \$ 65.72 |
| 26 April, 2010 | \$ 23,805.00 | \$ 766.51 |

1 537, 539 (9th Cir. 1988). Those factors, as applied to the services rendered in this case by the
2 Receiver and QSCL, are addressed below.

3 (a) The Time and Labor Required. The Receiver and QSCL respectfully refer the
4 Court's attention to Exhibit "A" which details the involvement of the Receiver and QSCL's
5 attorneys in this case during the eight month period covered by this Application during which a
6 total of more than 1,132 hours of attorney, Receiver and paraprofessional time have been
7 expended.

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

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

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

17 (e) The Customary Fee. The Receiver believes that the hourly rates sought herein are
18 commensurate with or lower than the rates charged by other practitioners of similar experience
19 levels in the Eastern District of California. During the course of these proceedings, the following
20 lawyers at QSCL have performed legal services on behalf of the Receiver with respect to these
21 proceedings: Michael J. Quilling (\$350.00 per hour), licensed in Texas in 1982 and Texas Board
22 Certified in Business Bankruptcy Law and Civil Trial Law and Brent Rodine (\$200.00 per hour),
23 licensed in Texas in 2005 and previously licensed in Oklahoma in 2004.

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

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

4 (h) The Amount Involved and the Results Obtained. This case currently involves 40
5 insurance policies having a death benefit of close to \$45 million. In excess of 600 investors
6 invested more than \$31 million to purchase fractionalized interests in the insurance policies.

7 Since his appointment, the Receiver has closed all known bank accounts and has taken
8 possession of all known books and records. He has obtained accurate, current information
9 regarding each policy and has been able to pay premiums on the policies on a current basis. The
10 Receiver has also arranged for a \$4 million line of credit to be utilized to pay premiums and
11 other administrative expenses. A website is maintained by the Receiver so as to update the
12 investors. Claim forms have been approved and mailed to all known investors. To date, 800
13 claims have been received, and 608 claims totaling \$22,631,058.81 have been allowed by the
14 Court. During the period covered by this Application the Receiver's staff has continued to
15 process claim forms and transfers of fractional ownership interests from investors to the
16 receivership estate. During this time frame the policies have all been stabilized and death
17 benefits have been received.

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

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

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

26 (l) Awards in Similar Cases. QSCL believes that the fees requested in this case are
27 less than or equal to those which have been awarded in similar cases in this District.
28

1 WHEREFORE, the Receiver respectfully requests that the Court allow the requested
2 compensation for professional services and expenses rendered by the Receiver and QSCL and
3 authorize the Receiver to pay the 10% fee holdback of \$14,352.50, as per itemization in Exhibit
4 "A" attached hereto and for such other and further relief, general or special, at law or in equity,
5 to which the Receiver and QSCL may show themselves justly entitled.

6 DATED: July 14, 2010.

7 Respectfully submitted,

8
9 /s/ Michael J. Quilling

10 MICHAEL J. QUILLING (Tex. Bar No. 16432300)
11 BRENT J. RODINE (Tex. Bar No. 24048770)

12 Attorneys for Receiver
13 QUILLING, SELANDER, CUMMISKEY &
14 LOWNDS, P.C.

15 CERTIFICATE OF SERVICE

16 I hereby certify that on the 14th day of July, 2010, a copy of this Application was
17 served on the following by First Class United States Mail:

18 Bazzle John Wilson
19 1291 Nunneley Road
20 Paradise, CA 95969

Ernest Jeremias
5022 17th Avenue, Apt 1
Brooklyn, NY 11204

21 /s/ Maralee MacDonald

22 Maralee MacDonald
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