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555 Capitol Mall, Suite 1500  
Sacramento, CA 95814-4603  
(916) 321-4444

**QUILLING, SELANDER, LOWNDS, WINSLETT & MOSER, P.C.**  
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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 APPLICATION AND  
APPLICATION FOR APPROVAL  
OF RECEIVER’S INTERIM  
REPORT FOR THE PERIOD  
ENDED OCTOBER 31, 2010**

Date: December 20, 2010

Time: 9:00 a.m.

Department: 10

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

Pursuant to L.R. 66-232(e), Michael J. Quilling (“Receiver”) applies for an order  
approving his interim report for the period ended October 31, 2010, a copy of which is attached  
to this Notice as Exhibit A.

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**NOTICE OF APPLICATION AND APPLICATION FOR APPROVAL OF RECEIVER’S INTERIM  
REPORT FOR THE PERIOD ENDED OCTOBER 31, 2010**



# **Exhibit A**

**BOUTIN JONES, INC.**

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and KIMBERLY A. SNOWDEN,

Defendants.

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

**RECEIVER’S INTERIM REPORT  
FOR THE PERIOD ENDED  
OCTOBER 31, 2010**

Date: December 20, 2010  
Time: 9:00 a.m.  
Department: 10

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

Michael J. Quilling (“Receiver”) submits this interim report for the period ended October  
31, 2010 and, in support, would show the Court as follows:

1 **I. General Overview**

2 1. This Report is being filed pursuant to Local Rule 66-232(e) which requires an  
3 annual report to be filed by the Receiver. On November 28, 2007, the Receiver filed his  
4 Preliminary Report [Dkt. 90]. On May 5, 2008, the Receiver filed an Interim Report for the  
5 Period Ended April 30, 2008 [Dkt. 140]. On October 28, 2008, the Receiver filed an Interim  
6 Report for the Period Ended September 30, 2008 [Dkt. 340]. On December 7, 2009, the  
7 Receiver filed an Interim Report for the Period Ended October 31, 2009 [Dkt. 701].

8 2. This Report is intended to supplement and update the events reported in the prior  
9 Reports and those events, unless there is some significant update, are not reiterated in this  
10 Report. Thus, interested parties should consult the previous Reports as well.

11 **II. Ownership of Insurance Policies**

12 3. At the time the Receiver was appointed there were believed to be 49 policies in  
13 which the receivership estate held an interest. Since that time there have been a number of  
14 events which have reduced the number of the policies.  
15

16 **Policies Abandoned/Sold**

17 4. Prior to the Receiver's appointment the JER-E(4)<sup>1</sup> policy (\$1,000,000.00) lapsed.  
18 The Receiver worked diligently to get that policy reinstated but has not been able to do so.

19 5. The ARM-A policy (\$250,000.00) was allowed to lapse by the Receiver with  
20 Court authorization [Dkt. 254] because some investors refused to transfer their ownership  
21 interests to the receivership estate.  
22

23 6. By Order dated July 28, 2010 [Dkt. 767], the Court authorized the Receiver to  
24 abandon the PER-T&E policy (\$5,000,000.00) and MAN-S policy (\$2,000,000.00) because both  
25

26 

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27 <sup>1</sup> To protect the identity of the insureds from those who may be interested in their early death, the Receiver will,  
28 during this report and throughout these proceedings, use an identifier comprised of the first three letters of the last  
name and the first letter of the first name (e.g., John Smith is SMI-J). If the policy covers two individuals, both first  
initials are included (e.g., John and Sally Smith is SMI-J&S). If there are multiple policies on the insured(s) then a  
number designation follows (e.g., SMI-J&S(1)).

1 were severe financial burdens on the receivership estate. The Receiver ultimately sold the PER-  
 2 T&E policy for \$25,000.00 cash and the MAN-S policy for \$10,000.00 cash.

3 **Maturities**

4 7. The following policies have matured, meaning the insured died and the insurance  
 5 company paid the death benefit.

<u>Insured</u>	<u>Face Value</u>	<u>Death Benefit Paid</u>
ELK-H	\$ 500,000.00	\$ 438,103.96
MAT-P	\$ 100,000.00	\$ 109,680.83
SWA-R	\$ 250,000.00	\$ 298,292.89
FOW-S(1)	\$1,500,000.00	\$1,506,233.45
FOW-S(2) <sup>2</sup>	\$1,500,000.00	\$ 108,332.81
KIL-D	\$ 925,000.00	\$ 941,614.81
DAM-A <sup>3</sup>	<u>\$2,000,000.00</u>	<u>\$1,858,667.12</u>
<b>Totals</b>	<b>\$6,775,000.00</b>	<b>\$5,260,925.87</b>

6 **Remaining Policies**

7 8. There are now 38 insurance policies in which the receivership estate has an  
 8 ownership interest. Based on information currently available to the Receiver, these policies have  
 9 a total death benefit of \$37,932,477.24 and the receivership estate owns interests that would  
 10 amount to \$36,393,641.28. Attached as Exhibit 1 is a schedule of all 38 insurance policies.  
 11 More information regarding these policies is set forth below.

12 **Wholly-Owned Policies**

13 9. Based upon information provided by the insurance companies to date, the  
 14 Receiver holds 100% of the ownership interest and 100% of death benefit interest in 30 of the  
 15 policies (the “Wholly-Owned Policies”). As reflected on Exhibit 1, the total death benefit of the  
 16 Wholly-Owned Policies is \$28,769,407.24. From the date of his appointment through October  
 17

18  
 19  
 20  
 21  
 22  
 23  
 24  
 25  
 26 <sup>2</sup> The \$108,332.81 death benefit amount is the net amount realized by the receivership estate. By court order [Dkt.  
 27 618] the Receiver collected \$1,508,506.57 from the insurance company and has paid \$1,347,344.92 to investors  
 holding fractional interests in that policy. An additional \$52,828.84 will be paid to one investor when that person  
 provides a W-9 form to the Receiver.

28 <sup>3</sup> The Receiver owned a 92.5% interest in the DAM-A policy when it matured and, therefore, collected 92.5% of its  
 total death benefit.

1 31, 2010, the Receiver has paid, either by check or reduction in cash value, a total of  
2 \$3,916,368.79 in premiums for these policies.

3 10. As to the Wholly-Owned Policies, each insurance company has changed its  
4 records to list “Michael J. Quilling, Receiver” as the owner and beneficiary of the policy. That  
5 will make it easier to sell those policies should it become necessary. As the owner of those  
6 policies, the Receiver has requested three-year, five-year, and seven-year premium illustrations  
7 to help determine the future premium obligations.

8 **Multiple-Owner Policies**

9  
10 11. Based upon information provided by the insurance companies to date, the  
11 Receiver holds fractional ownership interests and fractional beneficiary interests in 8 of the  
12 policies (the “Multiple-Owner Policies”). As reflected on Exhibit 1, the total death benefit of the  
13 Multiple-Owner Policies is \$9,163,070.00 and the receivership estate owns interests that would  
14 amount to \$7,624,234.04.<sup>4</sup> A schedule showing the fractional interests held by other owners in  
15 those policies is attached as Exhibit 2. From the date of his appointment through October 31,  
16 2010, the Receiver has paid, either by check or reduction in cash value, a total of \$758,187.93 in  
17 premiums for the Multiple-Owner Policies.

18 12. So long as the other owners timely pay their share of premiums for the BER-  
19 H&V, KEU-P, SHO-I(1), SHU-A&H(1), and SWA-R&G policies, there are no issues that will  
20 require the Court’s attention.

21 13. The RIC-J(1) policy is a Multiple-Owner Policy that may require action by the  
22 Receiver. Before receivership, Donald Neuhaus used money from new investors to pay  
23 investment returns to earlier investors in the RIC-J(1) and RIC-J(2) policies. Although Neuhaus  
24 called those returns a “partial bond recovery” they were purely fictitious because the policies did  
25 not mature and there was no bond that funded those returns. They were simply Ponzi payments  
26 that Neuhaus diverted from new investors to pay his earlier investors. As reflected in Exhibit 2,

27  
28 <sup>4</sup> The Receiver expects his ownership interest in those policies to increase as investors continue transferring their interests to him.

1 two individuals continue to own their interests in the RIC-J(1) policy even though they already  
2 received their fictitious investment returns for those interests. If the RIC-J(1) policy matured,  
3 those owners would realize a double recovery at the defrauded investors' expense. Therefore,  
4 the Receiver will insist that those two individuals either repay their fictitious returns or forfeit  
5 their ownership in the policy.

6 14. Owners in the SHU-A&H(2) and WIL-E&C policies have not been paying any  
7 premiums because those policies are currently drawing from residual cash value. That cash  
8 value will be exhausted in the next several years, meaning the Receiver may have to pay  
9 premiums and demand reimbursement from the other owners. Based on past experience, that  
10 would likely require the Court's attention

### 11 New Life Expectancies (LEs)

12  
13 15. As the Receiver has obtained full ownership and beneficiary interests in policies,  
14 he has acquired updated medical information and new LEs from 21st Services. To be clear, the  
15 Receiver believes LEs are junk science in its worst form. Nevertheless, he purchased the new  
16 LEs to appease investors and to help sell the policies if it becomes necessary.

17 16. Attached as Exhibit 3 is a schedule comparing the policies' original LEs to their  
18 new LEs. In most cases, the original LEs forecast that the insureds were already supposed to  
19 have died. Obviously that did not happen. Meanwhile, the new LEs obtained years later from  
20 the same company often double the original estimate. Clearly there is no certainty to these  
21 calculations and the Receiver cautions against relying on them. To the extent anyone would  
22 consider them credible, the new LEs simply show that it might take years before most of these  
23 policies mature.

### 24 **III. Financial Information**

25 17. Through October 31, 2010, the receivership estate has \$12,588,946.68 of receipts  
26 and \$12,579,228.74 of disbursements as set forth on Exhibit 4. As reflected in that exhibit, the  
27  
28

1 only current sources of receipts are from draws on the line of credit and death benefits collected  
2 from matured policies.

3 18. On March 14, 2008, the Court issued an Order [Dkt. 131] authorizing the  
4 Receiver to obtain a \$3 million line of credit with Sovereign Bank of Dallas, Texas. On  
5 February 26, 2009, the Court issued an Order [Dkt. 470] increasing that line of credit to \$4  
6 million. As reflected on Exhibit 4, \$1,365,352.99 is owed on that line of credit through October  
7 31, 2010.

8 **IV. Miscellaneous**

9  
10 **Claims Processing**

11 19. Through October 31, 2010, 803 claims have been submitted to the Receiver. By  
12 Orders dated February 5, 2008 [Dkt. 107], September 2, 2009 [Dkt. 674], November 5, 2009  
13 [Dkt. 691], February 3, 2010 [Dkt. 723], May 12, 2010 [Dkt. 734], and August 12, 2010 [Dkt.  
14 778] the Court has approved 684 claims totaling \$25,031,661.95. The total amount of approved  
15 claims includes claims adjusted by Orders dated June 18, 2010 [Dkt. 752] and August 13, 2010  
16 [Dkt. 776] to more accurately state amounts the claimants invested.

17 20. The Receiver's staff has reviewed 78 claims that are not yet approved. Many of  
18 those share common problems the Receiver is working to address. For example, some investors  
19 were also sales agents who received commissions that may adjust or offset the amount of their  
20 net claim. Another group of claims should not be approved until they account for the fictitious  
21 investment returns Neuhaus paid to owners in the RIC-J(1) and RIC-J(2) policies. There are a  
22 several other claims that present their own unique issues. The Receiver is forming his  
23 recommendations for each and will soon file motions with the Court seeking final determinations  
24 about how to handle them.

25 **Brokers and Sales Agents**

26  
27 21. The Receiver is going to pursue brokers and sales agents for the commissions  
28 they received. He will do so by sending demand letters and attempting to negotiate a settlement

1 to present to the Court for approval. If those efforts are unsuccessful, then the Receiver will file  
2 motions to disgorge commissions from those recipients.

3 **Receiver's Website**

4 22. In order to establish a cost effective and informative way of communicating with  
5 the claimants, the Receiver has established a website, [www.secreceiver.com](http://www.secreceiver.com) to allow them to  
6 monitor these proceedings. All activities of any importance are reported there.  
7

8 **Receiver's Recommendation**

9 23. To date, there have been a sufficient number of maturities to help offset the  
10 monthly premium requirements of the policies. The Receiver has currently drawn only  
11 \$1,365,352.99 on his line of credit. Based upon the best information available, the aggregate  
12 premium obligation for the policies in 2011 will be approximately \$1.6 million. Thus, there is  
13 enough available under the line of credit to pay premiums for at least the next year. The  
14 Receiver hopes policies continue to mature during that time, allowing him to reduce the line of  
15 credit and extend his ability to pay premiums into the future.

16 24. The economy right now makes this a horrible time to try to sell any or all of the  
17 policies. It is the Receiver's estimation that even with paying premiums, more can be achieved  
18 by waiting to see if maturities occur than by selling the policies for a couple cents on the dollar.  
19 Accordingly, the Receiver recommends that the receivership remain in place.

20 Submitted this 10<sup>th</sup> day of November, 2010.

21 Respectfully submitted,

22  
23 /s/ Michael J. Quilling

24 MICHAEL J. QUILLING (Tex. Bar No. 16432300)  
25 BRENT J. RODINE (Tex. Bar No. 24048770)

26 QUILLING, SELANDER, LOWNDS, WINSLETT  
27 & MOSER, P.C.  
28



# Exhibit “1”

**EXHIBIT 1 - All Insurance Policies**

		AGGREGATE PREMIUMS PAID BY RECEIVERSHIP ON WHOLLY-OWNED POLICIES:		AGGREGATE PREMIUMS PAID BY RECEIVERSHIP ON MULTIPLE-OWNER POLICIES:	
			\$ 3,916,368.79		\$ 758,187.93
VIATOR	CURRENT DEATH BENEFIT	OWNERSHIP INTEREST HELD BY RECEIVER	PERCENTAGE OF DEATH BENEFIT HELD BY RECEIVER	PREMIUMS PAID BY CHECKS WRITTEN TO INSURANCE COMPANY	PREMIUMS PAID BY REDUCTION OF POLICY CASH VALUE
<b>Wholly Owned Insurance Policies Currently In Force</b>					
1 BAU-R&L (1)	\$ 610,276.00	100.000000000%	\$ 610,276.00	\$ 96,750.00	
2 BAU-R&L (2)	\$ 1,037,379.93	100.000000000%	\$ 1,037,379.93	\$ 129,180.00	
3 BER-E&B (1)	\$ 458,770.00	100.000000000%	\$ 458,770.00	\$ 118,800.00	
4 BER-E&B (2)	\$ 447,019.00	100.000000000%	\$ 447,019.00	\$ 114,652.57	
5 BIE-F&L	\$ 4,044,806.07	100.000000000%	\$ 4,044,806.07	\$ 657,000.00	
6 BOT-M	\$ 2,373,858.00	100.000000000%	\$ 2,373,858.00	\$ 170,400.00	\$ 95,281.00
7 CLA-H	\$ 400,000.00	100.000000000%	\$ 400,000.00	\$ 18,000.00	\$ 74,826.77
8 FRE-K	\$ 51,360.00	100.000000000%	\$ 51,360.00	\$ -	\$ 752.47
9 FRI-W&O	\$ 2,300,000.00	100.000000000%	\$ 2,300,000.00	\$ -	\$ 22,771.49
10 HAL-C	\$ 300,000.00	100.000000000%	\$ 300,000.00	\$ 28,700.00	
11 HAN-G&R	\$ 1,400,000.00	100.000000000%	\$ 1,400,000.00	\$ 114,900.00	\$ 14,247.00
12 JER-E (1)	\$ 1,000,000.00	100.000000000%	\$ 1,000,000.00	\$ 119,100.00	\$ 28,556.00
13 JER-E (2)	\$ 1,247,027.77	100.000000000%	\$ 1,247,027.77	\$ 33,300.00	\$ 99,659.00
14 JER-E (3)	\$ 1,025,000.00	100.000000000%	\$ 1,025,000.00	\$ 124,200.00	\$ 21,919.00
15 JER-E (5)	\$ 1,000,000.00	100.000000000%	\$ 1,000,000.00	\$ 117,000.00	\$ 22,013.00
16 JER-E (6)	\$ 1,000,000.00	100.000000000%	\$ 1,000,000.00	\$ -	\$ 135,752.00
17 JOH-H	\$ 348,018.57	100.000000000%	\$ 348,018.57	\$ 8,056.90	\$ 30,826.13
18 MOO-R (1)	\$ 500,000.00	100.000000000%	\$ 500,000.00	\$ 51,997.23	
19 MOO-R (2)	\$ 500,000.00	100.000000000%	\$ 500,000.00	\$ 51,997.23	
20 QUI-W (1)	\$ 500,000.00	100.000000000%	\$ 500,000.00	\$ 61,138.00	
21 QUI-W (2)	\$ 500,000.00	100.000000000%	\$ 500,000.00	\$ 61,138.00	
22 RIC-J (2)	\$ 250,000.00	100.000000000%	\$ 250,000.00	\$ 34,800.00	
23 SCH-T	\$ 200,000.00	100.000000000%	\$ 200,000.00	\$ 30,255.00	
24 SIL-I	\$ 842,559.90	100.000000000%	\$ 842,559.90	\$ 185,280.00	
25 SLE-K (1)	\$ 666,666.00	100.000000000%	\$ 666,666.00	\$ 169,337.00	
26 SLE-K (2)	\$ 666,666.00	100.000000000%	\$ 666,666.00	\$ 136,500.00	\$ 18,291.00
27 SLE-K (3)	\$ 1,000,000.00	100.000000000%	\$ 1,000,000.00	\$ 290,700.00	
28 SLE-K (4)	\$ 1,000,000.00	100.000000000%	\$ 1,000,000.00	\$ 287,100.00	
29 VAS-I	\$ 3,000,000.00	100.000000000%	\$ 3,000,000.00	\$ 112,500.00	\$ 27,878.00
30 VIN-M	\$ 100,000.00	100.000000000%	\$ 100,000.00	\$ -	\$ 814.00
<b>Total</b>	<b>\$ 28,769,407.24</b>		<b>\$ 28,769,407.24</b>	<b>\$ 3,322,781.93</b>	<b>\$ 593,586.86</b>
<b>Multiple-Owner Insurance Policies Currently In Force</b>					
1 BER-H&V	\$ 217,000.00	77.500000000%	\$ 168,175.00	\$ 13,252.50	\$ 27,528.00
2 KEU-P	\$ 1,000,000.00	86.200000000%	\$ 862,000.00	\$ 13,447.20	\$ 2,456.00
3 RIC-J (1)	\$ 750,000.00	99.039998300%	\$ 742,799.99	\$ 22,356.00	\$ 27,892.00
4 SHO-I (1)	\$ 1,500,000.00	98.516000000%	\$ 1,477,740.00	\$ 251,658.64	
5 SHU-A&H (1)	\$ 1,000,000.00	86.200000000%	\$ 862,000.00	\$ 23,597.10	\$ 35,848.00
6 SHU-A&H (2)	\$ 496,070.00	85.889083300%	\$ 426,069.98	\$ -	\$ 25,778.00
7 SWA-R&G	\$ 2,000,000.00	95.937499500%	\$ 1,918,749.99	\$ 167,574.49	\$ 55,740.00
8 WIL-E&C	\$ 2,200,000.00	53.031776620%	\$ 1,166,699.09	\$ -	\$ 91,060.00
<b>Total</b>	<b>\$ 9,163,070.00</b>		<b>\$ 7,624,234.04</b>	<b>\$ 491,885.93</b>	<b>\$ 266,302.00</b>
<b>Other Insurance Policies (Lapsed, Abandoned, Sold, Matured)</b>					
1 ARM-A	\$ 250,000.00	55.800000000%	\$ 139,500.00	\$ 76,334.40	\$ 86,027.83
2 DAM-A	\$ 2,000,000.00	92.500000000%	\$ 1,850,000.00	\$ 79,920.00	\$ 105,847.00
3 ELK-H	\$ 438,103.96	100.000000000%	\$ 438,103.96	\$ 4,528.00	
4 FOW-S(1)	\$ 1,500,000.00	100.000000000%	\$ 1,500,000.00	\$ 94,800.00	
5 FOW-S(2)	\$ 1,500,000.00	0.967642000%	\$ 14,514.63	\$ 80,700.00	
6 JER-E(4)	\$ 1,000,000.00	100.000000000%	\$ 1,000,000.00	\$ -	
7 KIL-D	\$ 925,000.00	100.000000000%	\$ 925,000.00	\$ 107,400.00	
8 MAN-S	\$ 2,000,000.00	100.000000000%	\$ 2,000,000.00	\$ 101,100.00	\$ 45,677.00
9 MAT-P	\$ 100,000.00	100.000000000%	\$ 100,000.00	\$ 266.80	
10 PER-T&E	\$ 5,000,000.00	100.000000000%	\$ 5,000,000.00	\$ 768,900.00	\$ 140,508.00
11 SWA-R	\$ 250,000.00	100.000000000%	\$ 250,000.00	\$ 13,800.00	
<b>Total</b>	<b>\$ 14,963,103.96</b>		<b>\$ 13,217,118.59</b>	<b>\$ 1,327,749.20</b>	<b>\$ 378,059.83</b>
<b>TOTAL ALL</b>	<b>\$ 52,895,581.20</b>		<b>\$ 49,610,759.87</b>	<b>\$ 5,142,417.06</b>	<b>\$ 1,237,948.69</b>

# Exhibit “2”

Case No. 2:07-cv-01724 GEB CMK; *Securities and Exchange Commission v. Secure Investment Services, Inc. American Financial Services, Inc., Lyndon Group, Inc., Donald F. Neuhaus, and Kimberly A. Snowden*

## EXHIBIT 2 - Other Owners' Interests

<b>BER-H&amp;V</b>	
<b>Name</b>	<b>Percentage</b>
1. Carol J. Smith	22.5000000%

<b>KEU-P</b>	
<b>Name</b>	<b>Percentage</b>
1. The Richard and Christine Fitzgerald Trust	8.0000000%
2. Thelma R. Haldorson	1.6000000%
3. Ray Valinsky	1.0000000%
4. Monell Ormbrek	3.2000000%

<b>RIC-J(1)</b>	
<b>Name</b>	<b>Percentage</b>
1. David Green	0.4800000%
2. Monica Zukrow	0.4800000%

<b>SHO-I(1)</b>	
<b>Name</b>	<b>Percentage</b>
1. Barney E. Register	1.4840000%

<b>SHU-A&amp;H(1)</b>	
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Name	Percentage
1. The Bowser Family Trust	1.6000000%
2. Jane and Kenneth Melville	1.6000000%
3. Steve Ormbrek	1.6000000%
4. Marilyn S. Stratz	9.0000000%

<b>SHU-A&amp;H(2)</b>	
Name	Percentage
1. Harry Atlas	3.2253500%
2. Betty Collier	10.8855600%

<b>SWA-R&amp;G</b>	
Name	Percentage
1. James M. Kennedy	2.2500000%
2. Ronald J. Klopfer	1.6875000%

<b>WIL-E&amp;C</b>	
Name	Percentage
1. Christine Balascoe	2.7272727%
2. Danny Burrow	3.7417990%
3. Danny Burrow	1.4152909%
4. Danny Burrow	3.0568900%
5. Wayne and Faye Cartwright	1.2272727%
6. Douglas Charmley	0.2863636%
7. Nadine L. Duran	0.9547290%
8. Equity Plus, LLC	1.6363636%
9. Finberg Living Trust	0.8181818%

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10. George Franzen	0.8181818%
11. Alan Gibson	1.2272727%
12. David Green	0.2454545%
13. David Green and Monica Zukrow	0.4090909%
14. Jo Ellen Hill-Cartledge	0.4090909%
15. Steve Johnson	1.6363636%
16. James M. Kennedy	8.1818180%
17. Robert L. Koppel	3.0909090%
18. Lakeside East Limited Partnership	0.8181818%
19. Link Consulting Inc Defined Benefits Plan	0.8181818%
20. Leslie R. Melberger	0.8750000%
21. Gerald A. Morano	0.4545454%
22. Mudbug, Inc. Profit Sharing Plan	1.6363636%
23. Steve Ormbrek	0.8181818%
24. Rhonda G. Price	0.2863636%
25. Thomas M. Price	0.1636363%
26. Tracy and Raymond Robertson	0.8181818%
27. Darlene Root	1.0845736%
28. Corey Sauerbrey	1.2272727%
29. Loran G. Thorson	1.8181818%
30. Maggie C. Wu	3.2727272%
31. Mao Pei Xu	0.7490290%
32. Monica Zukrow	0.2454545%

# Exhibit “3”

Case No. 2:07-cv-01724 GEB CMK; Securities and Exchange Commission v. Secure Investment Services, Inc. American Financial Services, Inc., Lyndon Group, Inc., Donald F. Neuhaus, and Kimberly A. Snowden

<b>Exhibit 3 - Life Expectancies</b>					
<b>Viator</b>	<b>OLD LE</b>		<b>NEW LE</b>		<b>Expected Date of Death</b>
	<b>Date</b>	<b># of Yrs.</b>	<b>Date</b>	<b># of Yrs.</b>	
BAU-R	12/16/2004	3.0	5/20/2009	10.0	5/20/2019
BAU-L	12/16/2004	3.0	5/20/2009	5.4	9/20/2014
BER-B	10/12/2004	4.0	6/12/2009	6.6	1/12/2016
BER-H	3/7/2003	3.0			<i>Deceased</i>
BER-V	3/7/2003	4.0			
BIE-F	3/27/2006	8.8	5/20/2009	8.7	1/20/2018
BIE-L	7/20/2006	11.9	5/26/2009	12.2	1/26/2022
BOT-M	8/15/2001	4.0	5/19/2009	9.5	7/19/2018
CLA-H	3/29/2005	2.5	10/16/2009	6.6	5/16/2016
FRE-K	<i>None found</i>		5/27/2009	36.3	8/27/2045
FRI-W	5/12/2006	6.0			
FRI-O	4/4/2006	6.0			
HAL-C	<i>None found</i>		5/20/2009	7.4	9/20/2016
HAN-G	12/1/2003	3.0	6/15/2009	6.5	12/15/2015
HAN-R	12/1/2003	5.0	6/16/2009	12.3	9/16/2021
JER-E	4/4/2006	4.0	5/29/2009	7.6	12/29/2016
JOH-H	6/11/2003	6.0			
KEU-P	9/3/2004	3.8			
MOO-R	11/9/2006	6.0			
QUI-W	4/25/2006	13.2			
RIC-J	3/27/2003	7.8	5/20/2009	8.0	5/20/2017
SCH-T	2/17/2005	2.1	5/20/2009	1.2	7/20/2010
SHO-I	11/22/2004	4.2	5/27/2009	6.6	12/27/2015
SHU-A	12/30/2003	2.0	5/19/2009	4.2	7/19/2013
SHU-H	12/22/2003	3.0	5/26/2009	7.8	2/26/2017
SIL-I	5/2/2005	5.7	7/10/2009	5.3	10/10/2014
SLE-K	10/17/2001	3.0	8/19/2009	4.1	9/19/2013
SWA-R	8/11/2003	4.0			<i>Deceased</i>
SWA-G	8/13/2003	4.0	6/19/2009	8.9	4/19/2018
VAS-I	6/6/2002	3.0	5/26/2009	11.3	8/26/2020
VIN-M	<i>None found</i>				
WIL-E	7/1/2003	4.0			
WIL-C	7/7/2003	3.0			

# Exhibit “4”

**Michael J Quilling, Receiver**  
**Secure Investment Services, Inc.**  
 Schedule of Estate Assets  
 October 31, 2010

**Assets**

## Current Assets

## Checking / Savings

Sovereign Commercial Checking \$ 4,550.48

Sovereign Money Market 5,167.46\$ 9,717.94

Total Current Assets

9,717.94**Total Assets**\$ 9,717.94**Liabilities**

## Liabilities

## Current Liabilities

## Accounts Payable

Accounts Payable (10% Holdback) 16,868.77

Total Accounts Payable

16,868.77

## Other Current Liabilities

Line of Credit 1,365,352.99

Total Other Current Liabilities

1,365,352.99

Total Current Liabilities

1,382,221.76

Total Liabilities

1,382,221.76

**Total Liabilities in Excess of Assets**\$ (1,372,503.82)

Note: This schedule has been prepared on a cash basis and excludes the values of life insurance death benefits and future premium obligations.

**Michael J. Quilling, Receiver**  
**Secure Investment Services, Inc.**  
 Schedule of Cash Receipts and Disbursements  
 August 24, 2007 through October 31, 2010  
 (Cash Basis)

**Cash Receipts**

Bank Account Closings		\$ 513,419.14
Sovereign Loan Advances		5,352,456.95
Other Income		
Insurance Proceeds Received	\$ 6,648,164.92	
Sale of Per-T&E Policy	25,000.00	
Refund of Bond Premium	21,411.20	
Sale of Man-S Policy	10,000.00	
Interest Income	1,200.26	
Proceeds from Sale of Assets	7,454.21	
Miscellaneous Income	9,840.00	
Total Other Income	<u>6,723,070.59</u>	<u>6,723,070.59</u>

**Total Cash Receipts**\$ 12,588,946.68**Cash Disbursements**

## Insurance Premiums

ARM-A	Empire General	38,167.20	
ARM-A	Protective Life	<u>38,167.20</u>	76,334.40
BAU-R&L (1)	Pacific Life Ins	<u>96,750.00</u>	96,750.00
BAU-R&L (2)	Conn Gen Life / Lincoln Life	<u>129,180.00</u>	129,180.00
BER-E&B (1)	Allmerica Financial	<u>118,800.00</u>	118,800.00
BER-E&B (2)	Allmerica Financial	<u>114,652.57</u>	114,652.57
BER-H&V	Transamerica Occidental	<u>13,252.50</u>	13,252.50
BIE-F&L	American General	<u>657,000.00</u>	657,000.00
BOT-M	American General	<u>170,400.00</u>	170,400.00
CLA-H	Mass Gen / Conesco Life	<u>18,000.00</u>	18,000.00
DAM-A	Aviva	<u>79,920.00</u>	79,920.00
ELK-H	New York Life	<u>4,528.00</u>	4,528.00
FOW-S (1)	Security Life of Denver	<u>94,800.00</u>	94,800.00

**Michael J. Quilling, Receiver**  
**Secure Investment Services, Inc.**  
Schedule of Cash Receipts and Disbursements  
August 24, 2007 through October 31, 2010  
(Cash Basis)

FOW-S (2)	Security Life of Denver	48,600.00	
FOW-S (2)	Southland Life Ins	<u>32,100.00</u>	
			80,700.00
FRE-K	Allstate	<u>-</u>	
			-
FRI-W&O	New England Life / Met Life	<u>-</u>	
			-
HAL-C	National Life	26,700.00	
HAL-C	State Life	<u>2,000.00</u>	
			28,700.00
HAN-G&R	IDS Life Insurance	<u>114,900.00</u>	
			114,900.00
JER-E (1)	Traveler's Life / Met Life	<u>119,100.00</u>	
			119,100.00
JER-E (2)	CNA	<u>33,300.00</u>	
			33,300.00
JER-E (3)	Traveler's Life / Met Life	<u>124,200.00</u>	
			124,200.00
JER-E (4)	William Penn Ins	<u>-</u>	
			-
JER-E (5)	Traveler's Insurance Co	<u>117,000.00</u>	
			117,000.00
JER-E (6)	Traveler's Life / Met Life	<u>-</u>	
			-
JOH-H	MetLife	<u>8,056.90</u>	
			8,056.90
KEU-P	Pacific Life Ins	<u>13,447.20</u>	
			13,447.20
KIL-D	Transamerica Occidental	<u>107,400.00</u>	
			107,400.00
MAN-S	Security Mutual	<u>101,100.00</u>	
			101,100.00
MAT-P	State Life	<u>266.80</u>	
			266.80
MOO-R (1)	Jefferson Pilot	42,000.00	
MOO-R (1)	Lincoln Financial	<u>9,997.23</u>	
			51,997.23
MOO-R (2)	Jefferson Pilot	42,000.00	
MOO-R (2)	Lincoln Financial	<u>9,997.23</u>	

**Michael J. Quilling, Receiver**  
**Secure Investment Services, Inc.**  
Schedule of Cash Receipts and Disbursements  
August 24, 2007 through October 31, 2010  
(Cash Basis)

			51,997.23
PER-T&E	Traveler's Insurance Co	<u>768,900.00</u>	768,900.00
QUI-W (1)	United of Omaha	<u>61,138.00</u>	61,138.00
QUI-W (2)	United of Omaha	<u>61,138.00</u>	61,138.00
RIC-J (1)	United of Omaha	<u>22,356.00</u>	22,356.00
RIC-J (2)	United of Omaha	<u>34,800.00</u>	34,800.00
SCH-T	Banner Life	<u>30,255.00</u>	30,255.00
SHO-I (1)	Lincoln National	<u>251,658.64</u>	251,658.64
SHU-A&H (1)	Sun Life Financial	<u>23,597.10</u>	23,597.10
SHU-A&H (2)	Transamerica Occidental	<u>-</u>	-
SIL-I	MetLife	<u>185,280.00</u>	185,280.00
SLE-K (1)	John Hancock Mutual Life	<u>169,337.00</u>	169,337.00
SLE-K (2)	John Hancock Mutual Life	<u>136,500.00</u>	136,500.00
SLE-K (3)	New York Life	<u>290,700.00</u>	290,700.00
SLE-K (4)	New York Life	<u>287,100.00</u>	287,100.00
SWA-R	AXA Equitable	<u>13,800.00</u>	13,800.00
SWA-R&G	American General	<u>167,574.49</u>	167,574.49
VAS-I	Lincoln Benefit Life	<u>112,500.00</u>	112,500.00
VIN-M	Conseco	<u>-</u>	-
WIL-E&C	Transamerica Occidental	<u>-</u>	-

**Michael J. Quilling, Receiver**  
**Secure Investment Services, Inc.**  
 Schedule of Cash Receipts and Disbursements  
 August 24, 2007 through October 31, 2010  
 (Cash Basis)

Total Insurance Premiums	5,142,417.06	
Sovereign Loan Repayments	3,987,103.96	
Professional Fees - Legal - QSCL	1,092,036.39	*
Professional Fees - Legal - Munsch Hardt	106,255.96	*
Professional Fees - Legal - Boutin Gibson	77,455.68	*
Professional Fees - Legal - Facio Abogados	10,000.00	
Professional Fees - Legal - Mennemaier Glessman	3,900.70	*
Total Professional Fees - Legal	1,289,648.73	
Professional Fees - Accounting	69,591.28	*
Professional Fees - National Viatical, Inc.	94,875.50	
Professional Fees - Computer Duplication	9,010.99	
Insurance Proceeds Distributions	1,347,344.92	
Bank Fees	49,924.54	
Death Certificates	24.00	
Interest Expense	303,600.50	
Refund of Investment Funds	200,000.00	
Rent Expense - Dallas	23,448.30	
Rent Expense - California	5,812.29	
Office Utilities - California	636.64	
Payroll Taxes - California	1,945.36	
Neuhaus - House Expenses		
Mortgage	38,973.14	
Property Insurance	1,793.80	
Maintenance	4,422.63	
Utilities	5,218.89	
Property Taxes	3,436.21	
Total Neuhaus - House Expenses	53,844.67	
<b>Total Cash Disbursements</b>	<b>12,579,228.74</b>	
<b>Net Cash in Receiver's Accounts</b>	<b>\$ 9,717.94</b>	

\* Net of 10% Holdback

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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

**[PROPOSED] ORDER APPROVING  
RECEIVER'S INTERIM REPORT  
FOR THE PERIOD ENDED  
OCTOBER 31, 2010**

On this day, the Court considered the Application for Approval of Receiver's Interim Report for the Period Ended October 31, 2010 and good cause appearing therefor:

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED the Receiver's Interim Report for the Period Ended October 31, 2010 is approved, and the receivership shall continue.

SIGNED this \_\_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_  
UNITED STATES DISTRICT JUDGE  
HONORABLE GARLAND E. BURRELL, JR.

