

1 **BOUTIN JONES, INC.**
Chris Gibson, SBN 073353
2 Maralee MacDonald, SBN 208699
3 555 Capitol Mall, Suite 1500
Sacramento, California 95814-4603
4 Tel. (916) 321-4444

5 **QUILLING, SELANDER, LOWNDS, WINSLETT & MOSER, P.C.**
Michael J. Quilling (Tex. Bar No. 16432300) – Admitted Pro Hac Vice
6 Brent J. Rodine (Tex. Bar No. 24048770) – Admitted Pro Hac Vice
2001 Bryan Street, Suite 1800
7 Dallas, Texas 75201
Telephone: (214) 871-2100
8 Facsimile: (214) 871-2111

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, SACRAMENTO DIVISION

13 SECURITIES AND EXCHANGE
COMMISSION,

14 Plaintiff,

15 v.

16 SECURE INVESTMENT SERVICES, INC.,
17 AMERICAN FINANCIAL SERVICES, INC.,
LYNDON GROUP, INC., DONALD F.
18 NEUHAUS, and KIMBERLY A. SNOWDEN,

19 Defendants.

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

NOTICE OF RECEIVER'S MOTION
TO ALLOW AND SUBORDINATE
"A" CLAIMS FILED BY RIC-J(1)
AND RIC-J(2) INVESTORS

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

20 TO: THE PARTIES AND ALL COUNSEL OF RECORD:

21 On December 20, 2010 at 9:00 a.m., or as soon thereafter as the matter may be heard
22 before the Honorable Garland E. Burrell, Jr., at the U.S. District Court for the Eastern District of
23 California, 501 I Street, Sacramento, California, Michael J. Quilling, the Receiver appointed in
24 these proceedings ("Receiver"), will move this the Court to issue an order allowing and
25 subordinating 20 investor "A" Claims Filed by RIC-J(1) and RIC-J(2) Investors totaling
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1 \$502,171.00, pursuant to this Court's October 29, 2007 Order Granting Stipulated Motion to
2 Establish Claim Procedure and to Approve Claim Form [Doc. No. 73].

3 The motion will be based upon the Receiver's Motion and authorities submitted
4 contemporaneously, the papers on file in this matter, and any testimony or argument received by
5 the Court during the hearing on the motion. A proposed order is also submitted
6 contemporaneously with this motion.

7 Respectfully submitted,

8 BOUTIN JONES, INC.

9
10 Dated: November 15, 2010.

11 By /s/ Maralee MacDonald
12 Maralee MacDonald
13 Attorneys for Receiver of Defendants
14 Secure Investment Services, Inc.,
15 American Financial Services, Inc., and
16 Lyndon Group, Inc.

17
18 **CERTIFICATE OF SERVICE**

19 I hereby certify that on the 15th day of November, 2010, a copy of this Notice was served
20 on all interested parties through the Court's electronic filing system. In addition, a copy of this
21 Notice was served on the following other persons by First Class U.S. Mail:

22 Bazzle John Wilson
23 1291 Nunneley Road
24 Paradise, CA 95969

25 Ernest Jeremias
26 5022 17th Avenue, Apt. 1
27 Brooklyn, NY 11204

28 /s/ Maralee MacDonald
Maralee MacDonald

CERTIFICATE OF SERVICE

I hereby certify that on the 15th day of November, 2010, 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 investors whose Claim is the subject of the foregoing
Receiver's Motion by U.S. Certified Mail, Return Receipt Requested:

1	Frances Beckett 1536 Wild Rye Drive Reno, NV 89509	Ron Buckheit 918 Valewood Dr. Signal Mtn., TN 37377	Angie Castillo 2926 N. Hughes Avenue Fresno, CA 93705
3	Douglas E Charmley 1388 Huggins Avenue Chico, CA 95926	HyunJin Oh-Charmley 1388 Huggins Avenue Chico, CA 95926	Elaine Chergosky 1192 Stanley Ave. Chico, CA 95928
5	Arthur R English 1596 Lost River Road Lincoln, CA 95648	Mary K Flanagan 773 190th Street Ft. Scott, KS 66701	Greiner Living Trust David H. Greiner, Trustee 2414 Los Coyotes Palm Springs, CA 92264
8	Charles E Gunn 809 Oriole Street Corpus Christi, TX 78418	Edwin D. Guttry 5048 Frontier Lane Roseville, CA 95747	Sharon Kemp 1270 Kling Court Paradise, CA 95969
10	Sandra L Manildi 1596 Lost River Road Lincoln, CA 95648	Clifford W Penner 20050 Pine Creek Road Red Bluff, CA 96080	Roger Penner 26124 Walch Avenue Orland, CA 95963
12	Jennifer C Stalder 6000 West Harmon Ave, Apt 139 Las Vegas, NV 98103	Margaret Washington 1901 Dayton Road #55 Chico, CA 95928	Douglas & Brenda Wolfe 557 Elk River Court Reno, NV 89511

14
15 /s/ Michael J. Quilling
Michael J. Quilling

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555 Capitol Mall, Suite 1500
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9 Attorneys for Michael J. Quilling
Receiver of Defendants Secure Investment Services, Inc.,
American Financial Services, Inc., and Lyndon Group, Inc.

10 UNITED STATES DISTRICT COURT

11 EASTERN DISTRICT OF CALIFORNIA, SACRAMENTO DIVISION

12 SECURITIES AND EXCHANGE
13 COMMISSION,

14 Plaintiff,

15 v.

16 SECURE INVESTMENT SERVICES, INC.,
17 AMERICAN FINANCIAL SERVICES, INC.,
LYNDON GROUP, INC., DONALD F.
18 NEUHAUS, and KIMBERLY A. SNOWDEN,

19 Defendants.

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

RECEIVER’S MOTION TO ALLOW
AND SUBORDINATE “A” CLAIMS
FILED BY RIC-J(1) AND RIC-J(2)
INVESTORS

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

20 TO: THE PARTIES AND ALL COUNSEL OF RECORD:

21 COMES NOW, Michael J. Quilling, in his capacity as Receiver (“Receiver”), and files
22 his Motion to Allow and Subordinate “A” Claims Filed by RIC-J(1) and RIC-J(2) Investors. In
23 support, the Receiver would respectfully show unto the Court as follows:

24 1. On October 29, 2007, the Court entered an Order [Doc. No. 73] establishing the
25 claim procedures for this case. Among other things, the Court directed the Receiver to send
26 claim forms to all persons or entities believed to be an investor with a potential claim against any
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1 of the corporate defendants. Pursuant to paragraph 8 of the Order, the Receiver requests that the
2 Court adjust and subordinate each of the following claims for the reasons set forth below:

3 **Partial Settlement Received by Investors**

4 1. Prior to appointment of a Receiver, Donald Neuhaus used money from new
5 investors to pay investment returns to earlier investors in the RIC-J(1) and RIC-J(2) policies.
6 Those payments totaled 45% of the amount invested. Although Neuhaus called those returns a
7 "partial bond recovery" they were purely fictitious because the policies did not mature and there
8 was no bond that funded those returns. They were simply Ponzi payments that Neuhaus diverted
9 from new investors to pay his earlier investors. As reflected in Exhibit 1, there are 18
10 individuals who owned interests in the RIC-J(1) and RIC-J(2) policies and who have filed 20
11 separate "A" Claims. Each of these individuals received fictitious investment returns for those
12 interests in the amounts listed on Exhibit 1. The Receiver does not believe that it would be cost
13 efficient to sue each of these investors to recover the amount of the fictitious returns. Instead, the
14 Receiver requests that the Court allow each claim up to the amount actually invested but
15 subordinate payment of the claims until such time as all other investors receive a 45%
16 distribution from the receivership estate.

17 **Death Benefit Claim**

18 2. When Secure Investment Services, Inc. ("SIS") solicited investors, it represented
19 that upon death of a given insured, the investor would receive a certain fixed amount. Upon
20 receipt of the claim form from the Receiver, a number of investors in the RIC-J(1) and RIC-J(2)
21 policies submitted a claim for the entire amount they were told they were to receive upon death
22 of the insured as opposed to the amount of their actual investment. As set forth on Exhibit 1,
23 there are 11 claims submitted for the entire amount of the death benefit. The Receiver requests
24 that the Court adjust and allow these claims by reducing them to that amount which was actually
25 invested by a given investor as opposed to the anticipated amount to be received on death of the
26 insured.

1 WHEREFORE, PREMISES CONSIDERED, the Receiver prays that, upon final
2 consideration of this motion, the Court enter an order adjusting, allowing, and subordinating the
3 20 investor "A" claims set out in Exhibit 1 and for such other and further relief, general or
4 special, at law or in equity, to which the Receiver may show himself justly entitled.

5 Submitted this 15th day of November, 2010.

6
7 Respectfully submitted,

8 /s/ Michael J. Quilling

9 MICHAEL J. QUILLING (Tex. Bar No. 16432300)
10 BRENT J. RODINE (Tex. Bar No. 24048770)
11 QUILLING, SELANDER, LOWNDS, WINSLETT
& MOSER, P.C.

12 Chris Gibson, SBN 073353
13 Maralee MacDonald, SBN 208699
14 BOUTIN JONES, INC.
15 Attorneys for Receiver

16
17 **CERTIFICATE OF SERVICE**

18 I hereby certify that on the 15th day of November, 2010, a copy of this Motion was served
19 on all interested parties through the Court's electronic filing system. In addition, a copy of this
20 motion was served on the following other persons by First Class U.S. Mail:

21 Bazzle John Wilson
22 1291 Nunneley Road
23 Paradise, CA 95969

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

24 /s/ Maralee MacDonald

25 Maralee MacDonald
26
27
28

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I hereby certify that on the 15th day of November, 2010, 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 investors whose Claim is the subject of the foregoing Receiver's Motion by U.S. Certified Mail, Return Receipt Requested:

Frances Beckett
1536 Wild Rye Drive
Reno, NV 89509

Ron Buckheit
918 Valewood Dr.
Signal Mtn., TN 37377

Angie Castillo
2926 N. Hughes Avenue
Fresno, CA 93705

Douglas E Charmley
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Chico, CA 95926

HyunJin Oh-Charmley
1388 Huggins Avenue
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Elaine Chergosky
1192 Stanley Ave.
Chico, CA 95928

Arthur R English
1596 Lost River Road
Lincoln, CA 95648

Mary K Flanagan
773 190th Street
Ft. Scott, KS 66701

Greiner Living Trust
David H. Greiner, Trustee
2414 Los Coyotes
Palm Springs, CA 92264

Charles E Gunn
809 Oriole Street
Corpus Christi, TX 78418

Edwin D. Guttry
5048 Frontier Lane
Roseville, CA 95747

Sharon Kemp
1270 Kling Court
Paradise, CA 95969

Sandra L Manildi
1596 Lost River Road
Lincoln, CA 95648

Clifford W Penner
20050 Pine Creek Road
Red Bluff, CA 96080

Roger Penner
26124 Walch Avenue
Orland, CA 95963

Jennifer C Stalder
6000 West Harmon Ave, Apt 139
Las Vegas, NV 98103

Margaret Washington
1901 Dayton Road #55
Chico, CA 95928

Douglas & Brenda Wolfe
557 Elk River Court
Reno, NV 89511

/s/ Michael J. Quilling
Michael J. Quilling

Exhibit 1

RIC-J(1) and RIC-J(2) Claims

Claim	Investor	Policy	Investment Amount	Fictitious Bond Payment	Claim Amount	Allowed Amount
SIA-00344	Frances Beckett	RIC-J(1)	\$10,000.00	\$4,500.00	\$13,500.00	\$10,000.00
SIA-00799	Ron Buckheit	RIC-J(1)	\$10,000.00	\$4,500.00	\$10,000.00	\$10,000.00
SIA-00452	Angie Castillo	RIC-J(1)	\$47,250.00	\$21,262.50	\$25,987.50	\$47,250.00
SIA-00246	Douglas E Charmley	RIC-J(1)	\$10,581.99	\$4,761.89	\$14,285.69	\$10,581.99
SIA-00243	HyunJin Oh-Charmley	RIC-J(1)	\$25,000.00	\$11,250.00	\$45,000.00	\$25,000.00
SIA-00244	HyunJin Oh-Charmley	RIC-J(2)	\$12,788.00	\$5,754.60	\$23,018.40	\$12,788.00
SIA-00800	Elaine Chergosky	RIC-J(1)	\$3,500.00	\$1,575.00	\$3,500.00	\$3,500.00
SIA-00347	Arthur R English	RIC-J(2)	\$25,000.00	\$11,250.00	\$33,750.00	\$25,000.00
SIA-00469	Mary K Flanagan	RIC-J(1)	\$81,366.75	\$37,632.12	\$112,896.37	\$81,366.75
SIA-00706	Greiner Living Trust	RIC-J(1)	\$10,000.00	\$4,500.00	\$6,000.00	\$10,000.00
SIA-00460	Charles E Gunn	RIC-J(1)	\$10,732.26	\$4,829.52	\$5,902.74	\$10,732.26
SIA-00798	Edwin D. Guttry	RIC-J(2)	\$50,000.00	\$22,500.00	\$50,000.00	\$50,000.00
SIA-00660	Sharon Kemp	RIC-J(1)	\$5,000.00	\$2,250.00	\$5,000.00	\$5,000.00
SIA-00350	Sandra L Manildi	RIC-J(1)	\$5,000.00	\$2,250.00	\$9,000.00	\$5,000.00
SIA-00351	Sandra L Manildi	RIC-J(1)	\$45,952.00	\$20,678.00	\$62,035.60	\$45,952.00
SIA-00293	Clifford W Penner	RIC-J(1)	\$40,000.00	\$18,000.00	\$72,000.00	\$40,000.00
SIA-00688	Roger Penner	RIC-J(1)	\$20,000.00	\$9,000.00	\$27,000.00	\$20,000.00
SIA-00184	Jennifer C Stalder	RIC-J(2)	\$20,000.00	\$9,000.00	\$20,000.00	\$20,000.00
SIA-00491	Margaret Washington	RIC-J(1)	\$50,000.00	\$22,500.00	\$90,000.00	\$50,000.00
SIA-00290	Douglas & Brenda Wolfe	RIC-J(1)	\$20,000.00	\$9,000.00	\$11,000.00	\$20,000.00

11 claims to adjust and 20 claims to subordinate for

\$502,171.00

NOTE: Shaded amounts represent Claims filed by Investors based on the death benefit, and which need to be adjusted.

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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 GRANTING
RECEIVER'S MOTION TO ALLOW
AND SUBORDINATE "A" CLAIMS
FILED BY RIC-J(1) AND RIC-J(2)
INVESTORS**

On this day, the Court considered the Receiver's Motion to Allow and Subordinate "A" Claims filed by RIC-J(1) and RIC-J(2) Investors. Having carefully considered the Motion and the pleadings and papers on file in this case, the Court is of the opinion, and so finds, that the Motion should be granted.

Accordingly, it is ORDERED that the Receiver's Motion to Allow and Subordinate "A" Claims filed by RIC-J(1) and RIC-J(2) Investors is hereby GRANTED, and the investor claims set forth on Exhibit 1 attached to the Receiver's Motion to Allow and Subordinate "A" Claims filed by RIC-J(1) and RIC-J(2) Investors are adjusted and allowed in the amount proposed by the Receiver.

It is FURTHER ORDERED that payment of the investor claims set forth on Exhibit 1 attached to the Receiver's Motion to Allow and Subordinate "A" Claims filed by RIC-J(1) and RIC-J(2) Investors is hereby subordinated to the claims of all other investors and no distribution will be made to said investors of the RIC-J(1) or RIC-J(2) policies until such time as all other investors receive a 45% distribution from the receivership estate.

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SIGNED this ____ day of _____, 2010.

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

CERTIFICATE OF SERVICE

I hereby certify that on the 15th day of November, 2010, a copy of this Proposed Order 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:

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

Bazzle John Wilson
1291 Nunneley Road
Paradise, CA 95969

/s/ Maralee MacDonald
Maralee MacDonald

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