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5 **QUILLING, SELANDER, LOWNDS, WINSLETT & MOSER, P.C.**  
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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 NINTH 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 22, 2011

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 Ninth 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 Lownds Winslett & Moser, P.C. ("QSLWM") as his general counsel. The Receiver is  
7 an attorney and a shareholder of the law firm and has rendered many of the legal services which  
8 are 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 QSLWM for the time period from October 1, 2010 through June  
11 30, 2011.

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 QSLWM 90% of their**  
14 **fees (\$84,969.00) and 100% of their expenses (\$2,513.37). 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 (\$9,441.00).**

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 QSLWM as to these  
19 proceedings on a monthly basis as follows:

Month	Fees	Expenses
October, 2010	\$17,720.00	\$ 103.30
November, 2010	\$18,835.00	\$ 164.95
December, 2010	\$13,605.00	\$ 427.56
January, 2011	\$12,665.00	\$ 498.62
February, 2011	\$ 5,005.00	\$ 62.04

March, 2011	\$ 7,255.00	\$ 708.56
April, 2011	\$ 2,960.00	\$ 98.74
May, 2011	\$ 9,340.00	\$ 214.08
June, 2011	\$ 7,025.00	\$ 235.52
<b>TOTAL</b>	<b>\$94,410.00</b>	<b>\$2,513.37</b>

6. Exhibit "A," which is attached hereto and incorporated herein by reference for all purposes conveys the following information for the time period of October 1, 2010 through June 30, 2011: (a) the number of hours worked by each attorney and staff member on a particular day; (b) the manner and type of work performed by each attorney and staff member; (c) the customary billing rate for each person rendering service in this matter; and (d) the monetary value assigned to each task performed by a given attorney and/or staff member. Each of the invoices attached hereto as Exhibit "A" reflect aggregate expenses by category during a given month.

#### **JOHNSON FACTORS**

7. In support of this request for allowance of compensation and reimbursement of expenses, the Receiver and QSLWM respectfully direct this Court's attention to those factors generally considered by courts in awarding compensation to professionals for services performed in connection with the administration of a receivership estate. As stated by the Fifth Circuit Court of Appeals in *Migis v. Pearle Vision, Inc.*, 135 F.3d 1041, 1047 (5th Cir. 1998) "The calculation of attorneys fees involves a well-established process. First, the court calculates a 'lodestar' fee by multiplying the reasonable number of hours expended on the case by the reasonable hourly rates for the participating lawyers. (cite omitted.) The court then considers whether the lodestar figure should be adjusted upward or downward depending on the circumstances of the case. In making a lodestar adjustment the court should look at twelve factors, known as the Johnson factors, after *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714 (5th Cir. 1974)." The Ninth Circuit has expressly adopted the Johnson factors in *Kerr v.*

1 *Screen Extras Guild, Inc.*, 526 F.2d 67 (9<sup>th</sup> Cir. 1975); *see also Quesada v. Thomason*, 850 F.2d  
2 537, 539 (9<sup>th</sup> Cir. 1988). Those factors, as applied to the services rendered in this case by the  
3 Receiver and QSLWM, are addressed below.

4 (a) The Time and Labor Required. The Receiver and QSLWM respectfully refer the  
5 Court's attention to Exhibit "A" which details the involvement of the Receiver and QSLWM's  
6 attorneys in this case during the three month period covered by this Application during which a  
7 total of more than 778 hours of attorney, Receiver and paraprofessional time have been  
8 expended.

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

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

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

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

25 (f) Whether the Fee is Fixed or Contingent. The Receiver's and QSLWM's fees are  
26 fixed insofar as monies exist by way of Receivership Assets from which to pay such fees.  
27 Payment of such fees, however, is subject to Court approval.  
28

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 37  
5 active insurance policies having a death benefit of close to \$34 million. In excess of 600  
6 investors invested more than \$31 million to purchase fractionalized interests in the insurance  
7 policies.

8 Since his appointment, the Receiver has closed all known bank accounts and has taken  
9 possession of all known books and records. He has obtained accurate, current information  
10 regarding each policy and has been able to pay premiums on the policies on a current basis. The  
11 Receiver has also arranged for a \$4 million line of credit to be utilized to pay premiums and  
12 other administrative expenses. A website is maintained by the Receiver so as to update the  
13 investors. Claim forms have been approved and mailed to all known investors. To date, 811  
14 claims have been received, with 708 Claims totaling \$25,889,818.36 determined to be allowed  
15 by this Court. During the period covered by this Application the Receiver's staff has continued  
16 to process claim forms, and transfers of fractional ownership interests from investors to the  
17 receivership estate. During this time frame the Receiver, with Court approval, disposed of one  
18 policy that was a financial burden on the receivership estate. All other policies are in full force  
19 and the premiums are all paid current.

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

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

26 (k) The Nature and Length of the Professional Relationship with the Client.  
27 QSLWM did not represent the Receiver in these proceedings prior to being retained in these  
28 proceedings.

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

3 WHEREFORE, the Receiver respectfully requests that the Court allow the requested  
4 compensation for professional services and expenses rendered by the Receiver and QSLWM and  
5 authorize the Receiver to pay the 10% fee holdback of \$9,441.00, as per itemization in Exhibit  
6 "A" attached hereto and for such other and further relief, general or special, at law or in equity,  
7 to which the Receiver and QSLWM may show themselves justly entitled.

8 DATED: July 19, 2011.

9 Respectfully submitted,

10  
11 /s/ Michael J. Quilling  
12 MICHAEL J. QUILLING (Tex. Bar No. 16432300)  
BRENT J. RODINE (Tex. Bar No. 24048770)

13 Attorneys for Receiver  
14 QUILLING, SELANDER, LOWNDS  
15 WINSLETT & MOSER, P.C.

16 CERTIFICATE OF SERVICE

17 I hereby certify that on the 19th day of July, 2011, a copy of this Application was served  
18 on all interested parties through the Court's electronic filing system. In addition, a copy of this  
Application was served on the following by First Class United States Mail:

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

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

21 Richard H. Gray  
3606 Comal Springs Drive  
22 Canyon Lake, TX 78133-6088

23  
24 /s/ Maralee MacDonald  
Maralee MacDonald