

**BOUTIN JONES INC.**

Chris Gibson, SBN 073353  
 Maralee Eriksen, SBN 208699  
 555 Capitol Mall, Suite 1500  
 Sacramento, California 95814-4603  
 Tel. (916) 321-4444

**QUILLING, SELANDER, LOWNDS, WINSLETT & MOSER, P.C.**

Michael J. Quilling (Tex. Bar No. 16432300) – Admitted Pro Hac Vice  
 Brent J. Rodine (Tex. Bar No. 24048770) – Admitted Pro Hac Vice  
 2001 Bryan Street, Suite 1800  
 Dallas, Texas 75201  
 Telephone: (214) 871-2100  
 Facsimile: (214) 871-2111

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

STIPULATION AND ORDER  
 AUTHORIZING RECEIVER TO  
 INCREASE BANK FINANCING  
 FACILITY

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

Michael J. Quilling, the Receiver appointed in these proceedings (“Receiver”), files this  
 Stipulation and Order Authorizing Receiver to Increase Bank Financing Facility and in support  
 of such would show the following:

1           1.       By order of October 30, 2007, the Court appointed Michael J. Quilling as  
2 Receiver for Secure Investment Services, Inc. and other related entities (“SIS”) and authorized  
3 him to take complete and exclusive control, possession, and custody of all receivership assets.

4           2.       The receivership estate’s largest single asset is a portfolio currently comprised of  
5 33 life insurance policies with a combined death benefit exceeding \$30 million. Those policies  
6 currently carry premium obligations of roughly \$1.6 million a year. Failure to pay those  
7 premiums will cause some of the life insurance policies to lapse.

8           3.       Since the Receiver’s appointment, by Court Order four policies with face value  
9 totaling \$11,250,000.00 have been abandoned or sold because the cost of premiums did not make  
10 it economically feasible to continue to maintain the policies. (See Dkt. Nos. 254, 767, and 817.)  
11 In addition, 11 policies have matured with a total of \$7,614,074.35 in death benefits paid to the  
12 receivership estate. The Receiver has used those funds to pay down the amount borrowed that is  
13 described below, and to continue to pay monthly premiums due on the current portfolio of life  
14 insurance policies.  
15

16           4.       The Receiver intends to continue paying premiums on the 33 remaining life  
17 insurance policies since those policies and their death benefits are the most promising source of  
18 recovery to pay over 800 investors and creditors with claims in this case.  
19

20           5.       In order to pay premiums, the Receiver approached Sovereign Bank in Dallas,  
21 Texas, to discuss establishing a \$3 million line of credit secured by some of the receivership  
22 estate’s insurance policies. The Receiver chose Sovereign Bank because it has experience in  
23 making loans secured by a portfolio of insurance policies. After negotiation and as described  
24 below, Sovereign Bank agreed to establish a \$3 million line of credit, which was increased to \$4  
25 million in 2009.  
26  
27  
28

1           6.       On August 29, 2007, the Receiver filed a Stipulated Motion to Obtain Interim  
2 Bank Financing (Dkt. No. 38). The Court entered its Order (Dkt. No. 57) authorizing the  
3 Receiver to borrow \$200,000 from Sovereign Bank.

4           7.       On February 21, 2008, the Receiver filed an Unopposed Motion to Approve Bank  
5 Financing (Dkt. No. 116), which proposed an increase in the available line of credit to \$3  
6 million. That increase was intended to ensure that premium obligations could be met through the  
7 2008 calendar year. The Court entered its Order (Dkt. No. 131) authorizing that increase on  
8 March 14, 2008.

9           8.       On February 20, 2009, the Receiver filed a Stipulation and Order to Increase  
10 Bank Financing Facility (Dkt. No. 469), which proposed an increase in the available line of  
11 credit to \$4 million. That increase was intended to ensure that premium obligations could be met  
12 through the 2009 calendar year. The Court entered its Order (Dkt. No. 470) authorizing that  
13 increase on February 26, 2009.

14           9.       The Receiver constantly monitors the health status of the viators named on the  
15 current portfolio of insurance policies. The Receiver has been advised several insureds, with  
16 death benefits in excess of \$4 million, are in ill health. Therefore, the Receiver anticipates  
17 policies to mature in the next several months.

18           10.      To date, the Receiver has borrowed \$3,767,204.00 against that \$4 million line of  
19 credit. Since the Receiver is close to exhausting his current line of credit, he recently negotiated  
20 an increase in the financing facility to a total of \$4.5 million. It is hoped that maturities from  
21 policies will allow the Receiver to repay most, if not all, of the line of credit before it is  
22 exhausted.  
23  
24  
25  
26  
27  
28

1 11. Clearly, it is in the best interest of the receivership estate and the investors to keep  
2 the remaining life insurance policies in force. An increase in the bank financing facility will  
3 ensure that enough funds are available to meet premium obligations for the immediate future.

4 WHEREFORE, PREMISES CONSIDERED, the parties stipulate to authorization of  
5 Receiver to increase the bank financing facility to \$4.5 million in order to meet upcoming  
6 premium obligations.  
7

8 QUILLING, SELANDER, LOWNDS,  
9 WINSLETT & MOSER, P.C.

10 Dated: February 14, 2013

11 By: /s/ Michael J. Quilling  
12 Michael J. Quilling  
13 Brent J. Rodine  
14 Attorneys for Receiver

15 U.S. SECURITIES AND EXCHANGE  
16 COMMISSION

17 Dated: February 18, 2013

18 By: /s/ Thomas J. Eme (authorized on 2/18/13)  
19 Thomas J. Eme  
20 John S. Yun  
21 Attorneys for Plaintiff Securities and Exchange  
22 Commission

23 MUNSCH HARDT KOPF & HARR, P.C.

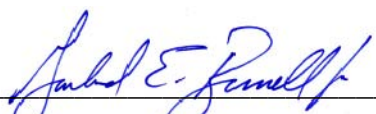
24 Dated: February 14, 2013

25 By: /s/ Steven A. Harr (authorized on 2/14/13)  
26 Steven A. Harr  
27 Dennis L. Roossien, Jr.  
28 Attorneys for Examiner

**ORDER**

IT IS SO ORDERED.

March 1, 2013

  
GARLAND E. BURRELL, JR.  
Senior United States District Judge