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12 UNITED STATES DISTRICT COURT
13 EASTERN DISTRICT OF CALIFORNIA
14 SACRAMENTO DIVISION

15 SECURITIES AND EXCHANGE COMMISSION,

16 Plaintiff,

17 v.

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

21 Defendants.

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

COMPLAINT

DEMAND FOR JURY TRIAL

22 Plaintiff Securities and Exchange Commission (the "Commission") alleges:

23 **SUMMARY OF THE ACTION**

24 1. This civil enforcement action involves a fraudulent scheme whereby Defendants
25 sold fractional ownership interests in a particular life insurance policy to a specific group of
26 investors, and then failed – without warning or disclosure – to use those investors' money to
27 cover the future premium payments on their specific policy. Instead, those investors' money was
28 rapidly depleted to pay Defendants' business and personal expenses and to cover the premiums
on *other* insurance policies (owned by different groups of investors) that would otherwise lapse

1 for non-payment of premiums. Defendants are therefore operating a “ponzi” scheme whereby
2 every new investor is being defrauded to provide the cash needed to conceal Defendants’
3 misrepresentations to an earlier group of investors.

4 2. Defendants Donald F. Neuhaus and Kimberly A. Snowden have operated this
5 scheme through at least one of their corporations -- Defendants Secure Investment Services, Inc.,
6 American Financial Services, Inc., and Lyndon Group, Inc. -- since at least 2001 and have raised
7 over \$25 million from hundreds of investors in more than twenty states. After representing that
8 they will reserve investor funds to pay future premiums on the life insurance policy being sold,
9 Defendants commingle and spend the funds immediately. Consequently, Defendants can meet
10 future premium obligations exceeding \$3 million only by fraudulently raising funds from new
11 investors. As their scheme has been heading for collapse, Neuhaus and Snowden have
12 transferred at least \$740,000 in investor funds to themselves.

13 3. Defendants also have concealed from investors significant risks relating to the
14 policy they are purchasing. The amount of future premiums that must be reserved is tied to the
15 estimated future life expectancy of the person being insured. Those life expectancy estimates
16 have been consistently too low, and many of them were provided by someone whom Defendants
17 learned to have falsely claimed to be a medical doctor. Additionally, Defendants represented
18 that bonding companies would step in and pay investors their return if the insured lived beyond
19 the estimated life expectancy. That representation was false and misleading because Defendants
20 knew or were reckless in not knowing that the bonding companies were unlicensed, and had a
21 dubious reputation.

22 4. Operating on nothing but borrowed time and misappropriated funds, Defendants’
23 scheme must be stopped to protect investors. The Commission brings this action to enjoin
24 Defendants from further violations of the antifraud and registration provisions of the federal
25 securities laws. The Commission also asks that the Court appoint a receiver and grant other
26 equitable relief to marshal and protect investor assets, and order the Defendants to disgorge their
27 ill-gotten gains and pay civil money penalties.

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