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4
5 Receiver

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8 **UNITED STATES DISTRICT COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**
10 **WESTERN DIVISION**

11 SECURITIES AND EXCHANGE
12 COMMISSION,

13 Plaintiff,

14 vs.

15 DIVERSIFIED LENDING GROUP,
INC.; APPLIED EQUITIES, INC.; AND
16 BRUCE FRIEDMAN,

17 Defendants,

18 and

19 TINA M. PLACOURAKIS,

20 Relief Defendant.

Case No. CV 09-01533-R (SSx)

**RECEIVER'S EX PARTE
APPLICATION TO APPROVE
SETTLEMENT AGREEMENT
BETWEEN RECEIVER AND
DAVID SEROR; DECLARATION
OF GILBERT MIKALIAN**

[No hearing requested]

21 **PLEASE TAKE NOTICE THAT** David A. Gill, the Permanent Receiver
22 ("**Receiver**") of Diversified Lending Group, Inc. ("**Diversified**"), and Applied
23 Equities, Inc., and their subsidiaries and affiliates, including but not limited to
24 MMHIM, Inc., DLG International, a Panamanian company, and SunWest Bottlers,
25 LLC, will and hereby applies to the Court for an order granting *Receiver's Ex Parte*
26 *Application to Approve Settlement Agreement Between Receiver and David Seror*
27 ("**Application**").
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1 The Application requests an order:

2 1. authorizing me as the Receiver of Diversified to settle the Dispute, as
3 that term is defined herein, with David Seror with respect to matter *Gill v.*
4 *O'Callaghan et al.*¹ ("O'Callaghan Litigation").

5 2. authorizing me as the Receiver of Diversified to execute all documents
6 and otherwise take all actions I deem necessary and appropriate to effectuate the
7 settlement;

8 3. confirming the terms and provisions of the *Settlement Agreement and*
9 *Mutual Limited Release* ("Agreement"), a copy of which is attached hereto as Exhibit
10 "1"; and

11 4. confirming that the form and manner of notice of the Application
12 provided by me is appropriate. A copy of the proposed order is attached hereto as
13 Exhibit "2."

14 The Application is based upon the following: David Seror ("Seror"), as
15 Chapter 7 Trustee for the bankruptcy estate of Karen O'Callaghan, on the one hand,
16 and I, as Receiver of Diversified, on the other hand, seek to resolve each party's
17 claims against Karen O'Callaghan and KABR Shamrock, LLC, with respect to the
18 total transfer of at least \$1,354,985.00 ("Transfer") from Diversified to or for the
19 benefit of Ms. O'Callaghan. Mr. Seror's and my competing claims are referred to
20 herein as the "Dispute." The Transfer was used to purchase a single family residence
21 at 5034 Mecca Avenue in Tarzana, California ("Property"). In order to coordinate
22 the preservation and sale of the Property, Mr. Seror and I have entered into the
23 Agreement. As more fully set out in the Agreement, and subject to Court approval, I
24 will continue to seek to obtain a judgment in the O'Callaghan Litigation against Ms.
25 O'Callaghan in order to liquidate my claims with respect to the Transfer and to
26 perfect my prejudgment attachment lien against the Property. The Agreement also

27 ¹ U.S. District Court case number CV 09-04632-R (SSx).
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1 fixes the nature of my claim as a secured claim in the event I do obtain a judgment
2 against Ms. O'Callaghan. Pursuant to the Agreement, the bankruptcy estate will
3 retain 25% of net proceeds from the sale of the Property for the benefit of
4 administrative, priority and secured creditors. The Agreement resolves any
5 ambiguities that may exist relative to Mr. Seror's and my claims against Ms.
6 O'Callaghan.

7 The Agreement is subject to Court approval, and accordingly, I seek approval
8 of this Application and the proposed Agreement described herein.

9 The Application is made on the grounds that I have determined in my business
10 judgment that the Agreement is fair and equitable and in the best interests of the
11 estate, given the fact that without this Agreement, the receivership estate's claims
12 against Ms. O'Callaghan may otherwise be contested by Mr. Seror. The Agreement
13 allows me to establish my rights with respect to my claims against Ms. O'Callaghan
14 and U.S. Bankruptcy Court treatment of any eventual judgment I may obtain against
15 Ms. O'Callaghan.

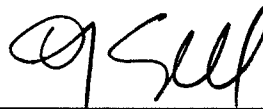
16 The Application is based upon this Notice, the Application, the Memorandum
17 of Points and Authorities, the Declarations of David A. Gill and Gilbert Mikalian,
18 and upon such other evidentiary matters as may be considered by the Court.

19 **PLEASE TAKE FURTHER NOTICE** that pursuant to the prior order of this
20 Court entered May 4, 2009, in the SEC Action ("Omnibus Order"), I caused this
21 notice and Application to be served upon the approved Limited Service List and
22 counsel for Mr. Seror on August 13, 2010, as reflected in the Declaration of Gilbert
23 Mikalian. I am informed that Karen O'Callaghan will oppose the Application.

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1 **PLEASE TAKE FURTHER NOTICE** that pursuant to the Omnibus Order
2 this Notice and Application will be served upon the approved Limited Service List.

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4 Dated: August 16, 2010



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6 DAVID A. GILL, RECEIVER

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1 MEMORANDUM OF POINTS AND AUTHORITIES

2 I.

3 INTRODUCTION

4 Diversified Lending Group, Inc. ("**Diversified**") transferred over \$1.3 million
5 to or for the benefit of Ms. O'Callaghan for the purchase of the real property located
6 at 5034 Mecca Avenue in Tarzana, California. Upon learning of the transfer after
7 investigating Diversified's financial records, I filed a complaint against Ms.
8 O'Callaghan with respect to the transfer of funds for the purchase of the Property.
9 Approximately ten months after the filing of the complaint, Ms. O'Callaghan filed for
10 Chapter 7 bankruptcy protection and Mr. Seror was appointed as the interim Chapter
11 7 Trustee. Upon learning of the subsequent fraudulent transfer of funds to
12 Americana Construction, Inc., Gary Friedman, and Baruch C. Cohen, I filed a First
13 Amended Complaint naming these parties as additional defendants.

14 Mr. Seror, as the Chapter 7 Trustee for the bankruptcy estate of Ms.
15 O'Callaghan has an interest in all of the assets which comprise the bankruptcy estate.
16 These interests include, but are not limited to, any claims which Ms. O'Callaghan
17 may have against others with respect to the further dissipation of receivership funds.
18 Mr. Seror and I have entered into an agreement in order to establish the extent to
19 which I may pursue litigating against Ms. O'Callaghan in U.S. District Court and the
20 nature of claims I will be entitled to in the event of a judgment against Ms.
21 O'Callaghan.

22 II.

23 RELEVANT FACTS

24 A. Facts Relating to the Dispute

25 On June 25, 2009, I filed a complaint against Karen O'Callaghan and KABR
26 Shamrock, LLC, to avoid and recover fraudulent transfers, for unjust enrichment,
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1 constructive trust and equitable liens in the matter *Gill v. O'Callaghan et al.*²
2 ("O'Callaghan Litigation"). The O'Callaghan Litigation deals primarily with the
3 transfer of funds in connection with the purchase of a home for the benefit of Ms.
4 O'Callaghan in addition to the subsequent transfer of funds from Ms. O'Callaghan to
5 KABR Shamrock, LLC; Americana Construction, Inc.; Gary Friedman; and Baruch
6 C. Cohen.

7 In the O'Callaghan Litigation, I allege that on or about July 10, 2008,
8 O'Callaghan purchased a parcel of real property improved by a single family
9 dwelling commonly known as 5034 Mecca Avenue, Tarzana, CA 91356 ("Property")
10 for a total of \$1,354,985.00, which was fully paid for by Diversified. Based on that
11 allegation, I am seeking to avoid the transfer to recover the Property or to recover
12 funds in the amount of at least \$1,354,985.00. I also allege that on or about May 12,
13 2009, O'Callaghan transferred the Property to KABR Shamrock, LLC ("Shamrock")
14 by way of a grant deed ("Shamrock Transfer"), and I am seeking to avoid and
15 recover the Shamrock Transfer. Additionally, I allege that on or about March 30,
16 2009, Abra Management, Inc. ("Abra"), recorded a deed of trust against the Property
17 securing a home equity line of credit in the principal amount of \$500,000.00 dated on
18 or about March 16, 2009, to O'Callaghan ("Equity Loan").

19 In the O'Callaghan Litigation, I allege that on or about April 2, 2009,
20 O'Callaghan withdrew all available funds, in the amount of at least \$457,141.90,
21 from the line of credit ("Equity Loan Funds") and had it deposited in her attorney's
22 client trust account. Most of the money was then transferred to Ms. O'Callaghan and
23 has been subsequently transferred to others, including Americana Construction, Gary
24 Friedman, and Baruch Cohen.

25 ² *David A. Gill, solely in his capacity as Permanent Receiver in the matter of*
26 *Securities and Exchange Commission vs. Diversified Lending Group, Inc.; Applied Equities, Inc.;*
27 *Bruce Friedman and Tina M. Placourakis, U.S.D.C. case number CV 09-01533-R-JTLx vs. Karen*
28 *O'Callaghan and KABR Shamrock, LLC et al., pending in U.S. District Court, Central District of*
California, case number CV 09-04632-R (SSx).

1 At the time of filing the O'Callaghan Litigation, I also applied for a writ of
2 attachment and right to attach order against the Property. On or about July 12, 2009,
3 the District Court issued the *Ex Parte Right to Attach Order* and *Order for Issuance*
4 *of Writ of Attachment* for the Property. Accordingly, on July 23, 2009, as Receiver
5 of DLG, I recorded the writ of attachment.

6 Abra recorded a notice of default in connection with the Equity Loan, and a
7 foreclosure sale was scheduled for April 29, 2010.

8 On April 27, 2010, O'Callaghan filed a Chapter 7 bankruptcy petition, and
9 Seror was appointed as the interim Chapter 7 Trustee.³ Mr. Seror claims that he is
10 the equitable owner of the Property and any and all fraudulent conveyance which
11 Ms. O'Callaghan may have against KABR, Americana, Gary Friedman, Baruch
12 Cohen and all others. Mr. Seror further claims that he is the sole member of
13 Shamrock. Similarly, the Receiver claims equitable title to the Property as against
14 Ms. O'Callaghan and Mr. Seror and the subsequent transferee, Shamrock. Each
15 party's claim of equitable title to the Property is herein defined as the "Dispute."

16 Abra has postponed its foreclosure sale in light of the bankruptcy filing, and I
17 have been granted relief from stay in O'Callaghan's bankruptcy case so that I can
18 continue to prosecute the O'Callaghan Litigation in order to liquidate my claim
19 against O'Callaghan and perfect my prejudgment attachment lien. I am not
20 otherwise seeking to enforce or collect any eventual judgment against O'Callaghan
21 or to sell the Property, without further order of the Bankruptcy Court.

22 Mr. Seror and I wish to enter into an agreement to coordinate the preservation
23 and sale of the Property pending my efforts to obtain a judgment liquidating my
24 claim against Ms. O'Callaghan and to perfect my writ of attachment lien.

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27 ³ Mr. Seror has since been appointed as permanent trustee.

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1 **B. Terms of the Agreement**

2 Mr. Seror and I have agreed to resolve this Dispute by entering into the
3 Agreement.⁴ All of the terms and conditions contained in the Agreement are
4 incorporated herein by this reference, and any reference in the Application to the
5 terms and conditions of the Agreement is not meant to modify or augment the
6 Agreement. Specifically, in the event that I obtain a judgment against Ms.
7 O'Callaghan in the O'Callaghan Litigation, I "shall have a secured claim against the
8 Property or the proceeds in an amount of the judgment, and any sales proceeds from
9 the sale of the Property shall be distributed as follows:

- 10 i. The Trustee shall first pay all customary brokers'
11 commissions and ordinary costs of sale and shall pay all
12 allowable amounts due and payable to Abra and any
13 properly perfected secured claims against the Property
14 senior to the Receiver's lien.
- 15 ii. The Receiver agrees to subordinate his secured claim
16 to payment to the Trustee to the extent of 25% of the
17 remaining proceeds for the benefit of administrative,
18 priority and unsecured creditors, but not for the benefit of
19 the Debtor. After retention of 25% of the remaining
20 proceeds, the Trustee shall pay the balance of the sales
21 proceeds to the Receiver on account of the Receiver's
22 secured claim up to the amount of that claim.

23 Furthermore, per the Agreement, I consent to the sale of the Property free and
24 clear of my lien pursuant to 11 U.S.C. § 363(f), on the condition that my lien attach
25 to the proceeds of the sale of the Property with same priority, force and effect that
26 existed at the time of the sale of the Property, subject to perfection by judgment that

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28 ⁴ Declaration of David A. Gill, at ¶ 3, Exhibit "1."

1 probability of success in the litigation; (2) The difficulties,
2 if any, encountered in the matter of collections; (3) The
3 complexity of the litigation involved, the expense,
4 inconvenience and delay necessarily attending it; and (4)
5 The paramount interest of the creditors and a proper
6 deference to their reasonable views.

7 Applying the four factors described above, I believe that the proposed
8 Agreement is a reasonable exercise of my business judgment for the benefit of the
9 receivership estate and its creditors.

10 **A. Probabilities of Success**

11 The principal issue being resolved by the Agreement is the establishment of
12 which claims I may pursue against Ms. O'Callaghan with respect to claims which
13 Mr. Seror may pursue. In the event Mr. Seror and I had not come to an agreement
14 regarding each parties claims, the resulting litigation would, for the most part, deal
15 with each parties rights to claims against Ms. O'Callaghan. Although I feel that I am
16 likely to prevail in any such case, the agreement allows me to continue with the
17 O'Callaghan Litigation without the need for litigation with Mr. Seror.

18 **B. Difficulties in Collection**

19 In the event that the Dispute is litigated, I am confident that I can establish my
20 right to recover the Property. Collection from Ms. O'Callaghan will pose a problem
21 due to the filing of bankruptcy by Ms. O'Callaghan. As a result, in the event I prevail
22 in a suit to recover the Transfer, difficulty of collection of more than obtaining a
23 secured claim in the bankruptcy case may be a factor weighing in favor of approving
24 this Application.

25 **C. Complexity and Expense of Litigation**

26 Although litigation with respect to the Dispute would not be overly complex, it
27 would nonetheless increase costs to both estates and would decrease the ultimate
28 benefit to both estates, including the receivership estate. With the Agreement, the

1 fees and costs associated with litigation are greatly reduced while receivership estate
2 continues litigating its claims against Ms. O'Callaghan in order to obtain a judgment
3 and, consequently, a secured claim in Ms. O'Callaghan's bankruptcy case. As a
4 result, settlement of the Dispute is appropriate given the potential expense to the
5 receivership estate resulting from litigation between Mr. Seror and me.

6 **D. Paramount Interest of Creditors**

7 Most importantly, I believe that the Agreement is in the paramount interest of
8 the receivership creditors. Without the Agreement, the receivership estate claims
9 against Ms. O'Callaghan may not be established, and as a result, I may be precluded
10 from taking any action which may appear to be collection efforts against Ms.
11 O'Callaghan. Per the terms of the Agreement, I will establish my authority to pursue
12 the O'Callaghan Litigation and upon obtaining a judgment against Ms. O'Callaghan,
13 will have a secured claim in the bankruptcy case. Consequently, the Agreement is in
14 the interests of the receivership creditors since the estate will obtain authority to
15 pursue its claims against Ms. O'Callaghan and all other subsequent transferees while
16 eliminating the need for any litigation against Mr. Seror.

17 I have carefully considered the factors set forth above, and weighed them in
18 determining that the Agreement is a prudent and reasonable exercise of my business
19 judgment. It is my opinion that the Agreement is in the best interests of the estate,
20 given the nature and circumstance of the Dispute.

21 **V.**

22 **CONCLUSION**

23 Based upon the foregoing, I respectfully request approval of this Application,
24 the Agreement, and all other appropriate relief.

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26 Dated: August 16, 2010



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28 DAVID A. GILL, RECEIVER

DECLARATION OF GILBERT MIKALIAN

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I, Gilbert Mikalian, declare as follows:

1. I am an attorney licensed to practice in California. I am an associate at the law firm of Danning, Gill, Diamond & Kollitz, LLP ("Danning-Gill"). Danning-Gill is the duly employed counsel to David A. Gill, the duly appointed Permanent Receiver (the "Receiver") for Diversified Lending Group, Inc., and Applied Equities, Inc., pursuant to the Order of Preliminary Injunction and Orders: (1) Continuing Asset Freeze, (2) Appointing a Permanent Receiver, (3) Prohibiting the Destruction of Documents, (4) Granting Expedited Discovery, and (5) Requiring Accountings, signed and entered on March 10, 2009, in the above-captioned case. I am one of the attorneys at Danning-Gill assigned to represent the Receiver in the instant action.

2. This declaration is made in support of the *Ex Parte Application to Approve Settlement Agreement between Receiver and David Seror* ("Application").

3. I have personal knowledge of the facts in this declaration and, if called as a witness, I could competently testify to these facts.

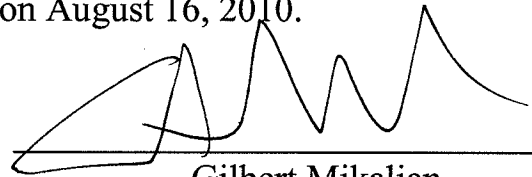
4. On August 13, 2010, the Notice and Application, including all exhibits attached thereto, were provided to all parties requiring notice in the Limited Service List and was posted on the website www.DiversifiedReceivership.com pursuant to the Notice Procedures as set forth in an order of this Court dated May 4, 2009. The proposed Notice and Application were served electronically on the Limited Service List and counsel for David Seror on August 13, 2010. The parties requiring notice in the Limited Service List have been advised that any opposition to the Application

1 must be filed with the Court no later than twenty-four hours after receipt of the filed
2 Application.

3 5. On August 14, 2010, Karen O'Callaghan informed me that she intends
4 on opposing the Application.

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6 I declare under penalty of perjury under the laws of the United States of
7 America that the foregoing is true and correct.

8 Executed at Los Angeles, California, on August 16, 2010.

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12 Gilbert Mikalian

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Exhibit 1

SETTLEMENT AGREEMENT AND MUTUAL LIMITED RELEASE

THIS SETTLEMENT AGREEMENT AND MUTUAL LIMITED RELEASE (this "Agreement"), is made and entered into as of June 16, 2010, by and between David Seror, the Chapter 7 Trustee ("Trustee") of the bankruptcy estate of Karen O'Callaghan, Case No. 1:10-bk-15042-KT, on the one hand, and David A. Gill, Permanent Receiver (the "Receiver") of Diversified Lending Group, Inc., a California corporation ("Diversified"), and Applied Equities, Inc. ("AEI"), and their subsidiaries and affiliates, including but not limited to MMHIM, Inc., DLG International, a Panamanian company, and SunWest Bottlers, LLC (collectively, hereinafter referred to as the "Receivership Defendants"), in the United States District Court for the Central District of California, Western Division, case number CV 09-01533-R (SSx), on the other hand. For purposes of this Agreement, the Trustee, the Receiver and Diversified are individually referred to as the "Party" and collectively referred to as the "Parties." This Agreement is made with reference to the following agreed facts:

RECITALS

A. On March 4, 2009, the Securities and Exchange Commission ("SEC") filed a Complaint (the "SEC Complaint") in the United States District Court for the Central District of California, Western Division, case number CV09-01533-R (SSx) (the "SEC Action"), alleging fraud claims and requesting relief against Diversified, AEI, and Bruce Friedman, as well as Relief Defendant Tina M. Placourakis.

B. The SEC Complaint alleged, among other things, that the Receivership Defendants and Bruce Friedman perpetrated an ongoing fraudulent investment scheme whereupon the Receivership Defendants and Bruce Friedman

raised at least \$216 million by offering and selling securities in the form of one or five year "Secured Investment Notes" to numbers of investors nationwide, many of whom are older Americans. The SEC Complaint further alleged that the Receivership Defendants and Bruce Friedman did not invest the money they raised from investors as represented; rather, the Receivership Defendants and Bruce Friedman diverted a substantial amount of investor money to undisclosed business ventures or investments, as well as to Bruce Friedman, his family members and friends.

C. At the time it filed its complaint, the SEC also filed in the SEC Action an ex parte application (the "TRO Application") for a temporary restraining order and for orders: (1) freezing assets, (2) appointing a temporary receiver, (3) prohibiting the destruction of documents, (4) granting expedited discovery, and (5) requiring accountings, and for an order to show cause re preliminary injunction and appointment of a permanent receiver.

D. On March 4, 2009, the District Court granted the TRO Application and, among other things, appointed David A. Gill as Temporary Receiver. The order was amended and superseded by two additional orders of the District Court. One, entered on March 10, 2009, appointed David A. Gill as Permanent Receiver and another, entered on or about March 31, 2009, clarified the earlier orders by specifically naming certain wholly owned subsidiaries and their assets as subject to administration in the receivership.

E. On June 25, 2009, the Receiver filed a complaint against Karen O'Callaghan and KABR Shamrock, LLC, to avoid and recover fraudulent transfers, for unjust enrichment, constructive trust and equitable liens in the matter *David A. Gill, solely in his capacity as Permanent Receiver in the matter of Securities and Exchange Commission vs. Diversified Lending Group, Inc.; Applied Equities, Inc.; Bruce Friedman and Tina M. Placourakis, U.S.D.C. case number*

*CV 09-01533-R-JTLx*¹ vs. *Karen O'Callaghan, et al.*, pending in U.S. District Court, Central District of California, case number CV 09-04632-R (SSx) ("O'Callaghan Litigation.") The O'Callaghan Litigation deals primarily with the transfer of funds in connection with the purchase of a home for the benefit of O'Callaghan.

F. In the O'Callaghan Litigation, the Receiver alleges that on or about July 10, 2008, O'Callaghan purchased a parcel of real property improved by a single family dwelling commonly known as 5034 Mecca Avenue, Tarzana, CA 91356 (the "Property") for a total of \$1,354,985.00, which was fully paid for by Diversified. The Receiver was seeking to avoid the transfer to recover the Property or to recover funds in the amount of at least \$1,354,985.00.

G. In the O'Callaghan Litigation, the Receiver alleges that on or about May 12, 2009, O'Callaghan transferred the Property to KABR Shamrock, LLC ("Shamrock") by way of a grant deed (the "Shamrock Transfer"), and the Receiver is seeking to avoid and recover the Shamrock Transfer.

H. In the O'Callaghan Litigation, the Receiver alleges that on or about March 30, 2009, Abra Management, Inc. ("Abra") recorded a deed of trust against the Property securing a home equity line of credit in the principal amount of \$500,000.00 dated on or about March 16, 2009 to O'Callaghan (the "Equity Loan").

I. In the O'Callaghan Litigation, the Receiver alleges that on or about April 2, 2009, O'Callaghan withdrew all available funds, in the amount of at least \$457,141.90, from the line of credit (the "Equity Loan Funds") and had it deposited in her attorney's client trust account.

¹ The discovery magistrate in the SEC Action has since been changed to the Hon. Suzanne H. Segal. As a result, the SEC Action case number is CV 09-01533-R (SSx).

J. At the time of filing the O'Callaghan Litigation, the Receiver also applied for a writ of attachment and right to attach order against the Property. On or about July 12, 2009, the District Court issued the Ex Parte Right to Attach Order and Order for Issuance of Writ of Attachment for the Property. Accordingly, on July 23, 2009, the Receiver caused the writ of attachment to be recorded against the Property.

K. Abra recorded a notice of default in connection with the Equity Loan, and a foreclosure sale was scheduled for April 29, 2010.

L. On April 27, 2010, O'Callaghan filed a Chapter 7 petition, and Seror was appointed as the interim Chapter 7 Trustee.

M. The Trustee claims that he is the equitable owner of the Property or, alternatively, that the Shamrock Transfer is an avoidable and recoverable transfer. The Trustee further claims that he is the sole member of Shamrock.

N. The Receiver claims equitable title to the Property as against the Debtor and the Trustee and the subsequent transferee, Shamrock.

O. Abra has postponed its foreclosure sale in light of the bankruptcy filing, and the Receiver has filed a motion for relief from stay in O'Callaghan's bankruptcy case so that he can continue to prosecute the O'Callaghan Litigation in order to obtain a judgment against O'Callaghan and perfect his prejudgment attachment lien. The Receiver is not otherwise seeking to enforce or collect any eventual judgment against O'Callaghan or to sell the Property, without further order of the Bankruptcy Court.

P. To the extent that the Debtor claims and is allowed a homestead exemption in the Property, the Parties dispute such exemption in fraudulently transferred property. However, the Parties agree that the relief requested by this Agreement does not purport to adversely affect the rights of the Debtor, if any, in respect to exemption claims or other rights.

Q. The Receiver and the Trustee wish to enter into an agreement to coordinate the preservation and sale of the Property pending the Receiver's efforts to obtain a judgment against O'Callaghan and to perfect his writ of attachment lien.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and subject to the terms and conditions set forth below, the parties do hereby agree as follows:

AGREEMENT

1. Incorporation. The Recitals set forth hereinabove are incorporated herein by reference.

2. Court Approval. The terms and conditions of this Agreement, and the Parties' respective obligations hereunder, are expressly conditioned upon the approval of the form and substance of this Agreement and the settlement it contemplates by the United States District Court in the SEC Action and the Bankruptcy Court in the O'Callaghan bankruptcy case ("Court Approval"). The Receiver and the Trustee shall obtain Court Approval within the shortest reasonable period of time.

3. Agreement.

a. The Receiver may continue to seek relief from the automatic stay in order to obtain a judgment against O'Callaghan and perfect his prejudgment attachment lien against the Property. The Trustee does not oppose the Receiver's Motion for Relief from Stay which was heard on May 27, 2010, and granted.

b. In the event that the Receiver obtains a judgment against O'Callaghan, the Receiver shall have a secured claim against the Property or the proceeds in an amount of the judgment, and any sales proceeds from the sale of the Property shall be distributed as follows:

i. The Trustee shall first pay all customary brokers' commissions and ordinary costs of sale and shall pay all allowable amounts due and payable to Abra and any properly perfected secured claims against the Property senior to the Receiver's lien.

ii. The Receiver agrees to subordinate his secured claim to payment to the Trustee to the extent of 25% of the remaining proceeds for the benefit of administrative, priority and unsecured creditors, but not for the benefit of the Debtor. After retention of 25% of the remaining proceeds, the Trustee shall pay the balance of the sales proceeds to the Receiver on account of the Receiver's secured claim up to the amount of that claim.

c. In the event that the Receiver does not obtain a judgment against O'Callaghan, the Trustee shall treat the Receiver's claim as a general unsecured claim, and the Receiver does not agree to subordinate his unsecured claim to any other claims or amounts.

d. The Receiver consents to the sale of the Property free and clear of his lien pursuant to 11 U.S.C. § 363(f), on the condition that the Receiver's lien attach to the proceeds of the sale of the Property with same priority, force and effect that existed at the time of the sale of the Property, subject to perfection by judgment that relates back to the date of recordation of the writ of attachment.

4. **O'Callaghan Litigation.** If the Trustee elects to pursue the claims to avoid and recover fraudulent transfer claims against Shamrock or any other

subsequent transferees, the Receiver agrees to stay his fraudulent transfer claims against Shamrock and the other subsequent transferees in the O'Callaghan Litigation. Notwithstanding anything herein to the contrary, the Receiver shall pursue his claims against O'Callaghan for the purpose of obtaining a judgment and perfecting his attachment lien.

5. **Interpretation.**

a. Advice and Reliance. All Parties to this Agreement mutually represent and warrant that each are and have been represented by independent counsel regarding the above-mentioned disputes and that they have entered into this Agreement after consultation with such attorneys and other professional advisors they deem necessary or appropriate in connection with the preparation and execution of this Agreement.

b. Mutually Drafted. This Agreement shall be deemed to have been mutually drafted and shall be construed fairly and in accord with its terms. No Party shall be entitled to any presumption or construction in such Party's favor as a result of any Party having assumed the primary burden of memorializing all Parties' agreements, or any party thereof, in this writing.

6. **Attorneys' Fees.** Each Party shall bear his or her own attorneys' fees and costs incurred in connection with the preparation and execution of this Agreement. In the event of any lawsuit, action or other court proceeding arising out of the subject matter of this Agreement and seeking to enforce any provision of this Agreement, or to enforce any remedy available under this Agreement, the prevailing party shall be entitled to recover, in addition to any other damages assessed, his or her reasonable attorneys' fees and costs, including expert witness fees and expenses, incurred in litigating such dispute.

7. Miscellaneous.

a. Successors and Assigns. This Agreement shall be binding upon, shall inure to the benefit of, the parties hereto and their heirs, administrators, executors, legatees, devisees, beneficiaries, representatives, permitted successors and assigns and any and all persons holding directly or indirectly under any of the foregoing.

b. Further Assurances. The parties hereto agree to execute, acknowledge and deliver all documents, instruments, agreements and other assurances of any kind reasonably requested by any party or reasonably required of the party asked to supply same if reasonably necessary to fulfill that party's obligations under this Agreement and each party agrees it will take any other action consistent with the terms of this Agreement that may reasonably be requested by any party for the purposes of carrying out any of the provisions hereof.

c. Governing Law. This Agreement shall be construed in accordance with, and all disputes hereunder shall be governed by, the laws of the State of California, without regard to choice of law principles and shall be enforceable only in the United States Bankruptcy Court for the Central District of California in the courtroom in which the O'Callaghan bankruptcy is pending. The Parties agree that the United States Bankruptcy Court retains jurisdiction to enforce this Agreement and agree that the order approving the Settlement shall contain language so stating.

d. Entire Agreement. This Agreement constitutes the entire

understanding and agreement of the parties hereto with respect to the subject matter contained herein, and supersedes and cancels any and all prior and contemporaneous agreements, negotiations, representations, arrangements and understandings, oral or written, of the parties with respect to such subject matter. No representation, promise, inducement or statement of intent has been made by the parties which is not embodied in this Agreement and no party shall be bound by or be liable for any alleged representation, promise, inducement or statement of intention not specifically and unequivocally set forth in this Agreement.

e. Severability. The provisions of this Agreement are severable; if any provision of this Agreement is declared or found to be void or unenforceable by a court of competent jurisdiction, the remaining provisions of this Agreement shall continue in full force and effect.

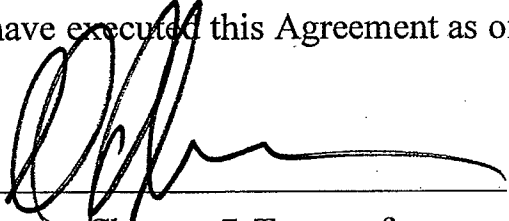
f. Headings. The headings used in this Agreement are included for convenience only and are not to be used in construing or interpreting this Agreement or any portion of this Agreement.

h. Exhibits and Other Writings. Any and all exhibits, documents, instruments, certificates or other writings attached hereto or required or provided for by this Agreement, if any, shall be part of this Agreement and shall be considered set forth in full at each reference thereto in this Agreement.

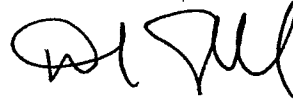
i. Modification. No supplement, modification, waiver, or amendment of this Agreement or any provision hereof shall be binding unless such supplement, modification, waiver, or amendment is in writing and executed by the Party against whom enforcement of such supplement, modification, waiver, or amendment is sought and approved by the Court if such approval is necessary.

j. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first above written.



David Seror, Chapter 7 Trustee for estate
of Karen O'Callaghan



David A. Gill, Receiver for the estate
of Diversified Lending Group, Inc.,
a California corporation

Exhibit 2

1 GEORGE E. SCHULMAN (State Bar No. 064572)
ges@dgdk.com
2 KATHY BAZOIAN PHELPS (State Bar No. 155564)
kbp@dgdk.com
3 GILBERT MIKALIAN (State Bar No. 244690)
ggm@dgdk.com
4 DANNING, GILL, DIAMOND & KOLLITZ, LLP
2029 Century Park East, Third Floor
5 Los Angeles, California 90067-2904
Telephone: (310) 277-0077
6 Facsimile: (310) 277-5735

7 Attorneys for David A. Gill, Receiver

8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA

11 SECURITIES AND EXCHANGE
COMMISSION,

12 Plaintiff,

13 vs.
14

15 DIVERSIFIED LENDING GROUP,
INC.; APPLIED EQUITIES, INC.; AND
16 BRUCE FRIEDMAN,

17 Defendants,

18 and

19 TINA M. PLACOURAKIS,

20 Relief Defendant.
21

Case No. CV 09-01533-R (SSx)

**[PROPOSED] ORDER GRANTING
APPLICATION OF RECEIVER
FOR APPROVAL OF
APPLICATION TO APPROVE
SETTLEMENT AGREEMENT
BETWEEN RECEIVER AND
DAVID SEROR**

[No hearing requested]

22 The Court having considered the Application of David A. Gill, the Receiver
23 ("Receiver") in the above-captioned case, for Application of Receiver for Approval
24 of Application to Approve Settlement Agreement between Receiver and David Seror
25 ("Application"), and good cause appearing:

26 IT IS HEREBY ORDERED THAT:

- 27 1. The Receiver's Application is granted.
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-1- EXHIBIT "2"

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PROOF OF SERVICE

I, Patricia Morris, declare:

I am employed by the law firm of DANNING, GILL, DIAMOND & KOLLITZ, LLP, in the County of Los Angeles, State of California. I am employed in the office of a member of the bar of this court at whose direction the service was made. I am over the age of 18 years and am not a party to the within action. My business address is 2029 Century Park East, Third Floor, Los Angeles, California 90067-2904.

On August 16, 2010, I served the following document(s): RECEIVER'S EX PARTE APPLICATION TO APPROVE SETTLEMENT AGREEMENT BETWEEN RECEIVER AND DAVID SEROR; DECLARATION OF GILBERT MIKALIAN on the interested parties addressed as follows:

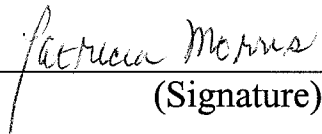
SEE ATTACHED SERVICE LIST

(By Mail) I placed the document for collection and deposit in the mail. I am familiar with this firm's practice for the collection and processing of correspondence for mailing. Under that practice, the document would be placed in a sealed envelope and deposited with the U.S. Postal Service on that same day with postage thereon fully prepaid at 2029 Century Park East, Third Floor, Los Angeles, California 90067-2904, in the ordinary course of business. The documents served were placed in sealed envelopes and placed for collection and mailing following ordinary business practices.

I declare under penalty of perjury under the laws of the State of California and of the United States of America that the foregoing is true and correct.

Executed on August 16, 2010, at Los Angeles, California.

Patricia Morris
(Type or print name)


(Signature)

SERVICE LIST

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2
3 **Attorneys for Plaintiff U.S.**

4 **Securities & Exchange Commission**

5 John M McCoy, III, Esq.

6 US Securities & Exchange Commission Office of Enforcement

7 5670 Wilshire Boulevard 11th Floor

8 Los Angeles, CA 90036

9 mccoym@sec.gov

10 **Counsel for Defendants Diversified**

11 **Lending Group, Inc.,**

12 **Applied Equities, Inc., and**

13 **Bruce Friedman**

14 Richard Elliott Drooyan, Esq.

15 Munger Tolles & Olson LLP

16 355 S. Grand Avenue, 35th Floor

17 Los Angeles, CA 90017

18 richard.drooyan@mto.com

19 **Counsel for Paul L. Goering and**

20 **Wilda M. Goering**

21 Kurt A. Goering, Esq.

22 714 E. Rose Lane, Ste. 200

23 Phoenix, AZ 85014

24 kagoering@gmail.com

25 **Courtesy Copy to Counsel for**

26 **Gary Friedman**

27 **(served via U.S. Mail)**

28 Marc Lieberman, Esq.

Alan Forsely, Esq.

Fredman Knupfer Lieberman LLP

1875 Century Park East, Suite 2200

Los Angeles, California 90067-2523

29 **Courtesy Copy to Karen O'Callaghan;**

30 **KABR Shamrock, LLC; and**

31 **Americana Construction, Inc.**

32 **(served via U.S. Mail)**

33 5034 Mecca Avenue

34 Tarzana, CA 91356

35

1 **Courtesy Copy to Baruch C. Cohen, Esq.**

2 **(served via U.S. Mail)**

3 Law Office of Baruch C. Cohen, APLC

4 4929 Wilshire Boulevard, Suite 940

5 Los Angeles, CA 90010

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