

7.04 Items Specially Allocated. The following special allocations shall be made for any fiscal year of the LLC in the following order:

(a) Member Minimum Gain Chargeback. Except as provided in Treas. Reg. 1.704-2(i)(4), if for any year there is a net decrease in member minimum gain (“partner nonrecourse debt minimum gain” as described in Treas. Reg. §1.704-2(i)(2)), any Unit Holder with a share of that member minimum gain as of the beginning of that year must be allocated items of income and gain for that year (and, if necessary, for succeeding years) equal to that Unit Holder’s share of the net decrease in the member minimum gain. A Unit Holder’s share of member minimum gain and of the net decrease in member minimum gain are determined in accordance with the provisions of Treas. Reg. §§1.704-2(i)(4) and 1.704-2(i)(5). The items to be allocated and their method of allocation among the Unit Holders shall be determined pursuant to Treas. Reg. §§1.704-2(i)(4) and 2(j)(2).

(b) Member Nonrecourse Deductions. Any member nonrecourse deductions (“partner nonrecourse deductions” as defined in Treas. Reg. §§1.704-2(i)(1) and (2)) shall be specially allocated among the Unit Holders according to Treas. Reg. §1.704-2(i).

(c) Gross Income Offset. If any Unit Holder would otherwise have a deficit capital account at the end of any year in which at least one other Unit Holder would otherwise have a positive capital account, items of LLC income and gain shall be specially allocated to the Unit Holders that would otherwise have deficit capital accounts (on a pro rata basis according to their deficit capital accounts) until all such deficit capital accounts are eliminated (but only to the extent such allocation does not create a deficit capital account for any Unit Holder).

7.05 Corrective Allocations. The allocations set forth in Sections 7.03 and 7.04 are intended to comply with the requirements under IRC §704(b) that allocations of LLC income, gain, loss, deduction, and credit be in accordance with the Unit Holders’ interests in the LLC. The Members intend that, to the extent possible, all allocations made pursuant to Sections 7.04 and 7.05 will, over the term of the LLC, be offset either with other allocations pursuant to those sections or with allocations pursuant to this Section 7.05. Accordingly, the Managers shall make offsetting allocations of LLC income, gain, loss, or deduction under this Section 7.05 as they determine appropriate so that, after such offsetting special allocations are made, the capital accounts of the Unit Holders are, to the extent possible, equal to the capital accounts each would have if the provisions of Sections 7.03 and 7.04 were not contained in this Operating Agreement and all income, gain, loss, and deduction of the Company were instead allocated pursuant to Section 7.01.

7.06 Other Allocation Rules.

(a) Tax Allocations for Contributed and Revalued Property. Solely for income tax purposes, income, gain, loss, and deduction respecting property contributed to the capital of the LLC or revalued in accordance with Section 2.06 and Treas. Reg. §1.704-1(b)(2)(iv)(f) shall thereafter be allocated in accordance with the rules and principles of IRC §704(c) and Treas. Reg. 1.704-3. The allocation method to be applied

with respect to property, if any, subject to ceiling rule distortions (as described in Treas. Reg. §§1.704-3(b), (c), and (d)) shall, in the case of contributed property, be determined by agreement of the contributing Unit Holder and the Managers (other than the contributing Unit Holder, and if the sole Manager is the contributing Unit Holder, by agreement of the contributing Unit Holder and the other Members) and, in the case of revalued property, be determined by the Managers. Such method shall be determined prior to the time for filing the tax return for the year of contribution or revaluation (excluding extensions). If the traditional method with curative allocations is elected as to any contributed or revalued property (as defined in Treas. Reg. §1.704-3(c)(1)), the LLC may (if it so chooses) elect to offset the effect of the ceiling rule for a prior year with allocations made over any reasonable period of time, as provided in Treas. Reg. §1.704-3(c)(3)(ii), and/or may (if it so chooses) elect to use gain or loss of any character realized from the disposition of the contributed or revalued property to offset the effects of the ceiling rule as provided in Treas. Reg. §1.704-3(c)(3)(iii)(B).

(b) Allocation of Recapture Items. Solely for income tax purposes, in making any allocation among the Unit Holders of income or gain from the sale or other disposition of an LLC asset, the ordinary income portion, if any, of the income and gain resulting from the recapture of cost recovery or other deductions shall be allocated among those Unit Holders who were previously allocated (or whose predecessors-in-interest were previously allocated) the cost recovery deductions or other deductions resulting in the recapture items, in proportion to the amount of the cost recovery deductions or other deductions previously allocated to them.

(c) Unit Holders' Tax Returns. The Unit Holders are aware of the income tax consequences of the allocations made by this Article VII and hereby agree to be bound by the provisions of this Article VII in reporting their shares of LLC income and loss for federal and state income tax purposes.

7.07 Distributions to Pay Tax Liabilities. Within ninety (90) days after the end of each fiscal year, subject to a vote of seventy five percent (75%) of the Units Eligible to Vote, the LLC may make a distribution in an amount equal to at least (a) the LLC's net taxable income during the fiscal year multiplied by (b) the greater of (i) forty percent (40%) or (ii) the maximum combined federal, state, and local income tax rates of the Class A Unit Holder with the highest combined rate in effect for the fiscal year (taking into account the deductibility of state taxes for federal income tax purposes) less (c) the amount of any distributions made by the LLC during the fiscal year (other than distributions made during the fiscal year that were required to be made under the provisions of this section with respect to a prior fiscal year). For purposes of this section, the LLC's net taxable income shall be the net excess of items of recognized income and gain over the items of recognized loss and deduction reported on the LLC's federal income tax return for the taxable year with respect to which the distribution is being made (reduced by net losses for prior years that have not yet been offset by reason of this clause). The LLC's obligation to make such a distribution is subject to the restrictions governing distributions under the North Carolina Limited Liability Company Act.

7.08 Priority of Distributions.

After determining that a distribution is permissible under the North Carolina Limited Liability Company Act and following an affirmative vote of seventy five percent (75%) of the Units Eligible to Vote, the LLC may make a distribution in the following order of priority:

- (a) First, for tax distributions as described in Section 7.07 above;
- (b) Second, to pay interest on any outstanding loans (if any) made by the Members to the LLC, if the loans were approved in writing by the Managers;
- (c) Third, to pay principal on any outstanding loans (if any) made by the Members to the LLC if the loans were approved in writing by the Managers; and
- (d) Fourth, the pro-rata to the number of Units held of record by the respective Members.

### **Article VIII Withdrawal and Dissolution**

8.01 Withdrawal. Each Member agrees not to withdraw from the LLC without the consent of all other Members. A voluntary withdrawal without such consent shall be effective one hundred sixty (160) days after written notice thereof is delivered to the Managers, but shall constitute a breach of this Operating Agreement for which the LLC and other Members shall have the remedies provided under applicable law. A Member's withdrawal shall not require the LLC to liquidate the Member's membership interest nor shall it trigger an event of dissolution.

8.02 Dissolution. Except as otherwise provided in this Operating Agreement, the LLC shall dissolve upon the approval of dissolution by a vote of the Members holding at least seventy five percent (75%) of the Units Eligible to Vote.

8.03 Expulsion. A Member may be expelled for the reasons provided for by North Carolina law either upon the unanimous vote of all other Members (regardless of class) or upon court order. An expelled Member shall be treated as having withdrawn from the LLC as of the date of the expulsion. A Member's expulsion shall not require the LLC to liquidate the Member's membership interest.

8.04 Effect of Withdrawal or Other Event. Upon the withdrawal, death, or expulsion of a Member or upon the death of a Unit Holder, the remaining Members may within one hundred twenty (120) days, without waiving any remedies in the case of voluntary withdrawal, elect to have the LLC purchase the ownership interest of the affected Unit Holder pursuant to the provisions of Sections 8.06 and 8.07 hereof.

8.05 Liquidation Upon Dissolution and Winding Up. Upon the dissolution of the LLC, the Managers shall wind up the affairs of the LLC. A full account of the assets and liabilities of the LLC shall be taken. The assets shall be promptly liquidated and the proceeds thereof applied as required by the North Carolina Limited Liability Company Act. With approval by vote of the Members, the LLC may, in the process of winding up the LLC, elect to distribute certain property in kind.

8.06 Valuation of Unit Holder's Interest. Upon an election by the LLC to purchase the interest of a Unit Holder pursuant to Section 8.04, the value of the affected Unit Holder's interest shall be the amount that the Unit Holder would receive if the LLC were sold for its fair market value. The fair market value of the LLC shall be determined by agreement between the remaining Members (acting by vote) and the affected Unit Holder or the affected Unit Holder's personal representative. In the event agreement as to such value cannot be obtained, the LLC shall be valued by a third-party appraiser who is knowledgeable regarding the valuation of similar businesses and who is reasonably acceptable to both a majority in interest of the remaining Members and the affected Unit Holder or the affected Unit Holder's personal representative. The costs of such an appraisal shall be divided equally between the LLC and the transferring Unit Holder. In the event the remaining Members and the affected Unit Holder are unable to agree on an appraiser, the Managers may choose to select a third-party appraiser and have the LLC pay the cost of the appraisal.

8.07 Payment for Unit Holder's Interest. The purchase price for a Unit Holder's interest purchased pursuant to Section 8.04 shall be paid as follows: one hundred percent (100%) within the later of (1) ninety (90) days of the triggering event or (2) thirty (30) days after determination of the value of the interest purchased. Interest shall accrue at 2% over the mid-term applicable federal rate for the month in which the triggering event occurred, as published by the Internal Revenue Service. In the event the LLC is the beneficiary of insurance on the life of a Unit Holder, and that Unit Holder dies, that LLC shall use the proceeds of such insurance to prepay the purchase price for that Unit Holder's interest when those proceeds are received.

8.08 Effect of Purchase of Member's Interest. A Member shall cease to be a Member upon the LLC's election to purchase the Member's ownership interest pursuant to Section 8.04 or upon the Member's earlier expulsion or withdrawal. During the period in which the LLC is making payments to the former Member, the former Member shall have no rights as a Member in the LLC.

## **Article IX Indemnification**

9.01 Indemnification. The LLC shall indemnify each of its Managers to the fullest extent permissible under North Carolina law, as the same exists or may hereafter be amended, against all liability, loss and costs (including, without limitation, attorneys' fees) incurred or suffered by such person by reason of or arising from the fact that such person is or was a Manager of the. The LLC may, by written action of the Members or Managers, provide indemnification to any employee or agent of the LLC who is not a Manager. The indemnification provided in this section shall not be exclusive of any other rights to which any person may be entitled under any statute, bylaw, agreement, resolution of Members or Managers, contract, or otherwise.

9.02 Limitation of Liability. Any Manager of the LLC shall not be liable to the LLC or its Members for monetary damages for conduct as Manager except to the extent that the North Carolina Limited Liability Company Act, as it now exists or may hereafter be amended, prohibits elimination or limitation of Manager liability. No repeal or amendment of this section or of the North Carolina Limited Liability Company Act shall adversely affect any right or protection of a Manager for actions or omissions prior to the repeal or amendment.

**Article X**  
**Transfers of Interests**

10.01 Restriction on Transfers. Except as otherwise permitted by this Operating Agreement, no Unit Holder or assignee shall transfer all or any portion of such person's ownership interest in the LLC. In the event that any Unit Holder or assignee pledges or otherwise encumbers any of such person's ownership interest in the LLC as security for the payment of a debt, any such pledge or hypothecation shall not constitute a transfer.

10.015 Permitted Transfers. Subject to the conditions and restrictions set forth in Sections 10.02 and 10.05 hereof, a Unit Holder or assignee may at any time transfer all or any portion of such person's ownership interest in the LLC to:

- (a) Any Member;
- (b) The Unit Holder's spouse, descendants, or a trust for the benefit of the Unit Holder, the Unit Holder's spouse, and the Unit Holder's descendants;
- (c) Such entity permitted by an order of the District Court;
- (d) The transferor's executor, administrator, trustee, or personal representative to whom such interests are transferred at death or involuntarily by operation of law (however, the restrictions of Article X will apply on transfer by such person); or
- (e) Any purchaser in accordance with Section 10.03 hereof.

10.02 Conditions to Permitted Transfers. A transfer shall not be treated as a permitted transfer under Section 0 hereof unless and until the following conditions are satisfied:

(a) Except in the case of a transfer of a person's ownership interest in the LLC at death or involuntarily by operation of law, the transferor and transferee shall execute and deliver to the LLC such documents and instruments of conveyance as may be necessary or appropriate in the opinion of counsel to the LLC to effect such transfer and to confirm the agreement of the transferee to be bound by the provisions of this Agreement. In the case of a transfer of a person's ownership interest in the LLC at death or involuntarily by operation of law, the transfer shall be confirmed by presentation to the LLC of legal evidence of such transfer, in form and substance satisfactory to counsel to the LLC. In all cases, the LLC shall be reimbursed by the transferor and/or transferee for all costs and expenses that it reasonably incurs in connection with such transfer.

(b) The transferor and transferee shall furnish the LLC with the transferee's taxpayer identification number, sufficient information to determine the transferee's initial tax basis in the person's ownership interest in the LLC transferred, and any other information reasonably necessary to permit the LLC to file all required federal and state tax returns and other legally required information statements or returns. Without limiting the generality of the foregoing, the LLC shall not be required to make any distribution

otherwise provided for in this Operating Agreement with respect to any transfer until it has received such information.

(c) Except in the case of a transfer of a person's interests in the LLC at death or involuntarily by operation of law, either:

(i) Such a person's ownership interest in the LLC shall be registered under the Securities Act of 1933, as amended, and any applicable state securities laws; or

(ii) The transferor shall provide an opinion of counsel, which opinion and counsel shall be satisfactory to the LLC, to the effect that such transfer is exempt from all applicable registration requirements and that such transfer will not violate any applicable laws regulating the transfer of securities.

(d) The transferee shall become a party to this Operating Agreement by signing such documents and instruments as the Manager may reasonably request as may be necessary or appropriate to confirm such transferee's agreement to be bound by the terms and conditions of this Operating Agreement.

10.03 Right of First Refusal. In addition to the other limitations and restrictions set forth in this Article, except as permitted herein, no Unit Holder shall transfer all or any portion of such person's ownership interest in the LLC (the "Offered Interest") unless such Unit Holder (the "Seller") first offers to sell the Offered Interests pursuant to the terms of this Section 10.03.

(a) Limitation on Transfers. No transfer may be made under this Section 10.03 unless the Seller has received a bona fide written offer (the "Purchase Offer") from a person (the "Purchaser") to purchase the Offered Interest for a purchase price (the "Offer Price") according to specified terms, with or without interest, which offer shall be in writing, signed by the Purchaser, and shall be irrevocable for a period ending no sooner than the day following the end of the Offer Period (as hereinafter defined).

(b) Offer Notice. Prior to making any transfer that is subject to the terms of this Section 10.03, the Seller shall give to the LLC and each Member written notice (the "Offer Notice") which shall include a copy of the Purchase Offer and an offer (the "Firm Offer") to sell the Offered Interest to the Members (the "Offerees") for the Offer Price, payable according to the same terms as (or more favorable terms than) those contained in the Purchase Offer, provided that the Firm Offer shall be made without regard to the requirement of any earnest money or similar deposit required of the Purchaser prior to closing, and without regard to any security (other than the Offered Interest) to be provided by the Purchaser for any deferred portion of the Offer Price.

(c) Offer Period. The Firm Offer shall be irrevocable for a period (the "Offer Period") for a period of fifteen (15) days following the date of the Offer Notice.

(d) Acceptance of Firm Offer. At any time during the first fifteen (15) days of the Offer Period, any Offeree who is a Member may accept the Firm Offer as to all or any

portion of the Offered Interest by giving written notice of such acceptance to the Seller and the LLC, which notice shall indicate the maximum Offered Interest that such Offeree is willing to purchase. In the event that within the first fifteen (15) days of the Offer Period, Offerees who are Members (“Accepting Offerees”), in the aggregate, accept the Firm Offer with respect to all of the Offered Interest, the Firm Offer shall be deemed to be accepted. If Accepting Offerees provide offers that exceed the amount of the Offered Interest, the offers of the Accepting Offerees shall be reduced so that, to the greatest extent possible, the portions of the Offered Interest allocated to the Accepting Offerees correspond, first, to each Accepting Offeree’s proportionate interest in the LLC in relation to the other Accepting Offerees, and second, to the Accepting Offerees’ relative offers with regard to the Offered Interest.

(e) Closing of Purchase Pursuant to Firm Offer. In the event that the Firm Offer is accepted, the closing of the sale of the Offered Interest shall take place within fifteen (15) days after the Firm Offer is accepted or, if later, the date of closing set forth in the Purchase Offer. The Seller and all Accepting Offerees shall execute such documents and instruments as may be necessary or appropriate to effect the sale of the Offered Interest pursuant to the terms of the Firm Offer and this Article.

(f) Sale Pursuant to Purchase Offer. If the Firm Offer is not accepted in the manner herein provided, the Seller may sell the Offered Interest to the Purchaser at any time after the last day of the Offer Period, provided that such sale shall be made on terms no more favorable to the Purchaser than the terms contained in the Purchase Offer and provided further that such sale complies with other terms, conditions, and restrictions of this Agreement that are applicable to sales of a person’s ownership interest in the LLC and are not expressly made inapplicable to sales occurring under this Section 10.03. In the event that the Offered Interest is not sold in accordance with the terms of the preceding sentence, the Offered Interest shall again become subject to all of the conditions and restrictions of this Section 10.03.

10.04 Prohibited Transfers. Any purported transfer of a person’s ownership interest in the LLC that is not a permitted transfer shall be null and void and of no force or effect whatever, provided that if the LLC is required to recognize a transfer that is not a permitted transfer (or if the LLC, in its sole discretion, elects to recognize a transfer that is not a permitted transfer), the interest transferred shall be strictly limited to the transferor’s Economic Rights with respect to the transferred interests, with distributions first applied (without limiting any other legal or equitable rights of the LLC) to satisfy any debts, obligations, or liabilities for damages that the transferor or transferee may have to the LLC.

In the case of a transfer or attempted transfer of a person’s ownership interest in the LLC that is not a permitted transfer, the parties engaging or attempting to engage in such transfer shall be liable to indemnify and hold harmless the LLC and the other Members from all cost, liability, and damage that any of such indemnified persons may incur (including, without limitation, incremental tax liability and lawyers’ fees and expenses) as a result of such transfer or attempted transfer and efforts to enforce the indemnity granted hereby.

10.05 Rights and Obligations of Assignees and Assignors.

(a) An assignment of a Member's ownership interest in the LLC does not itself dissolve the LLC or entitle the assignee to become a Member or exercise any Management Rights. A person who acquires a person's ownership interest in the LLC, but who is not admitted as a substitute Member pursuant to Section 10.06 hereof, shall be entitled only to the Economic Rights with respect to such interests and shall have no Management Rights.

(b) A Member's assignment of a membership interest in the LLC shall cause the Member to cease to be a Member with respect to the transferred membership interest and lose the power to exercise the Management Rights associated with the transferred membership interest. An assignee has no liability as a Member solely as a result of the assignment. A Member who assigns an ownership interest in the LLC is not released from any liability to the LLC solely as a result of the assignment of such Economic Rights.

(c) In the event a court of competent jurisdiction charges an ownership interest with the payment of an unsatisfied amount of a judgment with interest, to the extent so charged, the judgment creditor shall be treated as an assignee.

(d) For purposes of this Article, "Economic Rights" shall mean a holder's share of the profits, losses, and distribution of the LLC pursuant to the Articles of Organization, this Agreement, or applicable law, but shall not include any Management Rights.

(e) For purposes of this Article, "Management Rights" shall mean the right of a Member to participate in the management of the LLC, including the right to vote (to the extent that the Member's Units have a right to vote), to attend meetings, to inspect the books and records of the LLC, and to receive any financial information.

10.06 Acceptance of Assignee as Substitute Member.

(a) Subject to the other provisions of this Article, a transferee of Economic Rights may be admitted to the LLC as a substitute Member, with all of the Management Rights of a Member, only upon satisfaction of all of the conditions set forth below:

(i) The consent of Members holding at least seventy five percent (75%) of the Units Eligible to Vote to such admission, which consent may be given or withheld in the sole and absolute discretion of the Members.

(ii) The transferee shall become a party to this Operating Agreement as a Member by signing such documents and instruments as the Manager may reasonably request as may be necessary or appropriate to confirm such transferee as a Member in the LLC and such transferee's agreement to be bound by the terms and conditions of this Operating Agreement.

(iii) The transferee shall pay or reimburse the LLC for all reasonable legal, filing, and publication costs that the LLC incurs in connection with the admission of the transferee as a Member with respect to the transferred interests.

(iv) If the transferee is not an individual of legal majority, the transferee shall provide the LLC with evidence satisfactory to counsel for the LLC of the authority of the transferee to become a Member and to be bound by the terms and conditions of this Agreement.

(b) An assignee who becomes a substitute Member has, to the extent assigned, the rights and powers and is subject to the restrictions and liabilities of a Member under the North Carolina Limited Liability Company Act, the Articles of Organization, and this Operating Agreement, and is also liable for any obligations of the assignor to make contributions under Article II, but is not obligated for any other liabilities reasonably unknown to the assignee at the time the assignee becomes a Member.

(c) Even if an assignee becomes a substitute Member, the assignor is not released from the assignor's liability to the LLC.

**10.07 Distributions and Allocations Regarding Transferred Interests.** If any person's ownership interest in the LLC is transferred during any fiscal year in compliance with the provisions of this Article, profits, losses, each item thereof, and all other items attributable to such interest for such fiscal year shall be divided and allocated between the transferor and the transferee by taking into account their varying interests during such fiscal year in accordance with Internal Revenue Code of 1986, Section 706(d), using any conventions permitted by law and selected by the Manager. All distributions on or before the date of such transfer shall be made to the transferor and all distributions thereafter shall be made to the transferee. Solely for purposes of making such allocations and distributions, the LLC shall recognize such transfer not later than the end of the calendar month during which it is given written notice of such transfer, provided that if the LLC is given written notice of a transfer at least ten (10) days prior to the transfer, the LLC shall recognize such transfer as of the date of such transfer, and provided further that if the LLC does not receive a written notice stating the date such interest was transferred and such other information as the Manager may reasonably require within thirty (30) days after the end of the fiscal year during which the transfer occurs, then all such items shall be allocated, and all distributions shall be made to the person who, according to the books and records of the LLC, was the owner of the interest on the last day of the fiscal year during which the transfer occurs. Neither the LLC nor any Manager shall incur any liability for making allocations and distributions in accordance with the provisions of this Section 10.07, whether or not any Manager or the LLC has knowledge of any transfer of ownership of any interest.

#### **Article XI**

#### **Sale of the LLC's Membership Units**

If Members holding at least seventy five percent (75%) of the Units Eligible to Vote vote in favor of a specific sale of all of the Units of the LLC, all Unit Holders shall sell their Units as part of that sale, so long as all Unit Holders participate in that sale equally in terms of price per Unit, after adjusting for capital account differences, and other terms and conditions except those terms and

conditions having to do with individual arrangements, if any, such as those between the Unit Holder and the purchaser relating to employment and restrictions on future activities.

## **Article XII Amendments**

12.01 By Members. The Members may amend or repeal the provisions of this Operating Agreement by agreement of Members owning seventy five percent (75%) of each class of Membership Unit set forth in writing or by action taken at a meeting of Members called for that purpose. This Operating Agreement may not be amended or repealed by oral agreement of the Members.

12.02 By Managers. A Manager may not amend or repeal the provisions of this Operating Agreement.

## **Article XIII Miscellaneous**

### 13.01 Additional Documents.

Each Unit Holder shall execute such additional documents and take such actions as are reasonably requested by the Managers in order to complete or confirm the transactions contemplated by this Operating Agreement.

### 13.02 Limitation of Liability of Receiver, David A. Gill.

Any obligation or liability whatsoever of David A. Gill as Receiver which may arise at any time under this Operating Agreement or any obligation or liability which may be incurred by him pursuant to any other instrument, transaction, or undertaking contemplated hereby, shall be in his official capacity as Receiver and not in his personal capacity, and shall be satisfied, if at all, out of the assets vested in the assets of the Diversified Lending Group, Inc. receivership estate. No such obligation or liability shall be personally binding upon, nor shall there be recourse for the enforcement thereof the property of David A. Gill, either individually or in any other professional capacity, or of any of his agents or employees, or to the firm of Danning, Gill, Diamond & Kollitz, LLP, regardless of whether such obligation or liability is in the nature of contract, tort, or otherwise.

### 13.03 Effectiveness of Operating Agreement.

The Operating Agreement, and any provision thereof for the Receiver's contribution of certain real property and payment of or contribution against certain expenses or a portion thereof, is effective only in the event the District Court approves the Operating Agreement and the Receiver's performance thereunder. If after obtaining an order of the District Court authorizing his performance under the Operating Agreement, and thereafter the Receiver is unable to deliver possession or title of the lots to be contributed by him to the LLC under the Operating Agreement, the sole remedy of RFMI and/or the LLC, shall be the reimbursement of any monies advanced by one or both of them to preserve the Receivership estate property.

13.04 Jurisdiction of the District Court:

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. Furthermore, at the sole election of the Receiver, disputes hereunder shall be enforceable either in: (i) the United States District Court for the Central District of California in the case now pending, or after that case is closed, in the United States District Court for the Central District of California, with notice to the court that it is related to the case pending at the time of the Agreement; or (2) in any other court of competent jurisdiction.

13.05 Counterparts. This Operating Agreement may be executed in two or more counterparts, which together shall constitute one agreement.

13.06 Governing Law. This Operating Agreement shall be governed by North Carolina law. Venue shall be in Humboldt County, state of California.

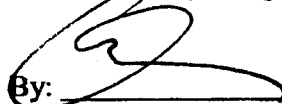
13.07 Headings. Headings in this Operating Agreement are for convenience only and shall not affect its meaning.

13.08 Severability. The invalidity or unenforceability of any provision of this Operating Agreement shall not affect the validity or enforceability of the remaining provisions.


13.09 Third Party Beneficiaries. The provisions of this Operating Agreement are intended solely for the benefit of the Members and shall create no rights or obligations enforceable by any third party, including creditors of the LLC or its members, except as otherwise provided by applicable law.

ADOPTED effective June 22, 2010, by the undersigned Members of the LLC.


**COMPANY:** RDLG, LLC (Managed by ReProp Financial Mortgage Investors, LLC)

By:   
Name: Glenn Goldan  
Title: Manager of ReProp Financial Mortgage Investors, LLC

**INITIAL MEMBERS:**

REPROP FINANCIAL MORTGAGE INVESTORS, LLC  
By:   
Glenn, Goldan, Manager

DIVERSIFIED LENDING GROUP, INC.,

By: 

David A. Gill, Receiver in the matter of *Securities & Exchange Comm. v. Diversified Lending Group, Inc., et al.*, case no. CV 09-01533-R (SSx) in the U.S. District Court for the Central District of California, Western Division  
David A. Gill, Receiver

Additional Unit Holder or Member Signature Page

The undersigned hereby agrees to the terms and conditions of that certain Operating Agreement dated effective \_\_\_\_\_, 2010. Unless and until admitted as a Member pursuant to Section 10.06, the undersigned is an assignee with Economic Rights only and without Management Rights.

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Units: \_\_\_\_\_

By: \_\_\_\_\_

EXHIBIT A

Initial Capital Contributions

ReProp Financial Mortgage Investors, LLC: \$127,780.00 U.S.D., and property as described in more detail on Exhibit B.

David Gill, State Court Receiver for Diversified Lending Group, Inc.: \$72,220.00 U.S.D., and the property described on Exhibit B

EXHIBIT B

Detailed Description of Property Contributed

EXHIBIT B  
#:6752

## PHASE 1 LOTS AVAILBLE

Lot #	Roads	Water	Sewer	Power	Uses	Recorded	Surveyed	Est. to Complete	Ownership	July Sale	Ave. Gross
2	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
3	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	DLG	IN	\$65,000
4	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
6	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
7	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
11	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	DLG	IN	\$65,000
12	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
13	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	DLG	IN	\$65,000
14	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
15	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	DLG	IN	\$65,000
18	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
20	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 3,221.00	DLG	IN	\$65,000
21	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 3,221.00	ReProp	IN	\$65,000
22	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 3,221.00	DLG	IN	\$65,000
23	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 3,221.00	ReProp	IN	\$65,000
26	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
27	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 4,675.00	DLG	IN	\$65,000
30	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 9,035.00	ReProp	IN	\$65,000
31	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 9,035.00	ReProp	IN	\$65,000
33	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 9,035.00	DLG	IN	\$65,000
34	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 9,035.00	ReProp	IN	\$65,000
36	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 4,675.00	ReProp	IN	\$65,000
37	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 9,035.00	ReProp	IN	\$65,000
41	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	DLG	IN	\$65,000
43	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 9,035.00	ReProp	IN	\$65,000
48	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
49	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
53	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 3,221.00	ReProp	IN	\$65,000
54	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 3,221.00	DLG	IN	\$65,000
55	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 4,386.00	ReProp	IN	\$65,000
57	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	DLG	IN	\$65,000
58	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
59	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	DLG	IN	\$65,000
60	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 6,241.00	ReProp	IN	\$65,000
62	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 6,241.00	ReProp	IN	\$65,000
70	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ -	ReProp	OUT FOR SALE	
71	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ -	DLG	OUT FOR SALE	
78	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	DLG	IN	\$65,000
79	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
82	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	DLG	IN	\$65,000
83	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
84	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 4,386.00	ReProp	IN	\$65,000
151	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
152	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	DLG	IN	\$65,000
153	No road				S F R	YES	YES	\$ -	ReProp	OUT FOR SALE	
154	No road				S F R	YES	YES	\$ -	ReProp	OUT FOR SALE	
155	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 4,000.00	ReProp	IN	\$65,000
156	Graveled	Water	Sewer	Power	S F R	YES	YES	\$ 4,000.00	DLG	IN	\$65,000
157	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
167	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
168	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
175	Paved	Water	Sewer	Power	S F R	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000

EXHIBIT B  
#:6753

Lot #	Roads	Water	Sewer	Power	Uses	Recorded	Surveyed	Est. to Complete	Ownership	July Sale	Ave. Gross
176	Paved	Water	Sewer	Power	SFR	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
177	Paved	Water	Sewer	Power	SFR	YES	YES	\$ 1,000.00	DLG	IN	\$65,000
180	Paved	Water	Sewer	Power	SFR	YES	YES	\$ 1,000.00	DLG	IN	\$65,000
186	Paved	Water	Sewer	Power	SFR	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
197	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	ReProp	IN	\$65,000
198	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	ReProp	IN	\$65,000
199	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	DLG	IN	\$65,000
203	Paved	Water	Sewer	Power	SFR	YES	YES	\$ 1,000.00	DLG	IN	\$65,000
204	Paved	Water	Sewer	Power	SFR	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
205	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	ReProp	IN	\$65,000
206	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	DLG	IN	\$65,000
207	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	ReProp	IN	\$65,000
209	Paved	Water	Sewer	Power	SFR	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
211	Paved	Water	Sewer	Power	SFR	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
212	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	DLG	IN	\$65,000
213	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	ReProp	IN	\$65,000
214	Paved	Water	Sewer	Power	SFR	YES	YES	\$ 1,000.00	ReProp	IN	\$65,000
217	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	ReProp	IN	\$65,000
218	Paved	Water	Sewer	Power	SFR	YES	YES	\$ 1,000.00	DLG	IN	\$65,000
219	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	DLG	IN	\$65,000
220	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	ReProp	IN	\$65,000
222	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	ReProp	IN	\$65,000
223	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	DLG	IN	\$65,000
224	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	ReProp	IN	\$65,000
225	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	DLG	IN	\$65,000
226	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	DLG	IN	\$65,000
227	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	ReProp	IN	\$65,000
228	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	ReProp	IN	\$65,000
229	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	ReProp	IN	\$65,000
230	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	DLG	IN	\$65,000
231	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	DLG	IN	\$65,000
232	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	DLG	IN	\$65,000
233	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	ReProp	IN	\$65,000
234	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	ReProp/DLG	IN	\$65,000
235	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	ReProp/DLG	IN	\$65,000
237	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	ReProp	IN	\$65,000
238	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	ReProp	IN	\$65,000
239	Graveled	Water	Sewer	Power	SFR	YES	YES	\$ 4,302.00	ReProp	IN	\$65,000
<b>PHASE 1 LOTS SUBTOTAL</b>								<b>\$ 274,982.00</b>			<b>\$5,590,000</b>

**PHASE 2 LOTS AVAILBLE**

240	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
241	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
242	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
243	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
244	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
245	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
246	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
247	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
248	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
249	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
250	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
251	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
252	Graveled	Water	Sewer	Power	SFR	NO	YES	\$ 5,500.00	ReProp/DLG	LIKELY	\$65,000

EXHIBIT B  
#:6754

Lot #	Roads	Water	Sewer	Power	Uses	Recorded	Surveyed	Est. to Complete	Ownership	July Sale	Ave. Gross
253	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
254	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
255	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
256	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
257	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
258	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
259	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
260	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
261	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
262	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
263	Graveled	No	No	No	SFR	NO	YES	\$ 14,871.00	ReProp/DLG	LIKELY	\$65,000
<b>PHASE 2 LOTS SUBTOTAL</b>								<b>\$ 347,533.00</b>			<b>\$1,560,000</b>
<b>GRAND TOTALS</b>								<b>\$ 622,515.00</b>			<b>\$7,150,000</b>

# **EXHIBIT 2**

1 David A. Gill, Receiver  
2 2029 Century Park East, Third Floor  
3 Los Angeles, California 90067-2904  
4 Telephone: (310) 277-0077  
5 Facsimile: (310) 277-5735

6 Receiver

7  
8 UNITED STATES DISTRICT COURT  
9 CENTRAL DISTRICT OF CALIFORNIA  
10 WESTERN DIVISION  
11

12 SECURITIES AND EXCHANGE  
13 COMMISSION,

14 Plaintiff,

15 vs.

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

19 Defendants,

20 and

21 TINA M. PLACOURAKIS,

22 Relief Defendant.

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

**[PROPOSED] ORDER  
APPROVING RECEIVER'S EX  
PARTE APPLICATION FOR  
AUTHORITY TO EXCHANGE  
CERTAIN ASSETS FOR  
MEMBERSHIP INTERESTS IN A  
LIMITED LIABILITY COMPANY  
TO FACILITATE THE SALE OF  
FINISHED LOTS IN LINVILLE,  
NORTH CAROLINA**

[No hearing requested]

23 There came before this Court, *Receiver's Ex Parte Application for Authority to*  
24 *Exchange Certain Assets for Membership Interest in a Limited Liability Company to*  
25 *Facilitate the Sale of Finished Lots in Linville, North Carolina; Declarations of*  
26 *Glenn Goldan, David A. Gill, and Gilbert Mikalian* (the "Application") filed by  
27 David A. Gill, the Receiver (the "Receiver") in the above-captioned case. The  
28 Application having been considered by the Court and, good cause appearing,

1 **IT IS HEREBY ORDERED** that:

2 1. The Application is GRANTED in its entirety.

3 2. The Receiver is hereby authorized to contribute Diversified's 36.11%  
4 ownership interest of the Finished Lots, as that term is defined in the Application,  
5 and up to \$175,000 in cash to RDLG LLC, a North Carolina limited liability  
6 company.

7 3. The Receiver is authorized to execute all documents and otherwise take  
8 all actions the Receiver deems necessary and appropriate to effectuate the  
9 organization and operation of RDLG LLC as set forth in the Operating Agreement, a  
10 copy of which is attached as Exhibit "1" to the Declaration of David A. Gill in  
11 support of the Application.

12 4. The form and manner of notice of the Application provided by the  
13 Receiver is appropriate.

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16 Dated:

\_\_\_\_\_  
MANUEL L. REAL  
United States District Judge

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# **EXHIBIT 3**

Exhibit "3"

**Pre-Sale Budget**

Organizational Costs	\$ 5,000.00
Misc Pre-RDLG Expense Reimbursements ReProp):	\$ 75,000.00
HUD Regulatory Work, PA & CCRs	\$ 35,000.00
RPM Retainer	\$ 40,000.00
Clearing Lots @ \$1,000 ea x 110 Lots	\$ 110,000.00
Seed & Straw Ditches	\$ 12,000.00
River rock outflow structures & Ditch Work	\$ 8,000.00
Flagging and stacking lots @ \$50/lot plus 5K misc surveying	\$ 10,500.00
Pre-Event Road Work	\$ 105,000.00
Supervision	\$ 20,000.00
Geology Report and Other Consultants	\$ 20,000.00
	<u><u>\$ 440,500.00</u></u>

**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 June 22, 2010, I served the following document(s): **RECEIVER'S EX PARTE APPLICATION FOR AUTHORITY TO EXCHANGE CERTAIN ASSETS FOR MEMBERSHIP INTEREST IN A LIMITED LIABILITY COMPANY TO FACILITATE THE SALE OF FINISHED LOTS IN LINVILLE, NORTH CAROLINA; DECLARATIONS OF GLENN GOLDAN, DAVID A. GILL, AND 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.

(Electronic Mail) By transmitting the document by electronic mail to the electronic mail address as stated on the attached service list.

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 June 22, 2010, at Los Angeles, California.

Patricia Morris  
(Type or print name)

*Patricia Morris*  
(Signature)

**SERVICE LIST**

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**Via E-mail**

**Attorneys for Plaintiff U.S. Securities Exchange Commission**

John M McCoy , III, Esq.  
US Securities & Exchange Commission Office of Enforcement  
5670 Wilshire Boulevard 11th Floor  
Los Angeles , CA 90036  
mccoyj@sec.gov

**Via U.S. Mail**

**Counsel for Defendants Diversified Lending Group, Inc.,**

**Applied Equities, Inc., and Bruce Friedman**

Richard Elliott Drooyan, Esq.  
Munger Tolles & Olson LLP  
355 S. Grand Avenue, 35th Floor  
Los Angeles, CA 90017  
richard.drooyan@mto.com

**Via U.S. Mail**

**Counsel for Paul L. Goering and Wilda M. Goering**

Kurt A. Goering, Esq.  
714 E. Rose Lane, Ste. 200  
Phoenix, AZ 85014  
kagoering@gmail.com

**Via E-mail**

**Courtesy Copy**

Glenn Goldan  
ReProp Financial  
555 H Street  
Eureka, CA 95501  
goldan@reprop.net