

1 GEORGE E. SCHULMAN (State Bar No. 064572)  
gschulman@dgd.com  
2 KATHY BAZOIAN PHELPS (State Bar No. 155564)  
kphelps@dgd.com  
3 GILBERT MIKALIAN (State Bar No. 244690)  
gmikalian@dgd.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**  
10 **WESTERN DIVISION**

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,

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

**RECEIVER'S EX PARTE  
APPLICATION TO APPROVE  
SALE AGREEMENT BETWEEN  
RECEIVER, KACHAY HOMES,  
INC., SAMUEL KARP AND VSB  
PARTNERS, LLC;  
MEMORANDUM OF POINTS  
AND AUTHORITIES; AND  
DECLARATIONS OF DAVID A.  
GILL AND GILBERT MIKALIAN**

[No hearing requested]

21  
22 **PLEASE TAKE NOTICE THAT** David A. Gill, the Permanent Receiver  
23 ("Receiver") of Diversified Lending Group, Inc. ("Diversified"), and Applied  
24 Equities, Inc., and their subsidiaries and affiliates, including but not limited to  
25 MMHIM, Inc., DLG International, a Panamanian company, and SunWest Bottlers,  
26 LLC, will and hereby moves to the Court for an order granting *Receiver's Ex Parte*  
27 *Application to Approve Sale Agreement Between Receiver, Kachay Homes, Inc.,*  
28 *Samuel Karp, and VSB Partners, LLC* ("Application").

1 The Application requests an order, copy of the which is attached as Exhibit "1"  
2 to the Receiver's declaration:

3 1. authorizing the Receiver to sell his interests and claims related to  
4 Kachay Homes, Inc. ("Kachay"), Samuel Karp ("Karp"), and VSB Partners, LLC  
5 (the "Company");

6 2. authorizing the Receiver to execute all documents and otherwise take all  
7 actions he deems necessary and appropriate to effectuate the sale;

8 3. confirming the terms and provisions of the *Agreement Concerning Sale*  
9 *of LLC Membership Interest and Guaranty Claims* (the "Agreement"), a copy of  
10 which is attached as Exhibit "2" to the Receiver's declaration; and

11 4. confirming that the form and manner of notice of the Application  
12 provided by the Receiver is appropriate.

13 The Application is based upon the following: Diversified and Kachay are  
14 parties to Company's Limited Liability Company Operating Agreement dated April  
15 20, 2007 (the "LLC Agreement"), and each party owns 50% of the membership  
16 interest in the Company. Karp and Kachay guaranteed the repayment of  
17 Diversified's initial capital contributions to the Company (the "Guaranty Claims").  
18 The Company's sole asset is title to real property known as the La Jolla Villas  
19 apartments located in Brawley, California (the "Property"). The Company has  
20 identified a ready and willing purchase subject to contingencies. The contingencies  
21 include the transfer of all of the Receiver's membership interest in the Property to the  
22 Company and the resolution of the Guaranty Claims. The Receiver is informed that  
23 there is no equity in the Property; however, the proposed purchaser has agreed to  
24 contribute \$420,000.00 in closing fees ("Closing Fee") to the Company upon the  
25 successful close of the sale of the Property. Of the Closing Fee, the Company will  
26 pay the receiver \$100,000.00 and will distribute the remaining amount to the  
27 Company's creditors. The Company will not retain any of the Closing Fee. As a  
28 result, Kachay desires to purchase the Receiver's membership interest in the

1 Company along with all of the Receiver's rights with respect to the Guaranty Claims  
2 for a lump sum amount of \$100,000.00 to be paid from the Closing Fee pursuant to  
3 the Agreement. The Agreement resolves any claims the Receiver may have with  
4 respect to the Company and with any liability associated with the Company or the  
5 Property.

6 The Agreement is subject to Court approval, and accordingly, the Receiver  
7 seeks approval of this Application and the proposed Agreement described herein.

8 The Application is made on the grounds that the Receiver has determined that  
9 entering into the Agreement is a prudent and reasonable exercise of his business  
10 judgment and that the Agreement is in the best interests of the estate, given the fact  
11 that without this Agreement, the receivership estate is a member of the Company  
12 having little to no value. The Receiver is further advised that the Guaranty Claims  
13 are uncollectable. The Agreement allows the Receiver to monetize his interest in the  
14 Company for the benefit of the receivership estate and its creditors.

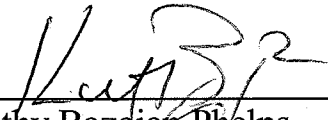
15 The Application is based upon this Notice, the Memorandum of Points and  
16 Authorities, the Declarations of David A. Gill and Gilbert Mikalian, and upon such  
17 other evidentiary matters as may be considered by the Court.

18 **PLEASE TAKE FURTHER NOTICE** that pursuant to the prior order of this  
19 Court entered May 4, 2009, in the instant action (the "Omnibus Order"), notice of  
20 this Application was posted on the website [www.diversifiedreceivership.com](http://www.diversifiedreceivership.com) and the  
21 final draft of this Notice and Application was served upon the approved Limited  
22 Service List on December 14, 2010, as reflected in the Declaration of Gilbert  
23 Mikalian. No opposition has been received.

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: December 14, 2010

DANNING, GILL, DIAMOND &  
KOLLITZ, LLP

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7 By:   
8 Kathy Bazoian Phelps  
9 Attorneys for David A. Gill, Receiver  
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1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I.**

3 **INTRODUCTION**

4 Diversified Lending Group, Inc. (“Diversified”) and Kachay Homes, Inc.  
5 (“Kachay”) are parties to VSB Partners, LLC’s (the “Company”), operating  
6 agreement dated April 20, 2007 (the “LLC Agreement”), and Diversified and Kachay  
7 each owns 50% of the membership interest in the Company. Samuel Karp (“Karp”)  
8 and Kachay guaranteed the repayment of Diversified’s initial capital contributions to  
9 the Company (“Guaranty Claims”). The Company’s sole asset is title to real  
10 property known as the La Jolla Villas apartments located in Brawley, California (the  
11 “Property”). The Receiver is informed that there is no equity in the Property.  
12 Kachay desires to purchase the Receiver’s membership interest in the Company for a  
13 lump sum amount of \$100,000.00 pursuant to the Agreement. The Agreement  
14 resolves any claims the Receiver may have with respect to the Company and with  
15 any of the Receiver’s liability associated with the Company or the Property.

16 **II.**

17 **RELEVANT FACTS**

18 **A. Facts Relating to VSB Partners, LLC**

19 On or about April 20, 2007, Diversified and Kachay executed the LLC  
20 Agreement in order to form the Company. Diversified and Kachay each own 50% of  
21 the membership interest of the Company. Diversified made initial capital  
22 contributions into VSB Partners LLC in the amount of \$3 million, and Karp and  
23 Kachay guaranteed the repayment of Diversified initial capital contributions to the  
24 Company in the form of personal guarantees executed April 20, 2007.

25 The Company’s sole asset is real property located at 120 W. Malan Street in  
26 Brawley, California (the “Property”). The Receiver is informed that the Property is  
27 encumbered by a first deed of trust held by IDB Bank of New York in the principal  
28 sum of over \$5.9 million in addition to various mechanics liens held by the

5

1 Company's creditors. The "as stabilized" market value of the Property, effective  
2 November 16, 2011, has been appraised to be \$5.3 million. As a result, the Property  
3 appears to have no equity.<sup>1</sup> A buyer has emerged and wishes to purchase the  
4 property for \$3 million in a short sale subject to the lender's approval and the Court's  
5 approval of the sale of the Receiver's membership interest and Guaranty Claims to  
6 Kachay. Additionally, the buyer has agreed to pay the Company \$420,000 upon  
7 successful close of the sale of the Property (the "Closing Fee"). The Receiver is  
8 informed that the Company does not intend to retain any of the Closing Fee but  
9 instead will pay the Receiver \$100,000.00 and will pay, with the remainder of the  
10 Closing Fee, the creditors of the Company and broker's commission in connection  
11 with the sale of the Property.

12 Additionally, the Receiver is informed that after a review of the relevant  
13 financial data from Kachay and Karp the Guaranty Claims are likely also worthless  
14 since both parties appear to be uncollectable.<sup>2</sup>

15 **B. Terms of the Agreement**

16 The Company, Karp, Kachay and the Receiver have agreed to resolve  
17 Diversified's Guaranty Claims against Kachay and the Company and Diversified's  
18 membership interest in the Company by entering into the Agreement.<sup>3</sup> All of the  
19 terms and conditions contained in the Agreement are incorporated herein by this  
20 reference, and any reference to the terms and conditions of the Agreement is not  
21 meant to modify or augment the Agreement. Specifically, the Receiver is to transfer  
22 all of his membership interest in the Company to Kachay. Additionally, the Receiver  
23 is to transfer all his interests in the Guaranty Claims to Kachay for the aggregate  
24 purchase price of \$100,000.00 (the "Purchase Price"). The Purchase Price is to be  
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26 <sup>1</sup> Declaration of David A. Gill, at ¶ 5.

27 <sup>2</sup> Declaration of David A. Gill, at ¶ 6.

28 <sup>3</sup> Declaration of David A. Gill, at ¶ 7, Exhibit "2."

1 paid out of the escrow upon the close of the sale of the Property from the Closing  
2 Fee. Pursuant to the Agreement, the sale of the membership interest and Guaranty  
3 Claims shall be subject to the successful closing of the sale of the Property and  
4 approval of the Court.

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6 **III.**

7 **THIS APPLICATION MAY BE FILED ON AN EX PARTE BASIS**

8 Pursuant to the instructions of this Court, the Receiver is applying for the  
9 approval of the Agreement on an ex parte basis in order to maximize efficiency for  
10 both the Court and the receivership estate. Accordingly, this Application may  
11 properly be brought before the Court on an ex parte basis.

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13 **IV.**

14 **THE APPLICATION AND AGREEMENT SHOULD BE APPROVED**

15 In order to monetize the Receiver's membership interest in the Company, and  
16 to monetize the Guaranty Claim, the Receiver has agreed to accept \$100,000.00 from  
17 the Company. The Receiver has determined that the Agreement is the most efficient  
18 manner of monetizing his interest in the Company and the Guaranty Claims. The  
19 Receiver seeks approval of the Court of the Agreement because the Receiver is of the  
20 opinion that the Agreement is a prudent and reasonable exercise of his business  
21 judgment.<sup>4</sup> Furthermore, it is the Receiver's opinion that the Agreement is in the  
22 best interest of the estate, given the nature and circumstances of his interests in the  
23 Company and the Guaranty Claims. Without the Agreement, I believe that I could  
24 not collect anything in connection with either any interest in VSB Partners LLC or  
25 on the Guaranty Claims.<sup>5</sup>

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27 <sup>4</sup> Declaration of David A. Gill, at ¶ 8.

28 <sup>5</sup> *Id.*

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V.

**CONCLUSION**

Based upon the foregoing, the Receiver respectfully requests approval of this Application, the Agreement, and all other appropriate relief.

Dated: December 14, 2010

DANNING, GILL, DIAMOND &  
KOLLITZ, LLP

By:   
\_\_\_\_\_  
Kathy Bazoran Phelps  
Attorneys for David A. Gill, Receiver

**DECLARATION OF DAVID A. GILL**

I, David A. Gill, declare as follows:

1. I am the Permanent Receiver appointed by this Court 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 by this Court on March 10, 2009.

2. This declaration is made in support of the Receiver's Ex Parte Application to Approve Sale Agreement between Receiver, Kachay Homes, Inc., Samuel Karp and VSB Partners, LLC (the "Application").

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

4. A copy of the proposed order is attached hereto as Exhibit "1."

5. I am informed that the Property is encumbered by a first deed of trust held by IDB Bank of New York in the principle sum of over \$5.9 million in addition to various mechanics liens held by creditors of VSB Partners LLC. I am further informed that the "as stabilized" market value of the Property, effective November 16, 2010, has been appraised to be \$5.3 million. As a result, the Property appears to have no equity.

6. I and my counsel have reviewed financial data from Kachay and Karp and have determined that the Guaranty Claims, as that term is defined in the Application, are likely worthless since both Kachay and Karp appear to be uncollectable.

7. On or about December 8, 2010, I entered into that certain agreement entitled Agreement Concerning Sale of LLC Membership Interest and Guaranty Claims (the "Agreement") with Kachay Homes Inc., Samuel Karp and VSB Partners,

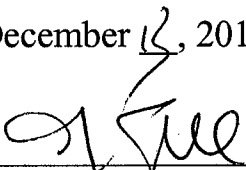
1 LLC. A true and correct copy of the Agreement is attached hereto as Exhibit "2." It  
2 is, by its terms, subject to approval of this Court.

3 8. I have carefully considered the facts set forth in the Application, and  
4 weighed them in determining that the Agreement is a prudent and reasonable  
5 exercise of my business judgment. Furthermore, it is my opinion that the Agreement  
6 is in the best interests of the estate, given the nature and circumstance of my interests  
7 in the Company and Guaranty Claims, as those terms are defined in the Application.  
8 Without the Agreement, I believe that I could not collect anything in connection with  
9 either any interest in VSB Partners LLC or on the Guaranty Claims.

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

Executed at Los Angeles, California, on December 12, 2010.

  
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DAVID A. GILL

**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 Receiver's Ex Parte Application to Approve Sale Agreement between Receiver, Kachay Homes, Inc., Samuel Karp and VSB Partners, LLC (the "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.

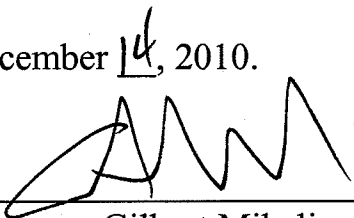
4. On December 14, 2010, a final draft of the Notice and Application were provided to all parties requiring notice in the Limited Service List and the Notice was posted on the website [www.diversifiedreceivership.com](http://www.diversifiedreceivership.com) pursuant to the Notice Procedures as set forth in an order of this Court dated May 4, 2009. The parties requiring notice in the Limited Service List have been advised that any opposition to

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

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

Executed at Los Angeles, California, on December 14, 2010.



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Gilbert Mikalian

# **Exhibit 1**

1 GEORGE E. SCHULMAN (State Bar No. 064572)  
gschulman@dgdk.com  
2 KATHY BAZOIAN PHELPS (State Bar No. 155564)  
kphelps@dgdk.com  
3 GILBERT MIKALIAN (State Bar No. 244690)  
gmikalian@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**  
10 **WESTERN DIVISION**

11  
12 SECURITIES AND EXCHANGE )  
COMMISSION, )

13 Plaintiff, )

14 vs. )

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

17 Defendants, )  
18 )  
19 )

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

**[PROPOSED] ORDER  
APPROVING RECEIVER'S EX  
PARTE APPLICATION TO  
APPROVE SALE AGREEMENT  
BETWEEN RECEIVER, KACHAY  
HOMES, INC., SAMUEL KARP  
AND VSB PARTNERS, LLC**

[No hearing required]

20  
21 There came before this Court, *Receiver's Ex Parte Application to Approve*  
22 *Sale Agreement Between Receiver, Kachay Homes, Inc., Samuel Karp, and VSB*  
23 *Partners, LLC* ("Application") filed by David A. Gill, the Receiver ("Receiver") in  
24 the above-captioned case. The Application having been considered by the Court and,  
25 good cause appearing, and no opposition having been received:

26 **IT IS HEREBY ORDERED** that:

- 27 1. The Application is GRANTED in its entirety.  
28

1           2.     The Receiver is authorized to execute the *Agreement Concerning Sale of*  
2 *LLC Membership Interest and Guaranty Claims* substantially in the form set forth in  
3 Exhibit "2" to the Declaration of David A. Gill in support of the Application.

4           3.     The Receiver is authorized to execute all documents and otherwise take  
5 all actions the Receiver deems necessary and appropriate to effectuate the sale as set  
6 forth in the Application.

7           4.     The form and manner of notice of the Application provided by the  
8 Receiver is appropriate.

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Dated:

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MANUEL L. REAL  
United States District Judge

## **Exhibit 2**

**AGREEMENT CONCERNING SALE OF LLC MEMBERSHIP INTEREST  
AND GUARANTY CLAIMS**

THIS LLC MEMBERSHIP INTEREST AND GUARANTY CLAIMS SALES AGREEMENT (the "Agreement") is entered into as of December 8, 2010, by and between Kachay Homes, Inc., a California corporation ("Kachay"), Samuel Karp, an individual ("Karp"), David A. Gill court appointed Receiver for Diversified Lending Group, a Delaware corporation, ("DLG Receiver"), and VSB Partners, LLC, a California Limited Liability Company (the "Company").

**RECITALS**

WHEREAS, Kachay and Diversified Lending Group (hereinafter "DLG") are parties to the Company's Limited Liability Company Operating Agreement dated as of April 20, 2007 (the "LLC Agreement").

WHEREAS, DLG and Kachay each own 50% of the membership interests in the Company ("DLG's Membership Interest").

WHEREAS, Karp and Kachay guaranteed the repayment of DLG's initial capital contributions to the Company in the form of a personal guaranties executed April 20, 2007 (the "Guaranty Claims").

WHEREAS, on March 4, 2009, the United States District Court, Central District of California, appointed David A. Gill w as appointed as permanent Receiver for DLG.

WHEREAS, the Company's sole asset is title to real property known as the La Jolla Villas apartments located at 120 W. Malan Street, in the City of Brawley, County of Imperial, State of California (the "Property").

WHEREAS, as of November 1, 2010, the Company advises that the Property is encumbered by a First Deed of Trust held by IDB Bank of New York (the "Lender") in the principal sum of approximately \$5,981,000 dollars and various mechanics liens held by creditors of the Company.

WHEREAS, the "As-Is" market value of the Property effective December 16, 2009, has been appraised to be \$5,020,000 dollars and the "As Stabilized" market value effective November 16, 2011, has been appraised to be \$5,300,000.

WHEREAS, MG Properties Group has agreed to purchase the Property for \$3.0 million dollars subject to the Lender's approval and consent to the short sale and court approval of the sale of DLG's Membership Interest and the Guaranty Claims to Kachay (the "Short Sale Agreement").

WHEREAS, MG Properties Group has agreed to pay the Company a fee of \$420,000 upon successful closing of the short sale escrow and transfer of the Property to M G Properties (the "Closing Fee").

WHEREAS, the Company has advised the Receiver that the Company shall not be retaining any of the \$420,000 and that all of said sum shall be used to pay the Receiver as set forth below and to pay creditors of the Company and broker's commissions.

**EXHIBIT**

**2**

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WHEREAS, Kachay desires to purchase, and the DLG Receiver desires to sell, DLG's Membership Interest and the Guaranty Claims contingent upon and following the successful short sale of the Property, the purchase price to be paid to the DLG Receiver from the Closing Fee.

NOW, THEREFORE, in consideration of the promises and mutual representations, warranties, and covenants contained herein, the sufficiency which is hereby acknowledged, the parties agree as follows:

## AGREEMENT

1. **Definitions.** Capitalized terms not defined in this Agreement shall be as defined in the LLC Agreement.

### 2. *Sale and Transfer of Membership Interest and Guaranty Claims.*

(a) Subject to the terms and conditions of this Agreement, the DLG Receiver shall sell, assign, transfer and convey, and Kachay shall purchase, all of DLG's right, title, and interest in (1) DLG's membership interest in the Company (the "Transferred Membership Interest") and (2) the Guaranty Claims for the aggregate purchase price of \$100,000 (the "Purchase Price").

(b) The Purchase Price shall be paid to the DLG Receiver from the escrow established for the purpose of the short sale of the Property from the Closing Fee funds immediately following closing of the short sale by wire transfer as set forth below. Concurrently, all right, title, and interest in the Transferred Membership Interest and Guaranty Claims shall be assigned, transferred, and conveyed to Kachay.

Bank Name and Address:

Account Holder:

Account Number:

Routing Number:

(c) The sale of the DLG Membership Interest and the Guaranty Claims shall be subject to and contingent upon the successful closing of the short sale of the Property to M G Properties Group and court approval of the DLG Receiver's application concerning the same, which the Receiver shall submit to the court presiding over the Receivership case upon execution of this Agreement at its own expense. In the event the short sale is not consummated for any reason, or court approval is not obtained, this Agreement is for all purposes cancelled and the parties shall have no further obligations hereunder.

3. **Warranties of The DLG Receiver.** The DLG Receiver warrants to Kachay that:

(a) The DLG Receiver is not aware of any transfers by DLG of the Transferred Membership Interest and Guaranty Claims, and believes he is the sole beneficial and record holder of the Transferred Membership Interest and the Guaranty Claims.

(b) Upon consummation of the transactions contemplated by this Agreement and entry of a Court order approving this Agreement, DLG shall have transferred to Kachay and Kachay shall have obtained from DLG all right, title and interest in the Transferred Membership Interest and Guaranty Claims, free and clear of any and all liens, mortgages, hypothecations, collateral

assignments, charges, encumbrances, title defects, security interests or claims (whether recorded or unrecorded) of any kind.

**4. Representations and Acknowledgments of Kachay.** Kachay hereby represents and warrants to the DLG Receiver that:

(a) Kachay is a corporation duly organized, validly existing and in good standing under the laws of the State of California with full corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution, delivery, and performance by Kachay of this Agreement have been duly authorized by all necessary corporate action on the part of Kachay, and, this Agreement is legally binding upon Kachay in accordance with its terms;

(b) The execution, delivery, and performance by Kachay of this Agreement and the transactions contemplated thereby will not (i) violate the provisions of any order, judgment, or decree of any court or other governmental agency or any arbitrator applicable to Kachay or the Certificate of Incorporation or Bylaws of Kachay; or (ii) result in a material breach of or constitute (with due notice or lapse of time or both) a material default under any contract or agreement to which Kachay is a party or by which Kachay is bound; and

**5. Revised Membership Interests and Capital Accounts.** Following the transfer of the Transferred Membership Interest by The DLG Receiver to Kachay hereunder, DLG shall hold 0% interest in the Company and Kachay shall hold 100% interest in the Company. The Capital Accounts of the DLG and Kachay shall be adjusted to reflect the transfer of the Transferred Membership Interest to Kachay.

**6. Resignation as Member; Resignation of DLG's Managers; Amendment of Bylaws and LLC Agreement.** The parties agree that, effective upon the payment of the Purchase Price, DLG will have no further rights as a Member in the Company, and effective upon the Closing, the DLG Receiver will cause DLG's its designated Managers, if any, to resign from the Company. The parties agree that upon the purchase of the Transferred Membership Interest pursuant to this Agreement (and the Guaranty Claims), Kachay shall be free to amend the LLC Agreement, and to take any and all such other actions, and amend any and all such other documents, agreements, instruments or certificates, as may be necessary or appropriate to effectuate and carry out the purpose and intent of the foregoing and the transactions contemplated by this Agreement.

**7. Termination of Associated Agreements.** The parties agree that effective upon the closing of the transactions contemplated by this Agreement, any and all agreements between the parties relating to the Company shall immediately terminate and be void and of no further force or effect.

**8. Limitation of Receiver's Liability.** Any obligation or liability whatsoever of David A. Gill as Receiver which may arise at any time under this 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 DLG 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. The amount of any such liability shall be limited to the amounts paid to him pursuant to the terms of this Agreement.

9. **Release.** Upon the payment of the funds to the DLG Receiver as contemplated by section 2 herein and the transfer of the right, title and interest in DLG's Membership interest and the Guaranty Claims, Kachay and Samuel Karp, on the one hand, and the DLG Receiver on behalf of DLG, on the other hand, release each other from any further obligations, liabilities, damages or claims of any kind, known or unknown, arising out of or related to the LLC Agreement, the business or operations of the Company, or the Guaranty Claims, and understand and agree that the benefits of California *Civil Code* § 1542 are expressly waived.

10. **Notices.** Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given on the date of service if served personally or five days after mailing if mailed by first class United States mail, certified or registered with return receipt requested, postage prepaid, and addressed as follows:

To Kachay: The address listed after their signatures below.

To the DLG Receiver: The address listed after its signature below.

To Samuel Karp: The address listed after his signature below.

11. **Expenses.** Except as otherwise expressly contemplated in this Agreement, each party shall bear its own costs and expenses incurred in connection with this Agreement.

11. **Binding Effect.** This Agreement shall be binding upon the legal representatives and successors of the DLG Receiver, Kachay, Samuel Karp, and any other Members of the Company; provided, however, that the Members may not assign any rights or obligations under this Agreement.

12. **Governing Law.** This Agreement shall be governed by and construed

in accordance with the laws of the State of California applicable to contracts entered into and to be performed entirely within the State of California.

accordance with the laws of the State of California applicable to contracts entered into and to be performed entirely within the State of California.

13. **Entire Agreement.** This Agreement constitutes the entire agreement of the parties pertaining to the sale of the Interest by the DLG Receiver to Kachay and supersedes all prior and contemporaneous agreements, representations, and understandings of the parties with respect to such sale.

14. **Counterparts.** This Agreement may be signed in counterparts with the same effect as if the signature on each such counterpart were on the same instrument. Facsimiles of signatures shall be deemed to be originals.

15. **Enforcement.** Any dispute between the parties arising as a result of the Agreement shall be subject to the jurisdiction of the Court presiding over the Diversified receivership case. The prevailing party of any dispute arising from this Agreement shall be entitled to recovery of its or his attorney's fees and costs.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

**VSB PARTNERS, LLC**

By *Kachay Homes, Inc, Manager*

By: *Samuel Karp, President*

Name:

Title: Manager

*Samuel Karp*

*12/8/10*

*David A. Gill 12/07/2010*

**DAVID A. GILL, COURT APPOINTED RECEIVER FOR  
DIVERSIFIED LENDING GROUP**

Name: David A. Gill

Title: Court Appointed Receiver for Diversified Lending Group Address: 2029 Century Park East, Third Floor

Los Angeles CA 90067

Fax: (310) 277-5735

**KACHAY HOMES, INC.**

 12/8/10

By

Name: Samuel Karp Title: President  
Address: 8601 Aero Drive, San Diego, CA 92123  
Fax: (858) 277-7727

Send Notices also to:

PO Box 2391  
Rancho Sante Fe, CA 92067

**SAMUEL KARP**

 12/8/10

By

Name: Samuel Karp  
Address: 8601 Aero Drive, San Diego, CA 92123  
Fax: (858) 277-7727

Send Notices also to:

PO Box 2391  
Rancho Sante Fe, CA 92067

**PROOF OF SERVICE**

I, Martha Gonzalez, 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 December 15, 2010, I served the following document(s): **RECEIVER'S EX PARTE APPLICATION TO APPROVE SALE AGREEMENT BETWEEN RECEIVER, KACHAY HOMES, INC., SAMUEL KARP AND VSB PARTNERS, LLC; MEMORANDUM OF POINTS AND AUTHORITIES; AND DECLARATIONS OF 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 December 15, 2010, at Los Angeles, California.

Martha Gonzalez  
(Type or print name)

  
(Signature)

**SERVICE LIST**

**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

**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

**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

**Courtesy Copy**

Samuel L. Karp, Pres.  
Kachay Homes, Inc.  
8601 Aero Drive  
San Diego, CA 92123

Samuel L. Karp, Pres.  
Kachay Homes, Inc.  
P.O. Box 2391  
Rancho Santa Fe, CA 92067