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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 and

19 TINA M. PLACOURAKIS,

20 Relief Defendant.
21

Case No. CV 09-01533-R-SS

**[PROPOSED] ORDER RE
RECEIVER'S EX PARTE
APPLICATION TO APPROVE
SETTLEMENT AGREEMENT
WITH MARK FRIEDMAN AND
FRIEDMAN & MACFADYEN P.A.**

[No hearing requested]

22
23 There came before this Court the *Receiver's Ex Parte Application to Approve*
24 *Settlement Agreement with Mark Friedman and Friedman & MacFadyen P.A.*, filed
25 by David A. Gill, the Receiver (the "Receiver") in the above-captioned case. The
26 Application having been considered by the Court and, good cause appearing,

27 **IT IS HEREBY ORDERED** that:

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

1 2. The terms and conditions set forth in the Settlement Agreement and
2 Mutual Limited Release, attached as Exhibit "1" to the Declaration of David A. Gill
3 in support of the Application is hereby approved.

4 3. The Receiver is hereby authorized to execute all documents and
5 otherwise take all actions the Receiver deems necessary and appropriate to effectuate
6 the settlement.

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

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12 Dated:

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MANUEL L. REAL
United States District Judge

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PROOF OF SERVICE

I, Barbara Souder, 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 March 10, 2010, I served the following document(s): **[PROPOSED] ORDER RE RECEIVER'S EX PARTE APPLICATION TO APPROVE SETTLEMENT AGREEMENT WITH MARK FRIEDMAN AND FRIEDMAN & MACFADYEN P.A.** on the interested parties addressed as follows:

SEE ATTACHED SERVICE LIST

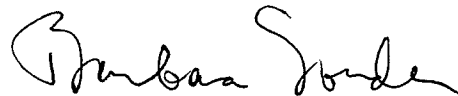
(By Mail) I placed the document for collection and deposit in the mail. I am familiar with this firm's practice for the collection and processing of correspondence for mailing. Under that practice, the document would be placed in a sealed envelope and deposited with the U.S. Postal Service on that same 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 March 10, 2010, at Los Angeles, California.

Barbara Souder

(Type or print name)



(Signature)

SERVICE LIST

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Exchange Commission**

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7 Attorneys for David A. Gill, Receiver

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

12 SECURITIES AND EXCHANGE
COMMISSION,

13 Plaintiff,

14 vs.

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

18 Defendants.

19 and

20 TINA M. PLACOURAKIS,

21 Relief Defendant.

Case No. CV 09-01533-R-SS

**RECEIVER'S EX PARTE
APPLICATION TO APPROVE
SETTLEMENT AGREEMENT
WITH MARK FRIEDMAN AND
FRIEDMAN & MACFADYEN
P.A.; DECLARATIONS OF DAVID
A. GILL AND KATHY BAZOIAN
PHELPS**

[No hearing requested]

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

1 *Approve Settlement Agreement with Mark Friedman and Friedman & MacFadyen*
2 *P.A. (the "Application").*

3 The Application requests an order:

4 1. authorizing the Receiver to settle the Dispute, as that term is defined
5 below, with Mark Friedman and Friedman & MacFadyen P.A.;

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

8 3. confirming the terms and provisions of the *Settlement Agreement and*
9 *Mutual Limited Release* (the "Agreement")¹;

10 4. confirming that the form and manner of notice of the Application
11 provided by the Receiver is appropriate. A copy of the proposed order is attached as
12 Exhibit "2" to the Declaration of David A. Gill.

13 The Application is based upon the following: DLG, on the one hand, and Mark
14 Friedman and Friedman & MacFadyen P.A. ("F&M") (collectively, Mark Friedman
15 and F&M will be referred to as the "Mark Friedman Parties"), on the other hand,
16 seek to resolve the disputes and claims relating to the Receiver's claims against the
17 Mark Friedman Parties regarding the transfer of \$6 million from DLG to the Mark
18 Friedman Parties (the "Transfer") and the Friedman Parties/ claim that defendant
19 Bruce Friedman had made the Transfer as an unsecured loan to assist Mark Friedman
20 with the expenses of his law firm, F&M (the "Dispute"). In order to resolve the
21 Dispute and to avoid costly and lengthy litigation, the parties have entered into the
22 Agreement. As more fully set out in the Agreement, and subject to Court approval,
23 the Agreement obligates the Mark Friedman Parties to pay back the entire sum of \$6
24 million plus interest in exchange for a release of claims against the Mark Friedman
25 Parties related to the Transfer, and the Agreement obtains security for the Receiver to

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¹ Exhibit "1" attached to the Declaration of David A. Gill.

1 secure repayment of the obligation. The Agreement resolves claims with respect to
2 the Dispute between the parties and is designed to obtain the repayment of the full \$6
3 million transferred to the Mark Friedman Parties.

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

6 The Application is made on the grounds that the Receiver has determined in
7 his business judgment that the Agreement is fair and equitable and in the best
8 interests of the estate, given the fact that without this Agreement, the receivership
9 estate must otherwise engage in costly and lengthy litigation in order to recover the
10 Transfer. The Agreement allows obtains the full \$6 million in exchange for the
11 elimination of a potential litigation against the Mark Friedman Parties. The
12 Agreement is personally, fully and unconditionally guaranteed by Mark Friedman
13 and is secured by a deed of trust against real property owned by Mark Friedman.
14 Mark Friedman has also assigned the Receiver the beneficial interest in a life
15 insurance policy with \$6 million in benefits as additional consideration for the
16 agreement.

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

20 **PLEASE TAKE FURTHER NOTICE** that pursuant to the prior order of this
21 Court entered May 4, 2009, proposed copies of this Notice and Application were
22 served upon the approved Limited Service List on March 8, 2010, as reflected in the
23 Declaration of Kathy Bazoian Phelps. No opposition has been received.

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PLEASE TAKE FURTHER NOTICE that pursuant to the prior order of this Court entered May 4, 2009 (the "Omnibus Order"), the filed Notice and Application will be served upon the approved Limited Service List.

Dated: March 10, 2010

DANNING, GILL, DIAMOND & KOLLITZ, LLP

By: 

KATHY BAZOLAN PHELPS
Attorneys for David A. Gill, Receiver

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I.**

3 **INTRODUCTION**

4 The Receiver discovered, as a result of his own investigation, that DLG
5 transferred \$6 million to the Mark Friedman, a relative of Defendant Bruce
6 Friedman. This transfer was not disclosed to the Receiver upon his appointment.
7 Mark Friedman has informed the Receiver that Bruce Friedman loaned the money to
8 him on an unsecured basis in order to assist Mark Friedman with the expenses related
9 to his law firm, F&M. The transaction was not documented, and Mark Friedman has
10 not made any payments against this loan. The Receiver, upon learning of the transfer
11 after investigating DLG's financial records, demanded the return of the Transfer.
12 The Mark Friedman Parties responded that they were financially unable to pay back
13 the \$6 million at this time. The parties have now resolved the Dispute and have
14 entered into an agreement, subject to this Court's approval, which provides for the
15 full repayment of the \$6 million over time, plus interest, and also obtains security in
16 the form of real property securing the obligation to repay the \$6 million and an
17 assignment of the beneficial interest in a life insurance policy with \$6 million in
18 benefits.

19
20 **II.**

21 **RELEVANT FACTS**

22 **A. Facts Relating to the Dispute**

23 On or about July 8, 2008, DLG transferred \$6 million (the "Transfer") to Mark
24 Friedman, a relative of defendant Bruce Friedman. Mark Friedman has advised the
25 Receiver that the Transfer was an unsecured loan to assist him with the expenses of
26 his law practice.

27 Following his appointment, the Receiver made a demand on the Friedman
28 Parties to repay the Transfer in full. Mark Friedman contends that he is unable to

1 pay the balance of the loan in full at this time. Mark Friedman has represented to the
2 Receiver that he had no knowledge of a fraudulent scheme being run by Bruce
3 Friedman and DLG.

4 The Mark Friedman Parties and the Receiver have agreed not to litigate the
5 issues between them relating to the Transfer, and desire and intend to fully settle
6 claims between them with respect to the Transfer. The Receiver and Mark Friedman
7 Parties have agreed to settle the Dispute on the terms and conditions set forth in the
8 Agreement.

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10 **B. Terms of the Agreement**

11 The Receiver and the Mark Friedman Parties have agreed to resolve the
12 Dispute by entering into the Agreement.² All terms and conditions contained in the
13 Agreement are incorporated herein by this reference and any reference to the terms
14 and conditions of the Agreement is not meant to modify or augment the Agreement.
15 Specifically, the Friedman Parties are to pay the Receiver a total of \$6 million in
16 satisfaction of the Dispute, and in exchange, the Receiver agrees to release the claims
17 against the Friedman Parties with respect to the Transfer. Within five days of the
18 entry of the order approving this Application and the Agreement, F&M shall make
19 an initial payment of \$50,000.00 to the Receiver. Thereafter, F&M shall make 12
20 consecutive monthly installment payments of \$12,500.00 on the first day of each
21 month. Subsequently, F&M shall make 12 consecutive monthly installment
22 payments of \$16,666.67 on the first day of each month. Thereafter, F&M shall make
23 48 consecutive monthly installment payments of \$20,833.33 on the first day of each
24 month. Finally, F&M shall make a final payment of \$4.6 million plus all accrued
25 and unpaid interest on the first day of the first month after the 72 month period. In
26 the event of default by F&M and its failure to cure the default, a judgment shall be

27 _____
28 ² Declaration of David A. Gill, at ¶ 3, Exhibit "1."

1 confessed³ against F&M and in favor of the Receiver in the amount of \$6 million at a
2 rate of three and three quarters percent (3.75%) per annum, less any payments
3 already made by F&M, if any. In addition, F&M's obligations under the Agreement
4 will be personally, fully and unconditionally guaranteed by Mark Friedman through
5 an executed guaranty.

6 As further inducement to enter into the Agreement with the Mark Friedman
7 Parties, within five days of the entry of the order approving this Application and
8 Agreement, Mark Friedman shall deliver to the Receiver an indemnity deed of trust
9 in the amount of \$6 million against the real property owned by Mark Friedman and
10 commonly known as 210 C Redwood Street, Baltimore, Maryland (the "Property").
11 Mark Friedman has additionally assigned the Receiver the beneficial interest in a life
12 insurance policy with \$6 million of benefits to further secure the obligation to repay
13 the \$6 million.

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15 **III.**

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

17 Pursuant to the instructions of this Court, the Receiver is applying for the
18 approval of the Settlement Agreement on an ex parte basis in order to maximize
19 efficiency for both the Court and the receivership estate. Accordingly, this
20 Application may properly be brought before the Court on an ex parte basis.

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27 ³ Attached as Exhibit "A" to the Agreement.

IV.

THE APPLICATION AND AGREEMENT SHOULD BE APPROVED

In ruling on proposed settlements, the standard that courts applied under the former Bankruptcy Act is the same standard as courts apply under the Bankruptcy Code.⁴ The Ninth Circuit Court of Appeals stated the standard as follows:⁵

In determining the acceptability of a proposed compromise the following four factors should be considered: (1) The probability of success in the litigation; (2) The difficulties, if any, encountered in the matter of collections; (3) The complexity of the litigation involved, the expense, inconvenience and delay necessarily attending it; and (4) The paramount interest of the creditors and a proper deference to their reasonable views.

Applying the four factors described above, the Receiver believes that the proposed Agreement is reasonable.

A. Probabilities of Success

The principal issue being resolved by the Agreement is the settlement of any claims by the Receiver against the Mark Friedman Parties for the return of the \$6 million transferred to them and all defenses alleged or available to the Friedman Parties. The litigation would, for the most part, deal with the Receiver's claims to avoid and recover the transfer of the \$6 million and the Mark Friedman Parties' defenses against the Receiver's claims. The Receiver is confident that he would prevail in an action to recover the funds, but at significant expense to the receivership estate, as is usually the case with litigation. The settlement obtains the recovery of

⁴ See *In re Carla Leather, Inc.*, 44 B.R. 457, 466 (Bankr. S.D.N.Y. 1984).

⁵ *In re A & C Properties*, 784 F.2d 1377, 1381 (9th Cir. 1986) (quoting *In re Flight Transportation Corp. Securities Litigation*, 730 F.2d 1128, 1135 (8th Cir. 1984)), cert. denied sub nom *Reavis & McGrath v. Antinore*, 469 U.S. 1207 (1985).

1 the full amount of the Receiver's claim, plus interest, and also obtains a confession
2 of judgment in the event of default and security to secure the repayment obligation
3 and an assignment of the benefits of a \$6 million life insurance policy. Although the
4 Receiver is likely to prevail in this case, the settlement represents a higher net gain
5 for the estate than if the Receiver prevails in litigation in that he has obtained what he
6 would obtain in litigation and has received additional security in the process.

7 **B. Difficulties in Collection**

8 In the event that the Dispute is litigated, collection from the Friedman Parties
9 may pose a problem given the fact that collecting \$6 million from the Mark
10 Friedman Parties may prove to be problematic based on Mark Friedman's assertion
11 that he does not have anywhere near these funds available for lump-sum cash
12 payment. His significant asset is the Property which has been pledged as collateral
13 under the Agreement to secure the repayment obligation. As a result, in the event the
14 Receiver does prevail in a suit to recover the Transfer made to or for the benefit of
15 the Mark Friedman Parties, difficulty of collection is an issue weighing in favor of
16 approving this Application.

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

18 Although litigation with respect to the Dispute would not be overly complex, it
19 would nonetheless increase costs to the estate and would decrease the ultimate
20 benefit to the estate. With the Agreement, the fees and costs are essentially
21 eliminated while the estate realizes an eventual gain of over \$6 million in exchange
22 for a limited release of claims against the Mark Friedman Parties. Consequently,
23 settlement of the Dispute is appropriate given the potential expense to the
24 receivership estate resulting from litigation between the Receiver and the Mark
25 Friedman Parties.

26 **D. Paramount Interest of Creditors**

27 Most importantly, the Receiver believes that the Agreement is in the
28 paramount interest of the creditors. Without the Agreement, the receivership estate

1 may claim over \$6 million against the Mark Friedman Parties, but must engage in
2 litigation to realize this amount and then will have to bear the cost and risk of
3 collection. Per the terms of the Agreement, the Receiver will receive funds, plus
4 interest, and, in return, will release the claims against the Mark Friedman Parties
5 with respect to the Dispute. To ensure benefit to the estate with minimal risk, the
6 payments from F&M are personally, fully and unconditionally guaranteed by Mark
7 Friedman and are also secured by a deed of trust against Mark Friedman's real
8 property. Consequently, the Agreement is in the interests of the Creditors since the
9 estate will realize funds while eliminating the need for litigation.

10 The Receiver has carefully considered the factors set forth above, and weighed
11 them in determining that the Agreement is a prudent and reasonable exercise of his
12 business judgment. It is the Receiver's opinion that the Agreement is in the best
13 interests of the estate, given the nature and circumstance of the Dispute.⁶

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15 V.

16 CONCLUSION

17 Based upon the foregoing, the Receiver respectfully requests approval of this
18 Application, the Agreement, and any other relief the Court deems appropriate.

19
20 Dated: March 10, 2010

DANNING, GILL, DIAMOND & KOLLITZ, LLP

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22 By: 
23 KATHY BAZOGIAN PHELPS
24 Attorneys for David A. Gill, Receiver

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27 ⁶ Declaration of David A. Gill, at ¶ 6.

DECLARATION

DECLARATION OF DAVID A. GILL

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3 I, David A. Gill, declare as follows:

4 1. I am the Permanent Receiver appointed by this Court for Diversified
5 Lending Group, Inc., and Applied Equities, Inc., pursuant to the Order of Preliminary
6 Injunction and Orders: (1) Continuing Asset Freeze, (2) Appointing a Permanent
7 Receiver, (3) Prohibiting the Destruction of Documents, (4) Granting Expedited
8 Discovery, and (5) Requiring Accountings, signed and entered by this Court on
9 March 10, 2009.

10 2. This declaration is made in support of my Ex Parte Application to
11 Approve Settlement Agreement with Mark Friedman and Friedman & MacFadyen
12 P.A. (the "Application").

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

15 4. On or about March 1, 2010, I entered into that certain agreement entitled
16 *Settlement Agreement and Mutual Limited Release* (the "Agreement"), a true and
17 correct copy of which is attached hereto as Exhibit "1." It is, by its terms, subject to
18 approval of this Court.

19 5. A copy of the proposed order is attached hereto as Exhibit "2."

20 6. I have carefully considered the factors set forth in the Application, and
21 weighed them in determining that the Agreement is a prudent and reasonable
22 exercise of my business judgment. Furthermore, it is my opinion that the Agreement
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1 is in the best interests of the estate, given the nature and circumstance of my claims
2 against Mark Friedman and Friedman & MacFadyen P.A.

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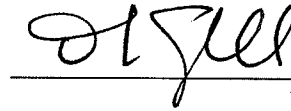
4 I declare under penalty of perjury under the laws of the United States of
5 America that the foregoing is true and correct.

6 Executed at Los Angeles, California, on March 9, 2010.

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10 DAVID A. GILL

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DECLARATION

DECLARATION OF KATHY BAZOIAN PHELPS

I, Kathy Bazoian Phelps, declare as follows:

1. I am an attorney licensed to practice in California. I am the principal of a professional corporation which is a partner of 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 *Securities and Exchange Commission v. Diversified Lending Group, Inc., et al.*, case number CV 09-01533-R-SS, pending in the United States District Court, Central District of California (the "SEC Action"). I am one of the attorneys at Danning-Gill assigned to represent the Receiver in the SEC Action.

2. This declaration is made in support of the Receiver's Ex Parte Application to Approve Settlement Agreement with Mark Friedman and Friedman & MacFadyen P.A..

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 March 8, 2010, I provided the Notice and Application, including all exhibits attached thereto, to all parties requiring notice in the Limited Service List 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 on March 8, 2010. The parties requiring notice in the Limited Service List have been advised that any opposition to the Application must be filed

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

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

5 Executed at Los Angeles, California, on March 10, 2010.

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Kathy Bazoian Phelps

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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 March __, 2010, by and between Mark Friedman ("Mark Friedman") and Friedman & MacFadyen P.A ("F&M"), on the one hand, and David A. Gill, solely in his capacity as the Permanent Receiver (the "Receiver") of Diversified Lending Group, Inc., Applied Equities, Inc., and their subsidiaries and affiliates, including but not limited to MMHIM, Inc., and DLG International (collectively, hereinafter referred to as "DLG"), in United States District Court Central District of California, Western Division, Case Number CV 09-01533-R-JTLx, on the other hand. For purposes of this Agreement, Mark Friedman, F&M and the Receiver are individually referred to as a "Party" and collectively referred to as the "Parties." This Agreement is made with reference to and reliance on the following agreed facts:

RECITALS

- A. On or about July 8, 2008, DLG transferred the sum of \$6,000,000.00 (the "Transfer") to Mark Friedman, a relative of Bruce Friedman (the "Loan").
- B. Mark Friedman has advised that the Transfer was an unsecured loan to assist Mark Friedman with the expenses of his law firm, F&M. The transaction relating to the Transfer was not reduced to writing.
- C. In order to ensure repayment of the loan in the event of Mark Friedman's death, Mark Friedman purchased a life insurance policy with Phoenix Life Insurance Policy having policy number 40092391 (the "Policy") in the face amount of \$6,000,000.00, and Bruce Friedman was named as the beneficiary.
- D. Mark Friedman owns certain real property commonly known as 210 C Redwood Street, Baltimore, MD 21202-3312, the legal description for which is set forth on Exhibit A hereto.
- E. As a result of certain alleged violations of the securities laws, DLG was placed into Receivership and David A. Gill was appointed the Temporary Receiver thereof as evidenced by that certain Temporary Restraining Order and Orders: (1) Freezing Assets, (2) Appointing a Temporary Receiver, (3) Prohibiting the Destruction of Documents, (4) Granting Expedited Discovery, and (5) Requiring Accountings, for Case No. CV 09-01533-R-(JTLx), which order

was granted March 4, 2009. Thereafter, David A. Gill was appointed as Permanent Receiver by order entered on March 10, 2009, and amended on March 31, 2009, and again on April 3, 2009.

F. Following his appointment, the Receiver advised Mark Friedman and F&M that the amount of the Transfer was immediately due and payable to the Receiver and the Receiver made a demand upon Mark Friedman and F&M to repay the Transfer in full. Mark Friedman contends that he and/or F&M are unable to repay the Transfer in full at this time.

G. Friedman has represented to the Receiver that he had no knowledge of the alleged fraudulent scheme that the Receiver contends was being run by Bruce Friedman and DLG.

H. Mark Friedman, F&M, and the Receiver have agreed not to litigate the Receiver's claims relating to the Transfer, and now desire and intend to fully and finally settle, resolve and release any and all claims between them with respect to the Transfer. The Receiver, F&M and Mark Friedman have agreed to settle the issues on the terms and conditions set forth in this Agreement.

I. Mark Friedman has represented to the Receiver that as of the date of execution hereof, no claim has been asserted against him by or on behalf of LandAmerica OneStop, Inc., for indemnification against him under that certain Agreement and Plan of Merger by and Among LandAmerica OneStop, Inc., LandAmerica Maryland Holding Company, MSTD Inc. and Mark H. Friedman, and that he is aware of no grounds that would give rise to the right to assert such a claim.

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. **District Court Approval:** The terms of this Agreement, and the effectiveness thereof, are contingent upon approval by the District Court for the Central District of California in which the receivership case is pending.
3. **Settlement Sum.** As a complete resolution to all of the issues relating to the Transfer, F&M shall pay a settlement sum in the total amount of \$6,000,000 (the "Settlement Sum") to the Receiver as follows:
 - ~~a. Within five business days of entry of an order approving this Agreement,~~
F&M shall pay to the Receiver the sum of \$50,000.00;
 - b. Year One: On the first day of each of the following consecutive 12 months, F&M shall pay to the Receiver the sum of \$12,500 per month
 - c. Year Two: On the first day of each of the then following consecutive 12 months, F&M shall pay to the Receiver the sum of \$16,666.67 per month.
 - d. Year Three: On the first day of each of the then following consecutive 12 months, F&M shall pay to the Receiver the sum of \$20,833.33 per month.
 - e. Year Four: On the first day of each of the then following consecutive 12 months, F&M shall pay to the Receiver the sum of \$20,833.33 per month.
 - f. Year Five: On the first day of each of the then following consecutive 12 months, Friedman shall pay to the Receiver the sum of \$20,833.33 payable and due on the first day of each month.
 - g. Year Six: On the first day of each of the then following consecutive 12 months, F&M shall pay to the Receiver the sum of \$20,833.33 payable and due on the first day of each month.
 - h. Final Payment: On the first day of the month following the last installment payment made pursuant to Paragraph 3.g hereof, F&M shall pay to the Receiver a final payment of \$4,600,000.00 plus all accrued and unpaid interest.

F&M's obligations to pay the Settlement Sum shall be set forth in a Confessed Judgment Promissory Note bearing simple interest at the non-default rate of three and three quarters percent (3.75%) per annum and default interest at the rate of ten percent (10%) (the "Note") in the form attached hereto as Exhibit B

4. **Guaranty by Mark Friedman:** Mark Friedman shall unconditionally guarantee to the Receiver the full, prompt and unconditional payment of all sums due from F&M to the Receiver under this Agreement. Mark Friedman shall execute a guaranty in the form attached hereto as Exhibit C (the "Guaranty").

5. **Confession of Judgment in Event of Default:**

a. The Note and the Guaranty shall provide for confession of judgment in the event of default. If F&M defaults on payment of the Settlement Sum or any portion thereof, the Receiver shall serve a written notice of default electronically, by facsimile or by hand on counsel for F&M and Mark Friedman, Joel Sher, at Shapiro, Sher, Guinot & Sandler, 36 South Charles, Street, Suite 2000 Baltimore, MD 21201, telephone (410) 385-0202, facsimile (410) 539-7611, e-mail jis@shapirosher.com. F&M shall have five business days from the service of the written notice of default (the "Cure Period") to cure the payment default. If F&M fails to cure the payment default by the expiration of the Cure Period, the Receiver shall be entitled to confess judgment under the Note and the Guaranty. F&M and Mark Friedman may oppose entry of the judgment by confession solely on the grounds that the payment has been timely made or that the default has been cured during the Cure Period.

6. **Security for Payment:**

a. **Indemnity Deed of Trust:**

i. Mark Friedman represents that the only encumbrances against the Property are set forth on Exhibit D hereto

ii. Within five business days of entry of an Order approving this Agreement, Mark Friedman shall deliver to the Receiver an indemnity deed of trust (the "IDOT") in the amount of \$6,000,000 against the Property, in the form attached hereto as Exhibit E.

iii. Within five business days of entry of an Order approving this Agreement, Mark Friedman shall deliver to the Receiver title insurance reflecting that the only recorded encumbrances against the Property are those set forth in Exhibit D.

b. Assignment of Insurance Policy:

i. As additional security for his obligations under the Guaranty, Mark Friedman hereby assigns his beneficial interest in the Policy to the Receiver. Friedman shall keep the Policy in good standing by maintaining all applicable premium payments and shall complete all forms required from the issuer of the Policy in order to perfect the Receiver's interest in the Policy and the proceeds under the Policy. Failure to maintain the Policy in good standing, e.g., failing to make timely premium payments, shall constitute a default under this Agreement and the Guaranty.

ii. Nothing in this Agreement shall prohibit the Receiver from selling or assigning his interest in the Policy.

c. Assignment of Interest in F&M

As additional security for his obligations under the Guaranty, Mark Friedman shall assign his interest in F&M to the Receiver, pursuant to the Pledge, Assignment and Security Agreement attached hereto as Exhibit F (the "Security Agreement")

7. Releases.

a. Release by F&M and Mark Friedman. Except for the obligations arising out of this Agreement, the Note, the Guaranty, IDOT and the Security Agreement, in further consideration of this Agreement and the other good and valuable consideration provided to F&M and Mark Friedman pursuant hereto (receipt of which is hereby acknowledged by F&M and Mark Friedman), ~~F&M and Mark Friedman, for themselves and on behalf of their respective~~ administrators, representatives, attorneys, agents, trusts, insurers, predecessors, successors, heirs, beneficiaries and assigns, and each of them (collectively, the "**Friedman Releasing Parties**"), hereby absolutely, forever and fully, generally and specifically, releases and discharges the Receiver and DLG, and their respective officers, directors, stockholders, predecessors, administrators, representatives, affiliates, parent entities, subsidiary entities, attorneys, accountants, agents, employees, insurers, successors, heirs and assigns (collectively, the "**Receiver Released Parties**") from any and all claims, contentions, rights, debts, liabilities, demands, accounts, reckonings, obligations, duties, promises, costs, expenses (including, but not limited to attorneys' fees and costs), liens, indemnification rights, damages, losses, actions, and causes of action, of any kind whatsoever related to the Transfer, whether due or owing in the past, present or future and whether based upon contract, tort, statute or any other legal or equitable theory of recovery, and whether known or unknown, suspected or unsuspected, fixed or contingent, matured or unmatured, with respect to, pertaining to, or arising from any matters, acts, omissions, events, conduct or occurrences at any time prior to the date of this Agreement solely with respect to the allegations set forth herein relating to the Transfer.

b. Release by the Receiver. Except for the obligations arising out of this Agreement, the Note, the Guaranty, IDOT and the Security Agreement, in further consideration of this Agreement and the other good and valuable consideration provided to the Receiver pursuant hereto (receipt of which is hereby acknowledged by the Receiver), the Receiver, for himself and on behalf of DLG and each and all of their respective officers, directors,

stockholders, predecessors, administrators, representatives, affiliates, parent entities, subsidiary entities, attorneys, agents, insurers, successors, heirs and assigns, and each of them, (collectively, the "Receiver Releasing Parties") hereby absolutely, forever and fully, generally and specifically, release and discharge F&M and Mark Friedman, and their respective administrators, estates, beneficiaries, trusts, trustees, trustors, executors, employees, representatives, attorneys, agents, insurers, predecessors, successors, heirs, beneficiaries, and assigns, and each of them (collectively, the "Friedman Released Parties") from any and all claims related to the Transfer, whether due or owing in the past, present or future and whether based upon contract, tort, statute or any other legal or equitable theory of recovery, and whether known or unknown, suspected or unsuspected, fixed or contingent, matured or unmatured, with respect to, pertaining to, or arising from any matters, acts, omissions, events, conduct, or occurrences at any time prior to the date of this Agreement with respect to the allegations set forth herein relating to the Transfer.

c. Excluded From Release. Notwithstanding anything contained in this Agreement to the contrary, it is the express intention of the Friedman Releasing Parties and the Receiver Releasing Parties (collectively, the "Releasing Parties") and the Friedman Released Parties and the Receiver Released Parties (collectively, the "Released Parties"), and each of them, that the claims released pursuant to Paragraph 6(a) and Paragraph 6(b) (hereinafter collectively referred to as the "Release") do not include: (i) claims, if any, which arise from, pertain to, or are based upon a breach of this Agreement, including, but not limited to, a breach of any or all of the representations and warranties set forth in this Agreement; (ii) claims, if any, which arise from, pertain to, or are based upon the executory obligations of this Agreement; or (iii) any claims (or waivers of defenses) relative to matters not related to the Transfer.

d. Intentionally deleted.

8. **No Assignment.** The Parties warrant that they have not assigned any of their claims against any other Party to this Agreement, and hereby promise and covenant to indemnify and hold harmless any Party against whom a claim may be made by any such assignee of any Party. No Party may assign his or its obligations under the Settlement Agreement without the written consent of the other Party.

9. **No Admission of Liability.** This Agreement constitutes a compromise and settlement of claims that are denied and contested and nothing in this Agreement, or any document referred to herein, nor any act (including, but not limited to, the execution of this Agreement) of any Party, is or shall be treated, construed or deemed as an admission by any Party of any liability, fault, responsibility, or guilt of any kind to any other Party or to any person, as to any allegation or claim, for any purpose whatsoever, all such liability fault, responsibility and guilt of any kind being expressly denied.

10. **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, including but not limited to the foregoing releases and waivers.

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.

11. **Attorneys' Fees.** Each Party shall bear its own attorneys' fees and costs incurred in connection with the preparation and execution of this Agreement. In the event of any dispute, lawsuit, action or other proceeding arising out of the subject matter of this Agreement, 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, its reasonable attorneys' fees and costs, including expert witness fees and expenses, incurred in

litigating or otherwise mediating or settling or resolving such dispute whether or not an action or proceeding is brought or prosecuted to judgment.

12. 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. Authority. Each Party represents and warrants to each other Party that its execution, delivery and performance of this Agreement and all documents related thereto (the "Agreement Documents") are within its power, and, saving and except the condition of court approval have been authorized by all requisite corporate or other authority and will not violate any laws and restrictions or any agreement or other instrument. Each of the Agreement Documents, if any, when executed and delivered will constitute a legal, valid and binding obligation enforceable in accordance with its terms.

c. 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.

d. Governing Law. This Agreement shall be construed in accordance with, and all disputes hereunder shall be governed by, the laws of the State of Maryland,

e. 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.

f. 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.

g. 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.

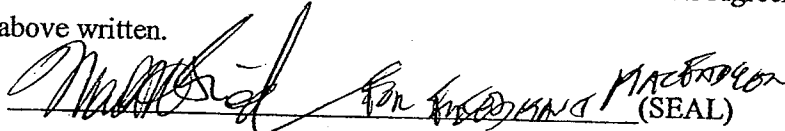
h. Exhibits and Other Writings. Any and all exhibits, documents, instruments, certificates or other writings attached hereto or required or provided for by this Agreement, if any, shall be part of this Agreement and shall be considered set forth in full at each reference thereto in this Agreement.

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.

k. Sealed Instrument The Parties intend that this Agreement shall be treated in all respects as an instrument executed under seal, including, without limitation, the application to this Agreement of the period of limitations under Maryland law for sealed instruments.

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

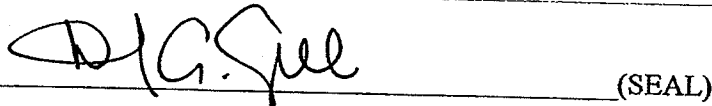
 (SEAL)

Friedman & MacFadyen P.A.

By: *Mark Friedman*

It's: *3/10/10*

 (SEAL)
Mark Friedman

 (SEAL)

David A. Gill, solely in his capacity as the Permanent Receiver of Diversified Lending Group, Inc., et al.

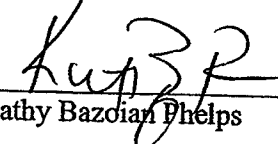
APPROVED AS TO FORM AND CONTENT BY:

SHAPIRO, SHER, GUINOT & SANDLER, P.A.

By: _____
Joel Sher

Attorneys for Friedman & MacFadyen P.A.
and Mark Friedman

DANNING, GILL, DIAMOND & KOLLITZ, LLP

By:  _____
Kathy Bazoian Phelps

Attorneys for the Receiver

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

(SEAL)
Friedman & MacFadyen P.A.

By:
It's:

(SEAL)
Mark Friedman

(SEAL)
David A. Gill, solely in his capacity as the Permanent Receiver of Diversified Lending Group, Inc., et al.

APPROVED AS TO FORM AND CONTENT BY:

SHAPIRO, SHER, GUINOT & SANDLER, P.A.

By: Joel Sher
Joel Sher

Attorneys for Friedman & MacFadyen P.A.
and Mark Friedman

DANNING, GILL, DIAMOND & KOLLITZ, LLP

By: Kathy Bazoian Phelps
Kathy Bazoian Phelps

Attorneys for the Receiver

Exhibit A

0752901102

EXHIBIT "A"Exhibit A Property Description

All that certain real property lying and being situated in Baltimore City, Maryland, and more particularly described as follows:

BEGINNING for the first thereof at the north side of Redwood Street formerly German Street at the point of beginning described in a deed from Margaret McHenry to John Boyd, dated August 4, 1826 and recorded among the Land Records of Baltimore County now City in Liber W.G. No. 184, folio 191, being one hundred and fifty seven feet six inches easterly from the northeast corner of Calvert and Redwood Streets and running thence northerly parallel with Calvert Street, fifty feet two and one-half inches to the extent of the possession, thence easterly parallel with Redwood Street or nearly so, eighteen feet five inches; thence southerly as possessed one foot three fourths of an inch; thence easterly parallel with Redwood Street or nearly so twenty-nine feet eleven inches, more or less, to an alley nine feet wide as referred to in the deed from John T. Smith and wife to George Rogers; thence southerly on the west side of said alley forty-nine feet seven inches to Redwood Street and thence westerly, bounding on the north side of Redwood Street; forty eight feet three inches, more or less, to the place of beginning.

BEGINNING for the second thereof on the south side of Rogers alley, at the end of the first line of the whole lot of ground described in a deed of assignment from Philip Rogers to Robert Moore bearing date December 2, 1778 and recorded among the Land Records of Baltimore County now City in Liber W.G. No. C folio 233, and running thence easterly, binding on said alley nineteen feet three inches, more or less, to the lot formerly belonging to William Shirley, thence southerly, binding on that lot parallel with Calvert Street thirty-five feet, more or less, to a point in line with the second line of the lot of ground described in the lease from Margaret D. McKim to the Baltimore Stock Exchange Building Company of Baltimore City, dated June 30, 1880 and recorded among the Land Records of Baltimore City in Liber F.A.P. No. 876, folio 152; thence westerly and binding on said second line parallel with Rogers alley nineteen feet three inches, more or less, to the first line assigned as aforesaid by Phillip Rogers to Robert Moore, thence northerly parallel with Calvert Street, and binding on that line thirty-five feet, more or less to the place of beginning.

BEGINNING for the third thereof on the south side of an alley called Rogers alley at a bend or angle in the same at the distance of about twenty-one feet nine inches easterly from the northeast corner of the parcel of ground assigned and set over by Robert Moore to a certain William Wilson by deed dated August 27, 1785 and recorded among the Land Records of Baltimore County in Liber W.G. X folio 260, and running thence westerly bounding on said alley twenty-one feet nine inches, more or less, to the end of the first line of said Wilson's lot; thence southerly, bounding on said lot thirty-four feet nine inches to the end of the second line of said Wilson's lot; thence westerly parallel to Redwood Street formerly German Street two feet; thence southerly parallel to Calvert Street two feet six inches; thence easterly, parallel to Redwood Street Thirty-two feet nine inches, more or less, to a nine foot alley; thence bounding on said alley by a straight line north twenty-nine feet six inches, more or less, to the northeasternmost edge of a

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stone planted at a bend or angle of said nine foot alley, said last given course and distance being taken to the base of said stone and thence northwesterly by a straight line to the place of beginning.

BEGINNING for the fourth thereof on the line of the north side of Redwood Street, formerly German Street, at the distance of one hundred and fifty-seven feet six inches easterly from the intersection of the north side of Redwood Street and the east side of Calvert Street, at the end of the third line of the second lot described in the deed from Nicholas Rogers to William Wilson aforesaid, and running thence easterly, bounding on the north side of Redwood Street, thirteen and one-fourth inches; thence northerly at right angles to Redwood Street eighty-six feet, more or less, to Rogers alley; thence westerly on the south side of said alley thirteen and one-fourth inches, more or less, to the beginning of the said third line of the second lot in said third line of the second lot in said deed from Nicholas Rogers to William Wilson above to and thence southerly, binding on said third line eighty-six feet, more or less, to the place of beginning. The improvements thereon being known as No. 208-210 E. Redwood Street.

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Exhibit B

CONFESSED JUDGMENT PROMISSORY NOTE

THIS CONFESSED JUDGMENT PROMISSORY NOTE ("Note") is made this ____ of March, 2010.

FOR VALUE RECEIVED, the undersigned, Friedman & MacFadyen, P.A. whose address is set forth below, (the "Maker"), promises to pay to the order of David. A. Gill, as Receiver for Diversified Lending Group, Inc. (the "Payee") at c/o Danning, Gill, Diamond & Kollitz, LLP 2029 Century Park East, Third Floor, Los Angeles, CA 90067 or at such other place as the Payee of this Note may from time to time designate, the principal sum of Six Million and No Hundredths Dollars (\$6,000,000.00), together with interest thereon at the rate or rates hereafter specified and all other sums which may be owing to the Payee by the Maker pursuant to this Note. The following terms shall apply to this Note.

1. Interest Rate. For the period from the date of closing until all sums due hereunder, whether principal, interest, penalties, fees, or other sums, have been paid in full, interest shall accrue on ~~all sums due hereunder at the fixed rate of interest of three and three quarters percent (3.75%) per annum.~~

2. Calculation of Interest. Interest shall be calculated on the basis of three hundred sixty five (365) days per year, applied to the actual days on which there exists an unpaid balance hereunder.

3. Repayment: The Maker shall repay the sums due hereunder as follows:

a. Upon execution hereof, \$50,000.00.

b. Year One: Commencing on March 1, 2010, and thereafter on the first day of each of the following consecutive 11 months, Maker shall pay to the Receiver the sum of \$12,500 per month.

c. Year Two: On the first day of each of the then following consecutive 12 months, Maker shall pay to the Receiver the sum of \$16,666.67 per month.

d. Year Three: On the first day of each of the then following consecutive 12 months, Maker shall pay to the Receiver the sum of \$20,833.33 per month.

e. Year Four: On the first day of each of the then following consecutive 12 months, Maker shall pay to the Receiver the sum of \$20,833.33 per month.

f. Year Five: On the first day of each of the then following consecutive 12 months, Maker shall pay to the Receiver the sum of \$20,833.33 payable and due on the first day of each month.

g. Year Six: On the first day of each of the then following consecutive 12 months, Maker shall pay to the Receiver the sum of \$20,833.33 payable and due on the first day of each month.

a. Final Payment: On the first day of the month following the last installment payment made pursuant to Paragraph 3.g hereof, Maker shall pay to the Receiver a final payment of \$4,600,000.00, plus all accrued and unpaid interest.

4. Late Payment Charge. If any payment due hereunder is received by the Payee more than five (5) calendar days after its due date, the Maker shall pay a late payment charge equal to five percent (5%) of the amount then due.

5. Application of Payments. All payments made hereunder shall be applied first to late payment charges or other sums owed to the Payee, next to accrued interest, and then to principal, or in such other order or proportion as the Payee, in the Payee's sole and absolute discretion, may elect from time to time.

6. Prepayment. The Maker may prepay this Note in whole or in part at any time or from time to time without penalty or additional interest.

7. Acceleration and Default Interest Rate. Upon a default in the payment of any sum due hereunder, and the failure to cure such default within five (5) calendar days, or a default in the performance of any other of the covenants, conditions or terms of this Note, or any other document evidencing or securing the indebtedness of the Maker to the Payee, and the expiration of any applicable cure period, the Payee, in the Payee's sole discretion and without notice or demand, may accelerate the unpaid balance and declare the same due and owing, and the rate of interest accruing on the unpaid principal balance shall be ten percent (10%) per annum, independent of whether the Payee elects to accelerate the unpaid principal balance as a result of such default, commencing on the date of default.

8. **CONFESSION OF JUDGMENT.** UPON A DEFAULT IN THE PAYMENT OF ANY SUM DUE HEREUNDER, OR A DEFAULT IN THE PERFORMANCE OF ANY OF THE COVENANTS, CONDITIONS, OR TERMS OF THIS NOTE OR ANY OTHER DOCUMENT EVIDENCING OR SECURING THE INDEBTEDNESS OF THE MAKER TO THE PAYEE, AND THE EXPIRATION OF ANY APPLICABLE CURE PERIOD, THE MAKER AUTHORIZES ANY ATTORNEY ADMITTED TO PRACTICE BEFORE ANY COURT OF RECORD IN THE UNITED STATES TO APPEAR ON BEHALF OF THE MAKER IN ANY COURT IN ONE OR MORE PROCEEDINGS, OR BEFORE ANY CLERK THEREOF OR OTHER COURT OFFICIAL, AND TO CONFESS JUDGMENT AGAINST THE MAKER, WITHOUT PRIOR NOTICE OR OPPORTUNITY OF THE MAKER FOR PRIOR HEARING, IN FAVOR OF THE PAYEE IN THE FULL AMOUNT DUE ON THIS NOTE (INCLUDING PRINCIPAL, ACCRUED INTEREST AND ALL CHARGES, FEES AND COSTS) PLUS ATTORNEYS' FEES OF TEN PERCENT (10) OF THE AMOUNT DUE AND COURT COSTS. THE MAKER AGREES AND CONSENTS THAT VENUE AND JURISDICTION SHALL BE PROPER IN THE CIRCUIT COURT OF ANY COUNTY OF THE STATE OF MARYLAND OR OF BALTIMORE CITY, MARYLAND. THE MAKER WAIVES THE BENEFIT OF ANY AND EVERY STATUTE, ORDINANCE, OR RULE OF COURT WHICH MAY BE LAWFULLY

WAIVED CONFERRING UPON THE PAYEE ANY RIGHT OR PRIVILEGE OF EXEMPTION, HOMESTEAD RIGHTS, STAY OF EXECUTION, OR SUPPLEMENTARY PROCEEDINGS, OR OTHER RELIEF FROM THE ENFORCEMENT OR IMMEDIATE ENFORCEMENT OF A JUDGMENT OR RELATED PROCEEDINGS ON A JUDGMENT. THE AUTHORITY AND POWER TO APPEAR FOR AND ENTER JUDGMENT AGAINST THE MAKER SHALL NOT BE EXHAUSTED BY ONE OR MORE EXERCISES THEREOF, OR BY ANY IMPERFECT EXERCISE THEREOF, AND SHALL NOT BE EXTINGUISHED BY ANY JUDGMENT ENTERED PURSUANT THERETO; SUCH AUTHORITY AND POWER MAY BE EXERCISED ON ONE OR MORE OCCASIONS FROM TIME TO TIME, IN THE SAME OR DIFFERENT JURISDICTIONS, AS OFTEN AS THE PAYEE SHALL DEEM NECESSARY OR ADVISABLE.

9. Interest Rate After Judgment. If judgment is entered against the Maker on this Note, the amount of the judgment entered (which may include principal, interest, fees, and costs) shall bear interest at the above described default interest rate, to be determined on the date of the entry of the judgment.

10. Expenses of Collection. If this Note is referred to an attorney for collection, whether or not judgment has been confessed or suit has been filed, the Maker shall pay all of the Payee's reasonable costs, fees (including, but not limited to, reasonable attorneys' fees) and expenses resulting from such referral.

11. Negotiable Instrument. The Maker agrees that this Note shall be deemed a negotiable instrument, even though this Note may not qualify, under applicable law, absent this paragraph, as a negotiable instrument.

12. Waiver of Protest. The Maker and all parties to this Note, whether maker, endorser, or guarantor, waive presentment, notice of dishonor and protest.

13. Extension of Maturity. All parties to this Note, whether maker, endorser, or guarantor, agree that the maturity of this Note, or any payment due hereunder, may be extended at any time or from time to time without releasing, discharging, or affecting the liability of such party.

14. Notices. Any notice or demand required or permitted by or in connection with this Note shall be given in writing by certified or registered mail postage prepaid return receipt requested to the parties at the address set forth above or at such address as the parties may designate by written notice to the other in accordance with this paragraph. All notices shall be deemed to have been given and received on the date shown on the return receipt. Notwithstanding anything to the contrary, all notices and demands for payment from the Payee actually received in writing by the Maker shall be considered to be effective upon the actual receipt thereof by the Maker regardless of the procedure or method utilized to accomplish delivery thereof to the Maker.

15. Assignability. This Note may be assigned by the Payee or any holder of this Note.

16. Commercial Purpose. The Maker represents and warrants that the indebtedness evidenced by this Note was made for a commercial purpose.

17. Waiver. No failure or delay by the Payee to insist upon the strict performance of any term, condition or covenant of this Note or to exercise any right, power or remedy upon a breach thereof, shall constitute a waiver of any such term, condition, covenant or agreement or of any such breach, or preclude the Payee from exercising any such term, condition, covenant or agreement or of any such breach, or preclude the Payee from exercising any such right, power or remedy at any later time or times

unless a specific waiver is given by the Payee in writing. Accepting payment after the due date of any amount payable under this Note shall not be deemed to waive the Payee's right (i) to require prompt payment when due of all other amounts payable under this Note, or (ii) to declare a default for failure to effect such prompt payment of any such other amount.

18. Remedies Cumulative. Each right, power and remedy of the Payee as provided for in this Note or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy of the Payee.

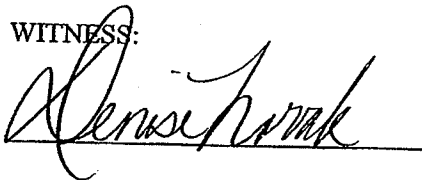
19. Successors. This Note inures to the benefit of, and binds all parties hereto and their respective successors, heirs and assigns.

20. WAIVER OF JURY TRIAL. THE PARTIES WAIVE ALL RIGHT TO TRIAL BY JURY OF ANY AND ALL CLAIMS OF ANY KIND ARISING FROM OR RELATING TO THIS NOTE. THE PARTIES ACKNOWLEDGE THAT THIS IS A WAIVER OF A LEGAL RIGHT TO A JURY TRIAL AND THE PARTIES MAKE THIS WAIVER VOLUNTARILY AND ~~KNOWINGLY AFTER CONSULTATION WITH, OR THE OPPORTUNITY TO CONSULT WITH, COUNSEL OF THEIR CHOICE.~~ THE PARTIES AGREE THAT ALL SUCH CLAIMS SHALL BE TRIED BEFORE A JUDGE OF A COURT HAVING JURISDICTION, WITHOUT A JURY.

21. Applicable Law. This Note is made and entered into in the State of Maryland and should be construed and interpreted under the laws of the State of Maryland.

AS WITNESS, my hand and seal this 3 day of MARCH, 2010.

WITNESS:



FRIEDMAN & MACEADYEN; P.A.

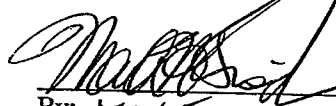
 FOR FRIEDMAN & MACEADYEN (SEAL)
By: MIKE FRIEDMAN
Its: PRESIDENT

Exhibit C

GUARANTY OF PAYMENT AGREEMENT

THIS GUARANTY OF PAYMENT AGREEMENT (this "Agreement") is made this day of March, 2010, by Mark H. Friedman, an individual and Maryland resident (the "Guarantor"), for the benefit of David A. Gill as Receiver for Diversified Lending Group, Inc. (the "Lender"), with an address of c/o Danning, Gill, Diamond & Kollitz, LLP, 2029 Century Park East, Third Floor, Los Angeles, California 90067.

RECITALS

A. The Guarantor and Friedman & MacFadyen P.A., a Maryland professional association (the "Borrower"), and the Lender have entered into a Settlement Agreement and Mutual Limited Release dated the same date as this Agreement (the "Settlement Agreement"). All defined terms used in this Agreement and not defined herein shall have the meaning given to such terms in the Settlement Agreement.

B. To evidence its obligations under the Settlement Agreement, the Borrower has executed and delivered to the Lender a Confessed Judgment Promissory Note of even date herewith in the principal amount of \$6 Million (the "Note").

C. The Guarantor has requested that the Lender enter into the Settlement Agreement with the Guarantor and the Borrower. The Lender has required, as a condition to entering into the Settlement Agreement, that the Guarantor execute this Agreement as additional security for the payment and performance of the Note, together with an Indemnity Deed of Trust (the "IDOT") pledging Guarantor's interest in certain real property known as 230 East Redwood Street, Baltimore, Maryland, and more particularly described in the IDOT.

D. The Settlement Agreement, the Note, the IDOT and this Agreement sometimes are referred to collectively as the "Settlement Documents."

NOW, THEREFORE, in order to induce the Lender to enter into the Settlement Agreement, the Guarantor covenants and agrees with the Lender as follows:

1. Guaranty. The Guarantor hereby unconditionally and irrevocably guarantees to the Lender: (a) the due and punctual payment in full (and not merely the collectibility) of all principal and interest due under the Note, in each case when due and payable, all according to the terms of the Note; and (b) the due and punctual payment in full (and not merely the collectibility) of all other sums and charges which may at any time be due and payable in accordance with, or secured by, the Note; and (c) all indebtedness, obligations and liabilities of any kind and nature of the Borrower to the Lender, whether now existing or hereafter created or arising, direct or indirect, matured or unmatured, and whether absolute or contingent, joint, several or joint and several, and howsoever owned, held or acquired.

2. Guaranty Unconditional. The Guarantor expressly agrees that the Lender may, in its sole and absolute discretion, without notice to or further assent of the Guarantor and without in

any way releasing, affecting or impairing the obligations and liabilities of the Guarantor hereunder: (a) waive compliance with, or any defaults under, or grant any other indulgences with respect to, the Note or any other Settlement Documents; (b) modify, amend, change or terminate any provisions of the Note or any other Settlement Documents; (c) grant extensions or renewals of or with respect to the Note or any other Settlement Documents; (d) effect any release, subordination, compromise or settlement in connection with the Note or any other Settlement Documents; (e) agree to the substitution, exchange, release or other disposition of all or any part of the collateral or other property securing the Note or this Guaranty; (f) make advances for the purpose of performing any term or covenant contained in the Note or any other Settlement Documents with respect to which the Borrower or any other obligor under the Settlement Documents shall be in default; (g) assign or otherwise transfer the Note, the Settlement Documents or this Agreement or any interest therein or herein; (h) deal in all respects with the Borrower or any other obligor under the Note and the other Settlement Documents as if this Agreement were not in effect; and (i) effect any release, compromise or settlement with the Borrower and any other obligor under the Note and the other Settlement Documents. The obligations of the Guarantor under this Agreement shall be unconditional, irrespective of the genuineness, validity, regularity or enforceability of the Note, the Settlement Agreement or the other Settlement Documents, or any security given therefor or in connection therewith, or any other circumstances which might otherwise constitute a legal or equitable discharge of a surety or guarantor.

3. Guaranty Primary. The obligations and liability of the Guarantor under this Agreement shall be primary, direct and immediate; shall not be conditional or contingent upon pursuit by the Lender of any remedies it may have against the Borrower with respect to the Note and the other Settlement Documents, whether pursuant to the terms thereof or by law; and shall not be subject to any counterclaim, recoupment, set-off, reduction, or defense based upon any claim that the Guarantor may have against the Borrower or the Lender. Without limiting the generality of the foregoing, the Lender shall not be required to make any demand on the Borrower and/or any other obligor under the Note and the other Settlement Documents, or to sell at foreclosure or otherwise pursue or exhaust its remedies against the collateral or other property securing Note or this Agreement and/or against the Borrower or any other obligor under the Note and the other Settlement Documents, before, simultaneously with or after enforcing its rights and remedies hereunder against the Guarantor. Any one or more successive and/or concurrent actions may be brought hereon against the Guarantor either in the same action, if any, brought against the Borrower and/or any other obligors under the Note and the other Settlement Documents or in separate actions, as often as the Lender may deem advisable.

4. Waivers by Guarantor. The Guarantor hereby unconditionally and irrevocably waives: (a) presentment and demand for payment of the principal of or interest on the Note and protest of non-payment; (b) notice of acceptance of this Agreement and of presentment, demand and protest thereof; (c) notice of any default hereunder or under the Settlement Agreement, the Note or any of the other Settlement Documents and notice of all indulgences; (d) notice of any increase in the amount of any portion of or all of the amounts due under the Note or the other Settlement Documents; (e) demand for observance, performance or enforcement of any of the terms or provisions of this Agreement, the Note, or the Settlement Agreement or any of the other

Settlement Documents; (f) all errors and omissions in connection with the Lender's administration of the Note or the other Settlement Documents; (g) any right or claim of right to cause a marshalling of the assets of the Borrower; (h) any act or omission of the Lender which changes the scope of the Guarantor's risk hereunder; and (i) all other notices and demands otherwise required by law which the Guarantor may lawfully waive.

5. Subordination; Subrogation. If the Guarantor shall advance any sums to the Borrower or if the Borrower shall hereafter become indebted to the Guarantor, such sums and indebtedness shall be subordinate in payment in all respects to the amounts then or thereafter due and owing to the Lender under the Note and the other Settlement Documents until all such amounts have been indefeasibly paid in full. Nothing herein contained shall be construed to give the Guarantor any right of subrogation in and to the Note, the Settlement Agreement or the other Settlement Documents or all or any part of the Lender's interest therein, until the amounts due under the Note and the other Settlement Documents shall have been indefeasibly paid in full.

6. Representations and Warranties. The Guarantor represents and warrants that he has a financial interest in the Borrower, that all financial information furnished to the Lender regarding the Guarantor is true and complete in all material respects, that he has examined or has had an opportunity to examine documents referred to herein, that he has full power, authority and legal right to execute and deliver this Agreement, and that this Agreement is a valid and binding legal obligation of the Guarantor enforceable in accordance with its terms. The foregoing shall survive until the amounts due under the Note and the other Settlement Documents have been indefeasibly paid in full.

7. Financial Statements. The Guarantor shall provide to the Lender, as and when required, the financial information required to be delivered to the Lender with respect to the Guarantor pursuant to the terms of the Settlement Agreement and the other Settlement Documents, certified by him to be true and correct and in such form and detail as may be reasonably requested by the Lender from time to time. The Guarantor also agrees to provide the Lender with such other financial information at such other times as may be requested from time to time by the Lender.

8. Default and Acceleration. Anything in this Agreement or in any of the Settlement Documents to the contrary notwithstanding, the Lender, at its option, may, as to the Guarantor, accelerate the indebtedness evidenced and secured by the Note or the other Settlement Documents and the obligations of the Guarantor under this Agreement in the event: (a) there occurs any failure to pay any amounts when due and owing under this Agreement; or (b) any representation or warranty made in this Agreement shall prove to have been false or misleading when made (or, if applicable, when reaffirmed) in any material respect; or (c) the Guarantor fails to timely and properly observe, keep or perform, any term, covenant, agreement or condition in this Agreement or any of the other Settlement Documents, or challenges the validity of any material provision of this Agreement or any of the other Settlement Documents; or (d) the Guarantor transfers any material portion of his business assets without receiving reasonably equivalent consideration therefor; or (e) the Guarantor suspends or terminates his business operations or liquidates, dissolves or terminates the existence of his business, or dies; or (f) the Guarantor is in default under any indebtedness for borrowed money (other than the Guarantor's