

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

4
5 Receiver

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

11 SECURITIES AND EXCHANGE)
COMMISSION,)
12)
Plaintiff,)
13)
vs.)
14)
15 DIVERSIFIED LENDING GROUP,)
INC.; APPLIED EQUITIES, INC.; AND)
16 BRUCE FRIEDMAN,)
17)
Defendants,)
18 and)
19 TINA M. PLACOURAKIS,)
20)
21)
Relief Defendant.)
22

Case No. CV 09-01533 R (SSx)

**NOTICE OF MOTION AND
RECEIVER'S MOTION FOR AN
ORDER AUTHORIZING THE
EMPLOYMENT ON A
CONTINGENCY FEE BASIS OF
THE SALL LAW FIRM, APC, AND
WALDRON & BRAGG, LLP;
DECLARATIONS OF ROBERT K.
SALL AND GARY A. WALDRON
IN SUPPORT THEREOF**

Hearing Date, Time & Place:
Date: October 4, 2010
Time: 10:00 a.m.
Place: Courtroom "8"
312 N. Spring Street
Los Angeles, CA 90012

23
24 **PLEASE TAKE NOTICE THAT** on October 4, 2010, at 10:00 a.m. in
25 Courtroom "8" of the above-captioned Court, I, David A. Gill, the Permanent
26 Receiver ("Receiver") of Diversified Lending Group, Inc. ("DLG"), Applied
27 Equities, Inc. ("AEI"), and their subsidiaries and affiliates, including but not limited
28 to MMHIM, Inc., DLG International, a Panamanian Company, and Sun West

1 Bottlers, LLC (collectively "Diversified"), will move the Court ("Motion") for an
2 order for authority to employ and pay The Sall Law Firm, APC ("Sall Firm"), and
3 Waldron & Bragg, LLP ("Waldron Firm"), in connection with litigation related to the
4 above captioned action ("SEC Action").

5 The Motion requests an order:

6 1. authorizing me as the Receiver of Diversified to employ and pay The
7 Sall Law Firm ("Sall Firm") and the law firm of Waldron & Braggs, LLP ("Waldron
8 Firm"), on a contingency compensation basis as set forth in the Motion, to represent
9 me in preserving and enforcing my rights with respect to claims Diversified may
10 have against certain professionals ("Professionals") which I have identified as
11 possible defendants in litigation I anticipate filing;

12 2. authorizing me as the Receiver of Diversified to pay an initial cost
13 retainer of a combined total of \$30,000 to the Sall Firm and Waldron Firm and to pay
14 all reasonably incurred costs in excess of the retainer as billed without further of the
15 Court;

16 3. authorizing me as the Receiver of Diversified to execute all documents
17 and otherwise take all actions I deem necessary and appropriate to effectuate the
18 employment and compensation of the Sall Firm and Waldron Firm;

19 4. confirming that the form and manner of this Notice of the Motion
20 provided by me is appropriate. A copy of the proposed order is attached hereto as
21 Exhibit "A."

22 **NOTICE IS HEREBY FURTHER GIVEN**, that the Motion is made on the
23 grounds that I believe that the employment of the Sall Firm and Waldron Firm is
24 necessary for the effective administration of the assets and preservation of rights of
25 the receivership estate with respect to any claims I may have against the
26 Professionals.

27 The Motion is based on this Notice, Motion, attached Memorandum of Points
28 and Authorities, the Declarations of Robert K. Sall and Gary A. Waldron, and upon

1 the record in this case. The engagement and payment of counsel is subject to Court
2 approval, and accordingly, I seek approval of this Application and the proposed
3 Order attached hereto.

4 **PLEASE TAKE FURTHER NOTICE** that any interested party may request
5 paper or electronic copies of the entire service package by contacting me in writing,
6 and I will comply with all such requests by first-class mail. A copy of this Notice
7 and the Motion can be viewed by accessing the Receiver's website at
8 www.DiversifiedReceivership.com. Inquiries may be directed to the Receiver's
9 office at the above address, attention Ms. Jessica Ramos, Paraprofessional.

10 **NOTICE IS HEREBY FURTHER GIVEN** that Local Rule 67-9 requires
11 that, not later than 14 days before the date designated for the hearing on the Motion,
12 any party who opposes the Motion to file with the Court and serve upon the Receiver
13 such opposing party's response to the Motion. Failure to comply with this
14 requirement, as set forth in the Local Rules of the Court, may be deemed by the
15 Court to be consent to the granting of the Motion.

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17 Dated: August 31, 2010



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David A. Gill, Receiver

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MEMORANDUM OF POINTS AND AUTHORITIES

I.

INTRODUCTION

I am the duly appointed Permanent Receiver for Diversified Lending Group, Inc. ("DLG"), Applied Equities, Inc. ("AEI"), and their subsidiaries and affiliates, including but not limited to MMHIM, Inc., DLG International, a Panamanian company, and SunWest Bottlers, LLC (collectively, "Diversified"). In order to perform my duties, specifically to analyze and assert any claims Diversified may hold against certain professionals ("Professionals") with respect to professional services these firms provided to Diversified, I seek this Court's authority to employ The Sall Law Firm, APC ("Sall Firm") and Waldron & Bragg, LLP ("Waldron Firm") and to pay said counsel on a contingency fee basis and to pay reasonably incurred costs as more fully set forth herein and on the following terms:

- All attorneys fees will be paid on a fully contingent basis having the following structure:
 - A total of 25% of all Recoveries¹ if the matter is settled before the filing of a lawsuit, to be shared by the Sall Firm and the Waldron Firm;
 - 35% of all Recoveries if the matter is settled after the filing of a lawsuit, up to 120 days before the first scheduled trial date, to be shared by the Sall Firm and the Waldron Firm; and
 - 45% of all Recoveries if the matter is resolved thereafter, to be shared by the Sall Firm and the Waldron Firm.
- I am to pay an initial retainer of \$30,000 to the Sall Firm for costs, with all future costs to be paid by me as billed on a monthly basis.

¹ "Recovery" shall be defined as the gross amount recovered from any of the target defendants, whether by way of settlement, judgment or otherwise, net after reimbursement to the receivership estate of the costs advanced by the Receiver, and reimbursement to the Sall Firm and Waldron Firm of any unpaid or unreimbursed costs.

- A standard attorney's lien provision would apply against any recovery up to and including the amount of the contingency fee.

II.

RELEVANT FACTS

A. Procedural History

On March 4, 2009, the Securities and Exchange Commission ("SEC") filed a Complaint ("Complaint") in the SEC Action, alleging two fraud claims for relief against Defendants DLG, AEI, and Bruce Friedman ("Friedman"), as well as Relief Defendant Tina M. Placourakis ("Placourakis") (collectively, "Receivership Defendants").

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

On March 4, 2009, this Court granted the TRO Application and, among other things, appointed me as Temporary Receiver. On March 10, 2009, pursuant to a stipulation by Mr. Friedman and no opposition by the other parties, the Court granted the SEC Application and entered the Preliminary Injunction Order, thereby appointing me as the Permanent Receiver, among other things. As a result, the March 4 Order was amended and superseded by two additional orders of the Court. One such order was entered on March 10, 2009, appointing me as Permanent Receiver. Another order was entered on March 31, 2009, and, among other things, clarified that MMHIM, Inc., is a wholly owned subsidiary of the Receivership Defendants and that its assets are subject to my administration pursuant to the Order of March 4, 2009, as amended and supplemented by the Order of March 10, 2009.

1 Following my appointment, I learned that certain professionals had provided
2 professional services to Diversified, and specifically, DLG. Upon further
3 investigation, I discovered that I may have certain legal claims against the
4 Professionals. The assertion of my rights with respect to these claims will require the
5 assistance of counsel.

6 **B. Description of Litigation Matter**

7 The litigation for which I propose to hire the Sall Firm and Waldron Firm
8 involves a discrete subset of facts, issues, and potential defendants which fall outside
9 of the more customary fraudulent transfer claims against investors, although some
10 fraudulent transfer claims may be included in this litigation if related and
11 appropriate. I contemplate that I will file a complaint against the Professionals
12 relating to professional services rendered to DLG prior to the commencement of the
13 receivership and during the time DLG was operating its fraudulent scheme
14 ("Litigation"). Although I am not yet in a position to reveal the identity of the
15 prospective defendants in the Litigation, I believe that the defendants are, and will
16 be, well represented and the litigation will be contentious, expensive and will involve
17 complex factual and legal issues. I do believe that the claims I intend to pursue have
18 merit and that I am likely to ultimately prevail at trial; however, I am concerned that
19 up-front legal fees, as in a traditional hourly basis, will consume a substantial portion
20 of the funds in the estate. Consequently, I believe it is in the best interests of estate
21 to employ counsel with respect to the Litigation on a fully contingent basis.

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23 **III.**

24 **TERMS OF THE PROPOSED EMPLOYMENT**

25 After considering several other firms, I have identified two firms who appear
26 to have the experience and ability to represent me with respect to the Litigation. I
27 have identified the Sall Firm and Waldron Firm to represent me. Sall Firm's resume
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1 is attached to the Declarations of Robert K. Sall. The terms of the employment,
2 subject to Court approval, are as follows:

3 1. The Sall Firm and Waldron Firm will work together in the Litigation
4 matter as associated counsel and will share in the following contingent fee
5 compensation structure:

6 a. 25% of all Recoveries² if the matter is settled before the
7 filing of a lawsuit;

8 b. 35% of all Recoveries if the matter is settled after the filing
9 of a lawsuit, up to 120 days before the first scheduled trial date; and

10 c. 45% of all Recoveries if the matter is resolved thereafter.

11 2. I am to pay an initial retainer of \$30,000 for costs, with all future costs
12 to be paid by me as billed on a monthly basis.

13 3. A standard attorney's lien provision would apply against any recovery
14 up to and including the amount of the contingency fee.

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16 **IV.**

17 **THE COURT SHOULD APPROVE EMPLOYMENT OF**

18 **THE SALL FIRM AND WALDRON FIRM**

19 The code sections and rules applicable to the employment of counsel in
20 bankruptcy proceedings are made applicable to this case by virtue of Local Rule 66-
21 8.³ "...the trustee, with the court's approval, may employ...attorneys ...that do not
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24 ² "Recovery" shall be defined as the gross amount recovered from any of the target
25 defendants, whether by way of settlement, judgment or otherwise, net after reimbursement to the
26 receivership estate of the costs advanced by the Receiver, and reimbursement to the Sall Firm and
Waldron Firm of any unpaid or unreimbursed costs.

27 ³ Pursuant to Local Rule 66-8, titled Permanent and Temporary Receivers - Administration
28 of Estate, "Except as otherwise ordered by the Court, a receiver shall administer the estate as nearly
as possible in accordance with the practice in the administration of estates in bankruptcy."

1 hold or represent an interest adverse to the estate, and that are disinterested persons,
2 to represent or assist the trustee in carrying out the trustee's duties under this title."⁴

3 Additionally, pursuant to Rule 2014 of the Federal Rules of Bankruptcy
4 Procedure,

5 (a) *Application for an order of employment.*

6 An order approving the employment of
7 attorneys...pursuant to § 327...of the [U.S. Bankruptcy]
8 Code shall be made only on application of the
9 trustee...The application shall be filed and...a copy of the
10 application shall be transmitted by the applicant to the
11 United States trustee. The application shall state the
12 specific facts showing the necessity for the employment,
13 the name of the person to be employed, the reasons for the
14 selection, the professional services to be rendered, any
15 proposed arrangement for compensation, and, to the best
16 of the applicant's knowledge, all of the person's
17 connections with the debtor, creditors, any other party in
18 interest, their respective attorneys and accountants, the
19 United States trustee, or any person employed in the office
20 of the United States trustee. The application shall be
21 accompanied by a verified statement of the person to be
22 employed setting forth the person's connections with the
23 debtor, creditors, any other party in interest, their
24 respective attorneys and accountants, the United States

27 ⁴ 11 U.S.C. § 327(a).

1 trustee, or any person employed in the office of the United
2 States trustee.

3 (b) *Services rendered by member or associate of firm of*
4 *attorneys or accountants.*

5 If, under the Code and this rule, a law partnership or
6 corporation is employed as an attorney...any partner,
7 member, or regular associate of the partnership [or]
8 corporation...may act as attorney...so employed, without
9 further order of the court.⁵

10 In this Case, I desire to confirm the employment of the Sall Firm and Waldron
11 Firm as my counsel to assist me in the performance of my duties as Permanent
12 Receiver with respect to the Litigation. I require the assistance of counsel to advise
13 me with respect to my claims and rights in connection with the facts surrounding the
14 Litigation.

15 To the best of my knowledge, the Sall Firm and Waldron Firm and their
16 principals and employees: (a) do not hold or represent any interest adverse to me, the
17 Receivership Defendants, the creditors, or the receivership estate; (b) have no
18 connection with the Receivership Defendants, the creditors, any other party in
19 interest, their respective attorneys and accountants, the Securities and Exchange
20 Commission, or any judge in the United States District Court for the Central District
21 of California; (c) are disinterested persons as that term is defined in 11 U.S.C. §
22 101(14) and used in 11 U.S.C. § 327(a); and (d) hold no pre-receivership claims
23 against the receivership estate.⁶

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⁵ Fed. R. Bankr. Proc., R. 2014.

⁶ See generally, the Declarations of Robert K. Sall and Gary W. Waldron.

1 With the Court's approval, the Sall Firm and Waldron Firm will enter into an
2 engagement agreement with terms consistent with the employment and compensation
3 terms set forth herein.

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5 **V.**

6 **THE COURT SHOULD AUTHORIZE PAYMENT TO**
7 **THE SALL FIRM AND WALDRON FIRM**

8 Per the terms of our proposed engagement, with the Court's approval, I will
9 pay a total of \$30,000 as a retainer to cover all reasonably incurred costs to the Sall
10 Firm and Waldron Firm. Additionally, I am requesting authority to pay all
11 reasonable costs as I am billed in the event the \$30,000 cost retainer is depleted.
12 Furthermore, I am seeking authorization to pay the Sall Firm and Waldron Firm the
13 legal fees which they will have earned in the event of Recovery related to the
14 Litigation, as a percentage of any Recovery as set forth in the compensation structure
15 described in Section III herein.

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17 **VI.**

18 **RECOMMENDATION RE EMPLOYMENT OF COUNSEL**

19 Based on the Court's previous instructions, I have solicited and evaluated bids
20 to represent me with respect to the Litigation. I believe that I have identified the best
21 alternative regarding the employment of counsel to handle the Litigation, namely, the
22 employment of counsel on a fully contingent fee basis. Accordingly, it is my
23 recommendation that I employ the Sall Firm and Waldron Firm in order to represent
24 my interests in the Litigation.

25 I believe that the proposal contained herein will result in a lower total fee than
26 with a traditional hourly fee structure given the fact that with a traditional hourly fee
27 structure, significant estate resources will be expended for new counsel to become
28 intimately familiar with the facts of the Litigation.

1 Thus, absent any better terms which I have been unable to obtain despite my
2 best efforts to do so, I choose to utilize the Sall Firm and Waldron Firm on the terms
3 contained herein.

4 **VII.**

5 **CONCLUSION**

6 Based on the foregoing, I respectfully request entry of an order approving the
7 employment and compensation of the Sall Firm and Waldron Firm and for all other
8 appropriate relief.

9
10 Dated: August 3/2010



David A. Gill, Receiver

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

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5 Receiver

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

11 SECURITIES AND EXCHANGE
12 COMMISSION,

13 Plaintiff,

14 vs.

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

17 Defendants,

18 and

19 TINA M. PLACOURAKIS,

20
21 Relief Defendant.
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Case No. CV 09-01533 R (SSx)

**[PROPOSED] ORDER
AUTHORIZING THE
EMPLOYMENT ON A
CONTINGENCY FEE BASIS OF
THE SALL LAW FIRM, APC, AND
WALDRON & BRAGG, LLP**

Hearing Date, Time & Place:

Date: October 4, 2010
Time: 10:00 a.m.
Place: Courtroom "8"
312 N. Spring Street
Los Angeles, CA 90012

23
24 Having considered the Receiver's *Notice of Motion and Motion for an Order*
25 *Authorizing the Employment on a Contingency Fee Basis of the Sall Law Firm, APC,*
26 *and Waldron & Bragg, LLP; Declarations of Robert K. Sall and Gary A. Waldron in*
27 *Support Thereof ("Motion")* and for good cause appearing,
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IT IS HEREBY ORDERED that:

- A. The Motion is GRANTED.
- B. The Receiver is authorized to employ and pay The Sall Law Firm ("Sall Firm") and the law firm of Waldron & Braggs, LLP ("Waldron Firm"), on a contingency compensation basis as set forth in the Motion.
- C. The Receiver is authorized to pay an initial cost retainer of a combined total of \$30,000 to the Sall Firm and to pay all reasonably incurred costs in excess of the retainer as billed without further of this Court.
- D. The Receiver is authorized to execute all documents and otherwise take all actions the Receiver deems necessary and appropriate to effectuate the employment and compensation of the Sall Firm and Waldron Firm;
- E. The form and manner of notice of the Application provided by the Receiver is appropriate.

Dated: September __, 2010

MANUEL L. REAL
United States District Judge

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DECLARATION OF GARY A. WALDRON

I, Gary A. Waldron, declare that:

1. I am an active member of the State Bar of California, a member in good standing of the Bar of this Court, and am the Managing Partner of Waldron & Bragg, LLP, with offices at 23 Corporate Plaza Drive, Suite 200, Newport Beach, California, telephone number (949) 760-0204.

2. I have personal knowledge of the facts set forth in this declaration and, if called as a witness, I could and would testify competently thereto.

3. David A. Gill, the Permanent Receiver in the matter of *Securities and Exchange Commission vs. Diversified Lending Group, Inc.; Applied Equities, Inc.; Bruce Friedman and Tina M. Placourakis*, U.S.D.C. Case No. CV 09-01533-R-SS (the "Receiver") is seeking to retain the services of Waldron & Bragg, LLP (and the services of the Associated Counsel described below) by the foregoing Application. The Application is for the purpose of employing counsel to pursue claims on behalf of the Receiver and the estate, against the certain entities who provided legal services to Diversified Lending Group, Inc. and related entities (the "target parties"). I have read the Application and to the best of my knowledge, all the facts stated therein are true and correct.

4. Waldron & Bragg, LLP is a disinterested party in this matter and is not a creditor or in any way affiliated or associated with the defendants in this matter.

5. Waldron & Bragg, LLP has not had any business dealings with or represented the defendants in this matter.

6. Waldron & Bragg, LLP neither holds nor represents any interest materially adverse to the interest of the receivership estate by reason of any direct or indirect relationship to, connection with, or interest in, the receivership defendants or for any other reason.

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1 7. Waldron & Bragg, LLP has agreed to work on the prosecution of the
2 matters described in the Application, along with The Sall Law Firm, working
3 together as Associated Counsel. In such team effort, there is an agreement to share
4 the contingent fee compensation, which has been fully disclosed to the Receiver, and
5 consent of the Receiver has been obtained in writing, as required by Rule 2-200 of
6 the California Rules of Professional Conduct, subject only to the Court's approval of
7 this Application. In essence, the fee sharing agreement provides for The Sall Law
8 Firm and Waldron & Bragg, LLP to jointly prosecute the action or actions as
9 Associated Counsel, and to share the contingent fees on a proration of time spent by
10 each of the lawyers and paralegals in the respective firms. Except for this fee sharing
11 arrangement, there is no other agreement to share any compensation for this
12 engagement with any other person except as among the employed attorneys and
13 contract attorneys of Waldron & Bragg, LLP.

14 8. I will be the attorney at Waldron & Bragg, LLP who will be principally
15 responsible for performing the legal services on behalf of the Receiver. I have
16 substantial experience both in prosecuting and as an expert witness in professional
17 liability matters and prosecuting claims against law firms. Waldron & Bragg, LLP
18 will also utilize the services of my partner, Sherry Bragg and associate attorneys,
19 including Jacob Gonzales and/or Katherine Meliski to assist with the legal services.
20 I have tried over 100 cases to verdict or a judgment, including over 35 jury trials. I
21 have 30 years of experience as a trial attorney and am an honors graduate from the
22 Law School of the University of Kansas. I am a Past President of the Orange County
23 section of the Association of Business Trial Lawyers and am admitted to ABOTA. I
24 am a member of the American College of Trial Attorneys. I have been designated as
25 a Southern California "Super Lawyer" from 2005 through the present. I am also Past
26 President of the Board of Governors of the University of Kansas School of Law and
27 was honored with its Distinguished Alumni Award in 2005. Sherry S. Bragg, a
28 UCLA Law School (and undergraduate school) graduate and a partner in Waldron &

1 Bragg, has been a litigator for 23 years. Jacob Gonzales is currently an associate in
2 Waldron & Bragg who will be elevated to non-equity partner status shortly. He has
3 tried a number of cases, including experiencing considerable success in two recent
4 jury trials.

5 9. The terms and source of the proposed compensation and
6 reimbursement of Waldron & Bragg, LLP and of The Sall Law Firm are: a
7 contingency fee arrangement upon which the Receiver will compensate us on a
8 contingent fee basis, is 25% of the Recovery, if any, that is derived prior to filing of a
9 lawsuit; 35% of the Recovery, if any, that is obtained prior to that date which is 120
10 days before the first date that the matter is set for trial; or 40% of the Recovery, if
11 any, which is obtained thereafter. The Recovery shall be defined as the gross amount
12 recovered from any of the target defendants, whether by way of settlement, judgment
13 or otherwise, net after reimbursement to the receivership estate of the costs advanced
14 by the Receiver, and reimbursement to Waldron & Bragg, LLP and/or The Sall Law
15 Firm of any unpaid or unreimbursed costs. The Receiver shall provide an initial
16 retainer of \$30,000 for costs. All retainers for costs will be held in The Sall Law
17 Firm's or Waldron & Bragg's client trust account, and disbursed for costs as
18 necessary. Once a retainer has been exhausted, costs shall be invoiced monthly as
19 they are incurred, and additional reasonable retainers for costs may be requested.

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1 Cost retainers and costs reasonably incurred shall be paid by the Receiver without the
2 need for further court approval.

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

6 Executed this 31st day of August, 2010, at Newport Beach, California.

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10 Gary A. Waldron
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DECLARATION OF ROBERT K. SALL

I, Robert K. Sall, declare and state as follows:

1. I am an attorney at law duly qualified and licensed to practice before this Court. I am a shareholder of the law firm of The Sall Law Firm, A Professional Corporation, 32351 Coast Highway, Laguna Beach, California 92651 (the "Firm"). I have personal knowledge of the facts stated herein, and if called as a witness, could competently testify to these facts.

2. David A. Gill, the Permanent Receiver in the matter of *Securities and Exchange Commission vs. Diversified Lending Group, Inc.; Applied Equities, Inc.; Bruce Friedman and Tina M. Placourakis*, U.S.D.C. Case No. CV 09-01533-R-SS (the "Receiver") is seeking to retain the Firm's services (and the services of the Associated Counsel described below) by the foregoing Application. The Application is for the purpose of employing counsel to pursue claims on behalf of the Receiver and the estate, against the certain firms which provided legal services to Diversified Lending Group, Inc. and related entities (the "target parties"). I have read the Application and to the best of my knowledge, all the facts stated therein are true and correct.

3. The Firm is a disinterested party in this matter and is not a creditor or in any way affiliated or associated with the defendants in this matter, or the target parties.

4. The Firm has not had any business dealings with or represented the defendants or the target parties in this matter.

5. The Firm neither holds nor represents any interest materially adverse to the interest of the receivership estate by reason of any direct or indirect relationship to, connection with, or interest in, the receivership defendants, the target parties, or for any other reason.

1 6. The Firm has agreed to work on the prosecution of the matters
2 described in the Application, along with the law firm of Waldron & Bragg, LLP,
3 working together as Associated Counsel. In such team effort, there is an agreement
4 to share the contingent fee compensation, which has been fully disclosed to the
5 Receiver, and consent of the Receiver has been obtained in writing, as required by
6 Rule 2-200 of the California Rules of Professional Conduct, subject only to the
7 Court's approval of this Application. In essence, the fee sharing agreement provides
8 for the Firm and Waldron & Bragg, LLP to jointly prosecute the action or actions as
9 Associated Counsel, and to share the contingent fees on a proration of time spent by
10 each of the lawyers and paralegals in the respective firms. Except for this fee sharing
11 arrangement, there is no other agreement to share any compensation for this
12 engagement with any other person except as among the employed attorneys and
13 contract attorneys of the Firm.

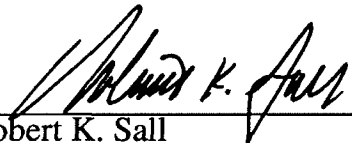
14 7. I will be the attorney at the Firm who will be principally responsible
15 for performing the legal services on behalf of the Trustee. I have substantial
16 experience in professional liability matters and prosecuting claims against law firms.
17 The Firm will also utilize the services of associate attorneys, including Lara A.S.
18 Callas, and Suzanne Burke Spencer to assist with the legal services. The
19 qualifications of these persons are set forth in their resumes, collectively attached
20 hereto as Exhibit 1, incorporated herein by this reference.

21 8. The terms and source of the proposed compensation and
22 reimbursement of The Sall Law Firm are: a contingency fee arrangement upon which
23 the Receiver will compensate the Firm and the Associated Counsel on a contingent
24 fee basis, is 25% of the Recovery, if any, that is derived prior to filing of a lawsuit;
25 35% of the Recovery, if any, that is obtained prior to that date which is 120 days
26 before the first date that the matter is set for trial; or 40% of the Recovery, if any,
27 which is obtained thereafter. The Recovery shall be defined as the gross amount
28 recovered from any of the target defendants, whether by way of settlement, judgment

1 or otherwise, net after reimbursement to the receivership estate of the costs advanced
2 by the Receiver, and reimbursement to the Firm of any unpaid or unreimbursed costs.
3 The Receiver shall provide an initial retainer to the Firm of \$30,000 for costs. All
4 retainers for costs will be held in the Firm's client trust account (or that of Associated
5 Counsel), and disbursed for costs as necessary. Once a retainer has been exhausted,
6 costs shall be invoiced monthly as they are incurred, and additional reasonable
7 retainers for costs may be requested. Cost retainers and costs reasonably incurred
8 shall be paid by the Receiver without the need for further court approval.

9
10 I declare under penalty of perjury under the laws of the United States of America that
11 the foregoing is true and correct.

12 Executed this 31 day of August, 2010, at Laguna Beach, California.

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15 
16 Robert K. Sall

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THE SALL LAW FIRM

A PROFESSIONAL CORPORATION

ROBERT K. SALL

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JAMES T. BIGGS
LARA A.S. CALLAS
BRANDON N. KRUEGER

RESUME OF ROBERT K. SALL

BACKGROUND

Admitted to California Bar 1978
Bar No. 83782

Admitted to Practice:

Supreme Court of California (1978)
United States District Court
 Central District of California (1987)
 Northern District of California (1978)
United States Tax Court (1984)
United States Court of Appeals, Ninth Circuit (1998)

EDUCATION

Undergraduate Education: University of California at Los Angeles
B.A. (1975), magna cum laude

Legal Education: Juris Doctor (1978) University of California, Hastings College of Law;
Hastings College Moot Court Board (1977-78)

Other Post Graduate Education: Attended Masters Program in Taxation, Golden Gate
University (1981-1983)

AFFILIATIONS AND MEMBERSHIPS

American Bar Association
ABA Center for Professional Responsibility
Association of Professional Responsibility Lawyers
Peter M. Elliott American Inn of Court
Orange County Bar Association
Los Angeles County Bar Association

TEACHING POSITIONS

Adjunct Professor of Law, Whittier Law School
Courses in Professional Responsibility
Fall 2004, Fall 2005

Adjunct Professor of Law, Western State University College of Law
Course in Legal Malpractice and Fee Disputes
Fall 2001

PROFESSIONAL AND VOLUNTEER ACTIVITIES

Trustee
Hastings College of the Law
1066 Foundation Board of Trustees

Member
Professionalism and Ethics Committee
Orange County Bar Association

Member
Professional Responsibility and Ethics Committee
Los Angeles County Bar Association

Member (2003-2006)
State Bar of California
Standing Committee on Professional Responsibility and Conduct

Arbitrator (2003-2010)
State Bar of California
Mandatory Fee Arbitration Program

Master of the Bench, Peter M. Elliott Inn of Court (1996-2010)
President of the Inn (2002-2003)

Member (2000-2003)
Orange County Bar Association
Judiciary Committee

Volunteer (2003)
Orange County Bar Association
Lawyers for Literacy Program

Committee Chair (1998-2000); Member and Vice Chair (1995-1998)
State Bar of California
Standing Committee on Mandatory Fee Arbitration

Co-Chair (1995-1998); Chair Emeritus (2005-2007)
Orange County Bar Association
Mandatory Fee Arbitration Committee

Arbitrator (1985-1986; 1990-1995; 2000-2006)
Orange County Bar Association
Mandatory Fee Arbitration Committee

Vice Chair (1993-1995)
Orange County Bar Association
Client Relations Committee

Probation Monitor (1994-1995)
State Bar of California
Office of Trials - Probation Unit

Member (1993-1998)
Orange County Bar Association
Mandatory Fee Arbitration Advisory Committee

Arbitrator (1979-1980)
San Francisco Residential Rent Stabilization Board

PUBLICATIONS

Author "*Managing Expectations: What Lawyers Can Do to Avoid Malpractice*"
Orange County Lawyer Magazine, to be published October 2010

Author "*Promoting Business Under the Advertising Rules*"
County Bar Update – December 2009
Los Angeles County Bar Association

Author: "*Ethically Speaking: Testing Loyalty's Limits – Thoughts on the Proliferation of
Advance Waivers*"
Orange County Lawyer Magazine, October 2009

Author: "*Ethically Speaking: Who 'Ya Gonna Call?': A Primer on Ex Parte Contacts
with Employees of Adverse Parties*"
Orange County Lawyer Magazine, March 2009

Author: "*The Screening Debate Continues*"
County Bar Update, November 2008, Los Angeles County Bar Association

Author (co-written with Carole J. Buckner):
"*Ethically Speaking: Is Screening on the Horizon in California?*"
Orange County Lawyer Magazine, August 2008

- Author: "Ethically Speaking: *The Coming New Ethics Rules – New Concepts*"
Orange County Lawyer Magazine, May 2008
- Author: "*Proper Conflict Disclosures for Joint Clients*"
County Bar Update, April 2008, Los Angeles County Bar Association
- Author: "Ethically Speaking: *Rough Sailing on the Seas of Inadvertent Disclosure*"
Orange County Lawyer Magazine, March 2008
- Author (co-written with Carole J. Buckner):
"Ethically Speaking: *Point/Counter Point – Sex with Clients: Prohibition or Permission*"
Orange County Lawyer Magazine, February 2008
- Author: "*The Lawyer's Ten Commandments*"
Los Angeles Daily Journal Forum, August 8, 2007
- Author: "Ethically Speaking: "*Practicing Law by the Code of the West*"
Orange County Lawyer Magazine, July 2007;
Republished, California Litigation Magazine, November 2007
- Author (co-written with Carole J. Buckner):
"Ethically Speaking: *The Self-Defense Exception to the Ethical Duty of Confidentiality*"
Orange County Lawyer Magazine, July 2006
- Author (co-written with Joel S. Miliband and David Casey):
"*Attorney Fee Arbitration in California*"
Orange County Lawyer Magazine, July 1998

EDUCATIONAL PROGRAMS

- Speaker: "*Current Issues in Ethics for Attorneys*" – Orange County Bar Association, Litigation Section, August 2010.
- Speaker: "*Ethics Update 2010: Recent Developments and Proposed New Rules from the California Rules Revision Commission*" - Irvine and Los Angeles, January 2010 (presented with Robert L. Kehr, Kevin E. Mohr and Ellen Peck)
- Speaker: "*Ethical Paradigms for 2010*" - USC Tax Law Institute, Los Angeles, January 2010, also for the office of Professional Competence, State Bar Annual Meeting, September 2010 (presented with Judith Gilbert, David B. Parker and Carole Buckner)

- Speaker: *“Legal Malpractice and How to Avoid It”* – Orange County Bar Association, November 2009 (presented with Eugen Andres, David B. Parker, Mitchell Mulbarger, Gregory H. Halliday and Ellen Peck)
- Speaker: *“Making Rain in a Dry Season”* – Federal Bar Association, Chapman University, panel discussion of business promotion and the advertising rules, October 2009 (presented with Wayne Gross)
- Speaker: *“Ethical Paradigms for 2009: Navigating Ethics and Thriving in this Contracting, Increasingly Mobile and Hyper-Competitive Legal Marketplace”* (presented with Judith Gilbert, David B. Parker and Carole Buckner); October 2009, University of Southern California/Beverly Hills Bar Association Institute on Entertainment Law and Business;
- Speaker: UC Hastings College of Law, *“Conflicts, Screening and Waivers: Are You Really Protected?”* June 2009, Los Angeles, California (presented with Joel Mark and Edith Matthai);
- Speaker: *“Ethical Obligations of Counsel in Joint Venture Consultations”*
Law Seminars International: Real Estate Joint Ventures Conference, February 2009;
- Speaker: Continuing Education of the Bar: *Ethics Update 2008: Recent Developments and Proposed New Rules*; December 2008 (Presented with Robert L. Kehr, Ellen Peck, Kevin E. Mohr);
- Speaker: *“Elimination of Bias, and Ethics in Real Estate Transactions”*, OCBA Real Estate Section, November 2008;
- Speaker: Continuing Education of the Bar: *Ethics Update: The Latest Recent Developments and Proposed New Rules*; Anaheim – November 2007, Century City – December 2007 (Presented with Robert L. Kehr, Kevin E. Mohr, Ellen Peck);
- Speaker: Continuing Education of the Bar, Century City, December 2006
“Ethics Update 2006” (Presented with Robert L. Kehr, Kevin E. Mohr, Stanley Lamport);
- Speaker: Orange County Bar Association, December 2006, December 2007
“Ethical Issues in Dealing with the ‘Impaired Lawyer’ (Presented with Carole Buckner);
- Speaker: Orange County Bar Association Mandatory Fee Arbitration Committee and Client Relations Committee, September 2006
“Ethics Update”;
- Speaker: State Bar of California, Tenth Annual Ethics Symposium, May 2006
“Using Client Secrets: Reconciling the Duty of Confidentiality with the Lawyer’s Right to Defend Himself or Others”;
- Speaker: Orange County Trial Lawyer’s Association, September 2005
“Finding and Using the Smoking Gun” (Presented with Douglas Schroeder);

Speaker: State Bar Annual Meeting, Committee on Professional Responsibility and Conduct, September 2005

"Methods for Identifying and Avoiding Conflicts" and
"How to Collect Your Fee and Avoid A State Bar Complaint";

Speaker: Orange County Bar Association for the Mandatory Fee Arbitration Committee, July 2005

"The Arbitrator's Consideration of Malpractice in Fee Arbitrations";

Speaker: State Bar Annual Meeting for the Committee on Professional Responsibility and Conduct, October 2004

"Other People's Money: An Overview of Client Trust Accounts";

Speaker: Orange County Bar Association, Real Estate Section, August 2004

"Disclosing Conflicts of Interest";

Speaker: Orange County Bar Association, MFA MCLE Program for Fee Arbitrators, July 2004

"Identifying and Handling Non-Refundable Retainers";

Speaker: Orange County Bar Association, Business Litigation Section, April 2003

"Stealth Malpractice - The Failure to Identify, Disclose and Resolve Conflicts";

Speaker: State Bar Annual Meeting for the Committee on Professional Responsibility and Conduct, October 2002 ; *"The Practical Ethics of Attorney's Fees"* (presented with Joel Mark);

Speaker: Orange County Bar Association, May 2002

"Malpractice and Ethical Issues in the Practice of Law";

Speaker: Orange County Bar Association, Solo and Small Practice Group, March 2002

"Drafting Conflict Letters";

Speaker: State Bar Annual Meeting, Insolvency Law Committee, September 2001

"Ethical Dilemmas of Pre-Bankruptcy Exemption Planning and Other Transfers"
(Presented with Rebecca Callahan, Joel Pores, and the Hon. James Barr);

Speaker: Orange County Bar Association, November 2000

"Avoiding Improper Conflicts of Interest – Issue Spotting and Training in Writing Conflicts Letters";

Speaker: State Bar Annual Meeting, October 2000

"Arbitration Clauses, Attorney's Liens and 'Non-Refundable' Retainers" and
"User's Guide to Fee Agreements and the Mandatory Fee Arbitration Process";

Speaker: State Bar of California Section Education Institute, May 1998, presented for the State Bar of California Standing Committee on Mandatory Fee Arbitration
“*Cutting Edge Issues in Fee Agreements*” and
“*Your Client Demands Fee Arbitration - Now What?*”;

Speaker: State Bar of California Section Education Institute, May 1997 and November 1997, presented for the State Bar of California Standing Committee on Mandatory Fee Arbitration,
“*Attorney’s Fees: Traps to Avoid and Tips for Getting Paid*”;

Speaker: State Bar of California Section Education Institute, May 1996 and November 1996, presented for the State Bar of California Standing Committee on Mandatory Fee Arbitration;
“*Advanced Issues in Attorney’s Fees and Fee Disputes*”;

Speaker: Orange County Bar Association MCLE Last Dash Seminar, January 1997 and January 1998
“*Getting Paid Avoiding and Surviving Fee Disputes*”;

Speaker: State Bar Annual Meeting, October 1997; presented for the State Bar of California Standing Committee on Mandatory Fee Arbitration
“*Your Client Demands Fee Arbitration - Now What*” and
“*Attorney’s Fees: Traps to Avoid and Tips for Getting Paid*”;

Speaker: State Bar of California, Standing Committee on Mandatory Fee Arbitration Fee Arbitrator Training Programs (1996-2000);

Speaker: State Bar Annual Meeting, October 1996; presented for the State Bar of California Standing Committee on Mandatory Fee Arbitration
“*Getting Hired and Getting Paid*”

Speaker: Orange County Bar Association Hawaii Seminar, October 1993
“*Difficult Attorney-Client Relationships*”

Speaker: Orange County Bar Association
Fee Arbitrator Training Programs (1993-1995)

EMPHASIS OF PRACTICE

Legal Malpractice Cases; Attorney-Client Fee Disputes; Business Litigation;
Real Estate Transactions

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A PROFESSIONAL CORPORATION

ROBERT K. SALL

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TELECOPIER (949) 499-7403

JAMES T. BIGGS
LARA A.S. CALLAS
BRANDON N. KRUEGER

RESUME OF
LARA A.S. CALLAS

(Associate.) Admitted to California Bar 1994.

Education: University of California at Los Angeles (B.A., magna cum laude, 1991);

Legal Education: Boalt Hall School of Law, University of California at Berkley (J.D., 1994).

Honors and Accomplishments: Phi Beta Kappa. UCLA President's Undergraduate Fellow; UCLA Alumni Scholar. Member, Boalt Hall Law Journals: International Tax and Business Lawyer and Ecology Law Quarterly. Head of the Rule of Law and Human Rights Department of the Organization for Security and Cooperation in Europe, Albania, 2001-2003.

Publications: Co-Author: "Review of Property Restitution Legislation and Issues in Albania," (published in German and Serbian), 2003; "House Reforms Target Damages Awards," Orange County Business Journal, 1995; "The Legacy of Jonathon Kozol, Educational Policy," 1991.

Member: Orange County Bar Association; State Bar of California, Business Litigation section.

Pro Bono Activities: Member of OCBA Client Relations Committee, 2005 – 2006; Member of OCBA Judiciary Committee 2008-10.

Languages: Albanian.

Admitted to Practice: Supreme Court of California; United States District Court, Central District of California.

Practice Areas: Business Litigation; Legal Malpractice.

SUZANNE BURKE SPENCER

668 N. Coast Highway #241, Laguna Beach, California 92651

**PROFESSIONAL
PROFILE**

Complex Business Litigator Suzanne Burke Spencer has handled a variety of business litigation matters in state and federal courts for public and private companies, including financial institutions and mortgage companies, closely held corporations, and Fortune 100 companies. Her practice areas include unfair business practices, shareholder derivative actions, class actions, trade secrets, securities fraud, attorney fee disputes, legal malpractice and ethics, labor and employment, insurance coverage and bad faith, Lanham Act, real estate finance and foreclosure, and other complex business disputes.

EDUCATION

FORDHAM UNIVERSITY SCHOOL OF LAW, New York, N.Y.
J.D. 1993

- *Fordham Law Review*, Member and Associate Editor, 1991-93

GEORGETOWN UNIVERSITY, Washington, D.C.
B.S. 1988 (Psychology)

- Dean's List; High Honors

CHINESE UNIVERSITY OF HONG KONG, Sha Tin, N.T., Hong Kong
Yale-China Association, Yale University
1986-87 Academic Year

**WORK
EXPERIENCE**

December 2009 to
Present

THE SALL LAW FIRM, Laguna Beach, California
Contract Attorney

March 2006 to
January 2010

HOLDSWORTH & HAGOPIAN, Costa Mesa, California
Of Counsel

May 2002 to March
2006

BUCHALTER NEMER, Irvine, California
Senior Counsel

April 2001 to May
2002

SMITH, ELLISON & HARRAKA, Irvine, California
Senior Counsel

January 1997 to
April 2001

SALL & SMOLOWITZ, Laguna Beach, California
Associate

September 1993 to
October 1995 and
Summer 1992

DORSEY & WHITNEY, New York, N.Y. and Costa Mesa, California
Associate

BAR ADMISSIONS

All State and Federal Courts of California, Connecticut and New York
All State Courts of Massachusetts and New Jersey

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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 August 31, 2010, I served the following document(s): **NOTICE OF MOTION AND RECEIVER'S MOTION FOR AN ORDER AUTHORIZING THE EMPLOYMENT ON A CONTINGENCY FEE BASIS OF THE SALL LAW FIRM, APC, AND WALDRON & BRAGG, LLP; DECLARATIONS OF ROBERT K. SALL AND GARY A. WALDRON IN SUPPORT THEREOF** on the interested parties addressed as follows:


SEE ATTACHED SERVICE LIST

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

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

Executed on August 31, 2010, at Los Angeles, California.

Martha Gonzalez
(Type or print name)


(Signature)

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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

**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

Counsel for Paul L. Goering and Wilda M. Goering

Kurt A. Goering, Esq.
714 E. Rose Lane, Ste. 200
Phoenix, AZ 85014

Courtesy Copy

Robert K. Sall, Esq.
The Sall Law Firm, APC
32351 Coast Highway
Laguna Beach, CA 92651

Courtesy Copy

Gary A. Waldron, Esq.
Waldron & Bragg, LLP
23 Corporate Plaza Drive, Suite 200
Newport Beach, CA 92660