

1 expenses advanced, and the reduction or capping of rates relating to the Compilation
2 of Financial Institution Documentation referenced in the Cash Transaction Analysis
3 and Financial Record Reconstruction section.

4 5 Description of Exhibits

6 6. The nature and extent of LECG services during the Second Request
7 Period are described in subsequent paragraphs and in the following exhibits to this
8 request:

- 9 a) **Exhibit 7** provides a summary of hours and rates charged by each
10 professional and paraprofessional for services rendered. LECG has
11 voluntarily discounted certain rates for certain categories of services.
12 The average hourly billing rate for LECG during the Second Request
13 Period was **\$286.54**.
- 14 b) **Exhibit 8** is a summary of the monthly fees, by category of service.
- 15 c) **Exhibit 9** provides the detailed time entries for the services provided by
16 category.
- 17 d) **Exhibit 10** provides a detail of costs expended during the Second
18 Request Period.

19 Introduction

20 7. To date, the Receivership of DLG/AEI has been very complex, labor
21 intensive, and has presented numerous difficult challenges. LECG has been
22 providing services and operating since the inception of the case at the direction of the
23 Receiver. We have been investigating, evaluating, and analyzing many transactions,
24 assets, obligations, and investor accounts of DLG/AEI and its affiliates and
25 investments; completing numerous time-sensitive and issue-specific analyses
26 requested by the Receiver, his counsel, and other parties; addressing various tax
27 issues, including preparing numerous tax returns and responding to various taxing
28

1 authorities; analyzing and investigating investor information and transaction data,
2 including investor deposits, disbursements to investors, mortgage payments, life
3 insurance policies, premium financing, and collateral assignments; and compiling
4 transaction detail and supporting documentation in support of the Receiver's efforts
5 to recover assets; all from poor and incomplete documentation. LECG was also
6 responsible for maintaining DLG/AEI's documentation and electronic files and
7 compiling information to respond to information requests and subpoenas received
8 from third parties during this period.

9 8. LECG has worked closely with the Receiver and the Receiver's team to
10 complete work that was necessary and would benefit the stakeholders of the
11 Receivership.

12 9. During the Second Request Period, LECG collected, compiled, and
13 analyzed information relevant to DLG/AEI's activities and financial transactions.
14 LECG faced significant challenges, which resulted in a large portion of the work
15 necessary to perform these tasks and complete these analyses. These difficulties
16 primarily resulted from DLG/AEI's:

- 17 a) poor recordkeeping related to cash receipts and disbursements and the
18 entities' sources and uses of funds;
- 19 b) high volume of cash inflows and outflows;
- 20 c) utilization of numerous bank accounts;
- 21 d) cryptic and difficult to decipher descriptions, when transactions were
22 recorded;
- 23 e) failure to retain important transaction documentation and records;
- 24 f) lack of appropriate supporting documentation for investments and
25 assets;
- 26 g) incomplete and unreliable data and documentation, such as: accurate
27 and reliable accounting records, a consolidated general ledger, financial
28

- 1 statements, complete bank statements and deposit detail, accounts
2 payable files, vendor invoices, etc.;
- 3 h) large number of investor accounts;
- 4 i) incomplete and inaccurate records related to deposits by investors,
5 disbursements to investors, and investor balances;
- 6 j) lack of a comprehensive, consolidated investor tracking system;
- 7 k) poor records and complexities related to collateral assignments for
8 investor accounts related to Jackson National and American National;
- 9 l) many transactions requiring significant detailed analysis to identify
10 relevant information and recreate activity;
- 11 m) numerous related-party and insider transactions.

12
13 **Description of Services**

14 10. In an effort to simply and effectively describe the services performed by
15 LECG during the Second Request Period, LECG has consolidated service categories
16 identified in the attached Exhibits into the larger, more general sections referenced
17 below:

18
19 **Identification and Preservation of Records**

20 11. The Identification and Preservation of Records section included the
21 following categories of service as referenced in the attached Exhibits:

- 22 a) (#1500) Document Identification / Preservation
23 (9.5 hrs, \$4,275.00)
- 24 b) (#1600) Electronic Data Identification
25 (9.6 hrs, \$3,007.50)
- 26
- 27 c) (#1800) Computer Forensics / E-Discovery
28 (48.4 hrs, \$6,600.00)

1 12. LECG has had primary responsibility for identification, collection,
2 preservation, and production of the paper and electronic documents, records, files,
3 and data since the inception of the DLG/AEI matter. Tasks related to maintaining
4 those records and compiling information in response to inquiries continued during
5 the Second Request Period.

6 13. Paper files filling more than 300 storage boxes have been cataloged,
7 indexed and preserved. LECG's organization of these records enabled us to identify
8 and compile documents requested by the Receiver, investors, and other interested
9 parties. Without the organization of the information completed by LECG, it would
10 have been extremely difficult to identify and compile responsive records.

11 14. LECG had previously identified and secured DLG/AEI's electronic
12 information hardware, including desktop computers, laptop machines, servers, and
13 backup equipment to preserve electronic data. During the Second Request period,
14 LECG analyzed significant portions of that data, including data files and electronic
15 mail, to identify and compile information relevant to ongoing analyses and to
16 respond to requests for information from the Receiver and third parties.

17 15. These efforts and the time incurred completing these tasks were largely
18 due to the volume of data and the poor organization of the records maintained by
19 DLG/AEI. LECG's work related to the identification and preservation of DLG/AEI'
20 records directly supported and improved the efficiency of compiling information and
21 data for analysis and production.

22
23 Cash Transaction Analysis and Financial Record Reconstruction

24 16. The Cash Transaction Analysis and Financial Record Reconstruction
25 section included the following categories of service as referenced in the attached
26 Exhibits:

- 27 a. (#1550) Compile Financial Institution Records
28 (304.8 hrs, \$60,860.00)

1 b. (#6000) Forensic Accounting

2 (800.7 hrs, \$219,980.00)

3 17. Due to the lack of reliable financial records prepared by DLG/AEI,
4 LECG has undertaken a large and involved forensic accounting project in an attempt
5 to accurately identify DLG/AEI's actual sources and uses of cash. To date, we have
6 identified, compiled, and analyzed bank records and other documentation related to
7 more than 20 separate bank accounts in an attempt to reconstruct the cash activity for
8 DLG/AEI within a consolidated transaction database. This information and analysis
9 has identified potential assets of DLG/AEI and other transactions that may result in
10 financial recoveries for the Receivership.

11 18. Due to the substantial number of bank accounts and activity, LECG has
12 been identifying, locating, requesting, and compiling a large volume of financial
13 records including bank statements and other documentation. This information has
14 been gathered from DLG/AEI's records or obtained from various financial
15 institutions, limited QuickBooks files, electronic mail, and other electronic data files
16 located on various DLG/AEI computer systems. The rate for much of this work was
17 voluntarily capped by LECG at \$200 per hour.

18 19. With respect to the information received to date, LECG's work
19 compiling transaction data from financial institutions and populating the cash
20 transaction database with this information is substantially complete.

21 20. LECG has been creating a consolidated cash transaction database to
22 identify and categorize each of DLG/AEI's cash receipts and disbursements. To
23 date, we have identified and analyzed more than 35,000 cash transactions
24 representing more than \$4 billion of cash receipts and \$4 billion of cash
25 disbursements (including transfers between accounts). We continue receiving,
26 identifying, and considering relevant information as it comes to our attention. Our
27 analysis and findings are preliminary and subject to change based on further analysis
28 and additional information that is identified or becomes available.

1 21. This extensive analysis and creation of this database was necessary
2 because DLG/AEI did not maintain typical, complete, and/or accurate financial
3 records. DLG/AEI did not maintain a consolidated general ledger or utilize an
4 effective accounting system. DLG/AEI did not prepare financial statements, such as
5 an income statement, balance sheet, or statement of cash flow on a monthly,
6 quarterly, or annual basis. Management and employees stated that basic financial
7 statements were not prepared or maintained for DLG/AEI's individual operating
8 units or on a consolidated basis for the related entities.

9 22. LECG has not located or identified company-prepared financial
10 statements or supporting documents that appear to be accurate, consistent, or reliable.
11 It became immediately clear during our investigation and analysis at the company's
12 offices that the documentation supporting DLG/AEI's interests in many assets was
13 poor, incomplete, or did not exist.

14 23. Due to the state of DLG/AEI's records and accounting information, it
15 was not possible to easily obtain accurate information. Straightforward questions,
16 such as: "How much investor money was deposited with DLG/AEI?" or "What are
17 the assets and liabilities of DLG/AEI?" could not be answered with confidence or
18 supported by reliable documentation. LECG's work and analysis of cash
19 transactions to date has identified answers to these types of question and supported
20 the Receiver's efforts to recover value for the Receivership and investors.

21 24. LECG utilized the limited available bank account records and
22 transaction documentation; third party documentation; and limited documentation
23 located in the DLG/AEI records, electronic mail, and correspondence as the
24 foundation and basis for our analysis. We have reviewed and analyzed DLG/AEI's
25 records and worked with numerous financial institutions and the Receiver to gather
26 the documentation that supports this analysis.

27 25. During the Second Request Period a large volume of transaction records
28 was received from financial institutions and was used to update and improve the

1 information contained within the database. This data provided valuable information
2 about transactions that had been previously identified, but for which the purposes had
3 not yet been determined or involved payments to previously unknown recipients.
4 The information also allowed LECG to identify approximately 5,000 additional cash
5 transactions.

6 26. Through analysis, LECG identified approximately 100 separate bank
7 accounts belonging to DLG/AEI and related parties, many that were not disclosed
8 during our meetings and discussions with company management and employees. In
9 addition to identifying additional bank accounts, our ongoing efforts creating the
10 cash transaction database and compiling the related supporting documentation has
11 resulted in other important findings. We have identified, quantified, and matched to
12 cash transactions previously unknown cash disbursements, potential assets of DLG,
13 and insider and related party transactions, which may ultimately result in financial
14 recoveries to the Receivership.

15 27. Analysis of the transactions cataloged within the database identified
16 transfers that related to potential assets for the Receiver to pursue for recovery. This
17 information served as the basis for exhibits to various complaints and motions filed
18 by the Receiver. Examples include disbursements to, or for the benefit of, family
19 members and other insiders. The database allowed for the identification of sales
20 commissions paid to DLG/AEI brokers. At this point, LECG's work has largely
21 moved from tasks related to gathering, cataloging, and compiling documents and
22 records to analyzing this data to provide responsive and meaningful information to
23 the Receiver and others.

24 28. This work has improved our understanding of investor account balances.
25 DLG/AEI did not accurately record and track investor contributions or distributions
26 to investors. DLG/AEI maintained separate "off-book" records of the transaction
27 histories and account balances for investor accounts. Multiple separate Excel files
28 were prepared to record account activity for each of the more than 1,500 investor

1 accounts. We have utilized our cash transaction database to identify inaccuracies,
2 inconsistencies, and investor contributions and distributions that were not reflected in
3 DLG/AEI's individual investor account files. This analysis also identified potential
4 Receivership assets related to amounts disbursed to investors.

5 29. LECG has preliminarily categorized more than 30,000 (over 85%) of
6 the currently identified transactions. Additional work and information collection is
7 required to fill in missing transaction descriptions, payee/payors, etc. The majority
8 of the uncategorized transactions are smaller amounts, lower priority items, and
9 transfers for which we are seeking additional information. If it is determined that we
10 should complete additional work related to these items, we will efficiently identify,
11 collect, and analyze relevant and available information. We will update the cash
12 transaction database as appropriate.

13 30. LECG has analyzed a large population of individual transactions and a
14 much larger population of related documentation in a methodical approach. The
15 volume of these records has driven the amount of time and cost incurred related to
16 this analysis. Our efforts in this area have been necessarily front-loaded. The
17 database has now progressed to a point where questions and information can be
18 queried and extracted to answer questions, identify transactions, and support the
19 Receiver's efforts to recover assets in a manner that is far more efficient, objective,
20 and cost-effective than completing specific analyses as individual issues arise.

21

22 *Time-sensitive, Issue-specific Analyses*

23 31. The Time-sensitive, Issue-specific Analysis section included the
24 following categories of service as referenced in the attached Exhibits:

25 a) (#1250) Responding to Receiver/Counsel Inquiries

26 (269.3 hrs, \$80,962.50)

27 b) (#1260) Responding to Federal Agency/Investigator Inquires

28 (50.9 hrs, \$15,992.50)

- 1 c) (#1300) Court Reporting/Pleading Assistance
- 2 (42.6 hrs, \$19,244.00)
- 3 d) (#2000 - #3130) – Asset Identification/Preservation/Liquidation
- 4 (73.5 hrs, \$24,205.50)
- 5 e) (#4000) – Claim/Investor Analyses
- 6 (129.7 hrs, \$41,687.50)
- 7 f) (#4010) – Jackson National/American National Analyses
- 8 (32.4 hrs, \$11,220.00)
- 9 g) (#5000) – Litigation
- 10 (24.7 hrs, \$8,099.50)
- 11

12 32. During the Second Request Period, LECG prepared a variety of
13 analyses in order to respond to numerous time-sensitive requests from Federal
14 Agency Investigators, the Receiver, investors, vendors, counsel to third parties, and
15 other stakeholders. Completing this work required compiling and analyzing
16 transaction documentation from various electronic and paper sources to identify and
17 quantify DLG/AEI's expenditures related to the purchase and/or investment in more
18 than 50 separate assets/investments; transfers to, or for the benefit of, insiders
19 exceeding \$50 million; and identifying activity for more than 1,500 individual
20 investor accounts. These analyses are ongoing.

21 33. LECG also continued to gather information about the DLG/AEI's assets
22 and the amounts invested in those assets. LECG has determined that the majority of
23 DLG/AEI assets were equity interests and loans to businesses and individuals.
24 LECG's efforts related to these assets focused largely on compiling and analyzing
25 documentation to verify, confirm, and correct the information initially collected.
26 LECG identified and quantified cash disbursements for investments. We examined
27 and utilized the available paper documentation, electronic files, and electronic mail
28 to identify and compile records, such as correspondence and contracts, to understand

1 transactions. If DLG/AEI had maintained organized and complete asset files, an
2 investment and asset tracking system, or maintained a reliable accounting system,
3 our efforts in this area would have been greatly simplified and would have required
4 significantly less time to complete.

5 34. LECG's ongoing analysis identified related parties and insiders that
6 received or benefitted from distributions made by DLG/AEI. As parties were
7 identified, LECG analyzed cash transactions and available correspondence to
8 identify amounts paid to these individuals. To date, DLG disbursements exceeding
9 \$50 million to purchase residences, pay for automobiles, pay credit card bills, and
10 other disbursements to, or for the benefit of, insiders have been identified. These
11 analyses identified relevant disbursements and directly supported various Receiver
12 efforts to recover funds and assets.

13 35. DLG/AEI's recordkeeping regarding transactions involving insiders was
14 largely nonexistent. The very limited transactions that were recorded were not easy
15 to decipher. Due to the state of DLG/AEI's records, recreating the details of the
16 transactions and identifying the individuals that benefitted from these disbursements
17 and quantifying the amounts paid required a significant amount of time and analysis.

18 36. LECG analyzed DLG/AEI's limited files and utilized multiple
19 information sources to create a listing of potential creditors for the purpose of
20 providing notice of the Receivership. During the Second Request Period, we
21 undertook significant efforts updating this listing to ensure that the claims notice
22 issued in February was as accurate and complete as possible. The parties identified
23 and contained in this listing were primarily investors, vendors, insurance carriers,
24 affiliated entities, employees, and contractors of DLG/AEI.

25 37. LECG analyzed various records prepared by DLG/AEI in an effort to
26 decipher and identify investor transaction activity. During the Second Request
27 Period, we analyzed many investor transactions and evaluated investor accounts.
28 LECG used the available information to identify the investor accounts which

1 potentially received payments from DLG/AEI that exceeded the amounts deposited
2 by those investors to support the Receiver's efforts to recover funds. We also
3 responded to numerous investor inquiries and information requests.

4 38. LECG analyzed more than 200 separate investor accounts related to the
5 Jackson National and American National collateral assignments. These analyses
6 were prepared in order to provide timely responses to urgent requests and were
7 necessary because DLG/AEI had not maintained complete or accurate account files
8 for individual account holders relating to the collateral assignments. The analysis
9 identified more than \$8 million of Jackson National and American National annuities
10 most of which were collaterally assigned to certain investors. These annuities will
11 ultimately result in the release of \$7 million to collateralized investors and
12 potentially \$1 million to the DLG/AEI receivership. Analysis of information and
13 transactions regarding these accounts, and responding to related inquiries and
14 information requests, continued into the Second Request Period and is now largely
15 complete.

16 39. LECG undertook significant efforts during the Second Request Period
17 responding to subpoenas and information requests at the direction of the Receiver
18 because this was the most efficient alternative available to provide these records.
19 However, compiling this responsive information was an involved and time
20 consuming process due to the volume and nature of DLG/AEI's records and
21 information.

22 40. LECG compiled a variety of data and information, including exhibits,
23 transaction details, and supporting documentation, in support of the Receiver's legal
24 filings. These efforts were completed to support the Receiver's ongoing efforts to
25 identify and recover assets for the Receivership estate and increase amounts available
26 to DLG/AEI investors.

27 41. The amount of time and effort required for LECG to complete the
28 analyses and perform the tasks listed above largely resulted from the poor condition

1 and organization of DLG/AEI's records. If DLG/AEI had maintained reasonably
2 accurate, complete, and reliable financial records, this information would have been
3 more readily available. Instead, in numerous instances, LECG was required to piece
4 together useful, responsive, and important information from limited and poor
5 supporting records to reply to high priority, time sensitive requests.

6
7 Tax Services and Compliance

8 42. The Tax Services and Compliance section includes the following
9 categories of service as referenced in the attached Exhibits:

- 10 a) (#7000) Tax Compliance / Planning
11 (232.5 hrs, \$77,350.00)

12 43. LECG read and analyzed correspondence received from federal and
13 state taxing authorities. LECG determined and provided appropriate responses to the
14 issues raised in the numerous notices received from federal and state taxing
15 authorities. These responses included, but were not limited to, inquiries regarding
16 Diversified Lending Group, Inc., Applied Equities, Inc. and MMHIM, Inc.,
17 outstanding payroll liabilities, requests to abate penalties, and to transfer payments
18 applied by the Internal Revenue Service ("IRS") incorrectly to the correct tax period
19 and type of tax.

20 44. LECG worked closely with the IRS agent auditing Diversified Lending
21 Group, Inc.'s return for the 2006 tax year. LECG analyzed the taxpayer's records
22 and provided financial and other information to the IRS, as requested. LECG
23 communicated with the Receiver regarding outstanding tax issues to be addressed in
24 the case and to keep the Receiver apprised of the status of the ongoing federal and
25 state tax audits. LECG also worked with and provided requested information to
26 California taxing authorities.

1 45. LECG analyzed payroll documents and worked closely with the IRS and
2 state payroll taxing authorities during payroll audits performed. LECG met with
3 agents and provided documentation, as was required.

4 46. LECG performed tax research regarding requirements for valuation of
5 IRA accounts and pertinent information to be provided to investors. LECG also
6 prepared a memorandum of findings to provide to the Receiver. LECG provided
7 information to the Receiver regarding the status of the "Friedman Charitable
8 Foundation", a related entity of the taxpayer.

9 47. LECG prepared Form(s) W-9 and First and Second B notices to be sent
10 to Form 1099 recipients to secure required Taxpayer Identification Numbers. LECG
11 also responded to Form W-9 recipients' inquiries as to the nature of the request.
12 LECG analyzed transaction records for tax year 2009 to identify Form 1099
13 recipients and to determine all required information to be reported on Form 1099.
14 LECG prepared, distributed, reviewed and filed required Form(s) 1099 and 1096 for
15 tax year 2009.

16 48. LECG performed an in-depth analysis of Diversified Lending Group,
17 Inc.'s ("DLG") financial records to determine balance sheet and income statement
18 activity to be included in the taxpayers 2006 through 2008 income tax returns.
19 LECG revised and updated the 2007 income tax returns prepared for DLG as a result
20 of this analysis, due to the discovery of inaccuracies reported on previously prepared
21 income tax returns. LECG reviewed the 2007 DLG income tax returns for
22 completeness and accuracy and revised, as was required. LECG prepared the
23 necessary documents and caused the 2007 DLG federal and state income tax returns
24 to be filed. LECG also analyzed the 2008 financial activity of DLG, and prepared,
25 reviewed and caused the 2008 federal and state income tax returns for DLG to be
26 filed.

27 49. LECG also performed an in-depth analysis of Applied Equities, Inc.'s
28 ("AEI") financial records to determine balance sheet and income statement activity

1 reviewing time detail, determining write-offs, categorizing case billings, and
2 preparing this Fee Request.

3 53. LECG prepared for and attended project team meetings and meetings
4 with the Receiver and counsel. These meetings and discussions were essential to
5 efficiently share information, develop assignments and tasks, and to avoid
6 duplication of efforts. Project workflow was improved through the identification and
7 prioritization of issues that occurred during these meetings.

8
9 **Status of Major Assignments**

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11 54. Our work securing, indexing, and cataloging more than 300 boxes of
12 paper files and approximately 400 gigabytes of electronic data related to DLG/AEI is
13 essentially complete. We have also finished our assignments related to other the
14 other various business termination issues. There may be additional information
15 requests or other business termination issues that surface, however, those should be
16 relatively minor.

17 55. The tax work is ongoing and will continue, depending on responses
18 from various taxing authorities and the various tax returns that are required to be
19 prepared and filed.

20 56. LECG has completed the analyses to determine the distributable
21 portions of the Jackson National and American National annuities collaterally
22 assigned to investors and the balances of related investor accounts. The only
23 currently-foreseeable additional efforts related to these analyses would be responding
24 to follow-up questions or evaluating some newly received or identified information
25 relevant to specific individual investor accounts.

26 57. The known time-sensitive, issue-specific analyses discussed above have
27 been completed. However, various issues continue to arise, which require analysis
28

1 and response. Additional services will be required as assets and investments are
2 identified and the appropriate course of action is determined.

3 58. LECG's work compiling supporting documentation and analyzing
4 DLG/AEI's transactions to identify and capture information and populate the cash
5 transaction database is ongoing. A wide spectrum of additional work can be
6 completed related to DLG/AEI transactions. We are working with the Receiver to
7 prioritize our efforts and determine the appropriate level of analysis going forward.
8 To date, we have identified more than 35,000 separate cash transactions. We have
9 analyzed, and preliminarily categorized, more than 85% of those items. Where
10 appropriate, we will use additional information and documentation to finalize our
11 analysis of the identified transactions. Our analysis is a work-in-process and there
12 will continue to be transactions that are unknown and further discovery may be
13 necessary. This analysis includes DLG/AEI and certain Bruce Friedman-related
14 accounts. Due to the volume of accounts and transactions, limited resources, and
15 time constraints LECG has not yet evaluated or analyzed the numerous other related-
16 party and related-entity accounts. The framework of the database is now established
17 and developed. Our efforts have moved toward a more focused and precise approach
18 to pursuing recoveries, identifying the remaining unknown transactions, and
19 searching for additional unknown assets utilizing the information compiled in the
20 database.

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DECLARATION

DECLARATION

1
2 **DECLARATION OF JACK ZAKIM IN SUPPORT OF REQUEST FOR**
3 **COMPENSATION**

4 I, Jack Zakim, declare that

5 1. I am a partner at Nashel Kates Nussman Rapone Ellis & Farhi (“NK”),
6 as special counsel in New Jersey to David A. Gill as the Receiver, regarding the sale
7 of membership interest in 55 Edgemere Avenue, LLC.

8 2. Except for those facts alleged on information and belief, I have personal
9 knowledge of the facts in this declaration and, if called as a witness, I could
10 competently testify to these facts.

11 3. In connection with my representation of the Receiver, I have performed
12 the following services:

13 (a) Representation of Receiver as prospective Seller of
14 membership (equity) interest in a New York limited liability company (55
15 Edgemere Avenue, LLC) belonging to Bruce Friedman as Resigning Member,
16 to the Remaining Members Jeffrey Appel and John Caraccioli in connection
17 with real property (55 Edgemere Avenue, Greenwood Lake, New York) and a
18 pleasure boat, owned by the limited liability company.

19 (b) Preliminary communications with counsel for Receiver,
20 research, on requirements to assign/convey membership interest in a New
21 York limited liability company, having as its sole asset real estate and
22 conveyance of a marine vessel as part of the assignment, recommendations for
23 appraiser and communications with the appraiser regarding value of real
24 estate, telephonic, e-mail and letter correspondence and communications with
25 counsel for prospective purchasers including negotiations regarding price,
26 terms, adjustments, and conditions of sale:
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1 (c) Research regarding value of a pleasure boat and
2 communications with boat dealers regarding the value of the pleasure boat and
3 negotiations with Seller's attorney in connection therewith.

4 (d) Review of appraisals and discussions with client and
5 Seller's attorney negotiating price and terms.

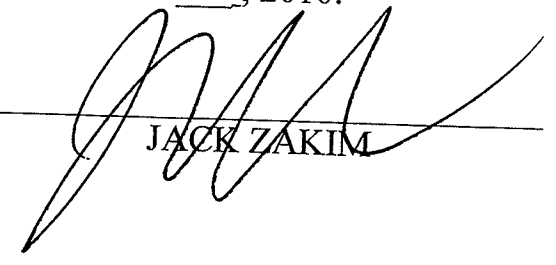
6 (e) Preparation of Agreement to Assign/Sell Membership
7 Units inclusive of several drafts circulated to client and adversary, receipt of
8 comments from counsel for Receiver and adversary, revisions to Agreement of
9 Sale, arrangements to locate and identify exhibits to Agreement of Sale and
10 arrangements to exchange signatures on Agreement of Sale:

11 (f) Services as escrow agent for deposit, preparation of
12 transaction documents, attendance at closing and arrangements to wire funds
13 to Receiver, as per time billing entries in the attachment.

14 4. My services described above are included in our itemized invoice dated
15 December 18, 2009 inclusive of our disbursements totaling \$7,790.00 in man hours
16 and \$102.59 in disbursements resulting in a balance due of \$7,892.59. The
17 descriptions of the detailed services performed and costs incurred by NK are set forth
18 in detail in Exhibit "11" attached hereto.

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

21 Executed at HACKENSACK, New Jersey, on March 24, 2010.

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25 JACK ZAKIM
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DECLARATION

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DECLARATION OF PETER CARLINO

I, Peter Carlino, declare that

1. I am a partner at MacNeill & Carlino ("M&C") as special counsel to the Receiver in connection with real estate foreclosure and bankruptcy proceedings pending in North Carolina.

2. Except for those facts alleged on information and belief, I have personal knowledge of the facts in this declaration and, if called as a witness, I could competently testify to these facts.

3. I have described the services that I have provided and the amounts owing in the letter attached hereto as Exhibit "12", which includes detailed time entries for the services provided in connection with the Coastal Ventures matter in the amount of \$4,700, and for services provided in connection with the Uwharrie Valley Partners matter.

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

Executed at Charlotte, North Carolina, on March 25, 2010.


PETER CARLINO

DECLARATION

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**DECLARATION OF G. KIRKLAND HARDYMON IN SUPPORT OF
REQUEST FOR COMPENSATION**

DECLARATION OF G. KIRKLAND HARDYMON

I, Kirkland Hardymon, declare that

1. I am a partner at Rayburn Cooper & Durham, P.A. ("RCD") as special counsel to the Receiver in connection with litigation matters relating to property in which Diversified Lending Group ("DLG") has an interest in North Carolina.

2. Except for those facts alleged on information and belief, I have personal knowledge of the facts in this declaration and, if called as a witness, I could competently testify to these facts.

3. Diversified Lending Group, LLC ("DLG"), ReProp Financial Mortgage Investors, Inc. ("ReProp") and Underwriters Funding Group, LLC ("UFG" and, collectively with DLG and ReProp, the "Lenders" or "Defendants") engaged Rayburn Cooper & Durham, P.A. ("RCD") on or about Thursday, February 26, 2009 when faced with a pending motion, filed by Coastal Ventures Group II, LLC ("CVG" or "Plaintiff") for temporary restraining order to restrain the foreclosure sale of real property owned by CVG known as the Linville Mountain Golf Club and Preserve (the "Property") which serves as collateral for outstanding loans from the Defendants to CVG.

4. The temporary restraining order was scheduled to be heard in McDowell County, North Carolina on or about Monday, March 2, 2009. Ultimately, the hearing on the motion for temporary restraining order was postponed due to inclement weather until on or about Thursday, March 5, 2009. RCD appeared at the hearing on the motion for temporary restraining order in McDowell County on that date and the motion was granted over defendants' objections.

5. In connection with preparing for the hearings on the motion for temporary restraining order and preliminary injunction, RCD reviewed CVG's Complaint and motion papers, and conducted extensive legal research into various matters in connection with drafting opposition papers and for argument at the hearing including, but not limited to, the claims asserted against Lenders by CVG such as breach of fiduciary duty, violation of the Mortgage Lending Act, tortious interference, unfair trade practices, and unconscionability. Furthermore, RCD communicated extensively with both Chuck Salas of UFG and Peter Carlino, the Lenders' corporate counsel, with respect to the factual background of the dispute with CVG. RCD interviewed several witnesses in connection with preparing for the hearing and/or drafting affidavits including Mayo Collier, Rick Ryan, Tim Zirkle, Mick Evans, and various contractors and/or creditors of CVG. RCD conferred with opposing counsel when called for and drafted opposition papers including an affidavit of Chuck Salas, Mick Evans, and Tim Zirkle. In addition, RCD reviewed a substantial amount of documents it received from the Lenders in preparation for the hearings.

6. RCD represented the Defendants in a hearing on the motion for preliminary injunction was scheduled for on or about Monday, March 16, 2009. After a two-day evidentiary hearing, CVG's motion for preliminary injunction was denied, and the Superior Court ordered

the bond posted by CVG to be paid to Defendants. CVG filed an emergency petition for writ-motion for temporary stay on the Superior Court's order denying CVG's motion for preliminary injunction, and on or about March 20, 2009, the North Carolina Court of Appeals entered an order staying the rescheduled foreclosure sale. RCD prepared and filed opposition papers to the motion pending in the Court of Appeals and on or about April 2, 2009, the Court of Appeals ruled in defendants' favor allowing defendants' rescheduled foreclosure sale to proceed.

7. During this time RCD also filed lawsuits against James Kunevicius and Art Secor, guarantors on the CVG loan made by the Defendants. Those lawsuits are currently pending in North Carolina Superior Court. On or about April 3, 2009, CVG, the primary obligor on the loan from defendants filed bankruptcy in the United States Bankruptcy Court for the Western District of North Carolina (the "Bankruptcy Court").

8. RCD has also represented the Lenders in all aspects of CVG's bankruptcy. Generally, RCD has reviewed all pleadings, schedules and reports filed by CVG and engaged in communications with CVG's bankruptcy counsel, and had frequent communications with the Lenders regarding occurrences in the CVG bankruptcy case. RCD sought and obtained Bankruptcy Court authority to apply the proceeds of the \$25,000 bond posted by CVG in the McDowell County, North Carolina litigation, as well as approximately \$95,000 being held by UFG toward fees and expenses incurred by the Lenders in connection with the CVG loan.

9. RCD drafted and filed a motion for relief from the automatic stay, seeking Bankruptcy Court authority to proceed with the Lenders' foreclosure actions against the Property. In advance of filing the stay relief motion, RCD engaged in extensive discovery, taking depositions of James Kunevicius, CVG's principal, Tracey Robins, CVG's former bookkeeper, Mike Nedrow, CVG's head golf professional and operations manager, and Dean Harrell, the principal of RDH Union, LLC, the second lien holder with respect to the Property. In addition, RCD interviewed Art Secor, a former partner in CVG. This discovery process was designed to produce evidence of "cause" justifying the Bankruptcy Court granting of stay relief to the Lenders. RCD also reviewed and analyzed an appraisal of the Property prepared by Richard Marlow, and met with Mr. Marlow in advance of the hearing on the Lenders' stay relief motion.

10. The hearing on the Lenders' motion for relief from stay occurred on July 29, 2009. RCD represented the Lenders at that hearing. After hearing evidence from the Lenders and CVG regarding the value of the Property, the Bankruptcy Court determined to continue the stay relief hearing to September 16, 2009 in conjunction with a hearing on the Debtor's amended plan of reorganization, which was filed on August 14, 2009. RCD drafted and filed an objection to the Debtors' amended plan of reorganization and disclosure statement.

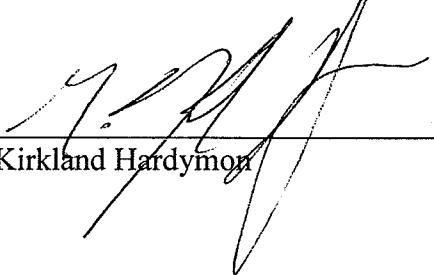
11. On September 16, 2009, the Bankruptcy Court reconvened the hearing continued from July 29, 2009, in order to consider the Debtors' amended plan of reorganization and the Lenders' Motion for Relief from Stay. At that hearing, the Debtor informed the Bankruptcy Court and the Lenders that on September 15, 2009 it had received an offer from the Epoch Trust to purchase the Property, securing the Lenders' loan to the Debtor, and moved to continue the hearing. The Bankruptcy Court continued the hearing, over the Lenders' objection, until October

16, 2009. RCD reviewed the Epoch Trust sales contract and prepared and served subpoenas on the principals of the Epoch Trust for testimony at the continued hearing and the production of documents.

12. On October 16, 2009 the Bankruptcy Court reconvened the hearing on the Debtors' Amended Plan of Reorganization and the Lenders' Motion for Relief from Stay. At the conclusion of the hearing, the Bankruptcy Court denied confirmation of the Debtors' amended plan of reorganization and granted the Lenders' Motion for Relief from Stay. Ultimately, the Property was foreclosed under a power of sale.

13. During this time, RCD continued to work on the guaranty litigation pending in the North Carolina Superior Court. This included obtaining a preemptory setting for trial, addressing Defendant Secor's Motion to Dismiss and the selection and scheduling of a mediation.

14. A true and copy of RCD's bill setting forth the detailed time entries of the services provided for August 1, 2009 to the present is attached hereto as "Exhibit 13".



G. Kirkland Hardymon

DECLARATION

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**DECLARATION OF THOMAS RENDA IN SUPPORT OF REQUEST FOR
COMPENSATION**

I, Thomas Renda, declare that

1. I am a partner at Miles & Stockbridge, P.C. (“M&S”). M&S was retained as special counsel to the Receiver in connection with the documentation of settlement agreement with Mark Friedman in accordance with Maryland law.

2. Except for those facts alleged on information and belief, I have personal knowledge of the facts in this declaration and, if called as a witness, I could competently testify to these facts.

3. M&S was retained by the Receiver in late 2009 for the purpose of documenting a settlement proposal between the Receiver and Mark Friedman, a relative of Bruce Friedman who had received a \$6 million transfer from Diversified in or about June 2008.

4. M&S familiarized itself with the terms of the settlement proposal and negotiated a series of changes and amplifications. M&S also obtained an updated title and judgment report on the collateral pledged to secure the settlement obligations. M&S then documented the transaction in accordance with Maryland law. The settlement involved preparation of a promissory note secured by real property located in Maryland, along with the settlement agreement, guaranty, indemnity deed of trust and related documents.⁹ M&S communicated with counsel for Mark Friedman as well as with the Receiver’s general counsel in order to complete and document the transaction.

⁹ In additional to real property collateral, Mr. Friedman pledged his interest in a life insurance policy and his interest in profits generated by his legal firm as collateral.

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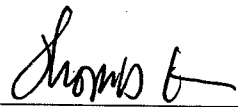
5. The papers were completed in early March 2010, and the Receiver has obtained court approval of the settlement agreement.

6. A true and correct copy of M&S's bill setting forth the detailed time entries of the services provided and the costs incurred is attached hereto as Exhibit "14".

7. M&S has incurred fees in the amount of \$20,775.50 and expenses of \$201.45 for the time period through February 28, 2010.

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

Executed at BALTIMORE, Maryland, on March 24th, 2010.



THOMAS RENDA

DECLARATION

1
2 **DECLARATION OF CHRISTIAN J. LIMON IN SUPPORT OF REQUEST**
3 **FOR COMPENSATION**

4 I, Christian J. Limon, declare that

5 1. I am an associate at Bryan, Gonzalez Vargas y Gonzalez Baz Tijuana,
6 S.C. ("Bryan Gonzalez"). Bryan Gonzalez was retained as special counsel to the
7 Receiver in connection with the legal issues affecting real property interests of the
8 Receiver in Mexico.

9 2. Except for those facts alleged on information and belief, I have personal
10 knowledge of the facts in this declaration and, if called as a witness, I could
11 competently testify to these facts.

12 3. Bryan Gonzalez was asked to review documentations and evaluate a
13 transaction whereby it appeared that Diversified had made a loan in the amount of
14 \$6,394,302.80. In connection with that matter, Bryan Gonzalez engaged in the
15 following activities:

16 a. Reviewed a box of documents relating to a loan agreement for the
17 amount of US\$6,394,302.80 dollars;

18 b. Researched status of liens on property listed as collateral in the
19 above mentioned loan agreements, and found none recorded.

20 c. Prepared an opinion on status and options for securing repayment of
21 loan;

22 d. Had several meetings with Mexican Notary Public regarding original
23 mortgage deeds that needed to be recorded to place lien on collateral
24 property;

25 e. Processed recording of liens on collateral properties listed in the
26 mortgage deeds for the referenced loan;
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28

1 f. Corrected a non-recordable lien based on the prior sale of one of the
2 collateral properties;

3
4 4. Bryan Gonzalez was asked to review documentation and evaluate a
5 transaction whereby it appeared that Diversified had made a loan in the amount of
6 \$4,200,000. In connection with that matter, Bryan Gonzalez engaged in the
7 following activities:

8 a. Researched the status of liens on property listed as collateral in the
9 abovementioned loan agreements, and found all recorded;

10 b. Had discussion with Debtor regarding payment and/or renegotiation
11 of unpaid principal;

12 c. Arranged contact of Receiver and/or his counsel with Debtor.

13 5. Bryan Gonzalez was also asked to evaluate the Receiver's interest in a
14 condominium in Cancun, Mexico and to advise with respect to title on the property
15 and a possible sale. In connection with that matter, Bryan Gonzalez engaged in the
16 following activities:

17 a. Researched status of title on condominium located in Cancun,
18 Quintana Roo, Mexico;

19 b. Had several discussions with Notary Public in Cancun and Trustee
20 Bank re options to transfer interest in condominium;

21 c. Prepared opinion on options to secure 50% in property title;

22 d. Researched and found a real estate broker in Cancun, to prepare an
23 appraisal of condominium;

24 e. Reviewed and revised Exclusive Right of Sale Agreement to be
25 executed by Receiver and real estate broker for payment of commission on
26 sale of condominium.
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PROOF OF SERVICE

I, Mary E. Kelly, 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 April 2, 2010, I served the following document(s): **RECEIVER'S (1) SECOND REQUEST FOR APPROVAL OF PROFESSIONAL FEES AND EXPENSES; AND (2) REQUEST FOR APPROVAL OF PROCEDURES FOR FUTURE FEE APPLICATIONS; DECLARATIONS OF DAVID A. GILL; KATHY BAZOIAN PHELPS; DAVID W. CALLAGHAN; JACK ZAKIM; PETER N. CARLINO; G. KIRKLAND HARDYMON; CHRISTIAN J. LIMON; AND THOMAS RENDA** on the interested parties addressed as follows:

SEE ATTACHED LIST

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

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

Executed on April 2, 2010, at Los Angeles, California.

Mary E. Kelly

(Type or print name)

Mary E. Kelly

(Signature)

1 **SERVICE LIST**

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

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