

1 the alleged forgery. Danning Gill assisted in the process of locating a handwriting
2 expert, who ultimately determined that the letter is indeed a forgery.

3 During the subject period, Danning Gill expended an aggregate of 10.30 hours
4 of time in this category, valued at \$3,440.50.

5 51. Claim Against Kevin Keller ("L-42"):

6 Danning Gill investigated the transfer of approximately \$1,318,000 for the
7 benefit of Kevin Keller, which was used as full payment for a residence at 8102
8 Willoughby Avenue in Los Angeles, California. Danning Gill filed a complaint
9 against Mr. Keller to avoid and recover the transfers of funds and applied for and
10 was granted, and recorded a writ of attachment and temporary protective order
11 against the property at issue.

12 Danning Gill, with Court approval, settled the Receiver's claims against Mr.
13 Keller. Mr. Keller transferred the property to the Receiver for sale by the Receiver.
14 Danning Gill assisted the Receiver in marketing, selling and transferring the property
15 which netted the estate a total of \$906,969.25.

16 During the subject period, Danning Gill expended an aggregate of 71.00 hours
17 of time in this category, valued at \$19,693.50.

18 52. Claims Against Karen O'Callaghan ("L-43"):

19 Danning Gill investigated the facts relating to the transfer of approximately
20 \$1,355,000 for the benefit of and on behalf of Karen O'Callaghan, which was used to
21 purchase a residence at 5034 Mecca Avenue in Tarzana, California. Danning Gill
22 additionally investigated liens against that property and a subsequent transfer of the
23 property to Ms. O'Callaghan's entity following the commencement of this
24 receivership proceeding. Danning Gill filed a complaint and obtained and recorded a
25 writ of attachment and temporary protective order to prohibit any further transfers of
26 the property.

27 Danning Gill subsequently learned that Ms. O'Callaghan had borrowed
28 \$500,000 against the residence following the appointment of the Receiver. Danning

1 Gill has conducted discovery to trace the \$500,000 and, with leave of Court,
2 amended the complaint to identify additional transfers and additional defendants.

3 In late April 2010, Ms. O'Callaghan filed for Chapter 7 bankruptcy. Danning
4 Gill obtained relief from the automatic stay in order to pursue the Receiver's claims
5 in this Court. Danning Gill conducted extensive discovery and investigation in the
6 O'Callaghan matter due to Ms. O'Callaghan's decision to invoke her Fifth
7 Amendment privilege against self-incrimination. Danning Gill continues to litigate
8 the matter is preparing for trial on this matter.

9 Danning Gill, with the Court's approval, and after extensive negotiations,
10 entered into a settlement agreement with the Chapter 7 trustee in Ms. O'Callaghan's
11 bankruptcy case in order to clarify which claims belong to the Receiver and which
12 claims belong to the Trustee.

13 During the subject period, Danning Gill expended an aggregate of 563.30
14 hours of time in this category, valued at \$175,200.00.

15 53. Bruce Friedman ("L-44"):

16 Danning Gill has communicated with Mr. Friedman's counsel and the
17 Receiver's accountants to evaluate transfers of assets into the name of Mr. Friedman
18 or his family members. Danning Gill continues to review information to identify all
19 of the Receiver's claims against Bruce Friedman.

20 During the subject period, Danning Gill expended an aggregate of 6.40 hours
21 of time in this category, valued at \$2,175.00.

22 54. Children's Museum of Los Angeles ("L-45"):

23 No fees were incurred in this category during the subject period.

24 55. Friedman Charitable Foundation ("L-46"):

25 No fees were incurred in this category during the subject period.

26 56. Markowitz ("L-47"):

27 The Markowitz family invested a significant amount in Diversified at the
28 behest of salesman, Adam Markowitz. Markowitz filed a lawsuit against Jackson

1 National which remains pending at this time. Danning Gill has monitored that
2 litigation, reviewing the pleadings filed in the case in order to assist in evaluation of
3 the facts and claims relating to Jackson National.

4 During the subject period, Danning Gill expended an aggregate of .10 hours of
5 time in this category, valued at \$54.00 during the subject period.

6 57. Kirkland & Ellis ("L-48"):

7 Immediately upon the appointment of the Receiver, Danning Gill contacted
8 Kirkland & Ellis, prior counsel for Diversified, to obtain books and records.
9 Danning Gill continued to review and evaluate, in great detail, the voluminous
10 documents and any claims the Receiver may have against Kirkland & Ellis relating
11 to Kirkland & Ellis' representation of Diversified and its assistance to Diversified in
12 preparation of private placement memorandum distributed to investors of
13 Diversified. Danning, Gill noticed and took depositions of several Kirkland & Ellis
14 lawyers in New York in connection with its investigation of the facts and possible
15 claims relating to Kirkland & Ellis's involvement. Danning Gill has entered into
16 tolling agreements with Kirkland & Ellis to preserve any claims the Receiver may
17 have against Kirkland & Ellis pending further review of the documents produced by
18 Kirkland & Ellis.

19 During the subject period, Danning Gill expended an aggregate of 99.90 hours
20 of time in this category, valued at \$33,051.50.

21 58. Intentionally Omitted ("L-49"):

22 No fees were incurred in this category during the subject period.

23 59. 3120 Sheridan Ave., Des Moines Iowa ("L-50"):

24 Danning Gill learned of this Iowa property in the name of Karen O'Callaghan
25 and has reviewed the documentation related thereto. Danning Gill obtained the title
26 report for this out-of-state property to determine that there is a deed of trust against
27 this property in favor of Diversified. Danning Gill has assisted the Receiver in his
28 communications with the trustee appointed over Ms. O'Callaghan's bankruptcy case

1 to reach an agreement regarding the sale of the Iowa property and payment to the
2 Receiver. Danning Gill continues to evaluate rights the Receiver may have with
3 respect to this property and to communicate with the bankruptcy trustee.

4 During the subject period, Danning Gill expended an aggregate of .40 hours of
5 time in this category, valued at \$238.00.

6 60. Charles Fabish Note ("L-51"):

7 No fees were incurred in this category during the subject period.

8 61. Makin' Fun ("L-52"):

9 Makin' Fun, Inc., was a company created by Jeffrey Appel and Bruce
10 Friedman. The concept was to develop a national program where kids' clubs could
11 be placed in locations to provide daycare, other kid-friendly services, healthy food,
12 clothing, etc. Danning Gill assisted the Receiver is evaluating Diversified's
13 relationship to Makin' Fun and has learned that Diversified loaned or invested
14 substantial sums of money, believed to be at least \$5.5 million, in developing the
15 concept, characters, themes, etc. It is believed that Diversified provided a revolving
16 line of credit to the company of \$7.5 million.

17 Makin' Fun filed a Chapter 7 bankruptcy petition on March 24, 2009, assigned
18 Case No. 2:09-bk-17009-RG, and a trustee is administering the asset of that estate.
19 Danning Gill has communicated with the Makin' Fun trustee, who has advised that
20 he has sold the personal property of Makin' Fun at auction for less than \$200,000.
21 The other assets in the case are the intellectual property, which the trustee is still
22 evaluating, and preferences.

23 Danning Gill prepared and filed a proof of claim in the Makin' Fun
24 bankruptcy case in the amount of \$5.55 million. The Receiver expressly reserved the
25 right to pursue persons or entities other than the Debtor who may have benefited
26 from these transfers. The Makin' Fun trustee objected to the Receiver's claim, and
27 Danning Gill communicated with the Makin' Fun trustee to try to resolve the matter.
28 Danning Gill prepared an opposition to the objection to claim and appeared

1 telephonically at the hearing. The Court allowed the claim but subordinated it to
2 payment of all other unsecured claims in the Makin' Fun estate.

3 During the subject period, Danning Gill expended an aggregate of 4.50 hours
4 of time in this category, valued at \$2,430.00.

5 62. Mark Friedman ("L-53"):

6 After several inquiries to Bruce Friedman and his counsel, Mr. Friedman
7 disclosed that a transfer had been made by Diversified to Mark Friedman in the
8 amount of \$6 million. Danning Gill sent out a demand letter to Mark Friedman's
9 counsel, seeking the return of the \$6 million. Danning Gill thereafter communicated
10 with counsel for Mark Friedman. Mark Friedman agreed to provide the Receiver
11 with documents and information relating to the transfer without the need for formal
12 discovery, but only on the condition that the Receiver or his counsel meet with Mark
13 Friedman in person at his business premises in Baltimore, Maryland. I met with
14 Mark Friedman, who provided me information and documentation relating to the
15 transfer.

16 I entered into discussions with Mark Friedman regarding his repayment of the
17 \$6 million obligation. After lengthy negotiations, the Receiver and Mark Friedman
18 ultimately reached terms for repayment of the \$6 million obligation and the provision
19 of security in the form of a lien against certain real property, which was documented
20 in a settlement agreement. The Receiver employed Maryland counsel to ensure that
21 the settlement agreement and security documents complied with Maryland law, and
22 Danning Gill prepared and filed an application to obtain approval of the agreement,
23 which was approved by the Court.

24 Danning Gill monitored the Receiver's special counsel and followed up
25 regarding the closing of the transaction. Danning Gill has continued to communicate
26 with special counsel regarding recordation of the mortgage in favor of the Receiver
27 and other related issues. Danning Gill has also continued to monitor collection of the
28 settlement payments. \$137,500 has been received to date.

1 During the subject period, Danning Gill expended an aggregate of 12.00 hours
2 of time in this category, valued at \$4,260.00.

3 63. Diane Dubois Kovats ("L-54"):

4 In reviewing documents obtained from various sources, other than from the
5 books and records of Diversified, Danning Gill learned that Diversified held a deed
6 of trust against property in the name of Diane Dubois Kovats. Danning Gill made
7 demand on Ms. Kovats for payment on the underlying obligation of \$225,000.
8 Danning Gill entered into discussions with counsel for Ms. Kovats regarding
9 resolution of the Receiver's claims for \$225,000, and the parties reached an
10 agreement whereby Ms. Kovats would pay the Receiver the sum of \$185,000 and
11 would also assign the interest in a life insurance policy with \$2 million in benefits to
12 the Receiver. Danning Gill documented the settlement agreement and obtained court
13 approval of the agreement. Danning Gill, in the subject period, has entered into
14 negotiations in order to sell the policy the Receiver obtained by way of the
15 settlement.

16 During the subject period, Danning Gill expended an aggregate of 2.80 hours
17 of time in this category, valued at \$1,512.00.

18 64. Jeff Appel ("L-55"):

19 No fees were incurred in this category during the subject period.

20 65. Sue Krembs ("L-56"):

21 Danning Gill has met with Ms. Krembs and her counsel and continues to
22 engage in settlement discussions regarding resolution of the Receiver's claims
23 against her for funds transferred to her from Diversified. Danning Gill has reviewed
24 and analyzed a settlement proposal from Ms. Krembs, including analysis of the legal
25 positions taken therein. Danning Gill has also entered into tolling agreement with
26 Ms. Krembs in order to preserve any claims the Receiver may have against Ms.
27 Krembs.

1 During the subject period, Danning Gill expended an aggregate of 19.90 hours
2 of time in this category, valued at \$8,485.00.

3 66. Possible Litigation Claims Against Sales Persons ("L-57"):

4 No fees were incurred in this category during the subject period.

5 67. Michael Kaplan ("L-58"):

6 Danning Gill learned that \$550,000 was transferred by Diversified to Michael
7 Kaplan, a relative of Bruce Friedman's, and Danning Gill sent a demand letter to Mr.
8 Kaplan seeking the return of the funds transferred. After numerous settlement
9 discussions that did not resolve the matter, Danning Gill filed a complaint to recover
10 fraudulent transfers from Diversified to Michael Kaplan. Danning Gill has also
11 investigated into Mr. Kaplan's possible involvement in the business affairs of
12 Diversified or its affiliates. Danning Gill has conferred with Mr. Kaplan and his
13 lawyer since the filing of the complaint and discussions regarding resolution are
14 ongoing.

15 During the subject period, Danning Gill expended an aggregate of 14.50 hours
16 of time in this category, valued at \$5,692.50.

17 68. Voyager Entertainment ("L-59"):

18 Danning Gill met with an employee of Diversified upon the Receiver's
19 appointment and learned that Diversified had lent \$1.25 million to Voyager
20 Entertainment, a publicly traded company. Diversified received 4.5 million shares of
21 Voyager common stock in connection with the loan and is holding another 7 million
22 shares of stock as collateral for the loan. Danning Gill reviewed the documentation
23 relative to this transaction and has communicated with the principals of Voyager in
24 an attempt to collect the outstanding obligation. Voyager contends that Diversified
25 provided for an indefinite extension of the loan terms pending a refinance by
26 Voyager. Danning Gill has been in contact with Voyager and continues to monitor
27 Voyager's financial situation.

28

1 Danning Gill continues to evaluate any claims the Receiver may have against
2 Voyager and has began preliminary work in preparing to mediate the dispute
3 pursuant to the note between Diversified and Voyager.

4 During the subject period, Danning Gill expended an aggregate of 24.10 hours
5 of time in this category, valued at \$7,436.00.

6 69. Litigation Against Kevin Mehlman ("L-60"):

7 Danning Gill investigated the facts relating to the transfer of approximately
8 \$310,000 for the benefit of Kevin Mehlman, which were used as partial payment for
9 a residence. Danning Gill filed a complaint and obtained a writ of attachment and
10 temporary protective order to prohibit any further transfers of the property.

11 During the course of litigating the case against Mr. Mehlman, Danning Gill
12 learned that a lien was placed against the residence in favor of an entity affiliated
13 with Mr. Mehlman. Danning Gill conducted extensive discovery in this matter in
14 preparation for trial.

15 Danning Gill negotiated, and with Court approval, entered into a settlement
16 agreement with Mr. Mehlman. Pursuant to the agreement, the Receiver will obtain a
17 junior lien on the residence pending resolution of the Receiver's claim against Mr.
18 Mehlman in the complaint described in Paragraph 67, above to secure payment to the
19 Receiver of the sum of \$317,480 plus agreed upon interest.

20 During the subject period, Danning Gill expended an aggregate of 159.90
21 hours of time in this category, valued at \$50,553.00.

22 70. Net Jets ("L-61"):

23 Diversified owned a non-marketable interest in at least four airplanes, and had
24 an interest in one more. Danning Gill investigated the transfers of funds for the
25 interests in the aircraft and learned that almost \$9 million was transferred from
26 Diversified to NetJets. Danning Gill has been communicating with NetJets to
27 ascertain the value of Diversified's interest in these four planes. NetJet asserts the
28 right to offset charges due on some aircraft against credit balances due on others and

1 alleges that, on balance, it is owed money. Danning Gill has entered into extensive
2 settlement negotiations with Net Jets to settle all claims held by both parties.

3 During the subject period, Danning Gill expended an aggregate of 60.00 hours
4 of time in this category, valued at \$19,361.00.

5 71. New York Property ("L-62")

6 No fees were incurred in this category during the subject period.

7 72. Cancun Mexico Property ("L-63")

8 When Mr. Friedman filed his personal asset list with the Court in April 2009,
9 he identified an interest in property in "LaHaia." Our investigation revealed that this
10 is a condominium in a development in Cancun, Mexico. Although Mr. Friedman's
11 name is not on the title to this property, Danning Gill learned that Mr. Friedman had
12 an agreement that he owns a 50% interest in this property with Jeffrey Appel. The
13 purchase price for the property was \$680,000, and we are advised that Mr. Friedman
14 contributed 50% of the purchase price.

15 Danning Gill, on behalf of the Receiver, and with Court approval, entered into
16 an agreement fixing the extent and nature of the Receiver's and Mr. Appel's interests
17 and rights in the property. In an attempt to liquidate this asset, Danning Gill has
18 been in communication with Mr. Appel regarding a sale of the property so that Mr.
19 Appel and the Receiver can share the net sales proceeds. Danning Gill, through the
20 Receiver's counsel in Mexico has employed a broker to market and sell the property.
21 Danning Gill has communicated with Mr. Appel and with special counsel in order to
22 ensure that the transaction was documented consistent with the settlement agreement
23 and to monitor the marketing efforts of the property.

24 During the subject period, Danning Gill expended an aggregate of 19.80 hours
25 of time in this category, valued at \$7,684.00.

26 73. Bella Villagio ("L-64")

27 No fees were incurred in this category during the subject period.
28

1 74. Litigation Against Shawna Friedman (“L-65”)

2 Danning Gill investigated the facts relating to the transfer of approximately
3 \$345,442 for the benefit of Shawna Friedman, which were used as partial payment
4 for a residence. Danning Gill filed a complaint and obtained a writ of attachment
5 and temporary protective order to prohibit any further transfers of the property.
6 After conducting discovery and preparing for trial in the matter, Danning Gill entered
7 into settlement negotiations with Ms. Friedman. Danning Gill, with Court approval,
8 entered into a settlement agreement with Ms. Friedman settling all claims against
9 Ms. Friedman. As part of the settlement, Ms. Friedman paid the Receiver some cash
10 and turned over title to the property. Danning Gill, on behalf of the Receiver,
11 coordinated the marketing and sale of the property which netted the Receiver over
12 \$100,000, which amount represents the net proceeds from the sale of the property
13 and Ms. Friedman's cash payment.

14 During the subject period, Danning Gill expended an aggregate of 98.10 hours
15 of time in this category, valued at \$31,311.00.

16 75. Litigation Against Julie and Robert Sitomer (“L-66”)

17 Danning Gill investigated the facts relating to the transfer of approximately
18 \$470,929 for the benefit of Julie and Robert Sitomer, which were used as partial
19 payment for a residence. Danning Gill filed a complaint and obtained a writ of
20 attachment and temporary protective order to prohibit any further transfers of the
21 property.

22 Danning Gill has prepared and served written discovery in order to prepare for
23 trial in the case. In an effort to resolve the matter fully, Danning Gill has entered into
24 settlement negotiations with counsel for Mr. and Mrs. Sitomer and drafts of a
25 settlement agreement have been exchanged between the parties.

26 During the subject period, Danning Gill expended an aggregate of 46.90 hours
27 of time in this category, valued at \$14,605.00.

28

1 76. Kraig Ivie ("L-67")

2 No fees were incurred in this category during the subject period.

3 77. Litigation Against Net Winner Investors ("L-68")

4 Danning Gill worked extensively with the Receiver's accountants to determine
5 whether any of the investors of Diversified had received transfers from Diversified in
6 excess of the amounts originally invested by them. Danning Gill sent letters to each
7 of these "net winner" investors and communicated with those investors who
8 responded to the Receiver's inquiries. Danning Gill reviewed substantial
9 documentation in order to refine the Receiver's claims and limit the claims as much
10 of possible in advance of filing a complaint. Danning Gill prepared and filed a
11 complaint seeking to avoid and recover those remaining transfers which the Receiver
12 could not otherwise resolve or eliminate. After the filing of the complaint, and upon
13 being furnished with additional documents by some of the defendants, Danning Gill
14 has conducted further investigation with respect to the individual investors and has
15 dismissed, with approval of the Court, those defendants who provided evidence that
16 they invested with Diversified more than they received from Diversified.

17 During the subject period, Danning Gill expended an aggregate of 151.60
18 hours of time in this category, valued at \$45,117.50.

19 78. Litigation Against Bruce Friedman, Insiders, Jackson National and Sales
20 People ("L-69")

21 Danning Gill undertook a review of substantial documents and met with many
22 individuals to evaluate possible claims against the insiders of Diversified, the sales
23 people who were selling Diversified's products, and Jackson National who was
24 issuing over 144 annuities to be collaterally assigned to investors so that Diversified
25 could lure additional investors into its program. Danning Gill researched issues
26 relating to the types of claims which could be brought and the standing of the
27 Receiver to bring claims for damages to the receivership entities. Danning Gill
28 prepared and filed a complaint against over fifty defendants seeking, among other

1 things, recovery of damages in the amount of at least \$200 million for aiding and
2 abetting fraud and negligent misrepresentation contributing to the perpetration of the
3 Ponzi scheme by Diversified. The complaint additionally seeks recovery of the
4 particular transfers made to the defendants as fraudulent transfers. These include
5 recovery from Bruce Friedman of more than \$57 million in transfers.

6 Pursuant to the instructions of the Court, Danning Gill began a search for a
7 suitable law firm to represent the Receiver in the matter on a fully contingent fee
8 basis. Danning Gill, with approval of the Court, identified and assisted in the
9 employment of the law firm of Susman Godfrey LLP. Danning Gill has assisted
10 Susman Godfrey to transition in as the Receiver's counsel in this matter and
11 continues to provide assistance when called upon by Susman Godfrey.

12 Danning Gill's services in assisting Susman Godfrey and in transitioning the
13 matter over to that firm have been necessary and critical to the continued
14 representation by the Receiver in this action by a new firm. Danning Gill has been
15 answering questions, locating and forwarding documents, providing background
16 information and insight based upon interviews previously conducted

17 During the subject period, Danning Gill expended an aggregate of 525.00
18 hours of time in this category, valued at \$177,020.50.

19 79. Litigation against Tierra Rejada Golf Club LLC and Lenders Depot, Inc.
20 ("L-70")

21 Danning Gill has reviewed documentation relative to Lenders Depot, Inc. and
22 a related company owned by Bruce Friedman, Lenders Depot of Sherman Oaks, Inc.
23 Danning Gill has communicated with Bruce Friedman regarding these companies,
24 the CEO of Lenders Depot, Inc. and the Receiver's accountants in order to attempt to
25 distinguish between these companies and identify claims and issues.

26 Danning Gill learned of a transfer of \$22,250 to Tierra Rejada Golf Club LLC
27 which appears to have been made on account of an obligation owed by Lenders
28 Depot, Inc., to Tierra Rejada Golf Club LLC. After trying to resolve the dispute

1 without resorting to the filing of a lawsuit, Danning Gill prepared and filed a lawsuit
2 against Lenders Depot and Tierra Rejada Golf Course seeking the return of funds
3 paid by Diversified. Upon further investigation, Danning Gill filed a first amended
4 complaint to include fraudulent transfer claims against additional defendants.
5 Danning Gill has been litigating the matter on behalf of the Receiver.

6 During the subject period, Danning Gill expended an aggregate of 46.40 hours
7 of time in this category, valued at \$14,327.50.

8 80. Mayer & Glassman ("L-71")

9 Immediately upon the appointment of the Receiver, Danning Gill contacted
10 Mayer & Glassman, prior counsel for Diversified, to obtain books and records and
11 information relating to Diversified's business. Danning Gill reviewed those
12 documents and evaluated whether the Receiver has claims relating to Mayer &
13 Glassman's representation of Diversified. Danning Gill has met with the lawyers at
14 Mayer & Glassman in furtherance of its investigation of the facts and possible claims
15 relating to Mayer & Glassman's involvement. Danning Gill has entered into tolling
16 agreements with Mayer & Glassman in order to preserve any claims the Receiver
17 may have against Mayer & Glassman.

18 During the subject period, Danning Gill expended an aggregate of 46.10 hours
19 of time in this category, valued at \$16,891.00.

20 81. Litigation Against Petro Real and Lenders Depot ("L-72")

21 Danning Gill learned of a transfer of at least \$500,000 in connection with a
22 payment made by Diversified to PetroReal Energy, Inc., on account of an obligation
23 owed by Lenders Depot, Inc., to PetroReal Energy, Inc. Danning Gill reviewed
24 documentation relative to this matter and prepared and filed a complaint for recovery
25 of these funds against both entities. Danning Gill served all parties and began
26 preparation for request for entry of default against all defendants.

27 During the subject period, Danning Gill expended an aggregate of 61.90 hours
28 of time in this category, valued at \$15,008.00.

DECLARATION

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DECLARATION OF DAVID W. CALLAGHAN

I, David W. Callaghan, declare as follows:

1. I am a principal with LECG, LLC, a financial advisor and forensic accountant employed by the duly appointed Permanent Receiver (the "Receiver") for Diversified Lending Group, Inc. ("DLG"), Applied Equities, Inc. ("AEI"), and related affiliates (collectively "DLG/AEI"), pursuant to the Order Granting Motion of Receiver for Instructions Re: (1) Notice Procedures, (2) Procedures for the Use, Sale or Other Disposition of Assets; (3) Employment of Legal Counsel, Accountants, Appraisers, Auctioneers and Brokers; and (4) Payment of Priority Wage Claims, signed and entered on May 4, 2009, in Securities and Exchange Commission v. Diversified Lending Group, Inc., et al., Case No. 2:09-cv-1533-R-JTL (the "SEC Action"), pending in the United States District Court, Western District of California. I have been assigned by LECG to this engagement.

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. LECG has previously requested and received compensation and reimbursement of costs totaling \$1,600,047.87 related to this matter.

4. During the period covered by this fourth request for approval of professional fees and expenses, March 1, 2010 through August 31, 2010, ("Fourth Request Period"), LECG has incurred fees in the amount of \$672,091.00 representing 2,244.0 hours of service to the Receiver and advanced expenses of \$88.39 for which it seeks approval and payment in total of \$672,179.39.

5. LECG has reviewed and has voluntarily written-off, reduced, or not billed time and costs exceeding \$50,000 relating to certain time incurred, various expenses advanced, and the reduction or capping of rates relating to the Compilation

1 of Financial Institution Documentation referenced in the Cash Transaction Analysis
2 and Financial Record Reconstruction section.

3 4 Description of Exhibits

5
6 6. The nature and extent of LECG services during the Fourth 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 Fourth Request
13 Period was **\$299.51**.
- 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 Fourth
18 Request Period.

19 Introduction

20
21 7. LECG has worked to recover value and provide benefits to the
22 Receivership and Receivership stakeholders. During the Fourth Request Period
23 LECG has:

- 24
- 25 • Complied and provided records and information in direct response to
26 inquiries and requests from Federal and State investigators to support
27 ongoing civil and criminal proceedings
- 28
-

- 1 • Finalized analyses used as the basis for disbursement of more than \$8
- 2 million to DLG/AEI investors and the Receivership related to collateral
- 3 assignments of Jackson National and American National annuity
- 4 contracts
- 5 • Prepared analyses in response to communications and requests from
- 6 Metropolitan Life that were used as the basis for disbursement of more
- 7 than \$4 million to DLG/AEI investors
- 8 • Completed analyses, compiled supporting records, prepared exhibits,
- 9 and provided Receiver with expert reports related to ongoing litigation
- 10 to recover DLG/AEI disbursements exceeding \$2 million
- 11 • Prepared analyses and exhibits included in complaints to recover
- 12 disbursements of DLG/AEI funds to, or for the benefit of, Bruce
- 13 Friedman, family members, insiders, friends, brokers of DLG/AEI
- 14 investment products, and investors that received funds exceeding
- 15 amounts deposited with DLG/AEI
- 16 • Minimized taxes owed by DLG/AEI, negotiated forgiveness of assessed
- 17 penalties, and identified and confirmed an increase to the 2006 tax year
- 18 Net Operating Loss of more than \$3 million
- 19 • Compiled, cataloged, and produced documents in response to inquiries
- 20 and subpoenas
- 21 • Analyzed and produced electronic records to identify and respond to
- 22 information requests and subpoenas
- 23 • Explained analyses of DLG/AEI financial position and transactions to
- 24 negotiate repayment of funds disbursed by DLG/AEI
- 25 • Responded to investor inquiries and information requests
- 26 • Analyzed claims received from DLG/AEI creditors
- 27
- 28

1 8. Since inception, the Receivership of DLG/AEI has been complex and
2 labor intensive. LECG has provided services and operated at the direction of the
3 Receiver from the beginning of the matter. We have investigated, evaluated, and
4 analyzed many transactions, assets, obligations, and investor accounts of DLG/AEI
5 and its affiliates and investments. LECG has been completing numerous time-
6 sensitive and issue-specific analyses requested by the Receiver, his counsel, and
7 other parties, including Federal and State Investigators; addressing various tax issues,
8 including preparing numerous tax returns and responding to various taxing
9 authorities; analyzing and investigating investor information and transaction data,
10 including investor deposits, disbursements to investors, mortgage payments, life
11 insurance policies, premium financing, and collateral assignments; and compiling
12 transaction detail and supporting documentation in support of the Receiver's efforts
13 to recover assets; all from poor and incomplete documentation. LECG was also
14 responsible for maintaining DLG/AEI's documentation and electronic files and
15 compiling information to respond to information requests and subpoenas received
16 from third parties during this period.

17 9. During the Fourth Request Period, LECG analyzed and compiled
18 information relating to DLG/AEI's activities and financial transactions. LECG faced
19 significant challenges, which caused a large portion of the time and expense
20 necessary to perform these tasks and complete these analyses. These difficulties
21 primarily resulted from DLG/AEI's:

- 22 a) poor recordkeeping related to cash receipts and disbursements and the
23 entities' sources and uses of funds;
- 24 b) large number of cash inflows and outflows;
- 25 c) utilization of numerous bank accounts;
- 26 d) cryptic and difficult to decipher descriptions, when transactions were
27 recorded;
- 28 e) failure to retain important transaction documentation and records;

- 1 f) lack of appropriate supporting documentation for investments and
- 2 assets;
- 3 g) incomplete and unreliable data and documentation, such as: accurate
- 4 and reliable accounting records, a consolidated general ledger, financial
- 5 statements, complete bank statements and deposit detail, accounts
- 6 payable files, vendor invoices, etc.;
- 7 h) large number of investor accounts;
- 8 i) incomplete and inaccurate records related to deposits by investors,
- 9 disbursements to investors, and investor balances;
- 10 j) lack of a comprehensive, consolidated investor tracking system;
- 11 k) poor records and complexities related to collateral assignments for
- 12 investor accounts related to Jackson National and American National;
- 13 l) many transactions requiring significant detailed analysis to identify
- 14 relevant information and recreate activity;
- 15 m) numerous related-party and insider transactions.

16

17 **Description of Services**

18

19 10. To efficiently describe the services performed during the Fourth

20 Request Period, LECG has consolidated service categories identified in the attached

21 Exhibits into the larger, more general sections referenced below:

22

23 **Identification and Preservation of Records**

24 11. The Identification and Preservation of Records includes the following

25 categories of service as referenced in the attached Exhibits:

- 26 a) (#1500) Document Identification / Preservation
 - 27 (9.6 hrs, \$2,902.50)
 - 28 b) (#1800) Computer Forensics / E-Discovery
-

1 (130.2 hrs, \$26,040.00)

2 12. LECG has had primary responsibility for identification, collection,
3 preservation, and production of DLG/AEI's paper and electronic documents, records,
4 files, and data since the inception of the matter. Tasks related to maintaining,
5 compiling, and providing those records and information in response to inquiries,
6 information requests, and subpoenas continued during the Fourth Request Period.
7 During the Fourth Request Period, LECG also compiled additional information and
8 records received in response to subpoenas and information requests issued by the
9 Receiver.

10 13. Paper files filling hundreds of storage boxes have been cataloged,
11 indexed, and preserved. LECG's organization of these records enabled us to identify
12 and compile documents requested by the Receiver, Federal and State investigators,
13 investors, and other interested parties. Without the organization of the information
14 completed by LECG, it would have been extremely difficult and time consuming to
15 identify and compile responsive records.

16 14. LECG previously identified and secured DLG/AEI's electronic
17 information hardware, including desktop computers, laptop machines, servers, and
18 backup equipment to preserve electronic data. During the Fourth Request period,
19 LECG analyzed and organized significant portions of that electronic mail and data
20 files. This enabled the identification and compilation of information to respond to
21 inquiries, information requests, and subpoenas received from the Receiver and third
22 parties and to support ongoing analyses.

23 15. The time incurred completing this work was largely due to the volume
24 of data and the poor organization of the records maintained by DLG/AEI. LECG's
25 work identifying and preserving DLG/AEI's records directly supported and
26 improved the efficiency of compiling information and data for analysis and
27 production.

28

1 Cash Transaction Analysis and Financial Record Reconstruction

2 16. Cash Transaction Analysis and Financial Record Reconstruction include
3 the following categories of service as referenced in the attached Exhibits:

- 4 a. (#1550) Compile Financial Institution Records
5 (469.7 hrs, \$93,940.00)
6 b. (#6000) Forensic Accounting
7 (34.5 hrs, \$9,487.50)

8 17. Due to the lack of reliable financial records prepared by DLG/AEI,
9 LECG has undertaken a large and involved forensic accounting project to accurately
10 identify DLG/AEI's sources and uses of cash. To date, we have identified, compiled,
11 and analyzed bank records and other documentation related to more than 20 separate
12 bank accounts to reconstruct the cash activity for DLG/AEI within a consolidated
13 transaction database. The consolidated transaction database was regularly used
14 during the Fourth Request Period to investigate cash receipts and disbursements and
15 identify DLG/AEI's sources and uses of funds. LECG's analysis of this information
16 has resulted in financial recoveries for investors and the Receivership.

17 18. Analysis of the transactions cataloged in the consolidated transaction
18 database identified transactions and potential assets of DLG/AEI that may result in
19 additional recoveries of funds by the Receiver. This information served as the basis
20 for various complaints and actions filed by the Receiver. Examples include
21 disbursements to, or for the benefit of, family members, friends, employees, and
22 other insiders. Analysis of the transaction data also allowed for the identification of
23 sales commissions paid to DLG/AEI brokers. At this point, LECG's work has
24 moved from tasks related to gathering, cataloging, and compiling documents and
25 records to analyzing data to provide responsive and meaningful information to the
26 Receiver and others.

27 19. During the Fourth Request Period, LECG completed a significant
28 project compiling transaction records and supporting documentation to support the

1 various claims included in the actions brought by the Receiver. LECG prepared
2 more than 60 exhibits and compiled the related supporting documents and transaction
3 records for more than 5,000 separate disbursements totaling approximately \$40
4 million for which the Receiver is seeking recovery. The rate billed for this work was
5 voluntarily discounted and limited to \$200 per hour by LECG.

6 20. With respect to the information received to date, LECG's work
7 compiling transaction data from financial institutions and populating the cash
8 transaction database to identify and categorize each of DLG/AEI's cash receipts and
9 disbursements is substantially complete. To date, we have identified and analyzed
10 more than 35,000 cash transactions representing more than \$4 billion of cash receipts
11 and \$4 billion of cash disbursements (including transfers between accounts). We
12 continue receiving, identifying, and considering relevant information as it comes to
13 our attention. Our analysis and findings are preliminary and subject to change based
14 on further analysis and additional information that is identified or becomes available.

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

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

28

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

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

17 25. The consolidated transaction database has improved our understanding
18 of investor account balances. DLG/AEI did not accurately record and track investor
19 contributions or distributions to, or for the benefit of, investors. DLG/AEI
20 maintained separate "off-book" records of the transaction histories and account
21 balances for investor accounts. Multiple separate Excel files were prepared to record
22 account activity for each of the more than 1,500 investor accounts. We have utilized
23 our cash transaction database to identify inaccuracies, inconsistencies, and investor
24 contributions and distributions that were not reflected in DLG/AEI's individual
25 investor account files. This analysis also identified potential Receivership assets
26 related to amounts disbursed to investors.

27 26. LECG has preliminarily categorized more than 30,000 (over 85%) of
28 the currently identified transactions. Additional work and information collection is

1 required to fill in missing transaction descriptions, payee/payors, etc. The majority
2 of the uncategorized transactions are smaller amounts, lower priority items, and
3 transfers for which we have not received complete information. If it is determined
4 that we should perform additional work related to these items, we will efficiently
5 identify, collect, and analyze relevant and available information. We will update the
6 cash transaction database as appropriate.

7 27. LECG has analyzed a large population of individual transactions and a
8 much larger population of related documentation in a methodical approach. The
9 volume of these records has driven the amount of time and cost incurred related to
10 this analysis. Our efforts in this area have been necessarily front-loaded. The
11 database is now being used to identify transactions, answer questions, and compile
12 information to support the Receiver's efforts to recover assets in a manner that is far
13 more efficient, objective, and cost-effective than completing one-off analyses as
14 individual issues arise.

15
16 *Time-sensitive, Issue-specific Analyses*

17 28. Time-sensitive, Issue-specific Analyses include the following categories
18 of service as referenced in the attached Exhibits:

- 19 a) (#1250) Responding to Receiver/Counsel Inquiries
20 (168.0 hrs, \$50,837.50)
- 21 b) (#1260) Responding to Federal Agency/Investigator Inquires
22 (179.4 hrs, \$61,847.50)
- 23 c) (#2000 - #3130) – Asset Identification/Preservation/Liquidation
24 (93.1 hrs, \$27,020.50)
- 25 d) (#4000) – Claim/Investor Analyses
26 (128.1 hrs, \$41,457.50)
- 27 e) (#4010) – Jackson National/American National Analyses
28 (7.3 hrs, \$2,007.50)
-

1 f) (#5000) – Litigation
2 (825.3 hrs, \$296,077.50)
3

4 29. During the Fourth Request Period, LECG prepared a variety of analyses
5 in order to respond to numerous time-sensitive requests from Federal and State
6 Investigators, the Receiver, investors, vendors, third parties, and other Receivership
7 stakeholders. LECG utilized the consolidated transaction database of cash receipts
8 and disbursements as the primary basis to prepare these analyses and identify
9 relevant transactions.

10 30. During the Fourth Request Period LECG prepared three expert reports
11 addressing DLG/AEI's financial condition and the entities' operations related to the
12 Receiver's ongoing efforts to recover assets and funds exceeding \$2 million for the
13 benefit of the investors and creditors of DLG/AEI. LECG analyzed transactions,
14 read documents prepared and distributed to investors, assessed DLG/AEI's financial
15 condition at various points in time, prepared exhibits, and compiled information to
16 support these reports.

17 31. LECG identified and compiled information about the DLG/AEI's assets
18 and the amounts invested in those assets. LECG determined that the majority of
19 DLG/AEI assets were equity interests and loans to businesses and individuals.
20 LECG's efforts related to these assets focused largely on compiling and analyzing
21 documentation to verify, confirm, and improve upon the information initially
22 collected. LECG identified and quantified cash disbursements for investments. We
23 examined and utilized the available paper documentation, electronic files, and
24 electronic mail to identify and compile records, such as correspondence and
25 contracts, to understand transactions. If DLG/AEI had maintained organized and
26 complete asset files, an investment and asset tracking system, or maintained a
27 reliable accounting system, our efforts in this area would have been greatly
28 simplified and would have required significantly less time to complete.

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

10 33. DLG/AEI's recordkeeping regarding transactions involving insiders was
11 largely nonexistent. The limited information that was recorded was difficult to
12 decipher. Due to the state of DLG/AEI's records, recreating the details of the
13 transactions and identifying the individuals that benefitted from these disbursements
14 and quantifying the amounts paid was necessary, but required a significant amount of
15 time and analysis.

16 34. LECG analyzed claims filed pursuant to the Receiver's claims process
17 to identify and eliminate duplicative claims against the Receivership. The parties
18 that have filed claims are primarily investors, vendors, insurance carriers, affiliated
19 entities, investments, employees, and contractors of DLG/AEI.

20 35. LECG analyzed various records prepared by DLG/AEI in an effort to
21 decipher and identify investor transaction activity. During the Fourth Request
22 Period, we analyzed many investor transactions and evaluated investor accounts.
23 LECG used the available information to identify the investor accounts which
24 potentially received payments from DLG/AEI that exceeded the amounts deposited
25 by those investors to support the Receiver's efforts to recover funds. We also
26 responded to numerous investor inquiries and information requests.

27 36. LECG analyzed more than 200 separate investor accounts related to the
28 Jackson National and American National collateral assignments. These analyses

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

10 37. During the Fourth Request Period LECG prepared analyses that were
11 the primary basis and support for disbursements totaling more than \$4 million by
12 Metropolitan Life to select DLG/AEI investors. LECG determined net account
13 positions, investor deposits less amounts paid to those investors by DLG/AEI.
14 LECG also compiled documentation and records supporting these transactions to
15 provide Metropolitan Life with assurance that the amounts disbursed to investors
16 were accurate.

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

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

27 40. 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, LECG was regularly required to piece together
4 useful, responsive, and important information from limited and poor supporting
5 records to reply to high priority, time sensitive requests.

6
7 Tax Services and Compliance

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

- 10 a) (#7000) Tax Compliance / Planning
11 (79.2 hrs, \$28,363.00)

12 42. LECG read and analyzed correspondence received from Federal and
13 State taxing authorities. LECG determined and provided appropriate responses to
14 the 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 DLG and AEI, outstanding payroll liabilities and requests to abate penalties in
17 connection with payments made by other means than electronic transfers. LECG
18 also corresponded with related entities of DLG, as was required.

19 43. LECG worked closely with the Internal Revenue Service ("IRS") agent
20 auditing DLG's 2006 tax year. LECG provided information to the IRS on an
21 ongoing basis as was required and requested. LECG analyzed the IRS' final report
22 issued in regards to tax year 2006 and communicated with the IRS agent as to
23 possible discrepancies and/or errors. This communication resulted in a net benefit to
24 the estate of increased Net Operating Loss allowed for tax year 2006 in the amount
25 of \$3,669,361. LECG communicated with the Receiver regarding the result of the
26 2006 examination and the tax consequences resulting from the audit.

27 44. LECG electronically filed all required Form(s) 1099 and 1096 for tax
28 year 2009. LECG prepared and reviewed "Extension of Time to File" Forms 7004

1 for tax year 2009 for DLG, AEI and Commercial Lending Group, Inc. (“CLG”) and
2 caused the Forms 7004 to be filed. LECG performed a final review of Federal and
3 State Forms 1120 and 100 for tax years 2007 and 2008 for AEI and caused the
4 income tax returns to be filed with the proper taxing authorities.

5 45. LECG prepared check requests for payment of California State
6 minimum tax liabilities for tax years 2009 and 2010 for DLG and AEI.

7 46. LECG performed an in-depth analysis of DLG financial and other
8 records for tax year 2009 to determine relationship with related entities and to
9 determine proper reporting of receipts and disbursements to and from said entities.
10 LECG analyzed historical records of the corporation to determine the adjusted tax
11 basis of assets sold by DLG in order to properly calculate gains and/or losses to be
12 reported on DLG’s 2009 income tax returns. LECG analyzed Quickbook activity
13 and transaction ledgers maintained by the Receiver for DLG for tax year 2009 to
14 identify reportable activity and to identify taxable receipts and/or deductible
15 expenditures. LECG also analyzed the transaction ledgers maintained by the
16 Receiver in order to identify and distinguish between transactions related to DLG
17 and those transactions related to AEI. LECG analyzed numerous Forms 1099
18 received by DLG for tax year 2009 and reconciled the reported information with cash
19 receipts received for the same period. LECG analyzed insurance proceeds received
20 in order to determine proper tax return reporting. LECG prepared supporting income
21 tax working papers for tax year 2009 for DLG. LECG prepared the 2009 Federal
22 and State Forms 1120 and 100 for DLG. LECG reviewed the Forms and related tax
23 file for completeness and accuracy.

24 47. LECG also performed an in-depth analysis of AEI Quickbook activity
25 and transaction ledgers maintained by the Receiver for AEI for tax year 2009 to
26 identify reportable activity and to identify taxable receipts and/or deductible
27 expenditures. LECG analyzed the transaction ledgers maintained by the Receiver in
28 order to identify and distinguish between transactions related to AEI and those

1 transactions related to DLG. LECG prepared supporting income tax working papers
2 for tax year 2009 for AEI. LECG prepared the 2009 Federal and State Forms 1120
3 and 100 for AEI. LECG reviewed the Forms and related tax file for completeness
4 and accuracy.

5

6

Administration

7

48. Administration includes the following categories of service as
8 referenced in the attached Exhibits:

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a) (#9000) Case Administration

10

(3.1 hrs, \$1,133.50)

11

b) (#9200) Fee Application Preparation

12

(116.5 hrs, \$30,976.50)

13

49. In order to effectively provide services to the Receiver, LECG
14 completed administrative tasks related this case. These services included reviewing
15 time detail, determining write-offs, categorizing case billings, and preparing the
16 Second Fee Request.

17

50. LECG prepared for and attended project team meetings and meetings
18 with the Receiver and counsel. These meetings and discussions were essential to
19 efficiently share information, develop assignments and tasks, and to avoid
20 duplication of efforts. Project workflow was improved through the identification and
21 prioritization of issues that occurred during these meetings.

22

23

Status of Major Assignments

24

25

51. Our work securing, indexing, and cataloging hundreds of boxes of paper
26 files and approximately 400 gigabytes of DLG/AEI electronic data is essentially
27 complete. We have also finished our assignments related to the other various

28

1 business termination issues. Additional data collection or business termination issues
2 may arise, however, those should be minor.

3 52. Our tax work is ongoing and will continue, depending on responses
4 from various taxing authorities and the various tax returns that are required to be
5 prepared and filed.

6 53. LECG completed analyses to determine the distributable portions of the
7 Jackson National and American National annuities collaterally assigned to investors
8 and the balances of related investor accounts. The only currently foreseeable
9 additional efforts related to these analyses would be responding to follow-up
10 questions or evaluating newly received or identified information relevant to specific
11 investor accounts.

12 54. LECG compiled transaction information and supporting records to
13 determine account positions, the net of investor deposits less amounts paid out by
14 DLG/AEI, to support disbursements to select investors by Metropolitan Life. The
15 only currently foreseeable additional work related to these analyses would be
16 responding to follow-up questions or evaluating newly received or identified
17 information relevant to individual investor accounts.

18 55. The known time-sensitive, issue-specific analyses discussed above have
19 been completed. However, various issues related to pursuing the recovery of assets
20 and investigator inquiries continue to arise, which require analysis and response.
21 Additional services in these areas may be required to respond to requests that are
22 received.

23 56. LECG's work compiling supporting documentation and analyzing
24 DLG/AEI's transactions to identify and capture information and populate the
25 consolidated transaction database is ongoing. A wide spectrum of additional work
26 can be completed related to DLG/AEI transactions. We are working with the
27 Receiver to prioritize our efforts and determine the appropriate level of analysis
28 going forward. To date, we have identified more than 35,000 separate cash

1 transactions. We have analyzed, and preliminarily categorized, more than 85% of
2 those items. Where appropriate, we will use additional information and
3 documentation to further analyze transactions. Our analysis is a work-in-process and
4 there will continue to be transactions that are unknown and further discovery may be
5 necessary. This analysis includes DLG/AEI and certain Bruce Friedman-related
6 accounts. Due to the volume of accounts and transactions, limited resources, and
7 time constraints LECG has not yet evaluated or analyzed the numerous other related-
8 party and related-entity accounts. The framework of the database is now established
9 and developed. Our efforts are now more focused on pursuing recoveries,
10 identifying unknown transactions, and utilizing the information compiled in the
11 consolidated transaction database to identify additional assets.

12 57. Analysis of the claims submitted by creditors of DLG/AEI is ongoing
13 and will continue in an effort to substantiate amounts claimed, the validity of
14 individual claims, and facilitate future disbursements to claimants.

15 58. LECG has identified many of the deposits from and payments to
16 DLG/AEI investors. However, the analysis of investor deposits, disbursements to
17 investors, and investor account balances is not complete. Additional work and
18 documentation will be needed to finalize the analysis of the investor activity and to
19 determine balances for DLG/AEI's investor accounts.

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

23
24 Executed at Los Angeles, California, on November 8, 2010.

25
26 
27 _____
28 DAVID W. CALLAGHAN

DECLARATION

DECLARATION OF JACK ZAKIM

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I, Jack Zakim, declare

1. I am of counsel to Kates Nussman Rapone Ellis & Farhi, LLP and served as special counsel in New Jersey to David A. Gill, Receiver ("Receiver") regarding various matters in New Jersey.

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. Among the matters in which I represented the Receiver was the sale of real property known as 174 Upper Mountain Avenue, Montclair, New Jersey (the "Real Property"), and personal property situated in or about the Real Property, including but not limited to a Yamaha Piano, which was moved, stored, and moved again to a piano dealer who accepted the piano on consignment pursuant to arrangements and a contract negotiated by the undersigned. I located the piano dealer, negotiated a consignment contract and have monitored prospective sales.

4. I also represented the Receiver in a sale of membership interest in a New York limited liability company known as 55 Edgemere Avenue, LLC which was the owner of the Real Property located at 55 Edgemere Avenue, Greenwood Lake, New York and a pleasure boat.

5. I most recently represented the Receiver in the sale of Real Property known as 127 North Mountain Avenue, Montclair, New Jersey which closed escrow on June 3, 2010. The post-closing issues were resolved and the Escrow was released on or about June 10, 2010. This transaction also included services to the Receiver as Landlord to a Tenant occupying the Real Property located at 127 North Mountain Avenue, Montclair, New Jersey.