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Permanent Receiver

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

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

Defendants.

and

TINA M. PLACOURAKIS,

Relief Defendant.

Case No. CV 09-01533-R-SSx

**RECEIVER'S THIRD REQUEST
FOR APPROVAL OF
PROFESSIONAL FEES AND
EXPENSES; REQUEST FOR
JUDICIAL NOTICE**

Date: June 7, 2010
Time: 10:00 a.m.
Place: Courtroom 8
312 North Spring Street
Los Angeles, CA

David A. Gill, the Permanent Receiver (the "Receiver") of Diversified Lending Group, Inc. ("DLG") and Applied Equities, Inc. ("AEI"), and their subsidiaries and affiliates, including but not limited to MMHIM, Inc. and DLG International (collectively, hereinafter referred to as "Diversified"), hereby respectfully submits his Third Request for Approval of Professional Fees and Expenses pursuant to the orders of the Court, Fed. R. Civ. P. 66 and Local Rule 66-

1 6.1 (“Third Request”) and seeks an order approving payment of the amounts set forth
2 herein.

3
4 **I.**

5 **STATEMENT IN SUPPORT OF PAYMENT OF FEES AND EXPENSES**

6 This document sets forth my request to compensate myself and my
7 professionals from assets which I have generated. This case has involved the
8 unwinding of a massive financial fraud involving approximately \$250 million and
9 has taken great effort and resources to trace assets and to make sense of the woefully
10 inadequate and incomplete records that I inherited.

11 After working for over seven months since the last award of payment of fees
12 and reimbursement of costs, I filed a Second Request for payment of fees, seeking
13 approval of compensation pursuant to the terms of this Court Omnibus Order entered
14 on May 4, 2009. In my Second Request, I also requested that the Court approve
15 interim payment procedures due to the hardship that is imposed by the delayed
16 payments in this case. At the hearing on May 3, 2010, the Court denied the interim
17 fee procedure request and invited us to seek compensation in the ordinary course,
18 which we now do by this Third Request.

19 At the hearing on May 3, 2010, the Court expressed concern that the fees
20 generated are too expensive for what the Court has referred to as a “liquidation” and
21 not a “reorganization.” The reality is that this case cannot be classified as either a
22 liquidation or as a reorganization. Diversified and its principal, Bruce Friedman,
23 were running a blatantly fraudulent scheme, siphoning off over \$40 million for their
24 own personal gain, and concealing assets in the names of friends and families. Much
25 of my work thus far has been investigative in attempting to trace and locate the funds
26 stolen from investors. This task, which has involved the review of thousands of
27 transactions through over a hundred bank accounts and the review of tens of
28 thousands of documents, has been extensive, exhaustive and, unfortunately,

1 somewhat expensive. Without my work and the work of my professionals, however,
2 most of the assets would not have been located in the first place, and little to nothing
3 would be available for creditors in this case.

4 I long ago liquidated the simple assets, leaving the balance of my activities to
5 reconstruct and rehabilitate investments, both locally and in other states and
6 countries, developing and operating them where necessary, and generating over
7 \$11,191,724.01 in gross receipts. After paying secured debt and costs and expenses
8 of the operation, administration and liquidation of this estate, I have on hand
9 approximately \$5,500,000 and more is anticipated in the future.

10 As a result of our work, we have: (1) discovered assets which were not
11 initially disclosed to us; (2) liquidated those assets which could be sold; (3) settled
12 other claims involving operating businesses where necessary to preserve the value of
13 those businesses and retain an upside for the receivership estate; and (4) commenced
14 eleven lawsuits seeking the recovery of well over \$200 million from various
15 defendants. The extent of our work has reached far beyond a mere liquidation and
16 has required the services of multiple professionals in jurisdictions throughout the
17 country and internationally. In particular, I have retained local counsel in New
18 Jersey, North Carolina and Mexico to handle complex real estate issues in those
19 jurisdictions.

20 By way of example, the detailed forensic accounting undertaken to reconstruct
21 the records revealed a \$6,000,000 transfer to Bruce Friedman's cousin. I have now
22 obtained a judgment and a lien on real property securing the return of those funds
23 that were not otherwise initially revealed to me. Additionally, I have recently filed
24 litigation to recover of \$200 million from over 50 defendants, which claims I would
25 not have discovered but for the hard work of my professionals. The list of assets
26 discovered and litigation claims filed by me is quite lengthy and is the result of very
27 labor intensive work in reconstructing records, identifying assets, settling claims, and
28 analyzing operating businesses to best preserve my claims against those businesses.

1 I and my professionals have thus far only been paid through July 31, 2009, and
2 have been financing this case since that time. All of the professionals involved in
3 this case are firms which rely upon payment for their services in order to cash flow
4 their own business operations. As a practical matter, it is not possible for me or my
5 professionals to work in such a time intensive case without compensation at least on
6 the basis originally fixed by the Court. We have to pay our employees and expenses.
7 I have retained out of state counsel where needed because of real estate issues in their
8 jurisdictions; they expected to be paid and there is no reason not to pay them.

9 This Third Request is my request, in the ordinary course, for reimbursement of
10 fees and expenses for me and my professionals through February 28, 2010, all of
11 whom have engaged in the arduous task of unwinding a massive fraudulent financial
12 scheme, locating assets otherwise concealed from me, and in preserving value for the
13 estate and the investors.

14 I respectfully request that the Court approve the fees and expenses requested
15 herein, which are identical to the requests set forth in my Second Request. I have not
16 duplicated the narrative of services or the exhibits attached to the Second Request,
17 and I ask the Court to take judicial notice of the Second Request in support of this
18 Third Application.

19
20 **III.**

21 **RECEIVER REQUESTS AUTHORIZATION TO PAY FEES AND**
22 **EXPENSES OF RECEIVER AND HIS PROFESSIONALS**

23 Pursuant to the terms of the Omnibus Order entered on May 4, 2009, I am, as
24 Receiver, authorized to seek by application to the court, reimbursement to me and
25 my professionals for fees and expenses incurred by us. I have sufficient funds on
26 hand to fund all fees and expense reimbursements requested.

1 The fees and expenses for services rendered and costs advanced through
 2 February 28, 2010¹, are summarized as follows. I have negotiated with each
 3 claimant, have obtained reductions or credits where I felt it advisable, and
 4 recommend the following balances for approval and immediate payment:

5 Claimant	Time Expended in Hours	Blended Rate	Fee Claim	Costs Advanced	Balance to Be Paid
6 David A. Gill, 7 Receiver	568.90	\$372.26	\$211,966.50	\$6,517.34	\$218,483.84
8 Danning, Gill, Diamond & Kollitz, LLP	2,544.70	\$389.51	\$1,001,108	\$37,000.67	\$1,038,108.67
9 LECG, Inc.	2,162.90	\$286.54	\$619,758.00	\$1,786.46	\$621,544.46
10 Nashel Kates Nussman 11 Rapone Ellis & Farhi	16.40	\$475.00	\$7,790.00	\$102.59	\$7,892.59
12 McNeil & Carlino	89.08	\$300.01	\$23,722.17	\$0	\$23,722.17
13 Rayburn, Cooper & 14 Durham, P.A.	649.50	\$203.38	\$47,700.14	\$2.05	\$47,702.19
15 Gonzalez Vargas & Gonzalez Baz	20.64	\$160.83	\$3,319.60	\$4,434	\$5,753.60
16 Miles & Stockbridge,	51.60	\$402.63	\$20,775.50	\$201.45	\$20,976.95

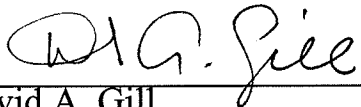
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26 ¹ More detailed information relating to the fees and costs claims by my
 27 professionals are set forth in my Second Request, and I therefore ask the Court to
 28 take judicial notice of my Second Request so have not duplicated those details
 herein.

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VI.
CONCLUSION.

Based upon the foregoing, I respectfully request (a) approval of this Third Request for Fees and Costs; (b) authorization to pay to myself and my professional the amounts requested by us on account of services rendered through February 28, 2010; and (c) for all other appropriate relief.

Dated: May 6, 2010



David A. Gill
Receiver

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REQUEST FOR JUDICIAL NOTICE

David A. Gill, the duly appointed Permanent Receiver in the above-captioned matter, hereby requests that this Court take judicial notice of the following:

1. On April 2, 2010, the Receiver filed his Second Request for Approval of Professional Fees and Expenses; and 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 (ECF Doc. No. 186).

Dated: May 7, 2010

DANNING, GILL, DIAMOND & KOLLITZ, LLP

By: 

KATHY BAZOIAN PHELPS
Attorneys for David A. Gill, Receiver

PROOF OF SERVICE

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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 May 07, 2010, I served the following document(s): **RECEIVER'S THIRD REQUEST FOR APPROVAL OF PROFESSIONAL FEES AND EXPENSES; REQUEST FOR JUDICIAL NOTICE** on the interested parties addressed as follows:

[SEE ATTACHED SERVICE LIST.]

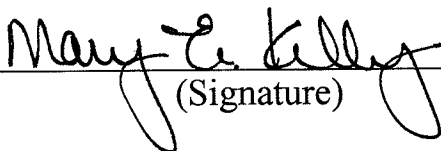
(By Mail) I placed the document for collection and deposit in the mail. I am familiar with this firm's practice for the collection and processing of correspondence for mailing. Under that practice, the document would be placed in a sealed envelope and deposited with the U.S. Postal Service on that same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

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

Executed on May 07, 2010, at Los Angeles, California.

Mary E. Kelly

(Type or print name)



(Signature)

SERVICE LIST

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Attorneys for U.S. Securities Exchange Commission

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US Securities & Exchange Commission Office of Enforcement
5670 Wilshire Boulevard 11th Floor
Los Angeles, CA 90036
mccoyj@sec.gov

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