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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION – LOS ANGELES

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

DIRECT LENDING INVESTMENTS, LLC,

Defendant.

Case No. 2:19-cv-02188-DSF-MRW
Hon. Dale S. Fischer

**NOTICE TO DIRECT
LENDING INCOME FUND
INVESTORS OF
SETTLEMENT AND RIGHT
OF EXCLUSION FROM
SETTLEMENT**

The purpose of this Notice is to inform you that a proposed settlement has been reached with Deloitte & Touche, LLP, Deloitte Tax LLP, and Deloitte & Touche LLP (Cayman Islands) and to inform you of your right to exclude yourself from participation in the Settlement (“Settlement” described below) pursuant to procedures explained in this Notice. If you exclude yourself (i.e., opt out of) the Settlement, you will not be entitled to receive any of the Settlement Amount (“Settlement Amount” defined below). Additionally, if too many DLIFF and/or DLIF investors decide to take action and opt out, the Deloitte Entities may withdraw from the Settlement. If you do nothing, you may be entitled to receive a distribution from the Settlement Amount. This Notice describes important rights you may have and the steps you must take if you wish to be excluded from the Settlement.

While you are entitled to opt out from the terms of the Settlement, opting out may risk the Deloitte Entities withdrawing from, and in effect, terminating the Settlement. This

1 **notice explains the Settlement and the consequences of opting out. You should consider**
2 **consulting with your attorney regarding the Settlement, your choices, and this Notice.**

3 **A federal court authorized this Notice. This is not a solicitation from a lawyer.**

4 **The Settlement:** The following parties have reached an agreement (the “**Amended**
5 **Settlement Agreement**”) among and between, on the one hand, (a) Bradley D. Sharp, in his
6 capacity as the Court-appointed Receiver (the “**Receiver**”) for the estate of Direct Lending
7 Investments, LLC, Direct Lending Income Fund, L.P., Direct Lending Income Feeder Fund, Ltd.,
8 DLI Capital, Inc., DLI Lending Agent, LLC, DLI Assets Bravo LLC (in Receivership)
9 (collectively, the “**DLI Receivership Entities**”); (b) Bradley D. Sharp and Christopher D.
10 Johnson, in their capacities as Joint Official Liquidators (“**JOLs**”) of Direct Lending Income
11 Feeder Fund, Ltd. (in official liquidation) (“**DLIFF**”) (DLIFF, together with the DLI Receivership
12 Entities, the “**DLI Entities**”); (c) investors in the DLI Entities (“**Investors**”) that participated in
13 the Mediation (as defined in the Amended Settlement Agreement) and identified in Exhibit A to
14 the Amended Settlement Agreement (“**Party Investors**”) (specifically, those Investors represented
15 by The Meade Firm P.C., Reiser Law P.C., and Levine Kellogg Lehman Schneider + Grossman
16 LLP; those Investors that are plaintiffs in the action *Jackson v. Deloitte & Touche, LLP*, Case No.
17 20GDCV00419 (Ca. Super. Ct.) (the “**Jackson Action**”) and represented by Nystrom Beckman &
18 Paris LLP; those Investors represented by Bragar Eigel & Squire, P.C.; and those Investors that
19 are putative lead plaintiffs in the action *Marcia Kosstrin Trust and Professional Home*
20 *Improvements, Inc. Retirement Plan v. Direct Lending Investments, LLC, et al.*, Case No. 2:19-cv-
21 02452 (C.D. Cal.) and represented by putative class counsel Ahdoot and Wolfson PC and Milberg
22 Coleman Bryson Phillips Grossman PLC); and, on the other hand, (d) Deloitte & Touche, LLP,
23 Deloitte Tax LLP, and Deloitte & Touche LLP (Cayman Islands) (collectively, the “**Deloitte**
24 **Entities**”).

25 Under the terms of the Amended Settlement Agreement, the Deloitte Entities will pay the
26 amount of thirty-one million U.S. dollars (\$31,000,000) (the “**Settlement Amount**”) to be
27 deposited into escrow account(s). The Settlement Amount less attorneys’ fees and expenses in an
28 amount of up to \$4.65 million to be determined by the Court in the SEC Action (the “**SEC Action**”

1 defined below) will be paid to Direct Lending Income Fund, L.P. (“DLIF”) and DLIFF in
2 accordance with the percentage split for recoveries as previously approved by the Court [Dkt. No.
3 318]. The portion of the Settlement Amount to DLIF will be subject to a reserve for potential taxes
4 with the remainder to be distributed to persons or entities that invested, through the purchase of
5 limited partnership interests or otherwise, in DLIF (the “**DLIF Investors**”) that do not exclude
6 themselves from the Settlement pursuant to the procedures described in this Notice (the
7 “**Participating DLIF Investors**”). The separate portion of the Settlement Amount to DLIFF will
8 be distributed to creditors and persons or entities that invested, through the purchase of shares, in
9 DLIFF (the “**DLIFF Investors**”) in accordance with Cayman Islands law. In return: (a) the
10 Receiver, the JOLs, the DLI Entities, the Party Investors (the “**Claimants**”), and Participating
11 DLIF Investors will release all claims against the Released Deloitte Entities¹ relating to or in
12 connection with the professional services provided by the Deloitte Entities to the DLI Entities
13 among other Released Claims (“**Released Claims**” defined below); (b) the Claimants,
14 Participating DLIF Investors and DLIFF Investors that do not exclude themselves from the
15 Settlement (the “**Participating DLIFF Investors**” (Participating DLIFF Investors and
16 Participating DLIF Investors are referred to together as “Participating Investors”)) shall forever be
17 barred and enjoined by judgment of the Court in the SEC Action from commencing, prosecuting,
18 or seeking monetary relief or any other relief in any court, arbitration proceeding, or other forum
19 in the United States against the Deloitte Entities with respect to the Released Claims; and (c) any
20 final verdict or judgment obtained by or on behalf of any Claimant or Participating DLIF Investor

21
22 ¹ “Released Deloitte Entities” means (a) the Deloitte Entities; (b) the Deloitte Entities’
23 predecessors, successors, Affiliates, Subsidiaries, divisions, assignors, and assignees; (c) each of
24 the foregoing’s past, present, and future officers, directors, board and board members, principals,
25 partners, officials, employees, Subsidiaries, parents, Affiliates, divisions, joint venturers,
26 contractors, subcontractors, subrogees, offices, controlled Persons, predecessors, successors,
27 assignors, assigns, transferees, heirs, executors, shareholders, owners, investors, accountants,
28 auditors, advisors, trustees, fiduciaries, consultants, agents, representatives, nominees, attorneys,
partners, associates, senior counsel, managers, and members, in each case individually and
collectively, together with any of their respective predecessors and successors in interest; and (d)
each of the Deloitte Entities’ insurers, reinsurers, excess insurers, underwriters, and claims
administrators. For avoidance of doubt, “Released Deloitte Entities” include, without limitation,
Deloitte & Touche, LLP, Deloitte Tax LLP, Deloitte & Touche LLP (Cayman Islands), Deloitte
LLP, Deloitte Consulting LLP, Deloitte Financial Advisory Services LLP, Deloitte Transactions
and Business Analytics LLP, Deloitte Services LP, and Deloitte USA LLP.

1 against any Third Party will be reduced ² by the proportionate fault of the Released Deloitte
2 Entities, unless governing law requires otherwise.

3 The Receiver filed the Amended Motion for (i) Approval of Settlement Agreement with
4 the Deloitte Entities; (ii) Entry of Scheduling Order; and (iii) Entry of Order Approving Settlement
5 (the “**Amended Approval Motion**”). Following a hearing held on June 14, 2021 on the prior
6 motion for approval, the Parties subsequently amended the settlement, the terms of which are
7 contained in the Amended Settlement Agreement. The Receiver and the Deloitte Entities filed a
8 Joint Status Conference Statement, describing ways in which the Amended Settlement Agreement
9 was revised to address certain questions the Court in the SEC Action had raised about the original
10 agreement. The Parties to the Amended Settlement Agreement seek approval of the Court in the
11 SEC Action of the terms of the Amended Settlement Agreement and entry of a final order
12 approving the Settlement (the “**Order Approving Settlement**”). For further details on the
13 Settlement, please consult the Notice of Settlement that you have been served along with this
14 Notice. You may also obtain copies of the Amended Settlement Agreement, the proposed Order
15 Approving Settlement, the Amended Approval Motion, the Joint Status Conference Statement,
16 and supporting papers from the Court’s docket in the SEC Action [ECF Nos. 783, 784] and from
17 the Receiver’s website (<http://case.stretto.com/dli>).

18 **Attorneys’ Fees:** Counsel for the Party Investors have asked the Court in the SEC Action
19 for a fee award based upon fifteen percent (15%) of the Settlement Amount (a total of \$4.65
20 million).

21 **Deadlines:** The following deadlines apply to the Settlement:

22 Request exclusion from the Settlement: September 6, 2022

23 Submit an Objection: September 6, 2022

24 Court Hearing on the Amended Approval Motion: October 3, 2022 at 1:30 p.m.

25
26 **Your legal rights are affected whether you act or do not act. Read this Notice carefully.**

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28 ² Third Party means any nonparty to the Amended Settlement Agreement that has been or may
be sued by any of the Claimants or Participating Investors for claims relating to, or in connection
with the DLI Entities.

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YOUR LEGAL RIGHTS AND OPTIONS IN THE SETTLEMENT	
DO NOTHING	If you agree to the Settlement and wish to participate in a distribution of proceeds from the Settlement, you do not need to do anything. If you do nothing and the Court approves the Settlement, you will release all claims against the Deloitte Entities related in any way to the professional services provided by the Deloitte Entities to the DLI Entities. You will also be barred by court order from pursuing your own lawsuit against the Deloitte Entities in the United States related in any way to the professional services provided by the Deloitte Entities to the DLI Entities.
“OPT OUT” TO EXCLUDE YOURSELF FROM THE SETTLEMENT TERMS	If you opt out from the Settlement, you will get no payment. This is the only option that allows you to pursue your own lawsuit against the Deloitte Entities related in any way to the professional services provided by the Deloitte Entities to the DLI Entities. If you opt out, you can still object to the Settlement.
SUBMIT AN OBJECTION	You may object to the Settlement, the terms of the Amended Settlement Agreement, or the Order Approving Settlement, and request that the Court not approve the Settlement. If you object to the Settlement, you must also elect whether to opt out. If you object to the Settlement and you do not exclude yourself, and your objection is overruled by the Court, you will participate in a distribution of proceeds from the Settlement and release and be barred from pursuing your own lawsuit against the Deloitte Entities related in any way to the professional services provided by the Deloitte Entities to the DLI Entities.

The Court in *Securities and Exchange Commission v. Direct Lending Investments, LLC*, Case No. 2:19-cv-02188-DSF-MRW (C.D. Cal.) (the “**SEC Action**”) must decide whether to

1 approve the Settlement. The Court will consider whether the Amended Settlement Agreement is
2 adequate, fair, and reasonable. Distributions will only be made if the Court approves the Settlement
3 and after objections or appeals, if any, are resolved.

4 **THE SETTLEMENT BENEFITS - WHAT CAN YOU GET**

5 **1. What does the Settlement provide?**

6 The Deloitte Entities have agreed to pay \$31,000,000 in cash pursuant to the Settlement
7 Agreement to be deposited into escrow account(s) to be identified by the Receiver. The Settlement
8 Amount less any Attorneys' Fees and expenses awarded by the Court in the SEC Action shall
9 constitute the "**Net Settlement Amount.**"

10 **2. How will the Settlement be allocated?**

11 The Net Settlement Amount will be distributed to DLIF and DLIFF in accordance with
12 the prior Court-approved Claims Allowance Stipulation to divide certain proceeds by the
13 Receivership Entities between DLIF and DLIFF. A portion of the Net Settlement Amount will be
14 distributed by the Receiver on a pro rata basis to Participating DLIF Investors. This pro rata
15 distribution will be based on each DLIF Investor's Net Investment (Total Investment less pre-
16 receivership returns). The separate portion of the Net Settlement Amount to be received by DLIFF
17 will be distributed by the JOLs in accordance with Cayman Islands law.

18 The amount of the distribution from the Net Settlement Amount that you may receive
19 cannot be determined at this time with accuracy because the distribution depends on whether other
20 Investors exclude themselves from the Settlement and on the amount of Attorneys' Fees awarded
21 to the counsel for the Party Investors.

22 **3. What am I giving up to potentially get a payment?**

23 Unless you exclude yourself from the Settlement pursuant to the procedures described in
24 this Notice, you will have released all Released Claims ("**Released Claims**" defined below)
25 against the Deloitte Entities, and you will be barred and enjoined from prosecuting any Released
26 Claims against the Deloitte Entities.

27
28 Released Claims means, to the fullest extent that the law permits their release, all past,
present, and future claims of any nature whatsoever, including, without limitation, all

1 claims, suits, actions, allegations, damages (including, without limitation, contributory,
2 compensatory, punitive, exemplary, rescissory, direct, consequential or special damages,
3 restitution, and disgorgement), liabilities, causes of action, complaints, lawsuits,
4 responsibilities, demands, rights, debts, penalties, costs, expenses, fees, injunctive relief,
5 attorneys' fees, expert or consulting fees, prejudgment interest, indemnities, duties, losses,
6 and obligations of any kind, known or unknown, foreseen or unforeseen, whether or not
7 concealed or hidden, asserted or unasserted, existing or contingent, direct or indirect,
8 anticipated or unanticipated, asserted or that could have been asserted by, or on behalf of,
9 for the benefit of, or in the name of the Claimants or Participating DLIF Investors, whether
10 legal, contractual, rescissory, statutory, or equitable in nature, whether arising under
11 federal, state, common or foreign law, that now exist, have ever existed, or might ever
12 exist, from the beginning of time in perpetuity, that are based upon, arise out of, or are
13 related in any way to: (a) the professional services provided by the Deloitte Entities to the
14 DLI Entities; (b) the conduct, transactions, or occurrences set forth in any of the pleadings
15 in the Related Actions³; (c) the Related Actions; and (d) the conduct and subject matter of
16 the Mediation⁴, Settlement negotiations, and the negotiation of this Agreement (except for
17 representations or obligations expressly included in this Agreement), including without
18 limitation fraud in the inducement thereof.

19 Put simply, you will not be able to able to pursue any lawsuit or any claim against the Deloitte
20 Entities that in any way is related to the services provided by the Deloitte Entities to the DLI
21 Entities.

22 Additionally, if you do not exclude yourself from the Settlement pursuant to the procedures
23 described in this Notice, you are agreeing to, and by order of the Court in the SEC Action will be
24 required to, reduce the amount of any final verdict or judgment you obtain against any Third Party
25 by an amount that corresponds to the percentage of responsibility of the Released Deloitte Entities
26 for common damages. However, where the law governing such final verdict or judgment ("**Other**
27 **Governing Law**") requires a reduction in a different amount, the final verdict or judgment shall
28 be reduced by an amount as provided by Other Governing Law.

29 ³ The Related Actions mean collectively the SEC Action, the Jackson Action, and the lawsuit
30 titled *Marcia Kosstrin Trust and Professional Home Improvements, Inc. Retirement Plan v.*
31 *Direct Lending Investments, LLC, et al.*, Case No. 2:19-cv-02452 (C.D. Cal.)

32 ⁴ Mediation means the mediation that took place on December 21 and 22, 2020 between the
33 Receiver, JOLs, the DLI Entities, the Party Investors, and the Deloitte Entities, leading to the
34 Settlement.

1 **EXCLUDING YOURSELF FROM THE SETTLEMENT**

2 If you do not want a payment from the Settlement, but you want to keep any right to bring
3 a claim, sue, or continue to sue the Deloitte Entities on your own for any Released Claims, then
4 you must take the following steps. This is called “excluding yourself” and is sometimes referred
5 to as “opting out.”

6 In the event that Investors that opt out of the Settlement exceed a certain threshold agreed
7 upon by the parties to the Amended Settlement Agreement, the Deloitte Entities have the sole and
8 exclusive right to withdraw from and terminate the Settlement. The Receiver and the JOLs believe
9 that the Settlement is beneficial for all investors and creditors of the DLI Entities.

10 **4. How do I opt out?**

11 To exclude yourself from the Settlement, you must send a letter by
12 e-mail stating that you want to be excluded from the Settlement in *Securities and Exchange*
13 *Commission v. Direct Lending Investments, LLC*, Case No. 2:19-cv-02188-DSF-MRW (C.D.
14 Cal.). You must include your name, address, telephone number, and e-mail address on the letter.
15 You must sign the letter and e-mail it so that it is received no later than September 6, 2022 to:

16 TeamDLI@stretto.com

17 You cannot exclude yourself on the phone. You must submit the written exclusion request
18 via e-mail as noted above.

19 If you ask to be excluded, you are not eligible to receive any Settlement payment. By opting
20 out, you will not receive any benefit from the Settlement.

21 **5. If I do not opt out, can I sue the Deloitte Entities for the same claim later?**

22 No. Unless you exclude yourself, you give up the right to sue the Deloitte Entities for the
23 Released Claims. If you have a pending lawsuit against any of the Deloitte Entities, speak to your
24 lawyer in that case immediately. Remember, the exclusion date is September 6, 2022.

25 **6. If I opt out, can I get money from the Settlement?**

26 No. If you exclude yourself, you will not be entitled to any distribution under the
27 Settlement described here. But you may sue, continue to sue, or be part of a different lawsuit
28 against the Deloitte Entities asserting a Released Claim.

1 **OBJECTING TO THE SETTLEMENT**

2 You can tell the Court in the SEC Action that you do not agree with the Settlement, the
3 Amended Settlement Agreement, or the Order Approving the Settlement.

4 **7. How do I object?**

5 If you wish to object to the terms of the Amended Settlement Agreement or the Order
6 Approving the Settlement, or you wish to appear at the Final Approval Hearing (the “**Final**
7 **Approval Hearing**” described below), you must submit a written objection via e-mail to
8 TeamDLI@stretto.com, no later than September 6 2022. All objections must:

- 9 a. contain the name, address, telephone number, and an email address of the
10 Person filing the objection;
- 11 b. contain the name, address, telephone number, and email address of any
12 attorney representing the Person filing the objection;
- 13 c. be signed by the Person filing the objection, or his or her attorney;
- 14 d. state, in detail, the basis for any objection;
- 15 e. attach any document the Court should consider in ruling on the Amended
16 Settlement Agreement and the Order Approving the Settlement;
- 17 f. if you wish to appear at the Final Approval Hearing make a request to do
18 so.

19 Please note that if you do not submit an objection by the time and in the manner provided
20 above, you will be deemed to have waived the right to object (including any right to appeal) and
21 shall be forever barred from raising such objections in the SEC Action or any other action or
22 proceeding. The Court may decline to permit anyone who fails to submit a written objection and
23 request to appear at the Final Approval Hearing from appearing at the Final Approval Hearing.
24 The Court will exercise discretion as to whether it wishes to hear from any person or entity who
25 fails to make a timely written objection and request to appear.

26 If you do not opt out and you object to the Settlement, and your objection is overruled by
27 the Court, you will release and be barred from pursuing your own lawsuit against the Deloitte
28

1 Entities related in any way to the professional services provided by the Deloitte Entities to the DLI
2 Entities.

3 You do not need to appear at the Final Approval Hearing or take any other action to indicate
4 your approval.

5 **FINAL APPROVAL HEARING**

6 The Court in the SEC Action will hold a hearing to decide whether to approve the Amended
7 Settlement Agreement and enter the Order Approving the Settlement.

8 **8. When and where will the Court decide whether to approve the Settlement?**

9 The Court will hold the Final Approval hearing on the Settlement at 1:30 p.m. on
10 October 6, 2022, in Courtroom 7D of the United States District Court for the Central District of
11 California, First Street Courthouse, 350 West 1st Street, Los Angeles, California 90012. The
12 purposes of the Final Approval Hearing will be to: (i) determine whether the terms of the Amended
13 Settlement Agreement should be finally approved by the Court; (ii) determine whether the Order
14 Approving the Settlement should be entered by the Court; (iii) rule upon any objections to the
15 Amended Settlement Agreement or the Order Approving Settlement; and (v) rule upon such other
16 matters as the Court may deem appropriate. At the hearing, the Court will consider whether the
17 Amended Settlement Agreement is adequate, fair, and reasonable.

18 **9. Do I need to come to the Final Approval Hearing?**

19 No. If you submit an objection, you do not have to come to the Court to talk about it. As
20 long as your written objection is received on time, the Court will consider it. If you wish to make
21 an appearance at the Final Approval Hearing, you must make a request to do so in your objection.

22 **IF YOU DO NOTHING**

23 **10. What happens if I do nothing at all?**

24 You do not have to do anything to participate in the Settlement. If the Court in the SEC
25 Action grants final approval of the Settlement and enters the Order Approving the Settlement, you
26 will be bound by the Settlement (including the releases) and if you are a DLIF Investor, you will
27 receive payment on a pro rata basis as discussed above in Paragraph 2.

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IF YOU WANT MORE INFORMATION

11. How do I get more details on the Settlement?

This Notice does not provide all the details of the Settlement and the Amended Settlement Agreement. For further details, you can obtain copies of the Amended Settlement Agreement, the proposed Order Approving the Settlement, the Notice of Settlement, the Amended Approval Motion, the Joint Status Conference Statement, and other supporting papers from the Receiver’s website (<http://case.stretto.com/dli>). Copies of these documents may also be requested by email, by sending the request to TeamDLI@stretto.com; or by telephone, by calling the Stretto Administrator at 855-885-1564.

Dated: July 29, 2022

DIAMOND MCCARTHY LLP

By: /s/ Christopher D. Sullivan
Christopher D. Sullivan, counsel
For Bradley D. Sharp,
Permanent Receiver