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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 OF SETTLEMENT**

**NOTICE OF SETTLEMENT**

PLEASE TAKE NOTICE that the following parties have reached an agreement (the “**Amended Settlement Agreement**”) among and between, on the one hand, (a) Bradley D. Sharp, in his capacity as the Court-appointed Receiver (the “**Receiver**”) for the estate of Direct Lending Investments, LLC, Direct Lending Income Fund, L.P. (“**DLIF**”), Direct Lending Income Feeder Fund, Ltd., DLI Capital, Inc., DLI Lending Agent, LLC, DLI Assets Bravo LLC (in Receivership) (collectively, the “**DLI Receivership Entities**”); (b) Bradley D. Sharp and Christopher D. Johnson, in their capacities as Joint Official Liquidators (“**JOLs**”) of Direct Lending Income Feeder Fund, Ltd. (in official liquidation) (“**DLIFF**”) (DLIFF, together with the DLI Receivership Entities, the “**DLI Entities**”); (c) investors in the DLI Entities (“**Investors**”) that participated in the Mediation (as defined in the Amended Settlement Agreement) and identified in Exhibit A to the Amended Settlement Agreement (“**Party Investors**”) (specifically, those Investors represented by The Meade Firm P.C., Reiser Law P.C., and Levine Kellogg Lehman Schneider + Grossman LLP; those Investors that are plaintiffs in the action *Jackson v. Deloitte & Touche, LLP*, Case No.

1 20GDCV00419 (Ca. Super. Ct.) (the “**Jackson Action**”) and represented by Nystrom Beckman  
2 & Paris LLP; those Investors represented by Bragar Eigel & Squire, P.C.; and those Investors that  
3 are putative lead plaintiffs in the action *Marcia Kosstrin Trust and Professional Home*  
4 *Improvements, Inc. Retirement Plan v. Direct Lending Investments, LLC, et al.*, Case No. 2:19-cv-  
5 02452 (C.D. Cal.) and represented by putative class counsel Ahdoot and Wolfson PC and Milberg  
6 Coleman Bryson Phillips Grossman PLLC); and, on the other hand, (d) Deloitte & Touche, LLP,  
7 Deloitte Tax LLP, and Deloitte & Touche LLP (Cayman Islands) (collectively, the “**Deloitte**  
8 **Entities**”).

9 Under the terms of the Amended Settlement Agreement, the Deloitte Entities will pay the  
10 amount of thirty-one million U.S. dollars (\$31,000,000) (the “**Settlement Amount**”) to be  
11 deposited into escrow account(s) for DLIF Investors; for DLIFF; and for payment of Court  
12 approved attorneys’ fees. The Settlement Amount less attorneys’ fees and expenses as awarded  
13 by the Court (“**Net Settlement Amount**”), will be disbursed by the Receiver to DLIF Investors  
14 and will be distributed by the JOLs pursuant to Cayman Islands law. As described in more detail  
15 in the applicable Notice of Settlement and Right of Exclusion from Settlement (“**Opt-out Notice**”),  
16 a portion of the Net Settlement Amount will be distributed on a pro rata basis to persons or entities  
17 that invested, through the purchase of limited partnership interests or otherwise, in DLIF (“**DLIF**  
18 **Investors**”) that do not exclude themselves from the Settlement (“**Participating DLIF**  
19 **Investors**”) pursuant to the procedures described therein. A separate portion of the Net Settlement  
20 Amount will be distributed by the JOLs in accordance with Cayman Islands law. In return, the  
21 Receiver, the JOLs, the DLI Entities, the Party Investors (the “**Claimants**”), and Participating  
22 DLIF Investors will release all claims against the Deloitte Entities arising out of, relating to, or in  
23 connection with the professional services provided by the Deloitte Entities to the DLI Entities  
24 among other Released Claims.<sup>1</sup> The Claimants, Participating DLIF Investors, and DLIFF

25  
26 <sup>1</sup> “Released Claims” means, to the fullest extent that the law permits their release, all past, present,  
27 and future claims of any nature whatsoever, including, without limitation, all claims, suits, actions,  
28 allegations, damages (including, without limitation, contributory, compensatory, punitive,  
exemplary, rescissory, direct, consequential or special damages, restitution, and disgorgement),  
liabilities, causes of action, complaints, lawsuits, responsibilities, demands, rights, debts, penalties,  
costs, expenses, fees, injunctive relief, attorneys’ fees, expert or consulting fees, prejudgment

1 Investors that do not exclude themselves from the Settlement pursuant to the procedures in the  
2 applicable Opt-out Notice (“**Participating DLIFF Investors**”)<sup>2</sup> will be barred by the Order  
3 Approving Settlement (defined below) from prosecuting or seeking monetary or any relief in the  
4 United States against any of the Released Deloitte Entities<sup>3</sup> with respect to any and all such claims.  
5 Any final verdict or judgment obtained by or on behalf of any Claimant or Participating DLIF  
6 Investor against any Third Party<sup>4</sup> shall be reduced by the proportionate fault of the Released  
7 Deloitte Entities, unless governing law requires otherwise. Concurrent with this Notice, Investors  
8 are being served with an Opt-out Notice describing the steps that Investors must take to exclude  
9 themselves from the Settlement.

10 PLEASE TAKE FURTHER NOTICE that the Receiver has filed in *Securities and*  
11 *Exchange Commission v. Direct Lending Investments, LLC*, Case No. 2:19-cv-02188-DSF-MRW

12 \_\_\_\_\_  
13 interest, indemnities, duties, losses, and obligations of any kind, known or unknown, foreseen or  
14 unforeseen, whether or not concealed or hidden, asserted or unasserted, existing or contingent,  
15 direct or indirect, anticipated or unanticipated, asserted or that could have been asserted by, or on  
16 behalf of, for the benefit of, or in the name of the Claimants or Participating Investors, whether  
17 legal, contractual, rescissory, statutory, or equitable in nature, whether arising under federal, state,  
18 common or foreign law, that now exist, have ever existed, or might ever exist, from the beginning  
19 of time in perpetuity, that are based upon, arise out of, or are related in any way to: (a) the  
20 professional services provided by the Deloitte Entities to the DLI Entities; (b) the conduct,  
21 transactions, or occurrences set forth in any of the pleadings in the Related Actions; (c) the Related  
22 Actions; and (d) the conduct and subject matter of the Mediation, Settlement negotiations, and the  
23 negotiation of this Agreement (except for representations or obligations expressly included in this  
24 Agreement), including without limitation fraud in the inducement thereof.

25 <sup>2</sup> Participating DLIF Investors and Participating DLIFF Investors together are referred to as  
26 “Participating Investors”.

27 <sup>3</sup> “Released Deloitte Entities” means (a) the Deloitte Entities; (b) the Deloitte Entities’  
28 predecessors, successors, Affiliates, Subsidiaries, divisions, assignors, and assignees; (c) each of  
the foregoing’s past, present, and future officers, directors, board and board members, principals,  
partners, officials, employees, Subsidiaries, parents, Affiliates, divisions, joint venturers,  
contractors, subcontractors, subrogees, offices, controlled Persons, predecessors, successors,  
assignors, assigns, transferees, heirs, executors, shareholders, owners, investors, accountants,  
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.

<sup>4</sup> “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.

1 (C.D. Cal.) (the “**SEC Action**”) the Amended Motion for (i) Approval of Settlement Agreement  
2 with the Deloitte Entities; (ii) Entry of Scheduling Order; and (iii) Entry of Order Approving  
3 Settlement (“**Amended Approval Motion**”). Following a hearing held on June 14, 2021 on a prior  
4 motion for approval, the Parties subsequently modified the Settlement. The Receiver and the  
5 Deloitte Entities also filed a Joint Status Conference Statement noting for the Court the changes to  
6 the Settlement in the Amended Settlement Agreement. The Settlement is expressly conditioned on  
7 the Court approving the Amended Settlement Agreement and entering an order in the form of  
8 Exhibit E attached to the Amended Settlement Agreement (“**Order Approving Settlement**”).  
9 While the Settlement also requires that the Grand Court of the Cayman Islands supervising the  
10 DLIFF liquidation make an order stating that the JOLs have sanction to enter into the Settlement  
11 and the Amended Settlement Agreement, this order has already been granted.

12 **This matter may affect your rights and you may wish to consult an attorney.**

13 The material terms of the Amended Settlement Agreement are as follows:

- 14 a) The Deloitte Entities will pay \$31,000,000 into escrow accounts to be identified by  
15 the Receiver pursuant to the Amended Settlement Agreement;
- 16 b) Investors shall have the right to exclude themselves from participation in the  
17 Settlement pursuant to the procedures described in the applicable Opt-out Notice.  
18 In the event that Investors that opt out of the Settlement exceed a certain threshold  
19 agreed upon by the signatories to the Amended Settlement Agreement (“**Opt-out**  
20 **Threshold**”), the Deloitte Entities shall have the sole and exclusive right to  
21 withdraw from and terminate the Settlement;
- 22 c) Counsel for Claimants and the Deloitte Entities are executing a confidential  
23 Supplemental Agreement Regarding Requests for Exclusion. This supplemental  
24 agreement sets forth certain conditions under which the Deloitte Entities shall have  
25 the option to withdraw from the Settlement and render the Settlement Agreement  
26 null and void in the event that the Opt-out Threshold is reached;
- 27 d) Entry of an Order Approving Settlement: specifying (i) that each of the Claimants  
28 and Participating DLIF Investors release each of the Released Deloitte Entities from

1 all Released Claims; (ii) that each of the Claimants and Participating Investors are  
2 barred from seeking monetary or other relief in any state or federal court, arbitration  
3 proceeding, or other forum in the United States against any of the Released Deloitte  
4 Entities with respect to any and all claims based on the professional services  
5 provided by the Deloitte Entities to the DLI Entities; (iii) any final verdict or  
6 judgment obtained by or on behalf of any Claimant or Participating DLIF Investor  
7 against any Third Party shall be reduced by an amount that corresponds to the  
8 percentage of responsibility of the Released Deloitte Entities for common damages.  
9 However, where the law governing such final verdict or judgment (“**Other**  
10 **Governing Law**”) requires a reduction in a different amount, the final verdict or  
11 judgment shall be reduced by an amount as provided by Other Governing Law.

12 e) An Agreement Regarding Disbursement of Attorneys’ Fees, attached as Exhibit F  
13 to the Amended Settlement Agreement, establishes an Attorneys’ Fund in the  
14 amount of \$4,650,000 to compensate the attorneys who represented the Party  
15 Investors, subject to Court approval of the Attorneys’ Fee Motion (ECF Nos. 797,  
16 813). The Receiver, JOLs, and the Deloitte Entities do not object to the Attorneys’  
17 Fee Motion;

18 f) The Receiver will disseminate notice of the Amended Settlement Agreement as set  
19 forth in the Scheduling Order entered in the SEC Action (ECF No. 811), including  
20 via this Notice to all Interested Parties<sup>5</sup> and the applicable Opt-out Notice to all  
21 Investors (through one or more of the following: first class mail, email, or  
22 international delivery) and provide publication notice.

23 Copies of the Amended Settlement Agreement, the Amended Approval Motion, the Joint Status  
24 Conference Statement, and other supporting papers may be obtained from the Court’s docket in  
25 the SEC Action (ECF Nos. 783, 784) and are also available on the website of the Receiver

26 \_\_\_\_\_  
27 <sup>5</sup> Interested Parties means, collectively, all parties to the SEC Action, all known creditors, all  
28 known Investors of DLI Entities, all Claimants, and, to the extent not already included in the  
foregoing, Opus Fund Services (USA) LLC, Opus Fund Services (Bermuda) Ltd., Duff & Phelps,  
LLC, and EisnerAmper LLP.

1 (<http://case.stretto.com/dli>). Copies of these documents may also be requested by email, by  
2 sending the request to TeamDLI@stretto.com; or by telephone, by calling the Stretto  
3 Administrator at 855-885-1564. Unless otherwise specified, all capitalized terms not defined  
4 herein are defined in the Amended Settlement Agreement.

5 PLEASE TAKE FURTHER NOTICE that the final hearing on the Amended Approval  
6 Motion is set for 1:30 p.m. on October 3, 2022 (the “**Final Approval Hearing**”). Any Person who  
7 wishes to object to the terms of the Amended Settlement Agreement, or the Order Approving  
8 Settlement, or who wishes to appear at the Final Approval Hearing, must do so by emailing a  
9 written objection to TeamDLI@stretto.com no later than September 6, 2022. All objections must:

10 a. contain the name, address, telephone number, and (if applicable) an email  
11 address of the Person filing the objection;

12 b. contain the name, address, telephone number, and email address of any  
13 attorney representing the Person filing the objection;

14 c. be signed by the Person filing the objection, or his or her attorney;

15 d. state, in detail, the basis for any objection;

16 e. attach any document the Court should consider in ruling on the Amended  
17 Settlement Agreement and the Order Approving Settlement; and

18 f. if the Person filing the objection wishes to appear at the Final Approval  
19 Hearing, make a request to do so.

20 Any Person submitting an objection shall be deemed to have submitted to the jurisdiction  
21 of this Court for all purposes of that objection, the Settlement Agreement, and the Order Approving  
22 Settlement. Potential objectors who do not present opposition by the time and in the manner set  
23 forth above shall be deemed to have waived the right to object (including any right to appeal) and  
24 shall be forever barred from raising such objections in this action or any other action or proceeding.  
25 Persons do not need to appear at the Final Approval Hearing or take any other action to indicate  
26 their approval. The Court may decline to permit anyone who fails to submit a written objection  
27 and request to appear at the Final Approval Hearing as set forth in subparts (a) through (f) above  
28 from appearing at the Final Approval Hearing. The Court will exercise discretion as to whether it

1 wishes to hear from any person or entity who fails to make a timely written objection and request  
2 to appear.

3  
4 Dated: July 29, 2022

DIAMOND MCCARTHY LLP

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

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