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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 FEEDER
FUND INVESTORS OF
SETTLEMENT AND RIGHT
OF EXCLUSION FROM
SETTLEMENT**

You are receiving this Notice as an investor in Direct Lending Income Feeder Fund Ltd. (“DLIFF”). A federal court in the United States authorized this Notice. This is not a solicitation from a lawyer.

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) (the “Deloitte Entities”). Among the recoveries pursued on behalf of DLIFF, as well as Direct Lending Income Fund, L.P. (“DLIF”), are claims against the Deloitte Entities in respect of the provision of audit services by the Deloitte Entities. Such claims are related to proceedings in the United States, including those pending in the U.S. District Court for the Central District of California with the case number 2:19-cv-02188-DSF-MRW (the “U.S. Receivership Proceedings” and the “U.S. Receivership Court” respectively). If approved by the U.S. Receivership Court, the proposed settlement will result in monies being paid by the Deloitte Entities to escrow accounts established by the Receiver

1 for DLIF, who will then distribute a portion of the monies to the Joint Official Liquidators
2 (the “JOLs”) of DLIFF (the “Deloitte Settlement Monies”). The portion of the Deloitte
3 Settlement Monies distributed to DLIFF will be distributed to investors and creditors of
4 DLIFF in accordance with applicable Cayman Islands law.

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6 The purpose of this Notice is also to inform you of your right to exclude yourself from
7 participation in the Settlement (the “Settlement” described below) pursuant to procedures
8 explained in this Notice. If you do nothing, and if the Receiver’s request that the U.S.
9 Receivership Court enter an order barring you from pursuing claims against the Deloitte
10 Entities in the United States is granted, you will be barred from pursuing claims against the
11 Deloitte Entities in the United States. You may also decide to exclude yourself from the
12 Settlement and the order barring you from pursuing claims against the Deloitte Entities in
13 the United States will not apply. However, if too many DLIFF and/or DLIF investors decide
14 to take action and exclude themselves (or “opt out”), the Deloitte Entities may withdraw
15 from the Settlement. If the Deloitte Entities withdraw from the Settlement, investors and
16 creditors will lose the benefit of receiving the Settlement Monies.

17 While you are entitled to opt out from the terms of the Settlement, opting out may
18 risk the Deloitte Entities withdrawing from, and in effect, terminating the Settlement. This
19 notice explains the Settlement and the consequences of opting out. You should consider
20 consulting with your attorney regarding the Settlement, your choices, and this Notice.

21 **The Settlement:** The following parties have reached an agreement (the “Amended
22 Settlement Agreement”) among and between, on the one hand, (a) Bradley D. Sharp, in his
23 capacity as the Court-appointed Receiver (the “Receiver”) for the estate of Direct Lending
24 Investments, LLC, Direct Lending Income Fund, L.P., Direct Lending Income Feeder Fund, Ltd.,
25 DLI Capital, Inc., DLI Lending Agent, LLC, DLI Assets Bravo LLC (in Receivership)
26 (collectively, the “DLI Receivership Entities”); (b) Bradley D. Sharp and Christopher D.
27 Johnson, in their capacities as JOLs of Direct Lending Income Feeder Fund, Ltd. (in official
28 liquidation) (“DLIFF”) (DLIFF, together with the DLI Receivership Entities, the “DLI Entities”);

1 (c) investors in the DLI Entities (“**Investors**”) that participated in the Mediation (as defined in the
2 Amended Settlement Agreement) and identified in Exhibit A to the Amended Settlement
3 Agreement (“**Party Investors**”) (specifically, those Investors represented by The Meade Firm
4 P.C., Reiser Law P.C., and Levine Kellogg Lehman Schneider + Grossman LLP; those Investors
5 that are plaintiffs in the action *Jackson v. Deloitte & Touche, LLP*, Case No. 20GDCV00419 (Ca.
6 Super. Ct.) (the “**Jackson Action**”) and represented by Nystrom Beckman & Paris LLP; those
7 Investors represented by Bragar Eigel & Squire, P.C.; and those Investors that are putative lead
8 plaintiffs in the action *Marcia Kosstrin Trust and Professional Home Improvements, Inc.*
9 *Retirement Plan v. Direct Lending Investments, LLC, et al.*, Case No. 2:19-cv-02452 (C.D. Cal.)
10 and represented by putative class counsel Ahdoot and Wolfson PC and Milberg Coleman Bryson
11 Phillips Grossman PLC); and, on the other hand, (d) Deloitte & Touche, LLP, Deloitte Tax LLP,
12 and Deloitte & Touche LLP (Cayman Islands) (collectively, the “**Deloitte Entities**”).

13 Under the terms of the Amended Settlement Agreement, the Deloitte Entities will pay the
14 amount of thirty-one million U.S. dollars (\$31,000,000) (the “**Settlement Amount**”) to be
15 deposited into escrow account(s) for DLIF Investors; for DLIFF; and for payment of Court
16 approved attorneys’ fees. The Settlement will resolve all claims and potential claims by the
17 Receiver, the JOLs and all DLIF investors who do not opt out. The Settlement Amount, less
18 attorneys’ fees and expenses in an amount of up to \$4.65 million to be determined by the U.S.
19 Receivership Court, will be distributed to DLIFF and DLIF in accordance with the prior Court-
20 approved Claim Allowance Stipulation to divide certain proceeds received by the Receivership
21 Entities between DLIFF and DLIF. (“Claim Allowance Stipulation”) <http://case.stretto.com/dli>,
22 Dkt. No. 318-2). Any proceeds of the Settlement Amount received by DLIFF will be distributed
23 by the JOLs in accordance with Cayman Islands law. In return for the Settlement Amount, the
24 Receiver, the JOLs, the DLI Entities, and the Party Investors (the “**Claimants**”) will release all
25 claims against the Deloitte Entities relating to or in connection with the professional services
26 provided by the Deloitte Entities to the DLI Entities, among other Released Claims (“**Released**
27 **Claims**” defined below). In addition, the Settlement is conditioned upon the U.S. Receivership
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1 Court in the SEC Action (the “**SEC Action**” defined below) entering an order barring those
2 investors in DLIF and DLIFF (which, for the avoidance of doubt, includes their successors and
3 assigns wherever referred to herein) who do not opt out from pursuing claims in the United States
4 against the Deloitte Entities. In addition, the Receiver, the JOLs and those investors in DLIF who
5 do not opt out agree that any final verdict or judgment obtained with respect to certain claims they
6 may pursue against a Third Party¹ will be reduced by the proportionate fault of the Released
7 Deloitte Entities², unless governing law requires otherwise.

8 The Receiver filed the Amended Motion for (i) Approval of Settlement Agreement with
9 the Deloitte Entities; (ii) Entry of Scheduling Order; and (iii) Entry of Order Approving Settlement
10 (the “**Amended Approval Motion**”). Following a hearing held on June 14, 2021 on a prior motion
11 for approval, the Parties subsequently amended the settlement, the terms of which are contained
12 in the Amended Settlement Agreement. The Receiver and the Deloitte Entities filed a Joint Status
13 Conference Statement, describing ways in which the Amended Settlement Agreement was revised
14 to address certain questions the U.S. Receivership Court had raised about the original agreement.
15 The Parties to the Amended Settlement Agreement seek approval of the U.S. Receivership Court
16 in the SEC Action of the terms of the Amended Settlement Agreement and entry of a final order
17 approving the Settlement (the “**Order Approving Settlement**”). For further details on the
18 Settlement, please consult the Notice of Settlement that you have been served along with this
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20 ¹ “Third Party” means any nonparty to the Amended Settlement Agreement that has been or may
21 be sued by any of the Claimants or Participating Investors for claims relating to, or in connection
with the DLI Entities.

22 ² “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 Notice. You may also obtain copies of the Amended Settlement Agreement, the proposed Order
2 Approving Settlement, the Amended Approval Motion, the Joint Status Conference Statement,
3 and supporting papers from the Court’s docket in the SEC Action [ECF Nos 783, 784] and from
4 the Receiver’s website (<http://case.stretto.com/dli>).

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

7 **Deadlines:**

8 Request exclusion from the Settlement: September 6, 2022

9 Submit an Objection: September 6, 2022

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

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

YOUR LEGAL RIGHTS AND OPTIONS IN THE SETTLEMENT	
DO NOTHING	If you are in favor of the Settlement, which will provide millions of dollars to the investors and creditors of the DLI entities, you do not need to do anything. If you do nothing and the U.S. Receivership Court approves the Settlement, you will be barred 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 AND BEING BARRED	If you believe that you have independent claims against the Deloitte Entities related to the DLI Entities that you intend to pursue in the United States, you must opt out in order to preserve your right to pursue such claims. Opting out is the only way that you can preserve such claims if the Receivership Court approves the Settlement. If you opt out, you can still object to the Settlement.

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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 U.S. Receivership Court not approve the Settlement. If you object to the Settlement, you must also elect whether to opt out. If you do not opt out and the U.S. Receivership Court overrules your objection, you will be barred 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.
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The U.S. Receivership 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 approve the Settlement. The U.S. Receivership Court will consider whether the Amended Settlement Agreement is adequate, fair, and reasonable. Distributions will only be made if the U.S. Receivership Court approves the Settlement and after objections or appeals, if any, are resolved.

THE SETTLEMENT BENEFITS - WHAT CAN YOU GET

1. What does the Settlement provide?

The Deloitte Entities have agreed to pay \$31,000,000 in cash pursuant to the Settlement Agreement to be deposited into escrow account(s) to be identified by the Receiver. The Settlement Amount, less any Attorneys’ Fees and expenses awarded by the U.S. Receivership Court, shall constitute the “**Net Settlement Amount**”.

2. How will the Settlement be allocated?

The Net Settlement Amount will be distributed to DLIF and to DLIFF in accordance with the prior Court-approved Claim Allowance Stipulation to divide certain proceeds received by the Receivership Entities between DLIFF and DLIF. The proceeds of the Net Settlement Amount received by DLIFF will be distributed by the JOLs in accordance with Cayman Islands law.

3. What am I giving up if I do not opt out?

1 If you do not opt out pursuant to the procedures described in this Notice, the U.S.
2 Receivership Court will be asked to enter an order barring and enjoining you from prosecuting any
3 claims against the Deloitte Entities in the United States based on the provision of audit services by
4 the Deloitte Entities.

5 Put simply, you will not be able to able to pursue any lawsuit or any claim against the
6 Deloitte Entities in the United States that in any way is related to the services provided by the
7 Deloitte Entities to the DLI Entities.

8 **THE PROCESS FOR OPTING OUT**

9 If you want to keep any right to bring a claim, sue, or continue to sue the Deloitte Entities
10 on your own in the United States, then you must take the following steps. This is called “excluding
11 yourself” or “opting out.” *If too many investors opt out, the Deloitte Entities may withdraw from*
12 *the Settlement. The Receiver and the JOLs believe that the Settlement is beneficial for all*
13 *investors and creditors of the DLI Entities.*

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

15 To opt out, you must send a written letter by e-mail stating that you want to opt out and not
16 be barred from pursuing claims you have and wish to bring in the United States against the Deloitte
17 Entities related to their work for the DLI Entities. Your email should reference this case as
18 follows: *Securities and Exchange Commission v. Direct Lending Investments, LLC*, Case No.
19 2:19-cv-02188-DSF-MRW (C.D. Cal.). You must include your name, address, telephone number,
20 and e-mail address on the written letter. You must sign the written letter and e-mail it so that it is
21 received no later than September 6, 2022 to:

22 TeamDLI@stretto.com

23 You may not opt out over the telephone. You must submit the written exclusion request
24 via e-mail as noted above.

25 **5. If I do not opt out, can I sue the Deloitte Entities for the same claim later in the** 26 **United States?**

1 No. Unless you opt out, you will be barred by order of the Court from suing the Deloitte
2 Entities in the United States for claims based on the professional services provided by the Deloitte
3 Entities to the DLI Entities. If you have a pending lawsuit against any of the Deloitte Entities,
4 speak to your lawyer in that case immediately. Remember, the deadline to opt out is September 6,
5 2022.

6 OBJECTING TO THE SETTLEMENT

7 You can also oppose approval of the Settlement, the Amended Settlement Agreement, or
8 the Order Approving the Settlement by objecting.

9 6. How do I object?

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

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

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

5 If you do not opt out and you object to the Settlement, and your objection is overruled by
6 the U.S. Receivership Court, you will be barred from pursuing your own lawsuit in the United
7 States against the Deloitte Entities related in any way to the professional services provided by the
8 Deloitte Entities to the DLI Entities.

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

11 **FINAL APPROVAL HEARING**

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

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

15 The Court will hold the Final Approval hearing on the Settlement at 1:30 p.m. on
16 October 3, 2022, in Courtroom 7D of the United States District Court for the Central District of
17 California, First Street Courthouse, 350 West 1st Street, Los Angeles, California 90012. The
18 purposes of the Final Approval Hearing will be to: (i) determine whether the terms of the
19 Amended Settlement Agreement should be finally approved by the U.S. Receivership Court;
20 (ii) determine whether the Order Approving the Settlement should be entered by the United
21 States Receivership Court; (iii) rule upon any objections to the Amended Settlement Agreement
22 or the Order Approving Settlement; and (v) rule upon such other matters as the U.S.
23 Receivership Court may deem appropriate. At the hearing, the U.S. Receivership Court will
24 consider whether the Amended Settlement Agreement is adequate, fair, and reasonable.

25 **8. Do I need to come to the Final Approval Hearing?**

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

4 **IF YOU DO NOTHING**

5 **9. What happens if I do nothing at all?**

6 You do not have to do anything. If you do not object to the U.S. Receivership Court
7 approving the Settlement and if you do not want to opt out, you do not need to do anything. If
8 you do nothing and the U.S. Receivership Court approves the Settlement, you will receive your
9 portion of the Settlement Monies, to the extent you are entitled in accordance with Cayman
10 Islands law, from the JOLs in the Cayman Islands. If you do nothing and the U.S. Receivership
11 Court grants final approval of the Settlement and enters the Order Approving the Settlement, you
12 will be barred from pursuing claims against the Deloitte Entities in the United States based on
13 the professional services provided by the Deloitte Entities to the DLI Entities.

14 **IF YOU WANT MORE INFORMATION**

15 **10. How do I get more details on the Settlement?**

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

24 Dated: July 29, 2022

DIAMOND MCCARTHY LLP

25 By: /s/ Christopher D. Sullivan
26 Christopher D. Sullivan, counsel
27 For Bradley D. Sharp,
28 Permanent Receiver