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ARKANSAS SECURITIES DEPARTMENT

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FOR IMMEDIATE RELEASE

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Contact Person: Theodore Holder, Assistant Commissioner

ARKANSAS SECURITIES COMMISSIONER ISSUES CEASE AND DESIST ORDER STOPPING FRAUDULENT SALES OF UNREGISTERED SECURITIES BY INSURANCE AGENT

Arkansas Securities Commissioner A. Heath Abshure a cease and desist order today against **Diversified Lending Group, Inc. (DLG), Bruce Friedman and Michael Gardner**. Abshure ordered Gardner, a licensed insurance agent, to stop acting as broker-dealer without being registered as such with the Arkansas Securities Department (ASD). Abshure relied on allegations of Arkansas Securities Department (Staff) in finding that Gardner had sold 29 Arkansas investors \$3,456,024 of securities in DLG and collected \$122,790.27 in commissions. Abshure ordered DLG to stop selling unregistered securities and to cease and desist fraudulent activity in the offer of sale of securities in Arkansas. Commissioner Abshure relied on allegations of fact made by the Staff in finding that DLG and Friedman committed securities fraud by failing to inform investors of Friedman's past, including a criminal conviction in California for grand theft, a bankruptcy, two large civil judgments (one for \$700,000 and another for \$950,000) for such civil causes of actions such as fraud and deceit and conspiracy to commit fraud, and a third California judgment against Friedman for \$150,000 in which Friedman was found to have engaged in activities to thwart the collection of the \$950,000 judgment. Other allegations of fact made by the Staff supported Abshure's finding that DLG and Friedman committed securities fraud in leading two Arkansas investors to believe that their investments—totaling over \$160,000— were insured by a particular insurance policy that was never worth more than \$6,407.77, its worth as of the date of this order.

On March 5, 2009, the Securities and Exchange Commission (SEC), alleging securities fraud on the part of Bruce Friedman, Diversified Lending Group, Inc. (DLG) and Applied Equities, Inc. (AEI), obtained an emergency court order from a federal district court in Los Angeles, California, to freeze the defendants' assets and stop the ongoing investment scheme. The SEC alleged in its complaint that Friedman, DLG and AEI raised at least \$216 million from investors nationwide by promising guaranteed high returns through real-estate related investments. The SEC states that Friedman diverted substantial investor money to ventures unrelated to real estate, and also misappropriated at least \$17 million to support purchases of a luxury home, cars, vacations, jewelry and designer clothing for himself and a girlfriend. In its press release concerning this litigation, the SEC thanked the ASD as well as two other state securities regulators. See <http://www.sec.gov/news/press/2009/2009-45.htm>.

Assistant Securities Commissioner Theodore Holder said, "When investing, it is important to have as much information concerning an investment as possible. It is important to know the person one is dealing with directly as well as to know something about the people running the business in which one is investing. When a company is in another state, it might be difficult to find out information about it. For that reason securities are registered with the ASD. We encourage the public to call us whenever you are contemplating an investment, regardless of whether that investment is called a security or not. Sometimes, we can find information for you that would mean the difference between investing or not."

The public is advised that this is a continuing investigation. Should anyone have any further information about any of these respondents, please call Mr. Holder at the direct dial number listed above or Ms. Shannon Underwood at 501-683-0806. Mr. Holder and Ms. Underwood can also be reached at the 1-800 hotline number printed below

Copies of the order can be obtained at the Arkansas Securities Department's website, listed below. Order No. S-08-074-09-CD01, *In the Matter of James Robert Crawford, d/b/a Safety of Seniors, Inc.*, and Order No. S-08-048-09-CD01, *In the Matter of Diversified Lending Group, Inc., Bruce Friedman and Michael Gardner.*