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13 UNITED STATES DISTRICT COURT
14 CENTRAL DISTRICT OF CALIFORNIA

15 SECURITIES AND EXCHANGE
16 COMMISSION,

17 Plaintiff,

18 vs.

19 DIVERSIFIED LENDING GROUP, INC.;
20 APPLIED EQUITIES, INC.; and BRUCE
21 FRIEDMAN,

21 Defendants,

22 and

23 TINA M. PLACOURAKIS,

24 Relief Defendant.

Case No.

**EX PARTE APPLICATION BY
PLAINTIFF SECURITIES AND
EXCHANGE COMMISSION FOR
TEMPORARY RESTRAINING ORDER
AND ORDERS: (1) FREEZING
ASSETS; (2) APPOINTING A
TEMPORARY RECEIVER, (3)
PROHIBITING THE DESTRUCTION
OF DOCUMENTS, (4) GRANTING
EXPEDITED DISCOVERY, AND (5)
REQUIRING ACCOUNTINGS; AND
ORDER TO SHOW CAUSE RE
PRELIMINARY INJUNCTION AND
APPOINTMENT OF A PERMANENT
RECEIVER**

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1 Plaintiff Securities and Exchange Commission ("Commission") applies for a
2 temporary restraining order prohibiting defendants Diversified Lending Group
3 ("DLG"), Applied Equities, Inc. ("AEI") and Bruce Friedman ("Friedman") from
4 committing violations of the antifraud provisions of Section 17(a) of the Securities
5 Act of 1933 ("Securities Act"), 15 U.S.C. § 77q(a), and Section 10(b) of the Securities
6 Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5
7 thereunder, 17 C.F.R. § 240.10b-5, and for orders freezing assets of defendants DLG,
8 AEI, and Friedman (collectively, "the defendants"), and relief defendant Tina M.
9 Placourakis ("Placourakis"), appointing a temporary receiver over defendants DLG
10 and AEI, and their subsidiaries and affiliates, prohibiting the destruction of
11 documents, granting expedited discovery, and for accountings. In addition, the
12 Commission applies for an Order to Show Cause Re Preliminary Injunction and
13 Appointment of a Permanent Receiver.

14 The Commission applies for this emergency injunctive relief on an *ex parte*
15 basis. Waiver of notice to the defendants is appropriate pursuant to Fed. R. Civ. P.
16 65(b) and Local Rule 7-19.2 because it is clear from specific facts set forth in the
17 evidence submitted with the Application that immediate and irreparable injury, loss,
18 or damage will result if the defendants are notified of the Commission's Application
19 prior to it being heard.

20 The defendants have raised approximately \$216 million from hundreds of
21 investors nationwide since at least January 2004 through an ongoing fraudulent
22 scheme. The defendants offer and sell securities in the form of one or five year
23 "Secured Investment Notes," representing that DLG pools investor money and invests
24 it 70%-80% in real estate property and 20%-30% in mortgage lending. In fact, the
25 defendants did not invest DLG investor proceeds as represented. Instead, they
26 diverted a substantial amount of investor money to undisclosed business ventures or
27 investments unrelated to real property or mortgage lending, including Friedman's
28 charitable foundation, equity securities, and businesses operated by affiliates and

1 Friedman's family members and friends. Until very recently, the defendants failed to
2 disclose any of these additional business ventures to DLG investors, even though
3 DLG investors had financed them for years.

4 Additionally, Friedman has been misappropriating millions of dollars from
5 DLG for his personal use. Since the beginning of 2007, Friedman has
6 misappropriated at least \$17 million to support his lavish lifestyle, including
7 purchases of a luxury home, cars, vacations, jewelry, and designer clothing and
8 accessories. Over \$275,000 in investor funds has also been misappropriated for the
9 personal use of Placourakis.

10 Nor did the defendants disclose Friedman's prior criminal conviction and
11 incarceration for grand theft until forced to do so by regulatory and media scrutiny in
12 December 2008.

13 The defendants' fraudulent activities are ongoing. For example, last month
14 Friedman trained insurance agents and unregistered salespeople to sell DLG Notes
15 again misrepresenting that their funds would be pooled in real property (70%-80%)
16 and mortgage lending (20%-30%) activities. DLG also seems to be experiencing
17 increasing financial distress. Investors have recently reported that DLG has been
18 unwilling or unable to return their money, and one investor filed a civil action against
19 DLG for securities fraud.

20 Because of the ongoing nature of the fraudulent scheme, the dissipation of
21 investor funds by the defendants, and the possibility that the scheme may collapse, the
22 Commission seeks temporary, preliminary, and permanent injunctions enjoining each
23 of the defendants from violating the antifraud provisions of Section 17(a) of the
24 Securities Act and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule
25 10b-5 thereunder, 17 C.F.R. § 240.10b-5; a temporary restraining order and
26 preliminary injunction freezing the assets of each of defendants DLG, AEI, and
27 Friedman, and relief defendant Placourakis, and prohibiting them from destroying
28 documents, granting expedited discovery, appointment of a receiver over defendants

1 DLG and AEI, and their subsidiaries and affiliates, and ordering accountings.

2 The Commission requests, pursuant to Fed. R. Civ. P. 65(b) and Local Rules 7-
3 19, 7-19.2 and 65-1, that the Court consider its *Ex Parte* Application without prior
4 notice to the defendants because of the enormous sums raised by the defendants from
5 investors, the possible imminent collapse of DLG, and the risk that investor funds will
6 be further dissipated and that evidence will be destroyed. For these reasons, counsel
7 for the Commission has not advised the defendants or their counsel of the date, time
8 or substance of the Commission's *Ex Parte* Application.

9 During the Commission's investigation, defendants DLG, AEI, and Friedman
10 were represented by:

11 Mark C. Holscher, Esq.
12 Kirkland & Ellis, LLP
13 777 South Figueroa Street
14 Los Angeles, CA 90017-5800
15 (213) 680-8190

16 The Application is based upon the concurrently filed Complaint; Memorandum
17 of Points and Authorities; Declarations of Melissa Grant and Nina Y. Yamamoto and
18 exhibits thereto, and such other evidence and argument as the Commission may
19 present to the Court.

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21 Dated: March 4, 2009

Respectfully submitted,

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24 John M. McCoy, III
25 Attorney for Plaintiff
26 Securities and Exchange Commission
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