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6 BRUCE FRIEDMAN

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8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA
10 WESTERN DIVISION

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12 UNITED STATES SECURITIES AND
EXCHANGE COMMISSION,

13 Plaintiff,

14 vs.

15 DIVERSIFIED LENDING GROUP,
16 APPLIED EQUITIES, INC., AND
BRUCE FRIEDMAN,

17 Defendants.
18
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CASE NO. CV 09-01533-R (JTLx)

NOTICE OF MOTION AND MOTION
FOR LIMITED LIFTING OF ASSET
FREEZE; MEMORANDUM OF
POINTS AND AUTHORITIES;
DECLARATION OF BRUCE
FRIEDMAN; DECLARATION OF
RICHARD E. DROOYAN

Judge: Hon. Manuel L. Real
Date: May 4, 2009
Time: 10:00 a.m.
Place: Courtroom 8

20 TO: THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION
21 AND RECEIVER DAVID GILL, AND THEIR ATTORNEYS:

22 PLEASE TAKE NOTICE THAT on May 4, 2009 at 10:00 a.m. or as
23 soon thereafter as the matter may be heard in Courtroom 8, before the Honorable
24 Manuel L. Real, United States District Judge, United States Courthouse, 312 North
25 Spring Street, Los Angeles, California 90012, Defendant Bruce Friedman will
26 move for an Order partially lifting the freeze of his assets imposed by the Court on
27 March 10, 2009, to withdraw funds for his reasonable business expenses and
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1 permitting him to retain income he earns from employment in the future. This
2 Motion is based upon all documents and pleadings on file in this matter, the
3 attached Memorandum of Points and Authorities and Declarations submitted
4 herewith, and such other matters as the Court may consider at the hearing on this
5 motion.

6 DATED: April 10, 2009

Munger, Tolles & Olson LLP
RICHARD E. DROOYAN

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By: /s/ Richard E. Drooyan
RICHARD E. DROOYAN

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Attorneys for Defendant
BRUCE FRIEDMAN

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MEMORANDUM OF POINTS AND AUTHORITIES

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2 Defendant Bruce Friedman respectfully requests this Court to partially lift the
3 freeze on his assets imposed by the Court in Article V of the Preliminary Injunction
4 issued on March 10, 2008, to withdraw funds from his personal bank account for
5 his reasonable living expenses. Mr. Friedman also asks this Court to allow him to
6 retain any income he earns from any future employment, with the understanding
7 that it will reduce dollar for dollar the amount that he can withdraw from the assets
8 that are the subject of the freeze order.

I. PROCEDURAL HISTORY

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10 On March 5, 2009, the United States Securities and Exchange Commission
11 (the "SEC") filed a complaint against Mr. Friedman and his company Diversified
12 Lending Group, Inc., and its subsidiary Applied Equities, Inc., alleging fraud in the
13 offer or sale of securities, in violation of 15 U.S.C. § 77q(a), and fraud in
14 connection with the purchase or sale of securities, in violation of 15 U.S.C. § 78j(b)
15 and 17 C.F.R. § 240.10b-5. At the same time, the SEC sought and obtained from
16 this Court a Temporary Restraining Order that, *inter alia*, froze all of Mr.
17 Friedman's assets, and required him to submit a list of his assets to the Court and
18 the SEC.

19 On March 10, 2009, the SEC and Mr. Friedman stipulated to the entry of a
20 Preliminary Injunction and agreed that Mr. Friedman could withdraw up to \$8,800
21 from his personal account at Wells Fargo Bank for his personal living expenses.¹
22 This Court issued the preliminary injunction on March 10, 2009, and also partially
23 lifted the asset freeze to permit Mr. Friedman to withdraw up to \$8,800 from
24 account number XXX-4630-338 at Wells Fargo Bank. On March 11, 2009, Mr.
25 Friedman filed a list of his assets under seal and provided copies to the SEC and the
26 receiver.

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28 ¹ Mr. Friedman through his counsel brought this account, which was not in the Temporary
Restraining Order, to the attention of the SEC on March 9, 2009.

1 **II. ARGUMENT**

2 Article V of the Preliminary Injunction provides, in pertinent part, that “an
3 immediate freeze is and shall be in effect on all monies and assets (with an
4 allowance for necessary and reasonable living expenses to be granted only upon
5 good cause shown by application to the Court with notice and an opportunity for
6 the Commission to be heard) in all accounts. . .[of] any of the Defendants. . . .”
7 Except for the \$8,800 that this Court allowed Mr. Friedman to withdraw from his
8 personal account at Wells Fargo Bank, he has not withdrawn or used any of his
9 other funds or assets or the assets of Diversified Lending Group, Inc. and Applied
10 Equities, Inc. He has also filed a Schedule of Assets as required by the Temporary
11 Restraining Order in full compliance with both the Temporary Restraining Order
12 and the Preliminary Injunction. Moreover, in addition to stipulating to the entry of
13 the Preliminary Injunction, Mr. Friedman has cooperated with the Receiver
14 appointed by this Court by meeting with him and his staff on numerous occasions
15 and responding to their questions to best of his ability to help maximize the value of
16 the estate of Diversified Lending Group and its affiliated entities. Declaration of
17 Bruce Friedman, ¶ 2.

18 Pursuant to Article V of the Preliminary Injunction, Mr. Friedman requests
19 that this Court permit him to withdraw up to \$5,790 per month from account XXX-
20 4630-338 at Wells Fargo Bank for his reasonable living expenses, which are set on
21 the schedule in Mr. Friedman’s declaration submitted herewith. Friedman
22 Declaration, ¶ 3. A schedule of these expenses has been provided to the Receiver,
23 who has indicated that he does not oppose Mr. Friedman’s request, and to the SEC,
24 which has stated that, subject to a review of the back-up documentation, it does not
25 oppose Mr. Friedman’s request. Declaration of Richard E. Drooyan, ¶¶ 2, 3. The
26 amount that Mr. Friedman is requesting is considerably less than the one-time
27 withdrawal that the Court authorized initially. This is primarily because Mr.
28 Friedman decided to drop an expensive life insurance policy that he had

1 maintained, and has eliminated certain other personal expenses. Mr. Friedman's
2 other expenses are not excessive; excluding the mortgage, which is the single
3 biggest expense, his personal expenses are approximately \$40,000 per year.

4 Mr. Friedman also seeks this Court's permission to retain any income that he
5 earns from future employment, with the understanding that any such income he
6 earns net of taxes will reduce dollar for dollar any funds the he will be entitled to
7 withdraw from account number XXX-4630-338 for his personal expenses. Neither
8 the SEC nor the receiver has any objections to this request. Drooyan Dec., ¶¶ 2, 3.

9 **III. CONCLUSION**

10 For the reasons set forth in this Memorandum and the attached declarations,
11 we request that this Court authorize Mr. Friedman to withdraw beginning for the
12 month of April 2009 up to \$5,790 per month from his personal account at Wells
13 Fargo Bank and to retain any income he earns from future employment, provided
14 that any such income net of taxes will reduce dollar for dollar the amount that Mr.
15 Friedman can withdraw from his personal account.

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17 DATED: April 10, 2009

Munger, Tolles & Olson LLP
RICHARD E. DROOYAN

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By: /s/ Richard E. Drooyan
RICHARD E. DROOYAN

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Attorneys for Defendant
BRUCE FRIEDMAN

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DECLARATION OF BRUCE FRIEDMAN

I, BRUCE FRIEDMAN, hereby declare as follows:

1. I am a defendant in the case in entitled *Securities and Exchange Commission v. Diversified Lending Group, Inc., et al.*, Case No. CV 09-01533-R (JTLx) pending in the United States District Court for the Central District of California. I am familiar with the facts set forth in the declaration and can testify to these facts under oath from my own personal knowledge.

2. I have cooperated with the Receiver appointed by this Court to attempt to maximize the value of the estate of Diversified Lending Group, Inc. (“DLG”) for the benefit of its investors and other creditors. I have met with the Receiver and his staff on numerous occasions and have responded to their questions about DLG and its investments and assets to the best of my abilities. I have also filed a schedule of my assets with the Court, stipulated to the entry of a Preliminary Injunction, and fully complied with both the Temporary Restraining Order and the Preliminary Injunction issued by this Court. Except for the \$8,800 that this Court allowed me to withdraw from my personal account at Wells Fargo Bank, I have not withdrawn or used any of my other funds or assets or the assets of Diversified Lending Group, Inc. and Applied Equities, Inc.

3. Pursuant to Article V of the Preliminary Injunction, I am seeking the Court’s permission to withdraw up to \$5,790 per month from account number XXX 4630-338 at Wells Fargo Bank, which is my personal account, to pay for my monthly expenses, which I estimate at the present time to be approximately as follows:

Mortgage	\$2,600.00
Utilities	\$750.00
Phone	\$125.00
Auto Insurance	\$300.00

1	Food	\$700.00
2	Gas	\$275.00
3	Home Maintenance	\$350.00
4	Cleaning	\$65.00
5	Health Insurance	\$625.00
6	TOTAL	\$5,790

7 Attached hereto as Exhibits 1 - 3, are copies of bills and other back-up
8 documentation for the above expenses.

9 4. In addition, I am requesting the Court's permission to retain any
10 income that I earn from future employment, with the understanding that it will
11 reduce dollar for dollar net of taxes any amounts that I am permitted to withdraw
12 from my Wells Fargo Bank account.

13 I declare under penalty of perjury that the foregoing is true and correct.
14 Executed this 10th day of April 2009 in Los Angeles County, California.

15 /s/ Bruce Friedman
16 BRUCE FRIEDMAN

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EXHIBIT 1



Los Angeles Department of Water & Power

- Customer Service
- Rebates & Programs
- Doing Business
- Green LA
- Supply & Reliability
- Health & Safety
- Community Involvement
- About LADWP

[Service Requests](#) • [View Your Account](#) • [Payment Options](#) • [Understanding the LADWP Bill](#) • [Electric Rates](#) • [Water Rates](#) • [Trouble Reporting](#)

[Advanced Search](#)



VIEW YOUR ACCOUNT

YOUR ACCOUNT

Welcome **BruceFriedman**

Account Summary

- Pay Bill
- Account History
- View Bills
- Bill Extension
- Enroll Account
- Edit Enrolled Accounts
- Email Notification Service

- Account Update
- Profile Update
- High Bill Inquiry

BILL INSERTS

Connections Newsletter
March - April 2009

Account History

*Sanitation and Sewer charges are collected for other city agencies. For more information see Understanding Your Bill.

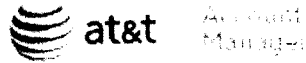
Charges listed on this page are reflective of commodity charges and do not include other potential billing items.

Select Account:

Account Name Account Number **328920390437900000501**

Electric Read	Electric Charges	Water Read Date	Water Charges	*Sanitation Charges	*Sewer Charges
02/10/09	\$672.32	02/10/09	\$238.83	\$72.64	\$154.98
12/09/08	\$660.66	12/09/08	\$599.40	\$72.64	\$154.98
10/07/08	\$795.63	10/07/08	\$711.75	\$62.32	\$151.68
08/07/08	\$893.85	08/07/08	\$649.26	\$52.00	\$218.85
06/09/08	\$630.53	06/09/08	\$321.16	\$52.00	\$353.70
04/09/08	\$513.93	04/09/08	\$197.18	\$52.00	\$353.70
02/08/08	\$600.82	02/08/08	\$141.57	\$52.00	\$359.85
12/08/07	\$580.58	12/08/07	\$260.79	\$52.00	\$372.15
10/05/07	\$781.75	10/05/07	\$187.70	\$48.00	\$341.39
08/07/07	\$865.04	08/07/07	\$514.38	\$44.00	\$281.96
06/07/07	\$586.05	06/07/07	\$371.80	\$36.00	\$163.81
04/09/07	\$486.30	04/09/07	\$380.59	\$36.00	\$166.69

EXHIBIT 2



[View Cart](#) | [Contact Us](#) | [att.com](#) | [Log Out](#)

HOME MY BILL PAYMENTS MY SERVICES MESSAGES MY PROFILE CUSTOMER SERVICE

[Home](#) | [Make a Payment](#) | **Payment History** | [My Payment Methods](#) | [Zed Billing](#)

Payment History

Account number:
818 227- 1374

Quick Links

- Stop your paper bills
- Schedule payments
- Edit payment accounts
- Manage automatic payments
- View payment history
- Combine wireless bill

Payment History

Your most recent payments are listed below. If you use AT&T automatic payments, each month when your bill is ready, your payment will be automatically scheduled and shown here.

Note: Confirmation numbers are only provided for online payments.

Pending Payments

Date	Method	Confirmation	Status	Amount
No pending payments				

Processed Payments

Date	Method	Confirmation	Status	Amount
03/28/09	Check-ACH		Payment Received	121.55
02/27/09	Check-ACH		Payment Received	121.55
01/24/09	Check-ACH		Payment Received	126.67
01/12/09	Check-ACH		Payment Received	119.10
11/29/08	Check-ACH		Payment Received	111.13
10/22/08	Check-ACH		Payment Received	114.60

About your payments

Payment Pending

This payment has been submitted or scheduled but not yet processed and credited to your account.

Payment Received

This payment has been credited to your account.

Deposit Received

A deposit has been received for this account.

Deposit Returned

This payment for your deposit was returned by your bank.

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EXHIBIT 3

BILLING DETAIL

Group Name: DIVERSIFIED LENDING GROUP Invoice Number: 0200904069257
 Group Number: 421211 Page Number: 2 of 3

MEMBERSHIP DETAIL

ID#	Subscriber	Product	Contract Type	No Cov	Rate Chg*	Subscriber Amount	Dep Amount	Premium Amount
863A63051	FRIEDMAN, BRUCE	PPD 2400	EE	01		547.00		547.00
		GOLD 1500	EE	01		51.00		51.00
		VISION PL	EE	01		13.00		13.00

*0616941



1 **DECLARATION OF RICHARD E. DROOYAN**

2 I, Richard E. Drooyan, declare as follows:

3 1. I am an attorney duly licensed to practice law in the state of California
4 and a partner in the law firm of Munger, Tolles & Olson, LLP. I am the attorney
5 for Bruce Friedman in the matter entitled *United States Securities and Exchange*
6 *Commission v. Diversified Lending Group, Inc., et al.*, No. CV 09-01533-R (JTLx).
7 I am familiar with the facts set forth in this declaration and can testify to these facts
8 under oath from my personal knowledge.

9 2. I have had several conversations with John McCoy, counsel for the
10 Securities and Exchange Commission (the "SEC") in this matter, regarding Mr.
11 Friedman's request for a partial lifting of the asset freeze ordered by the Court in
12 this case to enable him to obtain funds for necessary living expenses from his Wells
13 Fargo Bank account, and I provided Mr. McCoy with a schedule of Mr. Friedman's
14 monthly expenses. After Mr. Friedman agreed that he would not seek funds for
15 certain categories of his personal expenses, Mr. McCoy advised me that, subject to
16 a review of the appropriate back-up documentation of Mr. Friedman's expenses, the
17 SEC would not object to his request for a partial lifting of the asset freeze order to
18 permit him to withdraw funds for his reasonable living expenses from his account
19 at Wells Fargo Bank in accordance with the schedule set forth in paragraph 3 of his
20 declaration. Mr. McCoy also advised me that the SEC does not have any objection
21 to Mr. Friedman's request that he be permitted to retain any income he earns in the
22 future with the understanding that it will reduce the amount that he can withdraw
23 from Wells Fargo account. Mr. McCoy stated that the SEC is not, at this time,
24 making a claim against any assets that Mr. Friedman acquires from income that he
25 earns in the future.

26 3. On April 9, 2009, I sent to David Gill, the Receiver appointed by this
27 Court to administer the estate of Diversified Lending Group, Inc., and its affiliated
28 entities, a copy of the schedule set forth in Mr. Friedman's declaration (with the

1 health insurance at \$725 in anticipation of future increases). I spoke to Mr. Gill on
2 April 10, 2009, and he advised me that he does not oppose Mr. Friedman's request
3 to withdraw funds from his Wells Fargo bank account for his living expenses or his
4 request to retain any amounts that he earns in the future with the understanding that
5 it will reduced the amount that he can withdraw from his personal bank account for
6 his living expenses.

7 I declare under penalty of perjury that the foregoing is true and correct.
8 Executed this 10th day of April 2009 at Los Angeles, California.

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/s/ Richard E. Drooyan
RICHARD E. DROOYAN