

Fraud suspect Friedman arrested in France

The Sherman Oaks financial advisor, accused of defrauding investors of hundreds of millions of dollars, fled the U.S. under investigation. He is in prison awaiting extradition.

Sherman Oaks financial advisor Bruce Fred Friedman, who fled the country while under investigation for allegedly defrauding investors of hundreds of millions of dollars, has been arrested in France, a spokesman for the U.S. attorney's office said Tuesday.

Friedman, 60, ran a \$228-million Ponzi scheme in which he promised to invest in rental properties but instead diverted millions of dollars to himself, family and friends, FBI Special Agent Perry Woo said in an affidavit. The U.S. attorney's office charged Friedman on Sept. 3 with mail and wire fraud.

French authorities, acting at the request of the FBI, arrested Friedman on Sept. 13 in front of his hotel in Cannes, said Laura Eimiller, an FBI spokeswoman. Friedman is being held in a French prison awaiting extradition — a process that could take several months, Eimiller said.

"This is good news. This is something a lot of the investors have been looking for for a long time," said Steven Soltman, a Westlake Village lawyer who lost more than \$1 million he had invested with Friedman's company. "He's caused a lot of people a lot of problems. Hopefully, justice will be done."

The Securities and Exchange Commission shut down Friedman's company, Diversified Lending Group, in March 2009 and filed civil charges accusing him of operating a massive Ponzi scheme since 2004.

The SEC said Friedman had spent millions of dollars to "finance his extravagant lifestyle," including a \$6.5-million home in Malibu and a fleet of luxury cars. The SEC lawsuit faulted Friedman for failing to disclose to investors a prior grand theft conviction in the 1980s for stealing \$300,000 from his former employer, Avery Dennison Corp., where he worked as a tax manager. He served two years in prison in that case.

In the months before his arrest in France, Friedman and his attorney had been attempting to negotiate a guilty plea with federal prosecutors, Woo said in the affidavit. Friedman had promised to return to the United States from Belize on Aug. 27 to resume negotiations, but instead fled to France, Woo said.

Friedman's attorney, Richard Drooyan, declined to comment. Friedman has previously denied wrongdoing in letters to a court-appointed receiver who is liquidating his company's remaining assets to be returned to investors.

"I strongly disagree with the receiver's statement that DLG was a Ponzi scheme," Friedman said in an April 6 filing. He said that he believed some of his investments had the potential to return significant profits and defended spending millions of dollars on private jets as a necessary business expense. Friedman acknowledged giving hundreds of thousands of dollars of investors' money to his children, but said "they were valid gifts and are includable in my income."

Woo said in the affidavit that Friedman had taken in \$228 million from 1,500 investors, promising annual returns of 9% or 12%. He returned \$37 million of that money as interest payments and diverted \$57 million for himself and others. He also gave nearly \$5 million to charity, records show.

One of his favorite charities was the Dodgers Dream Foundation, which the team founded to benefit underprivileged youth. On March 29, 2008, the Dodgers invited Friedman to throw the ceremonial first pitch at an exhibition game against the Boston Red Sox at Los Angeles Memorial Coliseum to mark the 50th anniversary of the Dodgers' move from Brooklyn to L.A.

Friedman attracted investors by telling them his company had been acquiring income properties since 1983 and owned 70,000 rental units in 48 states.

"DLG did not own income-producing real estate since zero rental income is reflected in the records for the years 2004 to 2009," Woo said in the affidavit.

Among those reportedly victimized in the alleged scheme was 77-year-old Massachusetts resident Beverly Trabucco, who lost \$50,000. Her son-in-law, Barry Nevins, said Friedman's arrest was "fabulous" news.

"He's finally getting what he deserves," Nevins said from his home in Franklin, Mass. "It doesn't change what happened. It's been a nightmare."