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

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12 SECURITIES AND EXCHANGE
13 COMMISSION,

14 Plaintiff,

15 vs.

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

18 Defendants,

19 And

20 TINA M. PLACOURAKIS,

21 Relief Defendant.

CASE NO. CV 09-01533-R-SSx

RESPONSE OF DEFENDANT
BRUCE FRIEDMAN TO RECEIVER'S
THIRD REPORT; DECLARATION OF
BRUCE FRIEDMAN

[No hearing required]

22 Defendant Bruce Friedman respectfully submits the attached response
23 to the Receiver's Third Report submitted to this Court on March 26, 2010.
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DATED: April 6, 2010

Munger, Tolles & Olson LLP

By: 
RICHARD E. DROOYAN

Attorneys for Defendant
BRUCE FRIEDMAN

DECLARATION OF BRUCE FRIEDMAN

I, BRUCE FRIEDMAN declare as follows:

1. I am a Defendant in the case entitled *Securities and Exchange Commission v. Diversified Lending Group, Inc., et al.*, CASE NO. CV 09-01533-R-JTLx. I am familiar with the facts set forth in this Declaration and could testify to these facts under oath from my personal knowledge.

2. This declaration is in response to the Receiver's Third Report that Diversified Lending Group ("DLG") was a "classic ponzi scheme." (Third Report, p. 3.).

3. I strongly disagree with the Receiver's statement that DLG was a "ponzi scheme." The Receiver's own report reflects that \$129,810,415 of the funds received by DLG was invested in real estate and other investments. (Third Report, p. 4.) I remain confident that some of these assets have the potential to generate substantial returns for investors. For example, Consolidated Healthcare Systems is a substantial business with a potential for an Initial Public Offering. Given the 49.25% interest that DLG has in CHS, there is potential for a substantial return for investors. Other investments listed in his report have value that increases over time. Loans that provide additional real estate value. Foreclosures that bring with them additional income stream as ongoing businesses.

4. The investments of \$129,810,415, which does not include the Malibu and Upper Mountain homes that were also owned by DLG, and the associated commissions and expenses reflected in the Third Report accounts for over \$150 million of investors funds. Adding in the Malibu and Upper Mountain homes held for investment by DLG's wholly owned subsidiary bring the total to \$163 million, and including the disbursements to investors of over \$37 million accounts for over \$200 million. (Third Report, p. 4.) DLG was an ongoing business operation with valid real estate investments, valid business investments, valid real estate loans.


1 These investments would have continued to support the company.

2 5. I also take exception to the Receiver's claim that I received over \$41
3 million from DLG. All of the \$4,877,079 in charitable donations went to reputable
4 charities. I did not receive any of these funds. DLG was the beneficiary of
5 \$10,000,000 of the life insurance coverage . The private aircraft, which were
6 registered in DLG's name were used primarily to find additional investments for
7 the company as some days I had to be in two or even three states on the same day.
8 Commercial air travel would have made this impossible. The 174 Upper Mountain,
9 Montclair, NJ property (\$2,945,845) was purchased by MMHIM, which was owned
10 by DLG. It was never in my name. Similarly, the Malibu property (\$8,460,699)
11 was purchased by MMHIM and was never in my name. The homes were
12 investments for DLG. Finally, the Receiver attributes \$4,479,376 to me even
13 though he cannot even identify the expenditures. This amounts to over \$29 million
14 in expenditures that I believe the Receiver improperly attributes to me.

15 6. The receiver allocates to me gifts to my children and other expenses, I
16 agree with him and expressed that they were valid gifts and are includable in my
17 income.

18 7. I also want investors to know that I have transferred everything I own
19 except my home to the Receiver and DLG for the benefit of investors. For
20 example, the I have assigned to the Receiver and DLG my interests in 127 North
21 Mountain, Montclair, NJ (listed at \$668,311 in the Receiver's Report), the Cancun
22 Property (\$328,500) and Edgemere (\$634,564).

23 I, declare under penalty of perjury that the foregoing is true and
24 correct. Executed this 6th day of April 2010, in Los Angeles, California.

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26 
27 Bruce Friedman
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PROOF OF SERVICE BY MAIL

I, Lela B. Bissner, declare:

1. I am over the age of 18 and not a party to the within cause. I am employed by Munger, Tolles & Olson LLP in the County of Los Angeles, State of California. My business address is 355 South Grand Avenue, Thirty-Fifth Floor, Los Angeles, California 90071-1560.

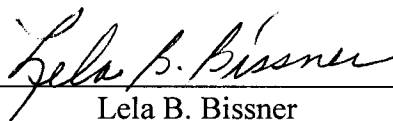
2. On April 6, 2010, I served true copies of the attached documents entitled RESPONSE OF DEFENDANT BRUCE FRIEDMAN TO RECEIVER'S THIRD REPORT; DECLARATION OF BRUCE FRIEDMAN by placing them in an addressed sealed envelopes clearly labeled to identify the persons being served at the addresses set forth on the attached service list and placed said envelopes in interoffice mail for collection and deposit with the United States Postal Service at 355 South Grand Avenue, Thirty-Fifth Floor, Los Angeles, California, on that same date, following ordinary business practices:

SEE ATTACHED SERVICE LIST

3. I am familiar with Munger, Tolles & Olson LLP's practice for collection and processing correspondence for mailing with the United States Postal Service; in the ordinary course of business, correspondence placed in interoffice mail is deposited with the United States Postal Service with first class postage thereon fully prepaid on the same day it is placed for collection and mailing.

I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

I declare under penalty of perjury under the laws of the State of California and of the United States of America that the foregoing is true and correct. Executed on April 6, 2010, at Los Angeles, California.


Lela B. Bissner

10357573.1

SERVICE LIST

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