

BEFORE THE INSURANCE COMMISSIONER  
FOR THE STATE OF ARKANSAS

IN THE MATTER OF  
MICHAEL GARDNER, LICENSE NO. 32497  
AND GARDNER INSURANCE AGENCY,  
LICENSE NO. 247233

A.I.D. NO. 2009- 029

EMERGENCY LICENSE SUSPENSION ORDER

On this day the emergency matter of Michael Gardner ("Gardner") and Gardner Insurance Agency, Inc. ("Agency") (collectively "Respondents") came before Jay Bradford, Arkansas Insurance Commissioner ("Commissioner"). The Arkansas Insurance Department ("Department") was represented by Zane A. Chrisman, Associate Counsel. From the facts and law before the Commissioner, he finds:

FINDINGS OF FACT

1. The Commissioner has jurisdiction over the parties and subject matter pursuant to Ark. Code Ann. §23-61-103, §23-64-216 and 23-64-512, among other laws; and the authority to issue summary license suspensions and/or order payment of penalties under Ark. Code Ann. §§ 23-60-108, 23-64-216(e), 23-64-512(a), and 23-66-408.

2. Gardner is licensed as a resident Accident, Health, Sickness, Life, Property, Casualty, Surety, and Marine agent and holds Arkansas resident producer license #32497. Respondent's address is PO Box 132, Wynne, Arkansas 72396. Gardner's date of birth is February 28, 1955. Gardner holds appointments with Allianz Life Insurance Company of North America, American Equity Investment Life Insurance Company, American General Life Insurance Company, American National Insurance Company, American United Life Insurance Company, AXA Equitable Life Insurance Company, Equitrust Life Insurance Company, Fort Dearborn Life Insurance Company, Genworth Life and Annuity Insurance Company, Genworth Life Insurance Company, Humana Insurance Company, Jackson National Life Insurance Company, John Hancock Life Insurance Company, John Hancock Variable Life Insurance Company, Lincoln National Life

Insurance Company, MetLife Insurance Company of Connecticut, MetLife Investors USA Insurance Company, Penn Insurance & Annuity Company, Penn Mutual Life Insurance Company, Pioneer Mutual Life Insurance Company, Principal Life Insurance Company, Pruco Life Insurance Company, State Life Insurance Company, Sun Life Assurance Company of Canada, Time Insurance Company, Union Security Insurance Company, and West Coast Life Insurance Company.

3. Gardner is president of Agency and maintains a principal place of business at 206 East Merriman, Wynne, Arkansas 72396. Agency's license number is 247233. Gardner is also a sales person for Diversified Lending Group ("DLG"), a corporation organized and existing under the laws of the State of California with its principal place of business located at 15260 Ventura Boulevard, Suite 1240, Sherman Oaks, California 91403.

4. Gardner passed the Series 6 and 63 tests for registration with the Arkansas Securities Department pursuant to the Securities Act (CRD No. 2321798). However, those examination scores lapsed in 1993 and it appears he was never registered as or with an investment advisor.

5. In June, 2008, the Arkansas Securities Department opened an investigation of Respondents, DLG and DLG's President, Bruce Friedman. Documents obtained showed that from March 23, 2007, through May 12, 2008, twenty-nine (29) Arkansas investors invested \$3,456,024 with DLG. The details of the contract are summarized in Exhibit 1 (Arkansas Securities Department Cease and Desist Order S-08-048-09-C D01) to this Emergency Suspension Order.

6. According to an offering circular issued by DLG and used by Gardner in his sales of DLG securities, DLG is engaged in the acquisition and operation of income producing real estate, real estate lending, insurance premium financing strategies, financial service brokerage business, and private investment pools. Certain business related to these operations are performed through DLG's wholly owned subsidiary, AEI. AEI contracts with Your Platinum Distributors Insurance Marketing Co. ("YTD"), a Texas corporation and wholesaler of annuity, life insurance, and investment products. YPD then contracts with insurance agents whom DLG authorizes to represent DLG to the insurance agent's existing clients. The agents, such as Gardner, then solicit accredited

investors and appropriate candidates to invest \$50,000 to \$2,000,000. Gardner received \$122,790.27 in commissions for these sales between April 20, 2007, through July 11, 2008. However, the presentation and circulars presented by DLG did not reference who the officers or employees of DLG were; gave absolute discretion to DLG regarding the investments; and led investors to believe that investments invested at the 9% rate were insured.

7. By Arkansas Securities Department Cease and Desist Order S-08-048-09-CD-01 issued on March 18, 2009, the investments made by the Arkansans were found to be investment contracts and, therefore, securities which were unregistered and not exempt under the Arkansas Securities Act. Gardner's activities were found to have violated Arkansas Securities Act because he was acting as an unregistered broker-dealer. Moreover, DLG and Friedman were found to have failed to provide sufficient information related to who would be handling the investments, the officers and personnel of DLG, or that the cash value of the insurance that was purchased to cover the investments of AR2's and AR25's combined investment of \$160,765.61 only had a cash value of \$6,407.77. This information was determined to be significant because a reasonable investor would have viewed this information as important and indicated that DLG and Friedman were not truthful about the guarantee of the investment by insurance. As such, DLG and Friedman were ordered to Cease and Desist the fraudulent activity of issuing leading investors to believe that their investments were insured. All three were ordered to Cease and Desist the practice of offering securities without registration in Arkansas.

#### VIOLATIONS

Respondent is in violation of:

11. Ark. Code Ann. §23-64-216(a) (1) which provides that a license may be suspended or revoked for violation of any of the causes listed in Ark. Code Ann. § 23-64-512;

12. Ark. Code Ann. § 23-64-512(a)(8) which provides that a license may be suspended or revoked for using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state of elsewhere;

13. Ark. Code Ann. § 23-66-307(a) (1), which provides that a licensee must provide reasonable and professional service to each insured; and

14. Ark. Code Ann. § 23-64-506(e) (1) & (2), which provide that a resident applicant or producer must be deemed by the commissioner to be competent, trustworthy, financially responsible, and of good personal and business reputation, and that such qualifications must continue for an individual to remain licensed.

#### CONCLUSIONS OF LAW

16. The Department seeks sanctions, up to and including revocation of Arkansas insurance agent license of Respondent and insurance agency license of Agency, pursuant to Ark. Code Ann. §23-64-216, Ark. Code Ann. 23-60-108, financial penalties pursuant to § 23-64-216(d) based upon the above findings of fact.

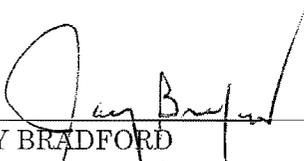
17. Due to the gravity of the allegations and averments, it is found that a public emergency exists for the immediate suspension of Respondent's Insurance License and Agency's Insurance Agency License.

18. Any and all licenses issued by the Department, whether acquired by the Respondent, Rickie Lynne Warren, for being a broker, agent, solicitor, insurance producer, or consultant in this State, are hereby suspended pending a promptly instituted hearing on the above matter.

19. The Department reserves the right to amend this Emergency License Suspension Order to include additional violations of state law.

20. A Notice of Hearing is enclosed. At the Hearing, the Department will seek to revoke all insurance licenses of Respondent and Agency based on the above allegations.

IT IS SO ORDERED THIS 30<sup>th</sup> day of March, 2009.

  
\_\_\_\_\_  
JAY BRADFORD  
INSURANCE COMMISSIONER  
STATE OF ARKANSAS