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7 **Attorneys for David L. Ray, Federal Court Receiver**

8 UNITED STATES DISTRICT COURT  
9 CENTRAL DISTRICT OF CALIFORNIA

10  
11 SECURITIES AND EXCHANGE  
12 COMMISSION,

13 Plaintiff,

14 vs.

15 BRADLEY L. RUDERMAN;  
16 RUDERMAN CAPITAL  
17 MANAGEMENT, LLC; RUDERMAN  
18 CAPITAL PARTNERS, LLC; and  
19 RUDERMAN CAPITAL PARTNERS A,  
20 LLC,

21 Defendants.

Case No. CV 09-2974 VBF (JCx)

REPORT OF RECEIVER ON  
STATUS OF RECEIVERSHIP IN  
RESPONSE TO COURT ORDER  
SETTING STATUS CONFERENCE  
RE RECEIVERSHIP

Date: August 16, 2010  
Time: 1:30 p.m.  
Ctrm: 9  
312 Spring Street  
Los Angeles, CA 90012

22 TO THE HONORABLE VALERIE BAKER FAIRBANK, UNITED STATES  
23 DISTRICT JUDGE, AND TO ALL PARTIES IN INTEREST HEREIN AND THEIR  
24 ATTORNEYS OF RECORD, IF ANY:

25 David L. Ray, federal court receiver (the “Receiver”) appointed in this action  
26 now as receiver of Ruderman Capital Management, LLC (“RCM”) and Ruderman  
27 Capital Partners A, LLC (“RCP-A”) (RCM and RCP-A may be referred to hereinafter  
28 collectively as the “Receivership Entities”), hereby submits his report on the status of  
the receivership in response to the court’s minute order setting status conference re  
receivership of July 13, 2010, as follows:

1 I. INTRODUCTION AND STATUS OF RECEIVERSHIP.

2 On or about April 28, 2009, the SEC filed its Complaint herein against Bradley  
3 L. Ruderman (“Ruderman”), Ruderman Capital Partners, LLC (“RCP”) and the two  
4 Receivership Entities. In the Complaint, the SEC charged the Defendants with  
5 operating a fraudulent scheme involving two hedge funds consisting of RCP and  
6 RCP-A. On April 29, 2009, this Court issued a modified temporary restraining order  
7 enjoining the Defendants from further violations of federal securities laws and  
8 imposed an asset freeze as to all the Defendants including RCP and the Receivership  
9 Entities.

10 As to RCP, on April 23, 2009, an involuntary Chapter 7 bankruptcy petition  
11 was filed by certain investors, Case No. 2:09-bk-19539-ER (the “RCP Bankruptcy”).  
12 The Bankruptcy Court entered an order for relief concerning the RCP Bankruptcy on  
13 May 27, 2009 and thereafter Howard M. Ehrenberg was appointed as the Chapter 7  
14 Trustee (the “Trustee”).

15 In this action, on May 7, 2009, this Court entered the judgment herein of  
16 permanent injunction, order of disgorgement, appointment of permanent receiver and  
17 other relief as to the Defendants (the “Appointment Order”). As provided in the  
18 Appointment Order, the Receiver was appointed as permanent receiver over RCP and  
19 the two Receivership Entities and their subsidiaries and affiliates and was provided the  
20 full power as the equity receiver over all funds and assets of the RCP and the  
21 Receivership Entities.

22 A. Asset Disposition and Removal of RCP From Receivership.

23 The Receiver and the Trustee reached a stipulation in July, 2009 concerning the  
24 liquidation of certain accounts in the name of RCP at Wells Fargo Bank and  
25 Wachovia Securities and the division of assets relating to such accounts, as well as the  
26 removal of RCP from the receivership estate and seeking to modify the current asset  
27 freeze order to allow for the liquidation and division of assets (the “Stipulation”). The  
28 Stipulation was approved pursuant to the order of this Court dated September 9, 2009

1 (the “Modification Order”). As provided for in the Modification Order, RCP was  
2 removed as an entity in the receivership estate and the Receiver’s duties as to RCP  
3 were terminated, and the Appointment Order was modified accordingly.

4 As a result of the approved Stipulation, the Receiver obtained funds on the  
5 liquidation of the certain accounts at Wells Fargo Bank and Wachovia Securities,  
6 totaling approximately \$277,000. The Receiver is still holding funds in the estate  
7 resulting from liquidation of said assets in excess of \$273,500 (the “Receivership  
8 Funds”).

9 B. Additional Actions of Receiver and Receivership Estate.

10 As provided for in the Appointment Order as modified by the Modification  
11 Order, the Receiver has conducted an investigation concerning additional possible  
12 assets of the Receivership Entities. In addition, the Receiver has conducted an  
13 investigation, including review of numerous documents obtained from certain  
14 financial institutions, concerning possible areas of recoveries available to the  
15 receivership estate, including those on possible avoidance claims relating to payments  
16 made to investors and others by the Receivership Entities.

17 In addition, the Receiver has monitored the actions by the Trustee in the RCP  
18 Bankruptcy and has a common understanding with the Trustee as to the apportionment  
19 of the net recoveries, after litigation costs, on actions and claims pursued by both the  
20 Trustee and the Receiver in their respective estates. As such, the Receiver believes  
21 that based on the recoveries already obtained by the Trustee in connection with  
22 settlement of certain preference and “claw-back” actions investors of RCP brought in  
23 the RCP Bankruptcy, the receivership estate will receive additional funds in  
24 connection with such recoveries<sup>1</sup>.

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28 <sup>1</sup> The RCP Trustee has recovered to date \$2,229,718 from such actions with  
contingency fees on such recoveries of \$735,806.94 and approved litigation costs to  
date of \$5,708.11, leaving a net of approximately \$1,488,202.95.

1 C. Claims Administration.

2 Pursuant to the order of this Court of December 7, 2009, the Court authorized  
3 the Receiver to institute a claims procedure and established a claims bar date of May  
4 15, 2010. The bar date has passed and the Receiver anticipates coordinating with the  
5 Trustee concerning the appropriate disposition, including objections to claims to be  
6 filed in both the RCP Bankruptcy and the receivership estate as many of the investors  
7 of RCP and RCP-A have filed overlapping claims in both the estates.

8 D. Monthly Reports.

9 As provided in the Appointment Order, the Receiver has submitted to the court  
10 monthly reports with the detailed information as further required by the Court's  
11 minute order of July 23, 2009.

12 II. NEED TO MAINTAIN RECEIVERSHIP IN PLACE.

13 It is necessary to maintain the Receivership and to continue the appointment of  
14 the Receiver in order to protect the interests of the RCP-A investors, as follows:

15 1. Current Receivership Funds. The Receiver is currently holding on hand  
16 the Receivership Funds. The Receivership is needed to provide a distribution to the  
17 allowed creditors/investors for such funds currently held in the estate after payment of  
18 the approved and allowed administrative expenses.

19 2. Additional Funds and Avoidance Claims. The Receiver anticipates  
20 receiving additional funds in the estate from several possible sources. First, as  
21 indicated above, the Receiver anticipates additional funds in connection with the net  
22 recoveries of actions brought and settled by the Trustee in the RCP Bankruptcy as  
23 apportioned between the estates. At this time, the Trustee and the Receiver have an  
24 understanding that such apportionment will be made in the future, subject to court  
25 approval. The Receiver anticipates the apportionment will be based upon the amount  
26 of the allowed claims of the creditors in the RCP case versus the amount of the  
27 allowed claims of creditors in the receivership estate.

28 3. Second, the Receiver believes that there are possible actions for recovery

1 of funds by the Receivership falling into the following categories (i) avoidance actions  
2 for disbursements totaling approximately \$242,000 by the Receivership Entities to  
3 third parties for gambling losses by Ruderman; (ii) certain avoidance actions  
4 concerning disbursements by RCP-A of \$2 million to Prabakar Guniganti  
5 (“Guniganti”) and of \$125,000 to Anthony Brown; and, (iii) possible claims against  
6 certain financial institutions and investment companies<sup>2</sup>. As to these three categories,  
7 the Receiver does not currently have court authority to pursue and even retain counsel  
8 for such matters and believes that the Appointment Order should be modified  
9 accordingly as provided for herein below. As to any recoveries on such possible  
10 actions, the Receiver again believes that the net on such recoveries after litigation  
11 costs should be apportioned appropriately between the bankruptcy and the  
12 receivership estates.

13 3. Claims Administration. As indicated, the claims bar date passed in the  
14 receivership estate on May 15, 2010. Numerous claims have been received in the  
15 Receivership including what appear to be overlapping claims by investors of both  
16 RCP and RCP-A. In addition, the claims bar date in the RCP Bankruptcy passed on  
17 or about March 1, 2010. As indicated, the Receiver intends to coordinate with the  
18 Trustee concerning the appropriate objections to be raised to the claims submitted in  
19 both estates.

### 20 III. MODIFICATION OF RECEIVER’S DUTIES.

21 1. Issue Raised on Appointment and Duties Over RCM – RCM was formed  
22 in 2000, prior to the creation of the two hedge funds RCP and RCP-A. Guniganti has  
23 raised an issue as to the Receiver’s appointment and duties over RCM. Guniganti has  
24 made a contention that Receivership herein as to RCM should include matters prior to  
25 the time of the formation of RCP-A in January, 2005 and that the Receiver should be  
26

27 <sup>2</sup> There do not appear to be any “claw-back” claims in the Receivership worth  
28 pursuing. Only one investor of RCP-A was a net winner. Todd Figi IRA (“Figi”)  
invested a total of \$1,106,978.98 and received a single distribution from RCP-A of  
\$1,074,790.00, making Figi a net winner of \$57,802.72. Considering the benefits  
versus the costs, the Receiver does not believe that such a claim is worth pursuing.

1 pursuing matters in the receivership estate relating to RCM prior to January, 2005.  
2 The Receiver, however, believes that the gravamen of the Complaint in this action and  
3 his appointment and duties only relates to the time periods after both hedge funds  
4 were formed and, since the Modification Order, only for the periods after RCP-A was  
5 formed in January, 2005<sup>3</sup>. At this point, the Receiver requests that his appointment  
6 and duties over RCM, as reflected in the Appointment Order, be limited in scope to  
7 matters after RCP-A was initially formed since the appointment of the Receiver was  
8 only as to matters relating to the hedge funds<sup>4</sup>.

9       2.     Pursuing Potential Claims and Avoidance Actions - The Receiver  
10 believes that the Appointment Order should be modified such that the Receiver be  
11 provided the authority to hire counsel to investigate and pursue, if appropriate, all  
12 possible viable claims and avoidance actions. Without the ability to even retain  
13 counsel to investigate such matters, it has been difficult for the Receiver to determine  
14 the viability of any such claims. The Receiver believes that there are several possible  
15 viable claims, including avoidance actions, as indicated above, to pursue in this  
16 Receivership and requests that his Appointment Order be modified accordingly.

17       3.     Future Reports – As provided for in the Appointment Order and as  
18 modified by the minute order of July 23, 2009, the Receiver is required to provide the  
19 Court with monthly reports to include an itemization of the tasks undertaken each

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25       <sup>3</sup> RCP-A has been registered as a California limited liability company since  
26 January 24, 2005. The first funds were invested in RCP-A on or about October 20,  
2005.

27       <sup>4</sup> The Receiver does not take a position at this time concerning the viability of  
28 any defenses that Guniganti may have concerning any claims against him by the  
Receivership and concerning claims raised against him in the RCP Bankruptcy in  
connection with any funds that may have been provided by Guniganti to RCM or  
Ruderman prior to the formation of RCP in February 2003.

1 month, the time spent and the fees and costs associated with such tasks. In order to  
2 reduce costs to the estate, the Receiver suggests that his duties be modified to provide  
3 quarterly rather than monthly reports to the Court.  
4

5 DATED: August 9, 2010

Respectfully submitted,

7 By           /s/ David L. Ray          

8 DAVID L. RAY  
9 Federal Court Receiver

10 DATED: August 9, 2010

Respectfully submitted,

11 SALTZBURG, RAY & WEISSMAN, LLP

13 By           /s/ Damon G. Saltzburg          

14 DAMON G. SALTZBURG  
15 Attorneys for David L. Ray,  
16 Federal Court Receiver  
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**PROOF OF SERVICE**

**STATE OF CALIFORNIA, COUNTY OF LOS ANGELES**

I am employed in the County of Los Angeles, State of California. I am over the age of eighteen (18) and not a party to the within action. My business address is 12121 Wilshire Boulevard, Suite 600, Los Angeles, California 90025-1166.

A true and correct copy of the foregoing document described as **REPORT OF RECEIVER ON STATUS OF RECEIVERSHIP IN RESPONSE TO COURT ORDER SETTING STATUS CONFERENCE RE RECEIVERSHIP** will be served or was served (a) on the judge in chambers in the form and manner required and (b) in the manner indicated below:

**TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING:**

The foregoing document will be served by the court via NEF and hyperlink to the document. On August 9, 2010, I checked the CM/ECF docket for this case and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email address(es) indicated below:

Service information continued on attached page

**SERVED BY U.S. MAIL OR OVERNIGHT MAIL:**

On August 9, 2010, I served the following person(s) and/or entity(ies) at the last known address(es) in this case by placing a true and correct copy thereof in a sealed envelope in the United States Mail, first class, postage prepaid, and/or with an overnight mail service addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

**SERVED BY PERSONAL DELIVERY, FACSIMILE TRANSMISSION OR EMAIL:**

On August 9, 2010, I served the following person(s) and/or entity(ies) by personal delivery, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

(Federal) I declare under penalty of perjury under the laws of the United States of America that the above is true and correct.

Executed on August 9, 2010, at Los Angeles, California.

  
CHERYLEIGH BULLOCK



**SERVICE LIST**

**SERVED ELECTRONICALLY  
BY THE COURT:**

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U.S. District Court  
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