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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)

UPDATED REPORT OF RECEIVER
ON STATUS OF RECEIVERSHIP
FOR FURTHER STATUS
CONFERENCE

Date: January 10, 2011
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 updated report on the
status of the receivership for further status conference, as follows:

1 I. INTRODUCTION, STATUS OF RECEIVERSHIP AND PRIOR STATUS
2 CONFERENCE.

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

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

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

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

1 for in the Modification Order, RCP was removed as an entity in the receivership estate
2 and the Receiver's duties as to RCP were terminated and the Appointment Order was
3 modified accordingly. As a result of the approved Stipulation, the Receiver obtained
4 funds in the liquidation of certain accounts and is still holding funds in the estate
5 resulting from the liquidation of said accounts in excess of \$473,500.

6 On or about July 13, 2010, the court issued a minute order setting a status
7 conference in this Receivership for August 16, 2010. Prior to the status conference
8 the Receiver submitted a report regarding the status of the receivership (the "Report")
9 and a memorandum was submitted by the SEC in response to the minute order. At the
10 status conference held on August 16, the court set a further status conference for
11 January 10, 2011 and also granted the request for the Receiver to submit quarterly
12 status reports in the future rather than monthly ones.

13 II. ACTIVITIES SINCE INITIAL STATUS CONFERENCE.

14 A. Request by Receiver to Modify Duties.

15 On August 30, 2010, the Receiver submitted his request (the "Request") for an
16 order modifying the Receiver's duties concerning his appointment and duties over
17 RCM and modifying his duties to allow the Receiver the authority to retain the
18 services of counsel to investigate and pursue, if appropriate, all viable avoidance
19 claims and avoidance actions as set forth in the prior Report. The Receiver's Request
20 was approved pursuant to the order of this court dated September 2, 2010 (the
21 "Request Order"). As a result, the appointment and duties of the Receiver over RCM
22 were limited in scope to matters after RCP-A was initially formed on January 24,
23 2005 and Receiver was authorized and empowered to seek the services of counsel to
24 investigate and pursue, if appropriate, all viable claims and avoidance actions of the
25 Receivership Estate, including those set forth in the Report, with the additional
26 requirement that the Receiver seek and obtain an order of the Court on the terms and
27 conditions for which counsel is retained to perform any such services.
28

1 B. Possible Claims Against Financial Institutions and Investment
2 Companies.

3 In furtherance of the Request Order, the Receiver retained the firms Pearson,
4 Simon, Warshaw & Penny, LLP (“PSWP”) and Girardi & Keese (“GK”) (PSWP and
5 GK may be referred to collectively as the “Firms”) as special litigation counsel in
6 connection with the potential recovery of damages arising out of the conduct and
7 business transactions of the Receivership Entities involving, without limitation, City
8 National Bank, Witenberg Investment Company, Inc. and Goldman Sachs Execution
9 & Clearing, L.P. Thereafter, the Receiver filed his notice of motion and motion for
10 authority to employ the Firms as special litigation counsel on a contingency basis,
11 which motion was approved pursuant to the order of this Court dated September 30,
12 2010.

13 The Receiver, through the Firms, is continuing to pursue such potential claims
14 and no complaint regarding the same has been filed to date.

15 C. Possible Avoidance Claims for Gambling Losses and Possible Avoidance
16 Actions for Disbursements by RCP-A

17 In furtherance of the Request Order, the Receiver determined that there were
18 possible claims relating to gambling losses to pursue against The Gabriel Kaplan
19 Revocable Trust (the “Kaplan Trust”) and a possible avoidance action related to
20 certain disbursements by RCP-A to Prabhakar Guniganti (“Guniganti”).

21 As to Guniganti, the Receiver first sought to employ Saltzburg, Ray &
22 Weissman LLP (“SRW”), as special counsel to pursue such claims. In this regard, on
23 October 13, 2010, the Receiver filed his notice of motion and motion to employ SRW
24 as special litigation counsel on a contingency basis to pursue the Guniganti Action.
25 That motion was denied by the court pursuant to its minute order of November 3,
26 2010.

27 Thereafter, the Receiver retained the firm of Levene, Neal, Bender, Yoo & Brill
28 L.L.P. (the “Levene Firm”) as special litigation counsel on a contingency basis to

1 pursue both the Guniganti Action and the claims against the Kaplan Trust. Thereafter,
2 on November 19, 2010, the Receiver filed its notice of motion and motion to employ
3 the Levene Firm on both matters, which motion was approved by the order of this
4 court dated December 22, 2010.

5 As to the Guniganti Action, to protect the estate, the Receiver, in pro per, filed a
6 complaint in the Central District of California against Guniganti on November 9,
7 2010, with Case No. CV 10-8537, which action has now been transferred to this
8 Court. The action is currently pending and an answer has been filed by Guniganti
9 along with a counter claim.

10 D. Other Potential Claims and Avoidance Actions.

11 At this time, the Receiver does not believe that any of the remaining claims
12 identified in the Report are worth pursuing on behalf of the estate and its creditors
13 based on the potential for recovery versus the costs regarding the same.

14 E. RCP Bankruptcy.

15 The Receiver has continued to monitor the actions by the Trustee in the RCP
16 Bankruptcy and has a common understanding with the Trustee as to the apportionment
17 of the net recoveries, after litigation costs, on actions and claims pursued by both the
18 Trustee and the Receiver in their respective estates. As such, the Receiver believes
19 that based on the recoveries already obtained by the Trustee in connection with
20 settlement of certain preference and "claw-back" actions investors of RCP brought in
21 the RCP Bankruptcy, the Receivership Estate will receive additional funds in
22 connection with such recoveries¹.

23 F. Quarterly Reports.

24 As provided for in the minute order of August 16, 2010, the Receiver submitted
25 his quarterly report for the 3rd Quarter of 2010 which was filed on October 8, 2010.
26

27
28 ¹ The RCP Trustee appears to have recovered to date \$3,832,614 from such actions with contingency fees on such recoveries of \$1,264,762.62 and approved litigation costs to date of \$5,708.11.

1 Prior to the status conference, the Receiver should file his quarterly report for the 4th
2 Quarter of 2010.

3 G. Claims Administration.

4 As indicated in the report, the claims bar date passed in the Receivership Estate
5 on May 15, 2010, Numerous claims have been received in the Receivership including
6 what appeared to be overlapping claims by investors of both RCP and RCP-A. The
7 Receiver intends to coordinate with the Trustee concerning the appropriate objections
8 to be raised to the claims submitted in both estates to deal with such overlapping
9 claims.

10 H. Interim Fee Applications.

11 To date, neither the Receiver nor his general counsel SRW sought payment of
12 any compensation in this case. Shortly, the Receiver anticipates filing an interim fee
13 application seeking approval of the fees and costs incurred by both the Receiver and
14 SRW on an interim fee basis for which the Receiver intends to seek an appropriate
15 holdback of any such fees and costs that are approved.

16 III. FUTURE ACTIVITIES IN RECEIVERSHIP.

17 The Receiver intends to continue to pursue the Guniganti Action as well as the
18 claims against The Kaplan Trust. In addition, the Receiver intends to continue to
19 pursue the potential claims against financial institutions and investment companies
20 which the Receiver is pursuing through the Firms.

21 In addition, the Receiver will continue to monitor the activities of the Trustee in
22 the RCP Action and then will work with the Receiver to reach an agreement on the
23 appropriate apportionment of the net recoveries, after litigation costs on the actions
24 and claims pursued by both the Trustee and the Receiver in their respective estates.

25 ///

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1 Further, the Receiver intends to work with the Trustee concerning issues of the
2 overlapping claims filed in both estates.

3
4 DATED: January 3, 2011

Respectfully submitted,

5
6 By /s/ David L. Ray

7 DAVID L. RAY
8 Federal Court Receiver

9 DATED: January 3, 2011

Respectfully submitted,

10 SALTZBURG, RAY & WEISSMAN, LLP

11
12 By /s/ Damon G. Saltzburg

13 DAMON G. SALTZBURG
14 Attorneys for David L. Ray,
15 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 **UPDATED REPORT OF RECEIVER ON STATUS OF RECEIVERSHIP FOR FURTHER STATUS CONFERENCE** 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 January 3, 2011, 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 January 3, 2011, 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 January 3, 2011, 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 January 3, 2011, at Los Angeles, California.


CHERYLEIGH BULLOCK

SERVICE LIST

**SERVED ELECTRONICALLY
BY THE COURT:**

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EXCHANGE COMMISSION**

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