

1 **DAMON G. SALTZBURG, State Bar No. 162148**  
2 **SALTZBURG, RAY & WEISSMAN, LLP**  
3 **12121 Wilshire Boulevard**  
4 **Suite 600**  
5 **Los Angeles, California 90025-1166**  
6 **(310) 481-6700 – Fax: (310) 481-6720**

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 CONTINUED STATUS  
CONFERENCE

Status Conference (Non-Appearance  
Calendar)

Date: August 29, 2011

Time: 8:30 a.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 continued status conference, as follows:

1 I. INTRODUCTION, STATUS OF RECEIVERSHIP AND LAST 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 of approximately \$277,000.

5 Subsequently, on August 30, 2010, the Receiver filed a request seeking further  
6 modification of his duties (the "Request"). The Request was approved by the order of  
7 the court entered on September 2, 1010 (the "Further Modification Order"). As  
8 provided in the Further Modification Order, the appointment and duties of the  
9 Receiver of RCM were limited in scope to matters after RCP-A was initially formed  
10 on January 24, 2005 and the Receiver was authorized and empowered to seek the  
11 services of counsel to investigate and pursue, if appropriate, all viable claims and  
12 avoidance actions of the Receivership Estate, with the additional requirement that the  
13 Receiver seek and obtain an order of the court on the terms and conditions for which  
14 counsel is retained to perform any such services.

15 Thereafter, the Receiver retained the firms Pearson, Simon, Warshaw & Penny,  
16 LLP and Girardi & Keese (collectively, the "Firms") as special litigation counsel in  
17 connection with the potential recovery of damages arising out of the conduct and  
18 business transactions of the Receivership Entities involving, without limitation, City  
19 National Bank ("CNB"), Witenberg Investment Company, Inc. ("Witenberg") and  
20 Goldman Sachs Execution & Clearing, L.P. ("GSEC"). The Receiver then filed his  
21 motion for authority to employ the Firms as special litigation counsel on a  
22 contingency basis, which motion was approved pursuant to the order of this court  
23 dated September 30, 2010.

24 In addition, the Receiver determined that there were possible claims relating to  
25 gambling losses to pursue against The Gabriel Kaplan Revocable Trust (the "Kaplan  
26 Trust") and possible avoidance claims relating to certain disbursements by RCP-A to  
27 Prabhakar Guniganti ("Guniganti"). With regard to Guniganti, the Receiver first  
28 sought to employ Saltzburg, Ray & Weissman, LLP ("SRW") as his special litigation

1 counsel to pursue such claims and filed a motion in this regard. That motion was  
2 denied by the court pursuant to its order of November 3, 2010. Thereafter, the  
3 Receiver retained the firm of Levene, Neal, Bender, Yoo & Brill L.L.P. (the “Levene  
4 Firm”) as special litigation counsel on a contingency basis to pursue both the action  
5 against Action and the claims relating to the Kaplan Trust. The Receiver filed his  
6 motion to employ the Levene Firm as special litigation counsel on a contingency basis  
7 which was approved by the order of the court dated November 22, 2010. As to  
8 Guniganti, prior to filing the motion to employ the Levene Firm, the Receiver, in pro  
9 per, filed a complaint in the Central District of California against Guniganti on  
10 November 9, 2010, with Case No. CV10-8537 (the “Guniganti Action”), which action  
11 was transferred to this court.

12 On February 7, 2011, the court heard the last status conference regarding the  
13 Receivership for which the Receiver filed an updated status report on January 3, 2011  
14 (the “Last Status Report”).

## 15 II. ACTIVITIES SINCE LAST STATUS REPORT.

### 16 A. Guniganti Action.

17 The parties continued to litigate this action, including conducting the deposition  
18 of Ruderman in the federal penitentiary in Texas. Thereafter, after settlement  
19 discussions between the parties, an agreement was reached and the Receiver has filed  
20 a petition for instructions seeking authority to approve the settlement which is set for  
21 hearing on September 12, 2011.

### 22 B. Kaplan Trust Action.

23 The Receiver, through the Levene Firm, filed his complaint against the Kaplan  
24 Trust and its trustee seeking avoidance and recovery of fraudulent transfer and for  
25 unjust enrichment and disgorgement on February 23, 2011, in the Central District of  
26 California, with Case No. CV 11-01613, which action was transferred to this court.  
27 An answer to the complaint was filed. Subsequently, after discussions between the  
28 parties, a settlement was reached of this action along with claims of the estate against

1 certain other parties represented by the same counsel representing the Kaplan Trust.  
2 The Receiver has filed a petition for instructions to approve the compromises which is  
3 also set for hearing on September 12, 2011.

4 C. CNB Action.

5 A complaint was filed, through the Firms, on behalf of both the Receiver and  
6 the Trustee against CNB in the Los Angeles Superior Court on January 10, 2011 and  
7 bears Case No. BC 452762. A demurrer to the complaint was filed by CNB which  
8 demurrer was recently sustained. The Receiver and the Trustee are currently deciding  
9 on their future options on how to proceed.

10 D. Witenberg and GSEC Arbitration.

11 As to Wittenberg and GSEC, claims have been submitted on behalf of both the  
12 Receiver and the Trustee, through the Firms, to FINRA Dispute Resolution which  
13 claims were submitted on or about January 25, 2011. The arbitration of both claims is  
14 currently pending with no arbitration date yet set.

15 E. RCP Bankruptcy.

16 The Receiver has continued to monitor the actions taken by the Trustee in the  
17 RCP Bankruptcy and has as a common understanding again with the Trustee as to  
18 apportionment of the net recoveries, after litigation costs, on actions and claims  
19 pursued by both the Trustee and the Receiver in their respective estates. Since the  
20 Last Status Report, the Trustee has filed numerous additional complaints seeking the  
21 recovery of funds relating to payments concerning the gambling activities of  
22 Ruderman. As to the complaints and other claims relating to the gambling activities  
23 and as to certain other actions brought, since the Last Status Report, the Trustee has  
24 filed motions to approve several compromises with total settlement proceeds of  
25 approximately \$1,454,295, on which settlements the Receiver has filed non-  
26 oppositions thereto.

27 F. Quarterly Reports.

28 Since the Last Status Report, the Receiver filed his quarterly reports for the 4th

1 Quarter 2010, 1st Quarter 2011 and 2nd Quarter 2011.

2 G. Claims Administration.

3 The claims bar date passed in the Receivership Estate on May 15, 2010.  
4 Numerous claims have been received in the Receivership and the Receiver has  
5 conducted an initial review thereof. The initial review appears to indicate that several  
6 claims overlap with those submitted by the investors in the RCP Bankruptcy and 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 J. Interim Fee Applications.

11 On June 16, 2011, a motion was filed by the Receiver seeking an order  
12 approving and awarding interim compensation to both the Receiver and his general  
13 counsel SRW. An order approving the motion was filed on July 1, 2011 and was  
14 entered on July 12, 2011.

15 III. FUTURE ACTIVITIES IN RECEIVERSHIP.

16 The Receiver will seek court approval of the settlements reached in the  
17 Guniganti Action and in the Kaplan Trust Action as well as the settlement of related  
18 claims at the hearings set for September 12, 2011. If approved, the Receiver will  
19 proceed to collect the respective settlement funds. In addition, the Receiver intends to  
20 continue to pursue the claims/actions against CNB and those against Witenberg and  
21 GSEC, which the Receiver and the Trustee are pursuing through the Firms.

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1 IV. FURTHER CONTINUANCE OF STATUS CONFERENCE.

2 The Receiver recommends that the court continue the status conference  
3 regarding the Receivership for an additional six months until February 27, 2012 again  
4 on the court's non-appearance calendar at 8:30 a.m. or at whatever date is available on  
5 the court's calendar. The Receiver would file an updated status report fourteen (14)  
6 days before such continued status conference.

7  
8 DATED: August 12, 2011

Respectfully submitted,

9  
10 By /s/ David L. Ray

11 DAVID L. RAY

12 Federal Court Receiver

13  
14 DATED: August 12, 2011

Respectfully submitted,

15 SALTZBURG, RAY & WEISSMAN, LLP

16  
17 By /s/ Damon G. Saltzburg

18 DAMON G. SALTZBURG

19 Attorneys for David L. Ray,

20 Federal Court Receiver  
21  
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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 **UPDATED REPORT OF RECEIVER ON STATUS OF RECEIVERSHIP FOR CONTINUED 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 August 15, 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 August 15, 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 August 15, 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 August 15, 2011, at Los Angeles, California.

  
CHERYLEIGH BULLOCK



**SERVICE LIST**

**SERVED ELECTRONICALLY  
BY THE COURT:**

**ATTORNEY FOR PLAINTIFF SECURITIES AND  
EXCHANGE COMMISSION**

Gregory C. Glynn, Esq.  
Morgan B. Ward Doran, Esq.,  
Branch Chief, Office of Enforcement  
Securities and Exchange Commission  
5670 Wilshire Blvd., 11<sup>th</sup> Floor  
Los Angeles, CA 90036-3648

**ATTORNEYS FOR INVESTOR PACIFIC  
CREDIT CORP.**

Steven T. Gubner, Esq.  
Corey R. Weber, Esq.  
Ezra Brutzkus Gubner LLP  
21650 Oxnard St.  
Suite 500  
Woodland Hills, CA 91367

**SERVED VIA EMAIL:**

**CRIMINAL ATTORNEY FOR DEFENDANT,  
BRADLEY RUDERMAN**

James D. Riddet, Esq.  
Stokke & Riddet  
3 MacArthur Pl., Suite 750  
Santa Ana, CA 92707  
[jriddet@stokkeriddet.com](mailto:jriddet@stokkeriddet.com)

**ATTORNEYS FOR HOWARD EHRENBERG,  
CHAPTER 7 TRUSTEE FOR RUDERMAN  
CAPITAL PARTNERS, LLC**

Daniel A. Lev, Esq.  
SulmeyerKupetz, APC  
333 S. Hope St.  
Thirty-Fifth Floor  
Los Angeles, CA 90071  
[dlev@sulmeyerlaw.com](mailto:dlev@sulmeyerlaw.com)

**SERVED VIA U.S. MAIL:**

**DEFENDANT**

Bradley L. Ruderman  
Inmate Number 56172-112  
Big Spring Federal Correctional Institution  
1900 Simler Ave.  
Big Spring, TX 79720

Hon. Valerie B. Fairbank  
U.S. District Court  
Courtroom 9  
312 N. Spring St.  
Los Angeles, CA 90012