

RAM Capital Is Winding Down Funds at Center of Fraud Lawsuit

July 29, 2010

RAM Capital Resources is winding down two funds at the center of a \$3.5 million lawsuit by three investors who allege among other things that fund managers Michael Fein and Stephen Saltzstein violated securities law by failing to obtain licenses to act as broker-dealers.

New York-based RAM disclosed the liquidation of the funds in a brief in support of its motion to dismiss the suit brought by Mario and Stacy Frati and by **Banco Popolare** on behalf of client Mirella Siroli. Siroli is Mario Frati's mother.

"We believe the reasons for the liquidation include that RAM is feeling the heat from the litigation," said **Richard Roth**, an attorney with **the Roth Law Firm** in New York, who is representing the Fratis and Siroli.

They charge that Fein and Saltzstein convinced them to invest a combined \$3.5 million in RAM Capital's Shelter Island Opportunity Fund by claiming that Fein, Saltzstein, and Saltzstein's sister were all investors in the fund and that Fein and Saltzstein had invested most of their own net worth in the fund. Saltzstein's sister was a friend of Stacy Frati.

Fein and Saltzstein are also alleged to have

"Because the majority of the funds' assets are not highly liquid, the wind-down process requires significant time and care to maximize value for all investors," RAM's brief said. "An immediate liquidation of all assets would result in a 'fire sale' and could materially impact the cash the funds ultimately return to all investors in an orderly liquidation process.

"Neither governing documents nor equity permit redeeming a single investor's capital in full, while other investors receive their pro rata share of proceeds as the funds' assets are liquidated over time," the brief states. "Yet such special treatment is precisely what plaintiffs seek to achieve by this action.

"Apparently unsatisfied to wait alongside other investors, plaintiffs brought this action in an effort to jump the line, i.e., to effect immediate, cash redemption in full through claims that (despite a variety of labels) all seek rescission. These claims - in addition to being purely tactical and vitriolic - are fatally flawed as a matter of law and should be dismissed."

Part of the plaintiffs' complaint is based on a settlement Fein and Saltzstein made with the Securities and Exchange Commission last year over their failure to obtain licenses to act as broker-dealers. The SEC had said that the RAM fund managers were so involved in

charged "excessive" and "exorbitant" fees for managing the fund. Other allegations include that the defendants took out loans from the fund they managed, combined two funds in a sham transaction, and improperly valued investments in the funds.

Along with charges of fraud and securities fraud, the lawsuit had previously alleged violations of the Racketeer Influenced and Corrupt Organizations Act, breach of fiduciary duty and unjust enrichment. On June 29, the plaintiffs withdrew the RICO claim.

In its brief, RAM said the Shelter and Truk funds are currently in the process of winding down and distributing liquidation proceeds to all of their investors.

RAM accused the Fratis and Siroli of filing their suit in an effort to "jump the line" and have their interests in the fund redeemed ahead of other investors.

structuring the deals that they invested in that they should have been registered with the commission.

Without admitting wrongdoing, Fein agreed to pay the SEC \$538,378 in disgorgement of profits, penalties and interest and accepted a one-year ban from the securities industry. Saltzstein agreed to pay \$538,348 and accepted a six-month ban, also without admitting wrongdoing.

RAM Capital has invested more than \$166.3 million in at least 210 private placements from 2001 through July of last year.

This is an attorney advertisement

**The Roth Law firm, PLLC
295 Madison Avenue, Floor 22
New York, NY (212) 542-8882
www.rrothlaw.com**