

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In re SHENGDATECH, INC. SECURITIES
LITIGATION

USDC SDNY
DOCUMENT
ELECTRONICAL
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11 Civ. 01918 (TPG)

OPINION

Defendants A. Carl Mudd and Sheldon B. Saidman move to dismiss this class action as against them. The motion is directed to the consolidated amended class action complaint.

This case involves a company called Shengdatech, and there are substantial allegations of the issuance of false and misleading financial information by the company.

The complaint names certain individual defendants who were employees and officers of the Company. It also names A. Carl Mudd and Sheldon B. Saidman as defendants, who were outside directors rather than employees or officers of the Company.

The complaint alleges no specific wrongdoing by Mudd or Saidman. The only allegations expressly naming them are contained in paragraphs 24 and 25 of the complaint, which state:

24. Defendant A. Carl Mudd ("Mudd") served as a director of the Company since February 23, 2007. Defendant Mudd signed the Company's Forms 10-K for the years ending 2006-2009.

25. Defendant Sheldon B. Saidman ("Saidman") served as a director of the Company since February 23, 2007. Defendant Saidman signed the Company's Forms 10-K for the years ending 2006-2009.

The actual allegations of wrongdoing in the complaint are against a group referred to as "individual defendants," which include the employee and officer defendants as well as Mudd and Saidman.

An undifferentiated grouping of Mudd and Saidman with the other individual defendants, in the manner pleaded in this complaint, does not constitute a legally sufficient claim of securities fraud against Mudd and Saidman, including the necessary claim of *scienter*.

It should be noted that the complaint describes the appointment of a special committee of the Board of Directors of the company to investigate problems about the finances of the company and financial information issued to the public. Strangely, the complaint does not specify the names of the members of that committee although Mudd and Saidman were on that committee and, after the resignation of one member of that committee, they were the sole members of the committee.

For the foregoing reasons, the consolidated amended class action complaint is dismissed as to Mudd and Saidman.

This opinion will resolve docket item number 37.

SO ORDERED.

New York, New York
August 22, 2013



Thomas P. Griesa
U.S. District Judge

