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9 UNITED STATES DISTRICT COURT
10 CENTRAL DISTRICT OF CALIFORNIA
11 SOUTHERN DIVISION

12 SECURITIES AND EXCHANGE
COMMISSION,

13 Plaintiff,

14 v.

15 MEDICAL CAPITAL HOLDINGS,
16 INC.; MEDICAL CAPITAL
CORPORATION; MEDICAL
17 PROVIDER FUNDING
CORPORATION VI; SIDNEY M.
18 FIELD; and JOSEPH J.
LAMPARIELLO,

19 Defendants.
20
21

Case No. 8:09-cv-0818-DOC (RNBx)

**DECLARATION OF THOMAS A.
SEAMAN IN SUPPORT OF
EX PARTE APPLICATION FOR
APPROVAL OF:
(A) DISTRIBUTION AGREEMENT
WITH IMAGE ENTERTAINMENT,
INC.;
(B) DISTRIBUTION AGREEMENT
WITH CAMELOT DISTRIBUTION
GROUP, INC.; AND
(C) REACQUISITION OF RIGHTS
AGREEMENT WITH WILLIAM
WINOKUR**

22 Ctrm: 9D
Judge: Hon. David O. Carter
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1 I, Thomas A. Seaman, declare as follows:

2 1. I am the Court-appointed permanent receiver for Medical Capital
3 Holdings, Inc., Medical Capital Corporation, and Medical Provider Funding
4 Corporation VI, and their subsidiaries and affiliates, including The Perfect Game,
5 LLC (collectively, "Medical Capital" or the "Receivership Entities"). The following
6 facts are within my knowledge and if called as a witness I would testify to them
7 under oath.

8 2. The Perfect Game, LLC ("TPG") is a North Carolina limited liability
9 company formed prior to the institution of the Receivership for the purpose of
10 financing, owning, producing and distributing the Film. Medical Provider Financial
11 Corporation IV owns an economic interest resulting from its equity investments in
12 and loans to TPG totaling more than \$18 million. Medical Capital Holdings, Inc.
13 ("MCHI") holds 75% of the voting rights in TPG. Pursuant to the organizational
14 documents for TPG, MCHI has designated me as the sole manager of TPG.

15 3. Attached hereto as Exhibit A is a true and correct copy of the proposed
16 Distribution Agreement between TPG and Image Entertainment, Inc. ("Image").

17 4. Attached hereto as Exhibit B is a true and correct copy of the proposed
18 Distribution Agreement between TPG and Camelot Distribution Group, Inc.
19 ("Camelot").

20 5. Attached hereto as Exhibit C is a true and correct copy of the proposed
21 Reacquisition of Rights Agreement between TPG and Laurel Street Holdings, LLC,
22 Lone Runner Productions, LLC and William Winokur (collectively, "Winokur").

23 6. On January 25, 2010, the Court approved the Distribution Agreement
24 with MIP Film Partners, LLC ("MFP"). Pursuant to the MFP Agreement, TPG, as the
25 owner of the Film, granted a license to MFP, as the distributor of the Film, to
26 distribute, exhibit and exploit the Film worldwide in the various media and outlets in
27 which TPG and MFP believed the Film could be exploited for specified periods on
28 specified terms.

1 7. Pursuant to the MFP Agreement, MFP was required to provide at least
2 \$5,122,500 in P&A Funds. Because MFP had no prior experience as a distributor of
3 motion pictures, the MFP Agreement additionally required, *inter alia*, that (a) all
4 P&A Funds be provided by MFP; (b) a lock-box account under the joint control of
5 MFP and TPG be opened into which all revenues received by MFP would be
6 deposited (with payments therefrom to be approved by both TPG and MFP); (c) a
7 major home entertainment distributor be utilized for DVD distribution provided
8 commercially reasonable terms could be obtained; (d) MFP keep complete and
9 accurate records regarding distribution of the Film and permit TPG to do a full audit
10 of its books and records regarding the Film; (e) that \$440,000 would be paid to
11 Winokur from the net revenues in accordance with the August 2009 Winokur Rights
12 Agreement; and (f) that MFP would be responsible for all print, advertising and
13 related costs and expenses for the Film which would be paid from the P&A Funds.

14 8. Despite the Film being released in over 400 theatres in the United
15 States, I believe that there was very little advertising and promotion of the Film for
16 many of the theatres in which the Film was exhibited. Pursuant to its audit rights
17 under the MFP Agreement, TPG requested information from MFP regarding
18 amounts it expended on P&A. MFP failed to provide all of the required
19 documentation. The information provided indicates that MFP spent at least \$1.6
20 million less than it was required to spend.

21 9. TPG believes, and has notified MFP of the same, that MFP breached the
22 MFP Agreement in numerous respects, including, the following:

23 (a) Failing to expend the required \$5,122,500 in P&A required under
24 the MFP Agreement or to provide all P&A Funds utilized in the
25 distribution of the Film, instead obtaining certain of these funds from
26 Mexican third parties not approved by TPG;

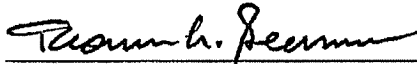
27 (b) Failing to cooperate with TPG in the establishment of the required
28 lock-box account and instead causing or permitting over \$1 million in

- 1 Mexican theatrical revenues to be paid to Mexican affiliates of MFP
- 2 (without providing an accounting of these expenditures);
- 3 (c) Failing to maintain complete records of the distribution of the
- 4 Film and failing to comply with TPG's full audit rights to MFP's
- 5 distribution records for the Film;
- 6 (d) Failing to engage a home entertainment sub-distributor acceptable
- 7 to TPG as required by the MFP Agreement; and
- 8 (e) Failing to pay Winokur amounts to which he was entitled under
- 9 the August 2009 Winokur Rights Agreement.

10 10. Accordingly, on July 26, 2010, TPG terminated the MFP Agreement.
11 As a result of the termination, and as provided under the MFP Agreement, all rights
12 to the Film automatically reverted to TPG. MFP disputes the termination and
13 contends that TPG breached the MFP Agreement.

14 11. After consideration of advice from counsel and entertainment industry
15 consultants, I believe that the proposed agreements with Image, Camelot and
16 Winokur constitute the best opportunities for TPG to realize a significant return on
17 its investment in the Film, and are therefore in the best interests of the receivership
18 estate.

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20 I declare under penalty of perjury that the foregoing is true and correct.
21 Executed on January 11, 2011, at Irvine, California.

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23 _____
24 Thomas A. Seaman