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8

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 MOTION
FOR APPROVAL OF SETTLEMENT
AGREEMENT WITH EDWARD K.
BLODNICK AND EDWARD K.
BLODNICK & ASSOCIATES, P.C.**

Proposed Hearing Date:

Date: November 15, 2010
Time: 8:30 a.m.
Ctm: 9D
Judge: Hon. David O. Carter

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 (collectively, "Medical Capital"
5 or the "Receivership Entities"). The following facts are within my knowledge and if
6 called as a witness I would testify to them under oath.

7 2. Starting in 1999, Medical Capital made loans to Dr. Robert Schepp and
8 his medical practices, Deajess Medical Imaging, P.C., Boston Post Road Medical
9 Imaging, P.C., and Preferred Medical Imaging, P.C. (collectively, "Schepp"), and
10 the management companies he contracted with, MRI Global Imaging Services, Inc.
11 and Forum Medical Management, Inc. The loans were secured by Schepp's rights to
12 payment from insurance carriers.

13 3. Patients who received radiology diagnostic services from Schepp did so
14 as a result of being in automobile-related accidents. Accordingly, the relevant
15 insurance claims are governed by the New York Comprehensive Automobile
16 Insurance Reparations Act, commonly known as the New York "No-Fault"
17 insurance system.

18 4. Starting in 2005, the manner in which the Schepp medical practices
19 were operated and financed became the subject of substantial litigation in New York
20 between various insurance carriers and Schepp ("Schepp Litigation"). The
21 insurance carriers argued that the way the medical practices were operated and
22 financed violated New York "No-Fault" laws, rendering the relevant insurance
23 claims uncollectible. The insurance carriers also sought to recover payments
24 previously made, which payments had gone directly to Medical Capital. Schepp
25 contested these allegations, arguing that his medical practices were operated and
26 financed in compliance with New York law. The Blodnick Firm represented
27 Schepp in the Schepp Litigation.

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1 5. Schepp was not only unable to repay the loans from Medical Capital,
2 he was also unable to pay the Blodnick Firm's legal bills. Accordingly, in order to
3 collect on the insurance claim receivables that were its collateral, Medical Capital
4 made additional loans to Schepp in the form of direct payments to Blodnick.
5 Between September 2005 and February 2009, Medical Capital paid \$5,208,602.11
6 directly to Blodnick.

7 6. Medical Capital was late in paying some of the Blodnick Firm's bills in
8 2008. In September 2008, Medical Capital agreed to pay Blodnick a flat fee of
9 \$30,000 per week, \$25,000 for ongoing fees and \$5,000 for prior bills. This
10 arrangement was later modified via a letter dated December 11, 2008 from Blodnick
11 that was countersigned by then Medical Capital President Joseph Lampariello. The
12 letter agreement gives the Blodnick Firm the right to twenty (20%) percent of all
13 settlements in addition to the weekly flat fee of \$25,000 (the "Letter Agreement").

14 7. Medical Capital made some of the weekly payments to Blodnick, but
15 not others. Accordingly, when settlements with insurance carriers were executed
16 and settlement checks were received by Blodnick, he deducted his twenty (20%)
17 percent fee and the weekly payments not made by Medical Capital.

18 8. On July 16, 2009, the Securities and Exchange Commission
19 commenced an enforcement action against Medical Capital Holdings, Inc., Medical
20 Capital Corporation, Medical Provider Funding Corporation VI, Sidney M. Field,
21 and Joseph J. Lampariello ("Defendants"), alleging various violations of securities
22 laws ("SEC Action"). The SEC Action was filed in the United States District Court
23 for the Central District of California ("District Court"). On the same day, the
24 Commission filed an Ex Parte Application for Temporary Restraining Order and
25 Orders: (1) Freezing Assets; (2) Appointing a Temporary Receiver; (3) Prohibiting
26 the Destruction of Documents; (4) Granting Expedited Discovery, and (5) Requiring
27 Accountings; and Order to Show Cause Re: Preliminary Injunction and
28 Appointment of a Permanent Receiver.

1 9. On August 3, 2009, the Court entered the Temporary Restraining Order
2 and Orders: (1) Freezing Assets; (2) Appointing a Temporary Receiver;
3 (3) Prohibiting the Destruction of Documents; and (4) Requiring Accountings; and
4 Order to Show Cause Re: Preliminary Injunction and Appointment of a Permanent
5 Receiver ("TRO"). The TRO appointed me as temporary receiver for the
6 Receivership Entities. On August 18, 2009, the Court entered a Preliminary
7 Injunction and Order Appointing A Permanent Receiver ("Preliminary Injunction"),
8 extending the provisions of the TRO and making my appointment permanent.

9 10. Shortly after the TRO was entered on August 3, 2009, a notice and
10 copy thereof was filed in the Schepp Litigation, putting all parties and their counsel
11 on notice of the Receiver's appointment. Prior to my appointment, the Medical
12 Capital entities had been represented in the Schepp Litigation by New York attorney
13 Kenneth C. Henry, Jr. Pursuant to the powers granted to me in the TRO and
14 Preliminary Injunction, I retained Mr. Henry to continue to represent the Medical
15 Capital entities. Additionally, pursuant to 28 U.S.C. § 754, I caused the TRO to be
16 filed as its own miscellaneous case in the United States District Court for the
17 Eastern District of New York.

18 11. In November 2009, I was informed by Mr. Henry that one of the
19 insurance carriers, State Farm, had agreed to the terms of a settlement ("State Farm
20 Settlement"). Unlike most of the insurance carriers, State Farm had named the
21 Medical Capital entities in its action. The proposed State Farm settlement,
22 therefore, included releases in favor of State Farm from me on behalf of Medical
23 Capital.

24 12. In late December 2009, the Blodnick Firm sent me a check and
25 settlement breakdown worksheet, which I received in January 2010. The settlement
26 breakdown worksheet shows \$2,011,522.75 in gross settlement proceeds,
27 \$198,338.80 in payments to a third party lender on insurance claims not financed by
28 Medical Capital, \$98,210 in payments to Schepp, other attorneys representing him,

1 and Mr. Henry, \$1,174,158.73 in payments to the Blodnick Firm, and \$540,815.30
2 paid to me (the amount of the check enclosed with the worksheet).

3 13. On February 2, 2010, the Blodnick Firm sent me a second check and
4 settlement breakdown worksheet. The settlement breakdown worksheet shows
5 \$957,216.09 in gross settlement proceeds, \$83,309.29 in payments to a third party
6 lender on insurance claims not financed by Medical Capital, \$25,434.43 in payments
7 to Schepp, other attorneys representing him, and Mr. Henry, \$399,781.36 in
8 payments to the Blodnick Firm, and \$448,691.01 paid to the Receiver (the amount
9 of the check enclosed with the worksheet).

10 14. In May of 2010, State Farm, Schepp and I executed the State Farm
11 Settlement. The Blodnick Firm, Mr. Henry, and I executed a separate Escrow
12 Agreement providing that the full State Farm Settlement amount would go to
13 Mr. Henry's trust account, the amount designated for an unrelated lender would be
14 released to that lender, and, of the remaining amount, the twenty (20%) percent
15 Blodnick was claiming would be released to the Blodnick Firm and held, and the
16 rest would be released to me. The funds released to the Blodnick Firm are to be
17 held pending an agreement between Blodnick and myself or an order of a New York
18 court of competent jurisdiction.

19 15. On May 14, 2010, the Blodnick Firm sued me as Receiver in
20 New York state court for a declaration that he is entitled to \$38,400 from the State
21 Farm settlement proceeds ("New York Action"). I moved to dismiss the New York
22 Action, which motion is pending.

23 16. On June 11, 2010, I filed a motion for order to show cause regarding
24 contempt and sanctions against Blodnick and the Blodnick Firm for failure to turn
25 over property of the receivership estate ("OSC Motion"). I alleged that Blodnick
26 and the Blodnick Firm violated the Preliminary Injunction by failing to turn over
27 \$650,000 in proceeds of Schepp-related settlements. I also sought a finding that
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1 Blodnick and the Blodnick Firm were in contempt and an order sanctioning them in
2 the amount of the fees and costs I incurred to obtain their compliance.

3 17. The OSC Motion has been litigated to some extent. On August 3,
4 2010, the District Court issued an Order concerning the order to show cause. On
5 August 16, 2010, Blodnick and the Blodnick Firm filed a Petition for Writ of
6 Mandamus in the Ninth Circuit Court of Appeals concerning the August 3, 2010
7 order ("Writ of Mandamus"). On September 7, 2010, the District Court held an
8 evidentiary hearing concerning the Motion. On October 12, 2010, the Ninth Circuit
9 denied the Writ of Mandamus.

10 18. Subject to Court approval, Blodnick, the Blodnick Firm, the
11 Blodnick/Fazio Firm, Fazio, FRA and I have executed a Settlement Agreement &
12 Release ("Agreement"), a true and correct copy of which is attached hereto as
13 Exhibit A.

14 19. Pursuant to the Agreement, Blodnick and the Blodnick Firm have
15 produced certain financial disclosures. I have reviewed the financial disclosures and
16 am reasonably satisfied that they support the representation by Blodnick and the
17 Blodnick Firm that their combined net worth is less than \$300,000.

18 20. I believe that the receivership estate's claims for turnover, contempt and
19 sanctions against Blodnick and the Blodnick Firm are meritorious. I am also aware,
20 however, that additional litigation would be expensive and time consuming. If
21 Blodnick and the Blodnick Firm were financially capable of satisfying a turnover,
22 contempt and sanctions order in the receivership estate's favor, the expense and
23 delay would be less of a concern. Blodnick's representations and supporting
24 financial disclosures show, however, that Blodnick and the Blodnick Firm would
25 likely be unable to pay the full turnover amount (\$650,000), let alone the full
26 amount of fees and costs the receivership estate has incurred as a result of
27 Blodnick's failure to comply with the Preliminary Injunction (approximately
28 \$125,000). Therefore, in all likelihood, continuing to incur litigation expenses (in

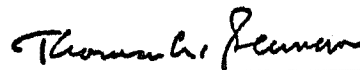
1 this Court and on appeal) would simply reduce the receivership estate's net recovery
2 from Blodnick and the Blodnick Firm. I believe that the Agreement will generate
3 the highest net recovery for the receivership estate, and therefore request that it be
4 approved.

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6 I declare under penalty of perjury that the foregoing is true and correct.

7 Executed on November 2, 2010, at Irvine, California.

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Thomas A. Seaman

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EXHIBIT A

SETTLEMENT AGREEMENT & RELEASE

This SETTLEMENT AGREEMENT & RELEASE ("**Agreement**"), dated for reference purposes only as of October 11, 2010, is made by and among THOMAS A. SEAMAN ("**Receiver**"), solely in his capacity as court-appointed receiver for MEDICAL CAPITAL HOLDINGS, INC., MEDICAL CAPITAL CORPORATION, MEDICAL PROVIDER FUNDING CORPORATION VI, and their subsidiaries and affiliates ("**Medical Capital**"), EDWARD K. BLODNICK ("**Blodnick**") EDWARD K. BLODNICK & ASSOCIATES, P.C. formerly known as BLODNICK & BAUM, P.C. (the "**Blodnick Firm**"), and BLODNICK, FAZIO & ASSOCIATES, P.C. (the "**Blodnick/Fazio Firm**"), and THOMAS R. FAZIO ("**FAZIO**") and FAZIO, RYNSKY & ASSOCIATES, LLP ("**FRA**").

RECITALS

A. Starting in 1999, Medical Capital made loans to Dr. Robert Schepp and his medical practices, Deajess Medical Imaging, P.C., Boston Post Road Medical Imaging, P.C., and Preferred Medical Imaging, P.C. (collectively, "Schepp"), and the management companies he contracted with, MRI Global Imaging Services, Inc. ("MRI Global") and Forum Medical Management, Inc. ("Forum"). The loans were secured by Schepp's rights to payment from insurance carriers.

B. Patients who received radiology diagnostic services from Schepp did so as a result of being in automobile-related accidents. Accordingly, the relevant insurance claims are governed by the New York Comprehensive Automobile Insurance Reparations Act, commonly known as the New York "No-Fault" insurance system.

C. Starting in 2005, the manner in which the Schepp medical practices were operated and financed became the subject of substantial litigation in New York between various insurance carriers and Schepp ("**Schepp Litigation**"). The insurance carriers argued that the way the medical practices were operated and financed violated New York "No-Fault" laws, rendering the relevant insurance claims uncollectible. The insurance carriers also sought to recover payments previously made, which payments had gone directly to Medical Capital. Schepp contested these allegations, arguing that his medical practices were operated and financed in compliance with New York law. The Blodnick Firm represented Schepp in the Schepp Litigation.

D. Schepp was not only unable to repay the loans from Medical Capital, he was also unable to pay the Blodnick Firm's legal bills. Accordingly, in order to collect on the insurance claim receivables that were its collateral, Medical Capital made additional loans to Schepp in the form of direct payments to Blodnick. Between September 2005 and February 2009, Medical Capital paid \$5,208,602.11 directly to Blodnick.

E. Medical Capital was late in paying some of the Blodnick Firm's bills in 2008. In September 2008, Medical Capital agreed to pay Blodnick a flat fee of \$30,000 per week, \$25,000 for ongoing fees and \$5,000 for prior bills. This arrangement was later modified via a letter dated December 11, 2008 from Blodnick that was countersigned by then Medical Capital President Joseph Lampariello. The letter agreement gives the Blodnick Firm the right to twenty

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(20%) percent of all settlements in addition to the weekly flat fee of \$25,000 (the "**Letter Agreement**").

F. Medical Capital made some of the weekly payments to Blodnick, but not others. Accordingly, when settlements with insurance carriers were executed and settlement checks were received by Blodnick, he deducted his twenty (20%) percent fee and the weekly payments not made by Medical Capital.

G. On July 16, 2009, the Securities and Exchange Commission commenced an enforcement action against Medical Capital Holdings, Inc., Medical Capital Corporation, Medical Provider Funding Corporation VI, Sidney M. Field and Joseph J. Lampariello ("Defendants"), alleging various violations of securities laws ("**SEC Action**"). The SEC Action was filed in the United States District Court for the Central District of California ("**District Court**"). On the same day, the Commission filed an Ex Parte Application for Temporary Restraining Order and Orders: (1) Freezing Assets; (2) Appointing a Temporary Receiver; (3) Prohibiting the Destruction of Documents; (4) Granting Expedited Discovery, and (5) Requiring Accountings; and Order to Show Cause Re: Preliminary Injunction and Appointment of a Permanent Receiver.

H. On August 3, 2009, the Court entered the Temporary Restraining Order and Orders: (1) Freezing Assets; (2) Appointing a Temporary Receiver; (3) Prohibiting the Destruction of Documents; and (4) Requiring Accountings; and Order to Show Cause Re: Preliminary Injunction and Appointment of a Permanent Receiver ("**TRO**"). The TRO appointed Thomas A. Seaman as temporary receiver for the Receivership Entities. On August 18, 2009, the Court entered a Preliminary Injunction and Order Appointing A Permanent Receiver ("**Preliminary Injunction**"), extending the provisions of the TRO and making the Receiver's appointment permanent.

I. Shortly after the TRO was entered on August 3, 2009, a notice and copy thereof was filed in the Schepp Litigation, putting all parties and their counsel on notice of the Receiver's appointment. Prior to the Receiver's appointment, the Medical Capital entities had been represented in the Schepp Litigation by New York attorney Kenneth C. Henry, Jr. Pursuant to the powers granted to him in the TRO and Preliminary Injunction, the Receiver retained Mr. Henry to continue to represent the Medical Capital entities. Additionally, pursuant to 28 U.S.C. § 754, the Receiver filed the TRO as its own miscellaneous case in the United States District Court for the Eastern District of New York.

J. The parties dispute whether Blodnick disclosed the Letter Agreement from the time of the Receiver's appointment through December 2009.

K. In November 2009, the Receiver was informed by Mr. Henry that one of the insurance carriers, State Farm, had agreed to the terms of a settlement ("**State Farm Settlement**"). Unlike most of the insurance carriers, State Farm had named the Medical Capital entities in its action. The proposed State Farm settlement, therefore, included releases in favor of State Farm from the Receiver on behalf of Medical Capital.

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L. In late December 2009, the Blodnick Firm sent a check and settlement breakdown worksheet to the Receiver, which was received by the Receiver in January 2010. The settlement breakdown worksheet shows \$2,011,522.75 in gross settlement proceeds, \$198,338.80 in payments to a third party lender on insurance claims not financed by Medical Capital, \$98,210 in payments to Schepp, other attorneys representing him, and Mr. Henry, \$1,174,158.73 in payments to the Blodnick Firm, and \$540,815.30 paid to the Receiver (the amount of the check enclosed with the worksheet).

M. On February 2, 2010, the Blodnick Firm sent a second check and settlement breakdown worksheet. The settlement breakdown worksheet shows \$957,216.09 in gross settlement proceeds, \$83,309.29 in payments to a third party lender on insurance claims not financed by Medical Capital, \$25,434.43 in payments to Schepp, other attorneys representing him, and Mr. Henry, \$399,781.36 in payments to the Blodnick Firm, and \$448,691.01 paid to the Receiver (the amount of the check enclosed with the worksheet).

N. On February 9, 2010, the Blodnick Firm produced documents and information regarding the settlements and the fees deducted. On February 11, 2010, the Receiver responded and stated that he disputes the deductions.

O. In May of 2010, State Farm, Schepp and the Receiver executed the State Farm Settlement. The Receiver, the Blodnick Firm and Mr. Henry executed a separate Escrow Agreement providing that the full State Farm Settlement amount would go to Mr. Henry's trust account, the amount designated for an unrelated lender would be released to that lender, and, of the remaining amount, the twenty (20%) percent Blodnick was claiming would be released to the Blodnick Firm and held, and the rest would be released to the Receiver. The funds released to the Blodnick Firm are to be held pending an agreement between the Receiver and Blodnick or an order of a New York court of competent jurisdiction.

P. On May 14, 2010, the Blodnick Firm sued the Receiver in New York state court for a declaration that he is entitled to \$38,400 from the State Farm settlement proceeds ("**New York Action**"). The Receiver moved to dismiss the New York Action, which motion is pending.

Q. On June 11, 2010, the Receiver filed a motion for order to show cause regarding contempt and sanctions against Blodnick and the Blodnick Firm for failure to turn over property of the receivership estate ("**Motion**"). The Receiver alleged that Blodnick and the Blodnick Firm violated the Preliminary Injunction by failing to turn over \$650,000 in proceeds of Schepp-related settlements ("**Turnover Dispute**"). The Receiver also sought a finding that Blodnick and the Blodnick Firm were in contempt and an order sanctioning them in the amount of the Receiver's fees and costs to obtain their compliance ("**Contempt/Sanctions Dispute**").

R. The Motion has been litigated to some extent. On August 3, 2010, the District Court issued an Order concerning the order to show cause. On August 16, 2010, Blodnick and the Blodnick Firm filed a Petition for Writ of Mandamus in the Ninth Circuit Court of Appeals concerning the August 3, 2010 order ("**Writ of Mandamus**"). On September 7, 2010, the District Court held an evidentiary hearing concerning the Motion.

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S. To induce the Receiver to enter into this Agreement, Blodnick and the Blodnick Firm have represented and hereby represent to the Receiver that they have a combined net worth of less than \$300,000, excluding Blodnick's 401(k) retirement account. Blodnick has also represented that the Blodnick Firm is no longer operating, and that he has established a new firm with Fazio under the name Blodnick, Fazio & Associates, P.C.

T. The Receiver, Blodnick and the Blodnick Firm wish to avoid the expense and uncertainty associated with further litigation and to resolve and release all claims between them, including all claims relating to the Motion, Turnover Dispute, the Contempt/Sanctions Dispute, Writ of Mandamus, and the New York Action.

AGREEMENT

NOW, THEREFORE, in consideration of the covenants and conditions hereinafter contained, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged the undersigned agree as follows:

1. Court Approval. All covenants, terms and conditions of this Agreement are subject to approval of the District Court in the SEC Action. This Agreement shall have no force or effect unless and until it is approved by the District Court in a written order. Provided that the Full Financial Disclosure is timely made by Blodnick and the Blodnick Firm under Section 5 below, and the Receiver accepts the Full Financial Disclosure under Section 6 below, then, on or before October 15, the Receiver shall file a motion seeking District Court approval of the Agreement and extinguishment of the contempt proceedings. The Receiver shall request that the motion be heard on November 15, 2010.

2. Settlement Payment. Blodnick shall pay to the Receiver the sum of \$438,400 (the "Settlement Payment"). The initial \$38,400, which amount is from the State Farm Settlement proceeds, shall be paid to the Receiver so that it is received no later than November 10, 2010. Within 48 hours of entry of an order approving this Agreement ("Approval Order"), Blodnick and the Blodnick Firm shall wire transfer to the Receiver the additional sum of \$400,000.00. The wire shall be directed as follows:

Routing Number: [REDACTED]
Bank: [REDACTED]
Account Number: [REDACTED]
Account Name: [REDACTED]

3. Dismissal of New York Action and Writ of Mandamus. As soon as practicable after entry of the Approval Order, Blodnick and the Blodnick Firm shall take all steps necessary to cause the New York Action and the Writ of Mandamus to be dismissed with prejudice.

4. State Farm Settlement. Blodnick and the Blodnick Firm shall take all steps required under the State Farm Settlement to have the settlement fully funded by State Farm, including satisfaction of all of Schepp's obligations under the State Farm settlement agreement. This Agreement is contingent on the Receiver having received \$192,000 under the State Farm

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Settlement no later than November 10, 2010, which amount includes the \$38,400 which Blodnick must pay to the Receiver under Section 2 above.

5. Full Financial Disclosure by Blodnick and the Blodnick Firm. No later than October 13, 2010, Blodnick and the Blodnick Firm shall produce to the Receiver the following financial documents and information for each of them:

- (a) Federal and State Tax Returns for years 2008 and 2009
- (b) Current balance sheet
- (c) Statement of monthly income and expenses from July 1, 2009 to the present
- (d) All bank statements for all personal and law firm accounts from July 1, 2009 to the present
- (e) Statement of all capital contributions made by Mr. Blodnick or Edward K. Blodnick & Associates, PC to Blodnick, Fazio & Associates, P.C. and any other businesses in which either of them have an interest.

This Agreement is contingent on the financial documents and information produced under this Section supporting, to the Receiver's reasonable satisfaction, the representation by Blodnick and the Blodnick Firm that their combined net worth is less than \$300,000, excluding Blodnick's 401(k) retirement account. The Receiver will keep confidential all financial documents and information produced by Blodnick and the Blodnick Firm. The Receiver will return the documents and information produced by Blodnick and the Blodnick Firm upon receipt of the full Settlement Payment under Section 2, dismissal of the New York Action under Section 3, and receipt of the full State Farm Settlement amount under Section 4.

6. Receiver Review of Full Financial Disclosure. No later than October 15, 2010, the Receiver shall communicate to counsel for Blodnick and the Blodnick Firm his determination whether the financial documents and information produced under Section 5 above support their representation that their combined net worth is less than \$300,000. If the Receiver is not reasonably satisfied that the financial documents and information produced support the representation, this Agreement shall have no force or effect and the parties hereto shall retain all rights and claims against one another.

7. Release by Blodnick, the Blodnick Firm and the Blodnick/Fazio Firm. Blodnick, the Blodnick Firm and the Blodnick/Fazio Firm, and each of them, hereby forever, irrevocably and unconditionally release and discharge the Receiver, the Medical Capital receivership estate, and Medical Capital, and their respective officers, directors, representatives, heirs, executors, administrators, receivers, successors, assigns, predecessors, agents, attorneys and employees, of and from any and all claims, demands, debts, obligations, liabilities, costs, expenses, rights of action, causes of action, awards and judgments of any kind or character whatsoever, all of which are hereinafter called, "**Blodnick Released Claims.**"

The Blodnick Released Claims include, but are not limited to, any and all claims arising out of the Schepp Litigation, Letter Agreement, State Farm Settlement, New York Action, Turnover Dispute, Contempt/Sanctions Dispute, Writ of Mandamus and any other claims that Blodnick, the Blodnick Firm or the Blodnick/Fazio Firm, had, have, or may have against the

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Receiver, the Medical Capital receivership estate, and Medical Capital prior to District Court approval of this Agreement.

Each of Blodnick, the Blodnick Firm and the Blodnick/Fazio Firm acknowledges and agrees that the Blodnick Released Claims may include claims of every nature and kind whatsoever, whether known or unknown, suspected or unsuspected and further acknowledge that they may be presently unknown or unsuspected, and may be based upon hereafter discovered facts different from, or in addition to, those which they now know, or believe to be true. Nevertheless, Blodnick, the Blodnick Firm and the Blodnick/Fazio Firm agree that the foregoing release shall be and remain effective in all respects, notwithstanding such different or additional facts, or the discovery thereof, and further hereby expressly waive and relinquish any and all rights provided in California Civil Code Section 1542 which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Blodnick, the Blodnick Firm and the Blodnick/Fazio Firm expressly waive and release any rights and benefits that they have or may have under any similar law or rule of any other jurisdiction pertaining to the matters released herein. It is the intention of Blodnick, the Blodnick Firm and the Blodnick/Fazio Firm through this Agreement and with the advice of counsel to fully, finally and forever release any and all claims against the Receiver, the Medical Capital receivership estate, and Medical Capital, as provided herein, known or unknown. The releases herein given shall be and remain in effect as full and complete releases of all such matters notwithstanding the discovery of any additional claims or facts relating thereto.

8. Release by Fazio and FRA. Fazio and FRA hereby forever, irrevocably and unconditionally release and discharge the Receiver, the Medical Capital receivership estate, and Medical Capital, and their respective officers, directors, representatives, heirs, executors, administrators, receivers, successors, assigns, predecessors, agents, attorneys and employees, of and from any and all claims, demands, debts, obligations, liabilities, costs, expenses, rights of action, causes of action, awards and judgments of any kind or character whatsoever, all of which are hereinafter called, the "**Fazio Released Claims.**"

The Fazio Released Claims include, but are not limited to, any and all claims arising out of Medical Capital's employment of Fazio, any and all agreements between Fazio and Medical Capital, any and all agreements between FRA and Medical Capital, work performed by Fazio or FRA on behalf of Medical Capital and/or any persons or entities who borrowed money from or owed money to Medical Capital, and any other claims that Fazio or FRA have, or may have against the Receiver, the Medical Capital receivership estate, or Medical Capital prior to District Court approval of this Agreement.

Each of Fazio and FRA acknowledges and agrees that the Fazio Released Claims may include claims of every nature and kind whatsoever, whether known or unknown, suspected or unsuspected and further acknowledge that they may be presently unknown or unsuspected, and

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may be based upon hereafter discovered facts different from, or in addition to, those which they now know, or believe to be true. Nevertheless, Fazio and FRA agree that the foregoing release shall be and remain effective in all respects, notwithstanding such different or additional facts, or the discovery thereof, and further hereby expressly waive and relinquish any and all rights provided in California Civil Code Section 1542 which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Fazio and FRA expressly waive and release any rights and benefits that they have or may have under any similar law or rule of any other jurisdiction pertaining to the matters released herein. It is the intention of Fazio and FRA through this Agreement and with the advice of counsel to fully, finally and forever release any and all claims against the Receiver, the Medical Capital receivership estate, and Medical Capital, as provided herein, known or unknown. The releases herein given shall be and remain in effect as full and complete releases of all such matters notwithstanding the discovery of any additional claims or facts relating thereto.

9. Release by Receiver, the Medical Capital receivership estate and Medical Capital. The Receiver, the Medical Capital receivership estate, and Medical Capital hereby forever, irrevocably and unconditionally release and discharge Blodnick and the Blodnick Firm, and their respective officers, directors, representatives, heirs, executors, administrators, receivers, successors, assigns, predecessors, agents, attorneys and employees, not including the Blodnick/Fazio Firm, Fazio or FRA, of and from any and all claims, demands, debts, obligations, liabilities, costs, expenses, rights of action, causes of action, awards and judgments of any kind or character whatsoever, all of which are hereinafter called, the "**Receiver Released Claims.**"

The Receiver Released Claims include, but are not limited to, any and all claims arising out of the Schepp Litigation, Letter Agreement, State Farm Settlement, New York Action, Turnover Dispute, Contempt/Sanctions Dispute, Writ of Mandamus and any other claims that the Receiver, the Medical Capital receivership estate, and Medical Capital have, or may have against Blodnick and the Blodnick Firm prior to District Court approval of this Agreement.

Each of the Receiver, the Medical Capital receivership estate, and Medical Capital acknowledges and agrees that the Receiver Released Claims may include claims of every nature and kind whatsoever, whether known or unknown, suspected or unsuspected and further acknowledge that they may be presently unknown or unsuspected, and may be based upon hereafter discovered facts different from, or in addition to, those which they now know, or believe to be true. Nevertheless, the Receiver, the Medical Capital receivership estate, and Medical Capital agree that the foregoing release shall be and remain effective in all respects, notwithstanding such different or additional facts, or the discovery thereof, and further hereby expressly waive and relinquish any and all rights provided in California Civil Code Section 1542 which provides as follows:

Exhibit A
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"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

The Receiver, the Medical Capital receivership estate, and Medical Capital expressly waive and release any rights and benefits that they have or may have under any similar law or rule of any other jurisdiction pertaining to the matters released herein. It is the intention of the Receiver, the Medical Capital receivership estate, and Medical Capital through this Agreement and with the advice of counsel to fully, finally and forever release any and all claims against Blodnick and the Blodnick Firm, as provided herein, known or unknown. The releases herein given shall be and remain in effect as full and complete releases of all such matters notwithstanding the discovery of any additional claims or facts relating thereto.

10. Voluntary Signing. Each of the Parties to this Agreement has executed this Agreement without any duress or undue influence.

11. Independent Counsel. Each of the Parties acknowledge and agree that it has been represented by independent counsel of its own choice throughout all negotiations which preceded the execution of this Agreement, that it has executed and approved of this Agreement after consultation with said counsel, and that it shall not deny the validity of this Agreement on the ground that such Party did not have the advice of legal counsel.

12. Governing Law and Venue. This Agreement shall in all respects be interpreted, enforced, and governed by and under the laws of California, and Federal Equity Receivership law, and subject to the exclusive jurisdiction of the District Court in the SEC Action.

13. Waiver/Amendment. No breach of any provision of this Agreement can be waived unless in writing. Waiver of any one breach of any provision of this Agreement is not a waiver of any other breach of the same or of any other provision of this Agreement. Amendment of this Agreement may be made only by written agreement signed by the Parties who are affected by the Amendment.

14. Fax and Counterparts. This Agreement may be executed by fax and/or in counterparts and, if so executed, each fax and/or counterpart shall have the full force and effect of an original.

15. Attorneys' Fees and Costs. The Parties hereto shall each bear their own costs and attorneys' fees incurred in connection with the Turnover Dispute, Contempt/Sanctions Dispute and the negotiation and documentation of this Agreement. If any proceeding, action, suit or claim is undertaken to interpret or enforce this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs incurred in connection with such dispute.

MEDICAL CAPITAL HOLDINGS, INC.,
MEDICAL CAPITAL CORPORATION,
MEDICAL PROVIDER FUNDING
CORPORATION VI, and their subsidiaries
and affiliates

EDWARD K. BLODNICK, in his individual
capacity

By: Thomas A. Seaman
THOMAS A. SEAMAN
District Court-Appointed Receiver

By: _____
EDWARD K. BLODNICK

EDWARD K. BLODNICK & ASSOCIATES,
P.C.

BLODNICK, FAZIO & ASSOCIATES, P.C.

By: _____
EDWARD K. BLODNICK, Principal

By: _____
EDWARD K. BLODNICK, Principal

THOMAS R. FAZIO, in his individual
capacity

FAZIO, RYNSKY & ASSOCIATES, LLP

By: _____
THOMAS R. FAZIO

By: _____
THOMAS R. FAZIO, Principal

15. Attorneys' Fees and Costs. The Parties hereto shall each bear their own costs and attorneys' fees incurred in connection with the Turnover Dispute, Contempt/Sanctions Dispute and the negotiation and documentation of this Agreement. If any proceeding, action, suit or claim is undertaken to interpret or enforce this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs incurred in connection with such dispute.

MEDICAL CAPITAL HOLDINGS, INC.,
MEDICAL CAPITAL CORPORATION,
MEDICAL PROVIDER FUNDING
CORPORATION VI, and their subsidiaries
and affiliates

EDWARD K. BLODNICK, in his individual
capacity

By:


EDWARD K. BLODNICK

By:

THOMAS A. SEAMAN
District Court-Appointed Receiver

EDWARD K. BLODNICK & ASSOCIATES,
P.C.

BLODNICK, FAZIO & ASSOCIATES, P.C.

By:



EDWARD K. BLODNICK, Principal

By:



EDWARD K. BLODNICK, Principal

THOMAS R. FAZIO, in his individual
capacity

FAZIO, RYNSKY & ASSOCIATES, LLP

By:



THOMAS R. FAZIO

By:



THOMAS R. FAZIO, Principal