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7 Attorneys for Receiver  
8 THOMAS A. SEAMAN

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

STATUS REPORT AND REQUEST  
FOR APPROVAL OF INTERIM  
DISTRIBUTION

Date: November 25, 2013

Time: 8:30 a.m.

Ctrm: 9D

Judge: Hon. David O. Carter

1           **TO ALL INTERESTED PARTIES:**

2           **PLEASE TAKE NOTICE** that on November 25, 2013, at 8:30 a.m., in  
3 Courtroom 9D of the above entitled Court located at 411 West Fourth Street, Santa  
4 Ana, California 92701, a hearing will be held on the Status Report and Request for  
5 Approval of Interim Distribution ("Status Report") of Thomas A. Seaman  
6 ("Receiver"), Court-appointed permanent receiver for Medical Capital Holdings,  
7 Inc., Medical Capital Corporation, Medical Provider Funding Corporation VI, and  
8 their subsidiaries and affiliates (collectively, the "Medical Capital Entities")

9           Procedural Requirements: If you oppose this request, you are required to file  
10 your written opposition with the Office of the Clerk, United States District Court,  
11 411 West Fourth Street, Santa Ana, California 92701, and serve the same on the  
12 undersigned not later than twenty-one (21) calendar days prior to the hearing.

13  
14 Dated: October 28, 2013

ALLEN MATKINS LECK GAMBLE  
MALLORY & NATSIS LLP

15  
16 By: /s/ Loraine L. Pedowitz

17 LORAIN L. PEDOWITZ  
18 Attorneys for Receiver  
19 Thomas A. Seaman  
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1 **STATUS AND BACKGROUND**

2 Thomas A. Seaman ("Receiver"), the Court-appointed receiver, provides this  
3 status report to the Court and interested parties regarding the first interim  
4 distribution to Noteholders and Non-investor Creditors, including employees.

5 The Receiver commenced the process of resolving claims in January 2012.  
6 On March 12, 2012, the Court held a hearing on Receiver's Omnibus Objections to  
7 Claims and ruled on the majority of Non-investor and Employee claims (Docket  
8 Nos. 673 and 674, respectively). The Court subsequently ruled on the allowed claim  
9 amounts for the vast majority of Noteholder Claims (Docket No. 720).

10 However, the claims filed by Bank of New York Mellon, Wells Fargo Bank  
11 (together the "Banks") and the Internal Revenue Service were not resolved at that  
12 time. Moreover, the claims were of a magnitude (over \$190,000,000 in the  
13 aggregate) that if reserved for, would have made interim distributions on the balance  
14 of the resolved claims impractical. The Receiver entered into stipulations to defer  
15 the adjudication of the claims of the Banks and the IRS and moved forward with the  
16 process of proposing a plan of distribution.

17 On August 3, 2012, the Receiver filed a motion for an order approving the  
18 Plan of Distribution. Objections to the proposed plan and replies were filed and oral  
19 argument heard by Court on September 10 and 19, 2012. The Court subsequently  
20 issued a minute order (Docket No. 841) directing the Receiver to amend the plan to  
21 reflect that the Court was reserving the issue of how any money in the Litigation  
22 Fund would be distributed. The Court's order approving the plan as amended was  
23 entered September 28, 2012 (Docket No. 880). The Distribution Plan was further  
24 amended on August 15, 2013 to provide that both Noteholders and Non-investor  
25 Creditors would share pari passu to the extent any Litigation Funds were  
26 administered by the Receiver, thereby resolving the remaining open issue regarding  
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1 the Distribution Plan (Docket No. 1102; together with Docket No. 880, the "Plan  
2 Order").

3 The Plan Order authorized the Receiver to make distributions. However, a  
4 distribution was still not practical until the IRS claims and the claims asserted by the  
5 Banks were resolved. In addition, the approved Distribution Plan required that  
6 Noteholder claims be reduced by amounts recovered by Noteholders from third  
7 parties such as investment advisors and brokers on account of the Noteholders'  
8 investment in Medical Capital. It was therefore necessary for the Receiver to solicit  
9 and process information about Noteholders' third party recoveries. That process was  
10 recently completed with the Court's order approving the Receiver's offset amounts  
11 (Docket No. 1124).

12 In the early 2013, Bank of New York Mellon reached a settlement with the  
13 class and mass action plaintiffs which superseded the Receiver's prior settlement.  
14 The Court gave final approval of the Bank of New York settlement with  
15 Noteholders on June 24, 2013 (MDL Case No. 10-02145, Docket Nos. 640, 641  
16 643). Wells Fargo Bank subsequently reached its own settlement with the class, and  
17 mass plaintiffs in April 2013. On August 12, 2013, the Court issued an order giving  
18 final approval to the Wells Fargo settlement (MDL Docket Nos. 650, 652, 654).  
19 Under the settlement agreements the Banks agreed to withdraw their claims and  
20 release the receivership entities.

21 Throughout this process, the Receiver continued to work with the IRS to  
22 resolve its claims and to facilitate the audit by the IRS which resulted in the IRS  
23 issuing tax refunds to the Receivership Entities in excess of \$9,700,000. On August  
24 22, 2013, the IRS submitted amended claims to the Receiver. On October 22, 2013,  
25 the Receiver and the IRS submitted a stipulation and proposed order resolving all  
26 remaining issues and reducing the aggregate IRS claim to \$21,082.22 Thus, the  
27 claims of the Banks and IRS no longer pose and impediment to a distribution.

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1 Attorneys for the class and mass action plaintiffs are currently in the process  
2 of distributing the proceeds from the Bank settlements. The Receiver will be  
3 informed as to the amounts distributed and those amounts will be deducted from  
4 Noteholders' allowed claims as provided under the approved Amended Distribution  
5 Plan.

6 It is anticipated that the Bank settlement distributions will be made during the  
7 month of November. The Receiver anticipates making the first interim distribution  
8 of receivership assets in December.

9 **REQUESTED RELIEF**

10 At the time the Distribution Plan was approved the Receiver estimated that a  
11 \$7.6 million reserve was appropriate for administrative, operational and litigation  
12 expenses associated with fully administering the Receivership Estate, and that  
13 additional appropriate reserves would be set for unresolved claims. However, as an  
14 additional 14 months have passed since those reserves were set, the Receiver has  
15 reviewed the reserves and now proposes the following reserves and distributions:

16 Operational, administrative and litigation reserves: \$6,117,944.48

17 Unresolved claim reserves: \$1,307,767.07

18 Aggregate amount estimated to be distributed: \$117,500,000.00

19 Aggregate Noteholder distributions: \$115,385,943.57

20 Aggregate Non-investor Creditor distributions: \$2,114,056.43

21 As the Court is aware, there are still a number of outstanding litigation  
22 matters that have not been resolved. The Receiver contemplates that the first  
23 interim distribution to Noteholders and Non-investor Creditors will be the bulk of  
24 the receivership assets, and that a final distribution will be made once all litigation  
25 matters are resolved.

26 The Receiver respectfully requests that the Court approve the proposed  
27 reserves and distribution amounts.

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Dated: October 28, 2013

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LORAIN L. PEDOWITZ

By: /s/ Loraine L. Pedowitz

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Attorneys for Receiver  
THOMAS A. SEAMAN