

1 DAVID R. ZARO (BAR NO. 124334)
MICHAEL R. FARRELL (BAR NO. 173831)
2 TED FATES (BAR NO. 227809)
ALLEN MATKINS LECK GAMBLE
3 MALLORY & NATSIS LLP
515 South Figueroa Street, Ninth Floor
4 Los Angeles, California 90071-3309
Phone: (213) 622-5555
5 Fax: (213) 620-8816
E-Mail: dzaro@allenmatkins.com
6 mfarrell@allenmatkins.com
tfates@allenmatkins.com

7 Attorneys for Receiver Thomas A. Seaman
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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

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

**DECLARATION OF THOMAS A.
SEAMAN IN SUPPORT OF MOTION
FOR APPROVAL OF SETTLEMENT
ADDISON LARREAU**

Date: March 14, 2011
Time: 8:30 a.m.
Ctrm: 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. On September 1, 2005, Medical Capital (Medical Provider Financial
8 Corporation II) and New Life Centers, LLC ("New Life") executed a Purchase
9 Agreement ("Purchase Agreement"), under which Medical Capital had the right to
10 purchase accounts receivable from New Life for a one-year period. If New Life
11 failed to collect on the purchased accounts receivable, causing them to not reach a
12 prior agreed upon "Adjusted Value", New Life would be liable to Medical Capital
13 for the difference between the amount collected and the Adjusted Value.

14 3. Addison Larreau ("Larreau") and Illya Gonta ("Gonta"), the principals
15 of New Life, guaranteed the obligations of New Life under the Purchase Agreement
16 pursuant to the Guaranties executed on August 26, 2005.

17 4. New Life failed to collect on the initial batch of purchased accounts
18 receivable sufficient to reach the agreed upon Adjusted Value. Accordingly, on
19 November 8, 2005, New Life executed a Promissory Note in favor of Medical
20 Capital (MPFC II) in the amount of \$42,822.27, payable in 24 months with an
21 annual interest rate of eighteen (18%) percent ("Note"). Larreau and Gonta
22 guaranteed New Life's obligations under the Note.

23 5. On December 4, 2007, Medical Capital and MPFC II commenced an
24 action in United States District Court for the District of Nevada entitled *Medical*
25 *Provider Financial Corporation II v. New Life Centers, LLC*, Case No. 2:07-cv-
26 01618-KJD-PAL (the "Nevada Action"). The Complaint names New Life, Larreau
27 and Gonta ("Defendants") and seeks damages in the amount of \$352,043.24.
28 Medical Capital alleged that (a) New Life breached the Purchase Agreement by

1 diverting amounts collected on purchased receivables and failing to pay Plaintiffs
2 the difference between the amount received by Plaintiffs and the Adjusted Value of
3 the receivables, (b) New Life defaulted on the Note by failing to make the required
4 payments, and (c) Larreau and Gonta breached their personal guaranties by failing
5 to satisfy New Life's obligations under the Purchase Agreement and Note.

6 6. On February 8, 2008, Defendants filed an Answer and asserted
7 counterclaims against MPFC II and MCC. Defendants allege that MPFC II and
8 MCC breached the Purchase Agreement by (a) failing to provide agreed upon sums
9 in exchange for accounts receivable, (b) collecting monies on accounts receivable
10 for which they never provided monies, (c) improperly rejecting certain accounts
11 receivable, and (d) intentionally and fraudulently collecting monies from third party
12 insurance companies on accounts receivable to which they had no right by
13 impersonating New Life.

14 7. With the assistance of counsel, I have considered the relative strengths
15 and weaknesses of the parties positions in the Nevada Action and believes that
16 Medical Capital will likely prevail. I caused Medical Capital to file a motion for
17 summary judgment in the Nevada Action, which motion is pending. In the
18 meantime, however, Larreau has stated that he will be forced to file bankruptcy if I
19 continue to pursue him on his personal guaranty. With the assistance of a
20 bankruptcy lawyer, Larreau prepared a bankruptcy petition and the required
21 bankruptcy schedules listing his assets and liabilities, and provided both to me.
22 Larreau has stated that he will file the bankruptcy petition and schedules, which
23 must be done under penalty of perjury, if we are unable to reach a settlement.

24 8. Subject to Court approval, Larreau and I have negotiated a Settlement
25 Agreement and Mutual Release ("Agreement"), under which Larreau has signed a
26 stipulated judgment in the amount of \$352,043.24. I will not file or enforce the
27 stipulated judgment provided Larreau makes a one-time, lump sum cash payment to
28 the receivership estate in the amount \$26,500. The payment must be made within

1 five business days of entry of an order approving the Agreement. If the Agreement
2 is approved and the settlement payment is timely made by Larreau, then the parties
3 release all claims against one another and I will cause the Nevada Action, as it
4 pertains to Larreau, to be dismissed with prejudice. The Agreement is attached
5 hereto as Exhibit A.

6 9. If the Agreement is not approved, the receivership estate will incur
7 additional expense in pursuing Larreau and Larreau will likely file bankruptcy. The
8 bankruptcy will involve additional expense and delay, and likely result in a recovery
9 smaller than the proposed settlement payment. I believe that the Agreement is in the
10 best interests of the receivership estate, and therefore request that it be approved.

11
12 I declare under penalty of perjury that the foregoing is true and correct.

13 Executed on January 5, 2011, at Irvine, California.

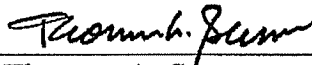
14 
15 _____
16 Thomas A. Seaman

EXHIBIT A

SETTLEMENT AGREEMENT & MUTUAL RELEASE

This SETTLEMENT AGREEMENT & MUTUAL RELEASE ("Agreement"), dated for reference purposes only as of December 5, 2010, is made by and among THOMAS A. SEAMAN ("Receiver"), in his capacity as court-appointed receiver for MEDICAL CAPITAL CORPORATION ("MCC") and MEDICAL PROVIDER FINANCIAL CORPORATION II ("MPFC II"), and ADDISON LARREAU ("Larreau")

RECITALS

A. MPFC II and New Life Centers, LLC ("New Life") are parties to that certain Purchase Agreement dated September 1, 2005 ("Purchase Agreement"). Under the Purchase Agreement, MPFC II had the right to purchase accounts receivable from New Life for a one-year period starting September 1, 2005. If New Life failed to collect on the accounts receivable which caused the purchased receivables to not reach a prior agreed upon "Adjusted Value", New Life would be liable to MPFC II for the difference between the amount collected and the Adjusted Value.

B. Larreau guaranteed the obligations of New Life under the Purchase Agreement pursuant to the Guaranty executed on August 26, 2005. Ilya Gonta ("Gonta") also guaranteed the obligations of New Life under the Purchase Agreement.

C. On November 8, 2005, New Life executed a Promissory Note in favor of MPFC II in the amount of \$42,822.27, payable in 24 months with an annual interest rate of eighteen (18%) percent ("Note"). Larreau and Gonta guaranteed New Life's obligations under the Note.

C. On December 4, 2007, MPFC II and MCC ("Plaintiffs") commenced an action in United States District Court for the District of Nevada entitled *Medical Provider Financial Corporation II v New Life Centers, LLC*, Case No. 2:07-cv-01618-KJD-PAL (the "Nevada Action"). The Complaint names New Life, Larreau and Gonta ("Defendants") and seeks damages in the amount of \$352,043.24. Plaintiffs allege that (a) New Life breached the Purchase Agreement by diverting amounts collected on purchased receivables and failing to pay Plaintiffs the difference between the amount received by Plaintiffs and the Adjusted Value of the receivables, (b) New Life defaulted on the Note by failing to make the required payments, and (c) Larreau and Gonta breached their personal guaranties by failing to satisfy New Life's obligations under the Purchase Agreement and Note.

D. On February 8, 2008, Defendants filed an Answer and asserted counterclaims against MPFC II and MCC. Defendants allege that MPFC II and MCC breached the Purchase Agreement by (a) failing to provide agreed upon sums in exchange for accounts receivable, (b) collecting monies on accounts receivable for which they never provided monies, (c) improperly rejecting certain accounts receivable, and (d) intentionally and fraudulently collecting monies from third party insurance companies on accounts receivable to which they had no right by impersonating New Life.

E. Pursuant to that certain Temporary Restraining Order and Orders (1) Freezing Assets; (2) Appointing a Temporary Receiver; (3) Prohibiting Destruction of Documents; and (4) Requiring Accounting; and Order to Show Cause Re: Preliminary Injunction and Appointment of a Permanent Receiver (the "TRO") entered on August 3, 2009 by the United States District Court for the Central District of California ("California District Court") in Case No. SA CV09-0818 DOC (RNBx), the Receiver was appointed temporary receiver of Medical Capital Holdings, Inc, Medical Capital Corporation, Medical Provider Funding Corporation VI, and their subsidiaries and affiliates, including without limitation, MPFC II (collectively, the "Receivership Entities"). The Receiver's appointment was made permanent and the remaining provisions of the TRO were extended by the Preliminary Injunction and Order Appointing a Permanent Receiver entered by the California District Court on August 18, 2009.

H. Subject to Court approval, the Receiver and Larreau have agreed to resolve all claims and disputes against one another, under the terms and conditions provided herein.

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 California District Court. This Agreement shall have no force or effect unless and until it is approved by the California District Court in a written order. The Receiver shall promptly move for approval of this Agreement in the California District Court.

2. Stipulated Judgment; Dismissal of Nevada Action as to Larreau. Larreau shall execute a stipulated judgment in the Nevada Action in the amount of \$352,043.24, to be held by the Receiver. In the event that the California District Court does not approve this Agreement, the Receiver shall immediately return the original of the stipulated judgment to Larreau and may not enter the stipulated judgment in the Nevada Action. In the event that after approval of this Agreement by the California District Court, Larreau defaults in paying to the Receiver the Settlement Payment, as that term is defined below, the Receiver may enter the stipulated judgment in the Nevada Action. In the event that full Settlement Payment is timely made by Larreau, the stipulated judgment shall not be entered in the Nevada Action by the Receiver, MPFC II or MCC and the original thereof shall be returned to Larreau.

Upon receipt of the Settlement Payment, the Receiver shall promptly move the court in the Nevada Action for an order dismissing with prejudice the Nevada Action as to Larreau.

3. Settlement Payment. Within five business days of receiving actual notice of the entry of an order by the California District Court approving this Agreement, Larreau shall pay to the Receiver by cashier's check or wire transfer in immediately available funds the amount of TWENTY-SIX THOUSAND AND FIVE HUNDRED and 00/100 DOLLARS (\$26,500.00) (the "Settlement Payment")

4. Mutual Release. Provided that the California District Court approves this Agreement and the full Settlement Payment is timely made by Larreau, MPFC II and MCC, on the one hand, and Larreau on the other hand, and each of them, for themselves, their agents, employees, partners, directors, officers, successors and assigns, forever, irrevocably and unconditionally release and discharge one another, 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, "Released Claims "

The Released Claims include, but are not limited to, any and all claims arising out of the Purchase Agreement and Note, and any other claims that MPFC II and MCC on the one hand, and Larreau on the other hand, had, have, or may have against one another prior to court approval of this Agreement

Each of MPFC II, MCC and Larreau acknowledges and agrees that the 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 parties 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 "

MPFC II, MCC and Larreau 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 parties through this Agreement and with the advice of counsel to fully, finally and forever settle and release the claims and disputes existing between them 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

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

6. 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.

7. 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 United States District Court for the Central District of California

8. 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

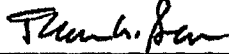
9. Fax and Counterparts. This Agreement may be executed by fax and/or in counterparts and, if so executed, each fax and/or counterpart shall have the full force and effect of an original.

10. Attorneys' Fees and Costs. The Parties hereto shall each bear their own costs and attorneys' fees incurred in connection with the negotiation and documentation of this Agreement, and the parties efforts to obtain court approval thereof. 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

ADDISON LARREAU

By:  (12/15/10)
ADDISON LARREAU

MEDICAL CAPITAL CORPORATION and
MEDICAL PROVIDER FINANCIAL
CORPORATION II

By: 
THOMAS A. SEAMAN, Court-appointed
Receiver for Medical Capital Corporation and
Medical Provider Financial Corporation II