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

Attorneys for Receiver
THOMAS A. SEAMAN

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

SOUTHERN DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

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

Defendants.

Case No. SA CV09-0818 DOC (RNBx)

EX PARTE APPLICATION FOR APPROVAL OF OVERBID PROCEDURES AND NOTICE OF SALE OF LOAN MADE TO THE PARKWAY HOSPITAL, INC. AND PARKWAY ACQUISITION I, LLC

Thomas A. Seaman ("Receiver"), Court-appointed permanent receiver for Medical Capital Holdings, Inc., Medical Capital Corporation, Medical Provider Funding Corporation VI, and their subsidiaries and affiliates (collectively, "Medical Capital" or the "Receivership Entities"), applies for an order approving (a) overbid procedures to be used in connection with the proposed sale of the loan made to The Parkway Hospital, Inc. and Parkway Acquisition I, LLC, and (b) notice of the sale provided by the Receiver ("Application").

Pursuant to Local Rule 7-19.1, the Receiver's counsel circulated this Application via e-mail to counsel for the Securities and Exchange Commission ("Commission") and counsel for Defendants Field and Lampariello, and asked if they have any opposition. Counsel for the Commission advised that the Commission has no opposition. Counsel for Defendants Field and Lampariello had not responded at the time of filing.

I. INTRODUCTION

Concurrently herewith, the Receiver has filed his Motion for Approval of (A) Sale of Loan Made to The Parkway Hospital, Inc. and Parkway Acquisition I, LLC, and (B) Payment of Broker's Commission ("Motion"). The Motion seeks approval of a proposed sale of a loan secured by real estate located in Queens, New York ("First Parkway Loan"). This Application seeks approval of overbid procedures to be used in connection with the sale, as well as the notice of sale.

The Motion and the Receiver's supporting declaration ("Seaman Declaration") describe in detail, among other things, (a) the history of the First Parkway Loan and other loans made by Medical Capital to The Parkway Hospital, Inc. ("Parkway Hospital"), Parkway Hospital's apparent owner Dr. Robert J. Aquino ("Aquino"), and Aquino's other entities, (b) events involving Parkway and Aquino's other entities, including closure of the hospital by the State of New York and the bankruptcy cases of Parkway, Capitol Health Management, LLC ("Capitol") and

Aquino's other entities, (c) Aquino's federal indictment on bribery charges and recent guilty plea, and (d) the Receiver's efforts to collect on the loans via a foreclosure action pending in New York, a judgment against Aquino obtained in Nevada federal court, and distributions from the bankruptcy estates. The Motion, Seaman Declaration (including exhibits), and supporting declaration of broker Kenneth Enos ("Enos Declaration") are attached hereto as Exhibit 1. The history of events involving Aquino and his entities, the Medical Capital loans and actions taken by the Receiver to collect is quite lengthy, and therefore is not repeated herein.

II. THE PROPOSED SALE TERMS

After extensive marketing of the First Parkway Loan (which is discussed in the Motion and Enos Declaration), the highest and best offer received was from PH Paper, LLC ("Purchaser") in the amount of $6.2 million. The Receiver negotiated and executed a Loan Purchase and Sale Agreement with Purchaser, a copy of which is attached to the Seaman Declaration as Exhibit A ("Agreement"). The basic terms of the Agreement are summarized as follows:

Court approval. All aspects of the Agreement and the sale are subject to approval by the Court.

Purchase Price. $6,200,000.

Closing Date. The earlier of (a) a date agreed upon by the Receiver and Purchaser, and (b) 61 days[1] from entry of an order approving the sale.

Deposit. Purchaser has deposited $1,000,000 with the Receiver, which amount is non-refundable if the Court approves the sale and Purchaser fails to perform.

Break-Up Fee. Purchaser's actual costs in connection with the sale, up to a maximum of $75,000 will be paid to Purchaser if it is not the highest bidder.

[1] The title insurance company will not insure title to the First Parkway Loan until the order approving the sale has become final. In this case, with Commission as a party, the appeal period is 60 days.

Costs of Foreclosure Action. As discussed in the Motion, there is an action pending in New York to foreclose on the property securing the loan, of which Purchaser will assume control. The costs associated with the foreclosure action between the date of execution of the Agreement and the closing date will be paid by Purchaser at closing.

Rights to Parkway Hospital Assets. As noted above, Parkway Hospital is a co-borrower with Parkway Acquisition I, LLC on the First Parkway Loan. The assets of both entities are collateral for the First Parkway Loan. Parkway Acquisition I owns the real property. Under the Agreement, the Receiver retains all rights to recover from Parkway Hospital's assets and to receive distributions from the Parkway Hospital bankruptcy estate.

III. PROPOSED OVERBID PROCEDURES

The proposed overbid procedures, which are provided in Article XI of the Agreement, are summarized as follows:

Minimum Initial Overbid. $6,500,000.

Subsequent Overbids Increments. $50,000.

Bidder Qualifications. In order to qualify, bidders must (a) deliver an executed Loan Purchase and Sale Agreement in form substantially similar to the Agreement, (b) provide evidence to the Receiver's satisfaction of their ability to pay at least the minimum overbid amount, and (c) deliver a deposit in immediately available funds of $1,000,000.

Overbid Deadline. The executed Loan Purchase and Sale Agreement, evidence of ability to pay, and deposit must be delivered to the Receiver no later than February 27, 2012 -- five business days prior to the sale hearing (March 5, 2012).

IV. NOTICE OF THE SALE

The Receiver served the Motion by mail on (i) the parties, (ii) Wells Fargo Bank and Bank of New York Mellon, (iii) Purchaser and all known potential

bidders, and (iv) all investors and other creditors that have requested service by mail. The Receiver also posted the Motion on his website (www.medicalcapitalreceivership.com), causing an e-mail notice to be sent electronically to all investors and other creditors that have registered to receive such e-mails. Furthermore, as required by 28 U.S.C. § 2004, the Receiver will cause the following notice of the sale and the opportunity to overbid to be published in the Wall Street Journal (Eastern Edition) on four occasions prior to the overbid deadline:

> In the action pending in U.S. District Court for the Central District of California, Southern Division, Case No. SA CV09-0818 DOC (RNBx), Securities and Exchange Commission v. Medical Capital Holdings, *et al.*, notice is hereby given pursuant to 28 U.S.C. § 2004 that the Court-appointed Receiver has contracted to sell a loan secured by real property located at 70-35 113th Street, Forest Hills, Queens, New York, for the amount of $6,200,000. Sale subject to overbid and Court confirmation. Hearing set for March 5, 2012 at 8:30 a.m., courtroom of the Honorable David O. Carter, United States Courthouse, 411 West Fourth Street, Santa Ana, California. Minimum overbid is $6,500,000. In order to be considered, overbids, deposits and evidence reasonably satisfactory to the Receiver that the qualified bidder has the ability to pay at least the minimum overbid, must be received by 5:00 p.m. Pacific Standard Time, 5 business days prior to the hearing date, by the Receiver at 3 Park Plaza, Suite 550, Irvine, California. If interested in submitting an overbid, please contact Kenneth Enos at (516) 284-3451 or at Kenneth.Enos@Colliers.com for the form of Loan Purchase and Sale Agreement and other information.

V. ARGUMENT

"The power of a district court to impose a receivership or grant other forms of ancillary relief does not in the first instance depend on a statutory grant of power from the securities laws. Rather, the authority derives from the inherent power of a

court of equity to fashion effective relief." SEC v. Wencke, 622 F.2d 1363, 1369 (9th Cir. 1980). The "primary purpose of equity receiverships is to promote orderly and efficient administration of the estate by the district court for the benefit of creditors." SEC v. Hardy, 803 F.2d 1034, 1038 (9th Cir 1986). As the appointment of a receiver is authorized by the broad equitable powers of the court, any distribution of assets must also be done equitably and fairly. See S.E.C. v. Elliot, 953 F.2d 1560, 1569 (11th Cir. 1992).

District courts have the broad power of a court of equity to determine the appropriate action in the administration and supervision of an equity receivership. See SEC v. Capital Consultants, LLC, 397 F.3d 733, 738 (9th Cir. 2005). The Ninth Circuit explained:

> A district court's power to supervise an equity receivership and to determine the appropriate action to be taken in the administration of the receivership is extremely broad. The district court has broad powers and wide discretion to determine the appropriate relief in an equity receivership. The basis for this broad deference to the district court's supervisory role in equity receiverships arises out of the fact that most receiverships involve multiple parties and complex transactions. A district court's decision concerning the supervision of an equitable receivership is reviewed for abuse of discretion.

Id. (citations omitted); see also Commodities Futures Trading Comm'n. v. Topworth Int'l, Ltd., 205 F.3d 1107, 1115 (9th Cir. 1999) ("This court affords 'broad deference' to the court's supervisory role, and 'we generally uphold reasonable procedures instituted by the district court that serve th[e] purpose' of orderly and efficient administration of the receivership for the benefit of creditors."). Accordingly, this Court has broad equitable powers and discretion in formulating procedures, schedules and guidelines for administration of the receivership estate.

The Ninth Circuit has confirmed a district court's broad authority to approve a sale of assets under the control of an equity receiver. SEC v. American Capital Investments, Inc., 98 F.3d 1133, 1143-1145 (9th Cir. 1996) abrogated on other grounds by Steel Co. v. Citizens for a Better Environment, 523 U.S. 83 (1998);

Gockstetter v. Williams, 9 F.2d 354, 357 (9th Cir. 1925) ("In authorizing the sale of property by receivers, courts of equity are vested with a broad discretion as to price and terms."); see also Mellen v. Moline Malleable Iron Works, 131 U.S. 352 (1889) (under its general equity authority, the court has the power to order a sale of property); Broadway Trust v. Dill, 17 F.2d 486 (3d Cir. 1927) (in a receivership proceeding, the court has both the power and jurisdiction to order a sale of the property).

A. The Proposed Overbid Procedures Should Be Approved

The proposed overbid procedures are designed to (a) induce Purchaser to act as the initial "stalking horse" bidder, (b) allow qualified bidders to overbid, (c) ensure that the sale closes in a timely manner, and (d) generate the highest and best price for the Property. The minimum initial overbid ($6,500,000, or $300,000 over the proposed purchase price) is less than five (5%) percent of the proposed purchase price, and the subsequent overbid increments ($50,000) are less than one (1%) percent of the proposed purchase price, which will promote overbidding by Qualified Bidders. Accordingly, the Receiver requests that the overbid procedures be approved.

B. The Notice of Sale Should Be Approved

The notice provided by the Receiver by mail and publication is reasonable and should be approved. Since January 2011, the First Parkway Loan has been broadly and extensively marketed for sale. Enos Declaration, ¶¶ 2-4. Notice will be published in the Wall Street Journal on four occasions leading up to the hearing and posted on the Wall Street Journal's website. All persons who have expressed interest in the First Parkway Loan have been served by mail. Further mailing of notice imposes significant costs on the receivership estate with little or no corresponding benefit to creditors.

As noted above, pursuant to Local Rule 7-19.1, the Receiver's counsel circulated this Application via e-mail to counsel for the Securities and Exchange

Commission ("Commission") and counsel for Defendants Field and Lampariello, and asked if they have any opposition. Counsel for the Commission advised that the Commission has no opposition. Counsel for Defendants Field and Lampariello had not responded at the time of filing.

VI. CONCLUSION

WHEREFORE, the Receiver requests entry of an order approving the overbid procedures described herein, and approving the notice of sale provided by the Receiver.

Dated: February 3, 2012

ALLEN MATKINS LECK GAMBLE MALLORY & NATSIS LLP

By: /s/ Ted Fates
TED FATES
Attorneys for Receiver
Thomas A. Seaman

EXHIBIT 1

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

Attorneys for Receiver Thomas A. Seaman

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

SOUTHERN DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

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

Defendants.

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

NOTICE OF MOTION AND MOTION FOR APPROVAL OF (A) SALE OF LOAN MADE TO THE PARKWAY HOSPITAL, INC. AND PARKWAY ACQUISITION I, LLC, AND (B) PAYMENT OF BROKER'S COMMISSION; MEMORANDUM OF POINTS AND AUTHORITIES

Date: March 5, 2012
Time: 8:30 a.m.
Ctrm: 9D
Judge: Hon. David O. Carter

TO ALL INTERESTED PARTIES:

PLEASE TAKE NOTICE that on March 5, 2012, at 8:30 a.m., in Courtroom 9D of the above-entitled Court located at 411 West Fourth Street, Santa Ana, California 92701, a hearing will be held on the motion of Thomas A. Seaman ("Receiver"), Court-appointed permanent receiver for Medical Capital Holdings, Inc., Medical Capital Corporation, Medical Provider Funding Corporation VI, and their subsidiaries and affiliates (collectively, "Medical Capital" or the "Receivership Entities"), for approval of (a) sale of loan made to The Parkway Hospital, Inc. and Parkway Acquisition I, LLC, and (b) payment of broker's commission ("Motion").

The Motion is based on the Memorandum of Points and Authorities below, and the Declarations of Thomas A. Seaman and Kenneth Enos filed herewith. The Motion and supporting papers are available at the Receiver's website, http://www.medicalcapitalreceivership.com, or may be reviewed at the Clerk's Office during normal business hours at 411 West Fourth Street, Santa Ana, California 92701.

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

IF YOU FAIL TO FILE AND SERVE A WRITTEN OPPOSITION by the above date, the Court may grant the requested relief without further notice. This Motion is made following the conference of counsel pursuant to L.R. 7-3.

WHEREFORE, the Receiver requests that the Court grant the relief requested herein and such other relief as may be appropriate under the circumstances.

Dated: February 3, 2012

ALLEN MATKINS LECK GAMBLE MALLORY & NATSIS LLP

By: /s/ Ted Fates
TED FATES
Attorneys for Receiver
Thomas A. Seaman

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Page(s)

Cases

Other Authorities

Page(s)

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

This motion seeks Court approval of the sale of a loan secured by real property, subject to overbid. The loan at issue, the First Parkway Loan (as defined below), is one of a series of loans made by Medical Capital to Dr. Robert J. Aquino ("Aquino"), and three entities owned and/or controlled by him located in New York – The Parkway Hospital, Inc. ("Parkway Hospital"), Parkway Acquisition I, LLC, formerly known as Parkway Hospital Associates ("Parkway Acquisition"), and Capitol Health Management, Inc. ("Capitol"). Between March 2006 and July 2007, Medical Capital made seven loans to Aquino, Parkway Hospital, Parkway Acquisition and Capitol. The total principal loaned, including amendments to the original loan agreements, exceeds $61 million. Less than $3.6 million in loan payments were made. As of today, including accrued interest, the total owed on the loans exceeds $97 million. Aquino recently pled guilty to a federal charge of conspiracy to commit bribery and is set to be sentenced in May 2012. Declaration of Thomas Seaman in Support of Motion ("Seaman Declaration"), ¶ 2.

Parkway Hospital and Capitol are in bankruptcy, their cases pending in the Southern District of New York. Their assets, which are included in the collateral for the loans, are being liquidated by bankruptcy trustees. The real property on which Parkway Hospital operated, which is owned by Parkway Acquisition, is the subject of a foreclosure action in New York initiated by the Receiver in January 2011. Parkway Acquisition, whose only asset is the property, is not in bankruptcy. Seaman Declaration, ¶ 3.

While pursuing the foreclosure action, the Receiver also marketed the First Parkway Loan for sale. Twelve offers were received. The Receiver negotiated terms with four potential purchasers at prices ranging from $4.75 million to $5.05 million. Each of these potential purchasers elected not to pursue the

transaction after conducting their due diligence. The Receiver then received an offer from PH Paper, LLC ("Purchaser") and negotiated and executed a Loan Purchase and Sale Agreement, subject to Court approval. The proposed purchase price is $6.2 million, and the sale is subject to overbid by qualified bidders. By separate Ex Parte Application, the Receiver has sought approval of proposed overbid procedures and notice of the sale. By this Motion, the Receiver requests approval of the sale to Purchaser or the highest qualified bidder. Seaman Declaration, ¶ 4.

II. BACKGROUND FACTS

In order to understand the history of the First Parkway Loan, and the factors affecting the proposed sale, it is necessary to put the loan in context with events involving Parkway Hospital and Aquino's other entities, and the six other loans issued by Medical Capital. Seaman Declaration, ¶ 5.

A. History of the Parkway Property

The real property securing the First Parkway Loan is located at 70-35 113th Street, Forest Hills, Queens, New York ("Property"). The Property is owned by Parkway Acquisition and was leased to Parkway Hospital, which operated a hospital. The exact ownership of Parkway Acquisition and Parkway Hospital are not known, although the Receiver believes Aquino and/or Aquino's father has a controlling interest in both entities. Seaman Declaration, ¶ 6.

Aquino also owns Capitol, which managed at least six medical practices in the New York/Tri-State area owned by Aquino. One of these medical practice entities, Lifeco Medical, P.C. ("Lifeco"), provided emergency room staffing services to Parkway Hospital. Seaman Declaration, ¶ 7.

Beginning in 1961, Parkway Acquisition (then known as Parkway Hospital Associates), or its predecessors in title to the Property, entered into five separate loan agreements, which loans were secured by the Property. In 1994, Parkway Acquisition entered into a Consolidation, Extension and Modification Agreement

with CoreStates Bank, which consolidated the five original loans into a single lien on the Property. Thereafter, CoreStates Bank merged into First Union National Bank, which became the holder of the consolidated mortgage. Seaman Declaration, ¶ 8.

On August 8, 2001, First Union National Bank assigned the consolidated mortgage to GE HFS Holdings, Inc., then known as Heller Healthcare Financial, Inc. ("GE HFS"). At the same time, the consolidated mortgage was split into two loans secured by the Property - a $8,000,000 revolving loan and $2,000,000 term loan. Parkway Acquisition and Parkway Hospital are co-borrowers under both loans, which are secured by the Property and all other assets of both entities. In August 2003, the $2,000,000 term loan was paid off. However, the term loan mortgage continues to secure full payment of all amounts owed under the $8,000,000 revolving loan. As discussed below, Medical Capital later purchased the $8,000,000 revolving loan and the $2,000,000 term loan, which are referred to herein as the First Parkway Loan. Seaman Declaration, ¶ 9.

In July 2004, Parkway Equities, LLC ("Parkway Equities") made a $3,000,000 loan to Parkway Acquisition secured by a mortgage deed of trust on the Property. This loan appears to have been made in conjunction with an agreement to sell the hospital to Parkway Equities, conditioned on New York State Department of Health approval. Such approval was apparently not granted. In December 2004, Parkway Equities sued Parkway Acquisition to foreclose on the Property. Parkway Hospital was named as a defendant in order to terminate its leasehold interest. Seaman Declaration, ¶ 10.

B. <u>The Parkway Hospital Bankruptcy</u>

On July 1, 2005, Parkway Hospital filed chapter 11 bankruptcy in the Southern District of New York. In September 2005, Parkway Hospital filed an adversary proceeding in bankruptcy court to enjoin Parkway Equities' foreclosure action as a violation of the automatic stay. In February 2006, the bankruptcy court

ruled that the foreclosure action was stayed. Then, in May 2006, the bankruptcy court granted relief from stay to allow the foreclosure action to proceed. Thereafter, Aquino, or an entity controlled by him, apparently purchased the loan issued by Parkway Equities and caused the foreclosure action to be dismissed. In September 2006, the bankruptcy court approved a $5 million loan from Boro Medical, P.C. ("Boro"), a medical practice owned by Aquino, to Parkway Hospital as Debtor-in-Possession ("Boro DIP Loan"). The Boro DIP Loan was secured by a mortgage on the Property, junior in priority to the GE HFS loan. Seaman Declaration, ¶ 11.

C. The Berger Commission

In April 2005, the State of New York established the Commission on Health Care Facilities in the 21st Century, commonly known as the Berger Commission after its chairman, Stephen Berger. The Berger Commission was established to "rightsize" the healthcare delivery system in New York due to low occupancy levels at hospitals and nursing homes. The Commission was charged with making recommendations regarding the closure and reconfiguration of hospitals and nursing homes. On November 28, 2006, the Berger Commission issued its final report which recommended closure of 9 hospitals in New York (5 in New York City), and reconfiguration of 48 other hospitals. Parkway Hospital was 1 of the 5 New York City hospitals recommended for closure. On January 1, 2007, the Berger Commission's recommendations were adopted, and the New York State Commissioner of Health was directed to implement them. Seaman Declaration, ¶ 12.

On December 29, 2006, Parkway Hospital, which had been in chapter 11 since July 2005, commenced an adversary proceeding in bankruptcy court challenging the constitutionality of the Berger Commission and seeking to have the New York State Commissioner of Health enjoined from implementing its recommended closure of Parkway Hospital ("First Berger Adversary"). The

hospital continued to operate pending resolution of the First Berger Adversary. Seaman Declaration, ¶ 13.

D. The Medical Capital Loans

The first loan issued by Medical Capital to Aquino and his entities was on October 20, 2006, at which time Medical Capital (Medical Provider Financial Corporation ("MPFC") III, series 1) issued a loan in the amount of $500,000 to Aquino ("First Aquino Loan"). The First Aquino Loan is secured by Aquino's equipment, inventory, accounts receivable and ownership of seven healthcare-related entities, including Capitol, Boro and Lifeco.[1] Payments totaling $76,000 were made between November 2006 and October 2007. This loan was sold from MPFC III, series I to MPFC III, series 2 on August 30, 2007. Including accrued interest, a total of $862,367.67 is currently owed on the First Aquino Loan. Seaman Declaration, ¶ 14.

On November 30, 2006, Medical Capital (MPFC III, series 1) issued a $1,050,000 loan to Capitol ("First Capitol Loan"). The First Capitol Loan is secured by Capitol's inventory and equipment, and is personally guaranteed by Aquino. The loan agreement was amended six times, and the principal amount was increased to $9,000,000. Payments totaling $766,283.06 were made between January 2007 and July 2008. The loan was sold to MPFC III, series 2 on August 30, 2007. Including accrued interest, a total of $14,859,086.81 is currently owed on the First Capitol Loan. Seaman Declaration, ¶ 15.

On December 18, 2006, about three weeks after the Berger Commission's final report recommending Parkway Hospital for closure was issued, Medical Capital (MPFC III, series 1) purchased the GE HFS loan for $8,903,739.42, the full balance owed at the time ("First Parkway Loan"). As noted above, Parkway

[1] The other four entities are Boulevard Surgical Center, Inc., Boro Medical of New York, Inc., Boro Medical of Westchester, Inc., and Boro Healthcare of Union, P.C.

Acquisition and Parkway Hospital are co-borrowers under this loan, which is secured by the Property and all other assets of both entities. Payments totaling $937,551.39 were made between March and September 2007. No further payments were made. The loan was sold to MPFC III, series 2 in three payments from October 4 to October 9, 2007. Including accrued interest, a total of $13,064,849.94 is currently owed on the First Parkway Loan. Seaman Declaration, ¶ 16.

On January 23, 2007, Medical Capital (MPFC III, series 1) issued a line of credit to Aquino in the amount of $12.8 million ("Second Aquino Loan"). Like the First Aquino Loan, the Second Aquino Loan is secured by Aquino's equipment, inventory, accounts receivable and ownership interest in the seven healthcare-related entities, including Capitol, Boro and Lifeco. The loan agreement was amended once in February 2007 and twice in March 2008 for a total of three times, and the line of credit was increased to $16,444,835.65. Payments totaling $726,700.87 were made between February and October 2007. In November 2011, this debt was reduced to judgment in an action against Aquino filed by the Receiver in Nevada federal court. Aquino was served, but did not respond to the complaint, and a default judgment was entered. The total amount of the judgment is $26,189,951.39, plus interest accruing at the legal rate. Pursuant to Court order entered January 5, 2012, the Receiver has engaged counsel in New York (the Forman Holt firm) to enforce the judgment. Seaman Declaration, ¶ 17.

On March 15, 2007, Medical Capital (MPFC IV, series 1) issued a $3 million loan to Capitol ("Second Capitol Loan"). Like the First Capitol Loan, the Second Capitol Loan is secured by Capitol's inventory and equipment, and is personally guaranteed by Aquino. The loan agreement was amended seven times, and the principal amount was increased to $7,027,305.75. Payments totaling $933,454.81 were made between March 2007 and July 2008. Including accrued interest, a total of $9,566,679.89 is currently owed on the Second Capitol Loan. Seaman Declaration, ¶ 18.

On July 19, 2007, Medical Capital (MPFV IV, series 2) executed a loan agreement in the amount of $2,060,000 with Capitol ("Third Capitol Loan"). A total of $2,391,387.00 was advanced under the Third Capitol Loan. Like the First and Second Capitol Loans, the Third Capitol Loan is secured by Capitol's inventory and equipment, and is personally guaranteed by Aquino. Payments totaling $66,191.98 were made between August 2007 and July 2008. Including accrued interest, a total of $3,153,755.03 is currently owed on the Third Capitol Loan.[2] Seaman Declaration, ¶ 19.

On June 20, 2007, Medical Capital (MPFC IV, series 2) executed a loan agreement with Parkway Hospital, as Debtor-in-Possession in bankruptcy, in the amount of $18.2 million ("Parkway DIP Loan"). The loan was approved by the bankruptcy court on July 31, 2007, in connection with confirmation of Parkway Hospital's chapter 11 plan (discussed below). The loan is secured by all of Parkway Hospital's assets. A total of $19,114,053.17 was advanced under the Parkway DIP Loan. Payments totaling $135,438.04 were made between July and September 2007. Including accrued interest, a total of $29,358,543.71 is currently owed on the Parkway DIP Loan. Seaman Declaration, ¶ 20.

Adding all of the loans together, and including accrued interest, a total of $97,019,234.44 is currently owed on the loans to Aquino, Parkway Hospital, Parkway Acquisition, and Capitol. Seaman Declaration, ¶ 21.

E. Confirmation of Parkway Hospital's Chapter 11 Plan

On July 31, 2007, while the First Berger Adversary was pending, the bankruptcy court confirmed Parkway Hospital's First Amended Chapter 11 Plan. As

[2] Two hundred thousand dollars of the funds advanced under the Third Capitol Loan was used by Aquino to make a deposit towards the purchase of ambulance licenses owned by Century Ambulance Services, Inc. The deposit, litigation between Century Ambulance and Aquino, and settlement thereof are described in a motion filed by the Receiver on May 11, 2011. The motion was granted and the settlement was approved on June 8, 2011.

part of plan confirmation, the Parkway DIP Loan was approved and the Boro DIP Loan was converted to equity in Parkway Hospital. Seaman Declaration, ¶ 22.

Parkway Hospital's efforts to operate on a cash-positive basis, challenge the Berger Commission and its recommendations, and avoid closure by the State of New York were unsuccessful. On October 3, 2008, the First Berger Adversary was resolved by stipulation dismissing Parkway Hospital's claims with prejudice. The hospital was closed on or about November 5, 2008. Seaman Declaration, ¶ 23.

F. The Capitol, Boro and Related Bankruptcy Cases

On October 7, 2008, Capitol, Boro, Lifeco and four other entities owned by Aquino filed chapter 11 bankruptcy in the Southern District of New York. The other four entities are Boulevard Surgical Center, Inc., Boro Medical of New York, Inc., Boro Medical of Westchester, Inc., and Boro Healthcare of Union, P.C. All seven cases are jointly administered. Medical Capital stipulated to the debtors' use of cash collateral to support their operations through December 2008. Certain of the entities continued to operate, while others ran out of capital and ceased operations. Seaman Declaration, ¶ 24.

G. The Parkway Hospital Bankruptcy Gets Converted to Chapter 7

On May 6, 2009, six months after Parkway Hospital was closed, it filed an adversary proceeding in bankruptcy court seeking funds from the State of New York under a program known as HEAL, which was established to compensate healthcare facilities for the costs of implementing the Berger Commission's recommendations ("Second Berger Adversary"). Parkway Hospital also asserted a takings claim. The State moved to dismiss the Second Berger Adversary on the grounds that the takings claim was substantially similar to claims dismissed with prejudice in the First Berger Adversary. The State also argued that Parkway Hospital failed to timely apply for HEAL funds and, therefore, was not eligible to receive them. The State's motion was granted by the bankruptcy court in August 2010, and the Second Berger Adversary was dismissed. Seaman Declaration, ¶ 25.

On August 12, 2010, the bankruptcy court granted the United States Trustee's motion to convert the Parkway Hospital bankruptcy case from chapter 11 to chapter 7. Ian Gazes ("Parkway Trustee") was appointed chapter 7 trustee and is charged with administering the assets of Parkway Hospital. The Parkway Trustee had all medical records removed from the Property, and is in the process of pursuing reimbursement claims from Medicare, "no fault" insurance claims, and other collection actions. The amounts collected will be distributed to the Medical Capital receivership estate after payment of bankruptcy court-approved administrative expenses. The Receiver's counsel is in regular contact with the Parkway Trustee and his counsel on the status of these matters. Seaman Declaration, ¶ 26.

H. Appointment of a Chapter 11 Trustee for Capitol, Boro, Lifeco and Related Entities

On September 13, 2010, the bankruptcy court granted the United States Trustee's motion to appoint a chapter 11 trustee for Capitol, Boro, Lifeco and the other four entities. Mark Tulis ("Capitol Trustee") was appointed chapter 11 trustee and is charged with administering the assets of the seven entities. On November 18, 2010, on the Capitol Trustee's motion, the bankruptcy cases for four of the entities - Lifeco, Boro Medical of New York, Inc., Boro Medical of Westchester, Inc., and Boro Healthcare of Union, P.C. - were converted to chapter 7. On February 2, 2011, the Capitol and Boro cases were converted to chapter 7. The Capitol Trustee now acts as chapter 7 trustee in these cases. Seaman Declaration, ¶ 27.

The Capitol Trustee determined that only one of the seven entities had value as an operating business - Boulevard Surgical Center, Inc. ("Boulevard"). The Capitol Trustee marketed Boulevard, proposed a sale to the bankruptcy court, subject to overbid, and ultimately sold the entity for $1 million. The sale proceeds, after payment of bankruptcy court-approved administrative expenses, will be paid to the Medical Capital receivership estate. The Receiver's counsel is in regular contact with the Capitol Trustee and his counsel on the status of these matters. On

October 27, 2011, the Receiver received a partial distribution in the amount of $501,300 from the proceeds of the Boulevard sale. The Receiver expects to receive another approximately $200,000 from the Capitol bankruptcy estate. Seaman Declaration, ¶ 28.

I. The Receiver's Foreclosure Action

As noted above, the Property is owned by Parkway Acquisition, which is not in bankruptcy. The Receiver engaged counsel in New York, the Trachtenberg Rodes & Friedberg firm, to commence a foreclosure action. In order to avoid any claims that the foreclosure action violated the automatic stay in the Parkway Hospital or Capitol bankruptcy case, the Receiver and the Parkway Trustee stipulated to relief from the automatic stay to allow the Receiver to proceed with the foreclosure action, including against any interests that Parkway Hospital might have in the Property. Similarly, the Capitol Trustee stipulated to a cancellation of any and all interests that Capitol, Boro, Lifeco or the related entities might have in the Property. These stipulations were approved by the bankruptcy court in November and December 2010. Seaman Declaration, ¶ 29.

On January 6, 2011, the Receiver commenced an action in New York state court to foreclose on the Property ("Foreclosure Action").[3] On or about February 15, 2011, Parkway Acquisition served a verified answer with counterclaims. The counterclaims are based on the false allegation that the Receiver made a commitment to accept $2.6 million in full satisfaction of the First Parkway Loan. The Receiver demanded that these patently frivolous claims be withdrawn under New York's equivalent of Rule 11 of the Federal Rules of Civil Procedure. Parkway Acquisition refused. On March 28, 2011, the Receiver moved to dismiss the counterclaims, to strike affirmative defenses based on the counterclaims, and for sanctions. On May 17, 2011, the New York court granted the Receiver's motion to

[3] In New York, foreclosures are all conducted judicially and must be completed through the court system.

dismiss the counterclaims and strike the related affirmative defenses, but denied the request for sanctions. On October 21, 2011, the Receiver moved for summary judgment. Parkway Acquisition recently hired new counsel and requested additional time to file opposition to the motion. The opposition was served on January 25, 2012. The motion will be fully submitted on March 14, 2012. Seaman Declaration, ¶ 30.

The New York court system moves slowly, and Parkway Acquisition has made it clear that it will contest the foreclosure, including taking frivolous positions in order to delay the process. The Receiver's counsel at Trachtenberg Rodes & Friedberg believes that it could take as long as another nine months to complete the foreclosure sale. At that point, the Receiver would need to undertake additional efforts to market the Property, negotiate sale terms and move for Court approval of a sale. This process generally takes between 120 and 180 days. Seaman Declaration, ¶ 31.

J. Aquino Indictment

On March 10, 2011, the Manhattan U.S. Attorney announced the unsealing of a complaint charging New York State Senator Carl Kruger and New York State Assemblyman William Boyland, Jr. with taking bribes. The complaint charges Aquino and four others - CEO of MediSys Health Network David Rosen, healthcare consultant Solomon Kalish, real estate developer Aaron Malinsky, and lobbyist Richard Lipsky – of bribing and conspiring to bribe Kruger, Boyland, Jr., and former New York State Assemblyman Anthony Seminerio (now deceased). Michael Turano is charged with, among other things, laundering money for his and Kruger's benefit. On January 3, 2012, Aquino pled guilty to one count of conspiracy to commit bribery. Sentencing is set for May 3, 2012. Seaman Declaration, ¶ 32.

K. Tax and Utility Liens on the Property

As of January 23, 2012, there was approximately $5.36 million in liens on the Property securing Parkway Acquisition's obligations to pay property taxes, water

and sewer charges. The utility charges date back as far as February 2006, and the property taxes date back to January 2008. Interest on the amounts owed accrues at the rate of more than $50,000 per month. The interest compounds daily, and, therefore, the monthly interest accrual grows each month. In addition, every six months, another approximately $220,000 is owed in property taxes and is added to the obligations secured by the liens. The taxes and utility charges, including accrued interest, must be paid from the proceeds of any sale of the Property, whether through foreclosure or otherwise. The Receiver estimates that by June 30, 2012, the total obligations secured by the liens will be $5.64 million and by the end of 2012, will be $6.5 million. Seaman Declaration, ¶ 33.

L. Appraisals

Between August and November 2010, the Receiver obtained two appraisals of the Property from licensed appraisers, and three opinions of value from licensed brokers with expertise regarding healthcare properties in the New York area. The average of these appraisals and opinions of value is approximately $11.5 million. In January 2012, the Receiver's staff contacted one of the brokers, who advised that his opinion of value has not materially changed since August 2010. Seaman Declaration, ¶ 34.

M. Conditions at the Property

The Receiver has visited the Property in person, and has had his counsel in New York visit the Property. The Receiver's staff has reviewed financial statements for the Property provided by Parkway Acquisition and also spoke to the last tenant in the building about the conditions at the Property before she left in June 2011. The Receiver believes that basic maintenance and repairs at the Property are not

being done and, therefore, conditions at the Property are deteriorating.[4] Seaman Declaration, ¶ 35.

Furthermore, the Receiver learned that Parkway Acquisition had not paid its premiums for insurance on the Property, and, therefore, the Receiver has been forced to insure the Property. To date, the Receiver has paid $88,779.66 for insurance. The insurance carrier has stated that it will not renew the policy, which expires in July 2012, unless repairs are made to the roof and the sprinkler system is serviced and tested. Seaman Declaration, ¶ 36.

N. Efforts to Market and Sell the First Parkway Loan

With the assistance of an experienced broker, the Receiver has marketed the First Parkway Loan, which is in first lien position *vis-à-vis* the Property. The Receiver engaged Kenneth Enos of Colliers International LI, Inc. ("Broker") to market the First Parkway Loan. Seaman Declaration, ¶ 37. Starting in January 2011, the Broker identified approximately 800 potential purchasers and sent them a marketing teaser about the opportunity. The opportunity was also listed on Broker's website. Broker received inquiries from 373 potential purchasers, 68 of whom executed confidentiality agreements and were given access to due diligence materials. Offers were received from 12 potential purchasers. Declaration of Kenneth Enos in Support of the Motion, ¶¶ 2-4. As noted above, prior to receiving the offer from Purchaser, the Receiver negotiated terms with four other potential purchasers at prices ranging from $4.75 million to $5.05 million. Each of these potential purchasers elected not to pursue the transaction after conducting their due diligence. Seaman Declaration, ¶ 4.

[4] If the Receiver were not proposing this sale, he would have moved the New York court for appointment of a receiver for the Property in order to protect against diminution of the Property value. As it stands, the short term costs of a receiver would likely outweigh the benefits to the receivership estate. The proposed sale, if approved, must close within 61 days of entry of the Court order.

Subject to Court approval, the Receiver agreed that Broker will be paid two percent (2%) of the purchase price up to $5.1 million, and three percent (3%) of the portion of the purchase price that exceeds $5.1 million. If the proposed sale to Purchaser is approved, the broker's commission will be $135,000. Seaman Declaration, ¶ 37.

O. The Proposed Sale

The highest and best offer received was from Purchaser in the amount of $6.2 million. The Receiver negotiated and executed a Loan Purchase and Sale Agreement with Purchaser, a copy of which is attached to the Seaman Declaration as Exhibit A ("Agreement"). Seaman Declaration, ¶ 38. The basic terms of the Agreement are summarized as follows:

Court approval. All aspects of the Agreement and the sale are subject to approval by the Court.

Purchase Price. $6,200,000.

Closing Date. The earlier of (a) a date agreed upon by the Receiver and Purchaser, and (b) 61 days[5] from entry of an order approving the sale.

Deposit. Purchaser has deposited $1,000,000 with the Receiver, which amount is non-refundable if the Court approves the sale and Purchaser fails to perform.

Overbid. The sale is subject to overbid. The minimum initial overbid is $6,500,000, and subsequent overbids must be in increments of $50,000. In order to qualify, bidders must (a) deliver an executed Loan Sale Agreement in form substantially similar to the Agreement, (b) provide evidence to the Receiver's satisfaction of the ability to pay at least the minimum overbid amount, and (c) deliver a deposit in immediately available funds of $1,000,000. The Receiver

[5] The title insurance company will not insure title to the First Parkway Loan until the order approving the sale has become final. In this case, because the Securities and Exchange Commission is a party, the appeal period is 60 days.

has sought approval of the proposed overbid procedures in the Ex Parte Application filed herewith.

Break-Up Fee. Purchaser's actual costs in connection with the sale, up to a maximum of $75,000 will be paid to Purchaser if it is not the highest bidder.

Costs of Foreclosure Action. The costs of the Foreclosure Action between the date of execution of the Agreement and the closing date will be paid by Purchaser at closing.

Rights to Parkway Hospital Assets. As noted above, Parkway Hospital is a co-borrower with Parkway Acquisition on the First Parkway Loan. Parkway Acquisition owns the real property securing the First Parkway Loan. Under the Agreement, the Receiver retains all rights to recover from Parkway Hospital's assets and to receive distributions from the Parkway Hospital bankruptcy estate.

P. Losses Resulting From the Loans

It is not yet possible to quantify the total direct loss that will result from the loans made to Aquino, Parkway Hospital, Parkway Acquisition and Capitol. The Receiver continues efforts to collect from the Parkway Hospital and Capitol bankruptcy estates, and from Aquino via a judgment obtained in Nevada federal court.[6] If the proposed sale is approved (and assuming no qualified overbids are received), the direct loss resulting from the First Parkway Loan, the only loan secured by real property, will be more than $6.8 million. Seaman Declaration, ¶ 39.

The enormous losses are attributable to the high level of risk and lack of adequate collateral for the loans. Parkway Hospital was already in chapter 11 at the time Medical Capital began making loans to Aquino, Parkway Hospital and his other entities. The hospital was then recommended for closure by the Berger Commission. At this point, although the loan from GE HFS was clearly in a distressed state, Medical Capital paid full price for it. Seaman Declaration, ¶ 40.

[6] The loan agreements with Aquino select Nevada as the forum for all actions to enforce the loan agreements.

The Parkway DIP Loan, under which Medical Capital advanced another $18.2 million secured only by the assets of a hospital about to be closed, is difficult to comprehend. Due to the Berger Commission's recommendation, the likelihood of Parkway Hospital being able to operate into the future was low. The hospital had been in bankruptcy and unable to pay its creditors since July 2005. The hospital's assets were already security for the First Parkway Loan. Whatever value the assets had was clearly insufficient to secure an additional $18.2 million. The value of Aquino and Capitol's assets at the time the loans were made is not known, but thus far, only $501,300 has been recovered on loans of approximately $34.5 million. Seaman Declaration, ¶ 41.

The losses from the loans are exacerbated by Medical Capital's decisions to advance more funds and failure to enforce its rights. Medical Capital repeatedly amended loan agreements with Aquino and Capitol increasing the principal loaned despite the fact that no payments were being made. In the aggregate, the First Capital Loan, Second Capitol Loan and Second Aquino Loan were amended 16 times, increasing the total principal loaned from $16.85 million to $32.47 million. Moreover, unlike most secured creditors, Medical Capital rarely asserted itself in the Parkway Hospital or Capitol bankruptcy case, and made no attempts to push the cases forward or obtain relief from stay to foreclose on its collateral. Medical Capital also never sued Aquino to collect on the loans made to him or to enforce his personal guarantees. The failure to enforce the numerous loans, security agreements and guarantees is difficult to comprehend considering how much Medical Capital had advanced, the nominal payments made by the borrowers, and the very low probability that Parkway Hospital or Aquino's other entities would be able to pay off the debt. Seaman Declaration, ¶ 42. The proposed sale, which secures an immediate cash recovery of $6.2 million, will, to the extent possible, minimize losses from the loans and provide at least a measure of recovery for investors and creditors.

III. ARGUMENT

A. Broad Equitable Powers of the Court

"The power of a district court to impose a receivership or grant other forms of ancillary relief does not in the first instance depend on a statutory grant of power from the securities laws. Rather, the authority derives from the inherent power of a court of equity to fashion effective relief." *SEC v. Wencke*, 622 F.2d 1363, 1369 (9th Cir. 1980). The "primary purpose of equity receiverships is to promote orderly and efficient administration of the estate by the district court for the benefit of creditors." *SEC v. Hardy*, 803 F.2d 1034, 1038 (9th Cir 1986). As the appointment of a receiver is authorized by the broad equitable powers of the court, any distribution of assets must also be done equitably and fairly. *See S.E.C. v. Elliot*, 953 F.2d 1560, 1569 (11th Cir. 1992).

District courts have the broad power of a court of equity to determine the appropriate action in the administration and supervision of an equity receivership. *See SEC v. Capital Consultants, LLC*, 397 F.3d 733, 738 (9th Cir. 2005). The Ninth Circuit explained:

> A district court's power to supervise an equity receivership and to determine the appropriate action to be taken in the administration of the receivership is extremely broad. The district court has broad powers and wide discretion to determine the appropriate relief in an equity receivership. The basis for this broad deference to the district court's supervisory role in equity receiverships arises out of the fact that most receiverships involve multiple parties and complex transactions. A district court's decision concerning the supervision of an equitable receivership is reviewed for abuse of discretion.

Id. (citations omitted); *see also Commodities Futures Trading Comm'n. v. Topworth Int'l, Ltd.*, 205 F.3d 1107, 1115 (9th Cir. 1999) ("This court affords 'broad deference' to the court's supervisory role, and 'we generally uphold reasonable procedures instituted by the district court that serve th[e] purpose' of orderly and efficient administration of the receivership for the benefit of creditors."). Accordingly, the

Court has broad equitable powers and discretion in the administration of the receivership estate and disposition of receivership assets.

B. The Sale

It is generally conceded that a court of equity having custody and control of property has power to order a sale of the same in its discretion. *See, e.g., S.E.C. v. Elliott*, 953 F.2d 1560, 1566 (11th Cir. 1992) (the District Court has broad powers and wide discretion to determine relief in an equity receivership). "The power of sale necessarily follows the power to take possession and control of and to preserve property." *See S.E.C. v. American Capital Invest., Inc.*, 98 F.3d 1133, 1144 (9th Cir. 1996), *cert. denied* 520 U.S. 1185 (decision abrogated on other grounds) (*citing* 2 Ralph Ewing Clark, Treatise on Law & Practice of Receivers § 482 (3d ed. 1992) (citing *First Nat'l Bank v. Shedd*, 121 U.S. 74, 87 (1887)). "When a court of equity orders property in its custody to be sold, the court itself as vendor confirms the title in the purchaser." 2 Ralph Ewing Clark, Treatise on Law & Practice of Receivers § 487.

"A court of equity, under proper circumstances, has the power to order a receiver to sell property free and clear of all encumbrances." *Miners' Bank of Wilkes-Barre v. Acker*, 66 F.2d 850, 853 (2d Cir. 1933). *See also*, 2 Ralph Ewing Clark, Treatise on Law & Practice of Receivers § 500 (3rd ed. 1992). To that end, a federal court is not limited or deprived of any of its equity powers by state statute. *Beet Growers Sugar Co. v. Columbia Trust Co.*, 3 F.2d 755, 757 (9th Cir. 1925) (state statute allowing time to redeem property after a foreclosure sale not applicable in a receivership sale).

Generally, when a court-appointed receiver is involved, the receiver, as agent for the court, should conduct the sale of the receivership property. *Blakely Airport Joint Venture II v. Federal Sav. and Loan Ins. Corp.*, 678 F. Supp. 154, 156 (N.D. Tex. 1988). The receiver's sale conveys "good" equitable title enforced by an injunction against the owner and against parties to the suit. *See* 2 Ralph Ewing

Clark, Treatise on Law & Practice of Receivers §§ 342, 344, 482(a), 487, 489, 491 (3d ed. 1992). "In authorizing the sale of property by receivers, courts of equity are vested with broad discretion as to price and terms." *Gockstetter v. Williams*, 9 F.2d 354, 357 (9th Cir. 1925).

Here, as of December 31, 2011, the total owed on the First Parkway Loan was $13,064,849.94. As of late 2010, the Property was appraised at approximately $11.5 million (the average of two independent appraisals, and three broker opinions of value). By the time the Receiver could complete a foreclosure on the Property, the tax and utility liens, which must be paid first, would likely exceed $5.5 million. Therefore, the net recovery from the foreclosure sale would likely be approximately $6 million. However, the costs to continue to prosecute the foreclosure and to insure the Property would further reduce the recovery. Parkway Acquisition has made it clear that it will contest the foreclosure, including taking frivolous positions. There is also risk that Parkway Acquisition will further delay the foreclosure by filing bankruptcy. Moreover, the Receiver believes that conditions at the Property are deteriorating, and, therefore, that the Property value may decrease before the foreclosure is completed. Finally, the Receiver retains all rights under the First Parkway Loan to recover from Parkway Hospital's assets and to receive distributions from the Parkway Hospital bankruptcy estate. Seaman Declaration, ¶ 43.

Considering all of these factors, the Receiver believes that the proposed sale, which will generate an immediate cash recovery of $6.2 million, and is subject to overbid to ensure that the highest and best price is obtained, is in the best interests of the receivership estate. Seaman Declaration, ¶ 44. Accordingly, the sale should be approved.

C. Broker's Commission

Subject to Court approval, the Receiver agreed that Broker will be paid a commission equal to two percent (2%) of the purchase price up to $5.1 million, and three percent (3%) of the portion of the purchase price that exceeds $5.1 million. If

the proposed sale to Purchaser is approved, the commission will be $135,000. Seaman Declaration, ¶ 37. Broker has spent substantial time marketing the Loans, providing information to prospective purchasers, and assisting in the negotiation and documentation process. The First Parkway Loan has been marketed by Broker since January 2011. Enos Declaration, ¶¶ 2-4. The Receiver believes that the proposed commission is in line with industry standards and is fair and reasonable under the circumstances. Seaman Declaration, ¶ 45. Accordingly, the Receiver requests authorization to pay Broker's commission from the sale proceeds.

IV. CONCLUSION

WHEREFORE, the Receiver requests entry of an order granting the Motion, approving the Agreement, and authorizing the Receiver to pay Broker the commission discussed above.

Dated: February 3, 2012

ALLEN MATKINS LECK GAMBLE MALLORY & NATSIS LLP

By: /s/ Ted Fates
TED FATES
Attorneys for Receiver
Thomas A. Seaman

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

Attorneys for Receiver Thomas A. Seaman

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

SOUTHERN DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

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

Defendants.

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

DECLARATION OF THOMAS A. SEAMAN IN SUPPORT OF MOTION FOR APPROVAL OF (A) SALE OF LOAN MADE TO THE PARKWAY HOSPITAL, INC. AND PARKWAY ACQUISITION I, LLC, AND (B) PAYMENT OF BROKER'S COMMISSION

Date: March 5, 2012
Time: 8:30 a.m.
Ctrm: 9D
Judge: Hon. David O. Carter

I, Thomas A. Seaman, declare as follows:

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

2. The First Parkway Loan (as defined below), is one of a series of loans to made by Medical Capital to Dr. Robert J. Aquino ("Aquino"), and three entities owned and/or controlled by him located in New York - The Parkway Hospital, Inc. ("Parkway Hospital"), Parkway Acquisition I, LLC, formerly known as Parkway Hospital Associates ("Parkway Acquisition"), and Capitol Health Management, Inc. ("Capitol"). Between March 2006 and July 2007, Medical Capital made seven loans to Aquino, Parkway Hospital, Parkway Acquisition and Capitol. The total principal loaned, including amendments to the original loan agreements, exceeds $61 million. Less than $3.6 million in loan payments were made. As of today, including accrued interest, the total owed on the loans exceeds $97 million. Aquino recently pled guilty to a federal charge of conspiracy to commit bribery and is set to be sentenced in May 2012.

3. Parkway Hospital and Capitol are in bankruptcy, their cases pending in the Southern District of New York. Their assets, which are included in the collateral for the loans, are being liquidated by bankruptcy trustees. The real property on which Parkway Hospital operated, which is owned by Parkway Acquisition, is the subject of a foreclosure action in New York that I initiated in January 2011. Parkway Acquisition, whose only asset is the property, is not in bankruptcy.

4. While pursuing the foreclosure action, I have marketed the First Parkway Loan for sale. Twelve offers were received. I negotiated terms with four potential purchasers at prices ranging from $4.75 million to $5.05 million. Each of these potential purchasers elected not to pursue the transaction after conducting their

due diligence. I then received an offer from PH Paper, LLC ("Purchaser") and negotiated and executed a Loan Purchase and Sale Agreement, subject to Court approval. The proposed purchase price is $6.2 million, and the sale is subject to overbid by qualified bidders. By separate Ex Parte Application, I have sought approval of proposed overbid procedures and notice of the sale. By the Motion, I request approval of the sale to Purchaser or the highest qualified bidder.

I. BACKGROUND FACTS

5. In order to understand the history of the First Parkway Loan, and the factors affecting the proposed sale, it is necessary to put the loan in context with events involving Parkway Hospital and Aquino's other entities, and the six other loans issued by Medical Capital.

A. History of the Parkway Property

6. The real property securing the First Parkway Loan is located at 70-35 113th Street, Forest Hills, Queens, New York ("Property"). The Property is owned by Parkway Acquisition, and was leased to Parkway Hospital, which operated a hospital. The exact ownership of Parkway Acquisition and Parkway Hospital are not known, although I believe Aquino and/or Aquino's father has a controlling interest in both entities.

7. Aquino also owns Capitol, which managed at least six medical practices in the New York/Tri-State area owned by Aquino. One of these entities, Lifeco Medical, P.C. ("Lifeco"), provided emergency room staffing services to Parkway Hospital.

8. Beginning in 1961, Parkway Acquisition (then known as Parkway Hospital Associates), or its predecessors in title to the Property, entered into five separate loan agreements, which loans were secured by the Property. In 1994, Parkway Acquisition entered into a Consolidation, Extension and Modification Agreement with CoreStates Bank, which consolidated the five original loans into a

single lien on the Property. Thereafter, CoreStates Bank merged into First Union National Bank, which became the holder of the consolidated mortgage.

9. On August 8, 2001, First Union National Bank assigned the consolidated mortgage to GE HFS Holdings, Inc., then known as Heller Healthcare Financial, Inc. ("GE HFS"). At the same time, the consolidated mortgage was split into two loans secured by the Property - an $8,000,000 revolving loan and $2,000,000 term loan. Parkway Acquisition and Parkway Hospital are co-borrowers under both loans, which are secured by the Property and all other assets of both entities. In August 2003, the $2,000,000 term loan was paid off. However, the term loan mortgage continues to secure full payment of all amounts owed under the $8,000,000 revolving loan. As discussed below, Medical Capital later purchased the $8,000,000 revolving loan and the $2,000,000 term loan, which are referred to herein as the First Parkway Loan.

10. In July 2004, Parkway Equities, LLC ("Parkway Equities") made a $3,000,000 loan to Parkway Acquisition secured by a mortgage on the Property. This loan appears to have been made in conjunction with an agreement to sell the hospital to Parkway Equities, conditioned on New York State Department of Health approval. Such approval was apparently not granted. In December 2004, Parkway Equities sued Parkway Acquisition to foreclose on the Property. Parkway Hospital was named as a defendant in order to terminate its leasehold interest.

B. <u>The Parkway Hospital Bankruptcy</u>

11. On July 1, 2005, Parkway Hospital filed chapter 11 bankruptcy in the Southern District of New York. In September 2005, Parkway Hospital filed an adversary proceeding in bankruptcy court to enjoin Parkway Equities' foreclosure action as a violation of the automatic stay. In February 2006, the bankruptcy court ruled that the foreclosure action was stayed. Then, in May 2006, the bankruptcy court granted relief from stay to allow the foreclosure action to proceed. Thereafter, Aquino, or an entity controlled by him, apparently purchased the loan issued by

Parkway Equities and caused the foreclosure action to be dismissed. In September 2006, the bankruptcy court approved a $5 million loan from Boro Medical, P.C. ("Boro"), a medical practice owned by Aquino, to Parkway Hospital as Debtor-in-Possession ("Boro DIP Loan"). The Boro DIP Loan was secured by a mortgage on the Property, junior in priority to the GE HFS loan.

C. The Berger Commission

12. In April 2005, the State of New York established the Commission on Health Care Facilities in the 21st Century, commonly known as the Berger Commission after its chairman, Stephen Berger. The Berger Commission was established to "rightsize" the healthcare delivery system in New York due to low occupancy levels at hospitals and nursing homes. The Commission was charged with making recommendations regarding the closure and reconfiguration of hospitals and nursing homes. On November 28, 2006, the Berger Commission issued its final report which recommended closure of 9 hospitals in New York (5 in New York City), and reconfiguration of 48 other hospitals. Parkway Hospital was 1 of the 5 New York City hospitals recommended for closure. On January 1, 2007, the Berger Commission's recommendations were adopted, and the New York State Commissioner of Health was directed to implement them.

13. On December 29, 2006, Parkway Hospital, which had been in chapter 11 since July 2005, commenced an adversary proceeding in bankruptcy court challenging the constitutionality of the Berger Commission and seeking to have the New York State Commissioner of Health enjoined from implementing its recommended closure of Parkway Hospital ("First Berger Adversary"). The hospital continued to operate pending resolution of the First Berger Adversary.

D. The Medical Capital Loans

14. The first loan issued by Medical Capital to Aquino and his entities was on October 20, 2006, at which time Medical Capital (Medical Provider Financing Corporation ("MPFC") III, series 1) issued a loan in the amount of $500,000 to

Aquino ("First Aquino Loan"). The First Aquino Loan is secured by Aquino's equipment, inventory, accounts receivable and ownership of seven healthcare-related entities, including Capitol, Boro and Lifeco.[1] Payments totaling $76,000 were made between November 2006 and October 2007. This loan was sold from MPFC III, series I to MPFC III, series 2 on August 30, 2007. Including accrued interest, a total of $862,367.67 is currently owed on the First Aquino Loan.

15. On November 30, 2006, Medical Capital (MPFC III, series 1) issued a $1,050,000 loan to Capitol ("First Capitol Loan"). The First Capitol Loan is secured by Capitol's inventory and equipment, and is personally guaranteed by Aquino. The loan agreement was amended six times, and the principal amount was increased to $9,000,000. Payments totaling $766,283.06 were made between January 2007 and July 2008. The loan was sold to MPFC III, series 2 on August 30, 2007. Including accrued interest, a total of $14,859,086.81 is currently owed on the First Capitol Loan.

16. On December 18, 2006, about three weeks after the Berger Commission's final report recommending Parkway Hospital for closure was issued, Medical Capital (MPFC III, series 1) purchased the GE HFS loan for $8,903,739.42, the full balance owed at the time ("First Parkway Loan"). As noted above, Parkway Acquisition and Parkway Hospital are co-borrowers under this loan, which is secured by the Property and all other assets of both entities. Payments totaling $937,551.39 were made between March and September 2007. No further payments were made. The loan was sold to MPFC III, series 2 in three payments from October 4 to October 9, 2007. Including accrued interest, a total of $13,064,849.94 is currently owed on the First Parkway Loan.

[1] The other four entities are Boulevard Surgical Center, Inc., Boro Medical of New York, Inc., Boro Medical of Westchester, Inc., and Boro Healthcare of Union, P.C.

17. On January 23, 2007, Medical Capital (MPFC III, series 1) issued a line of credit to Aquino in the amount of $12.8 million ("Second Aquino Loan"). Like the First Aquino Loan, the Second Aquino Loan is secured by Aquino's equipment, inventory, accounts receivable and ownership interest in the seven healthcare-related entities, including Capitol, Boro and Lifeco. The loan agreement was amended once in February 2007 and twice in March 2008 for a total of three times, and the line of credit was increased to $16,444,835.65. Payments totaling $726,700.87 were made between February and October 2007. In November 2011, this debt was reduced to judgment in an action against Aquino I filed in Nevada federal court. Aquino was served, but did not respond to the complaint, and a default judgment was entered. The total amount of the judgment is $26,189,951.39, plus interest accruing at the legal rate. Pursuant to Court order entered January 5, 2012, I have engaged counsel in New York (the Forman Holt firm) to enforce the judgment.

18. On March 15, 2007, Medical Capital (MPFC IV, series 1) issued a $3 million loan to Capitol ("Second Capitol Loan"). Like the First Capitol Loan, the Second Capitol Loan is secured by Capitol's inventory and equipment, and is personally guaranteed by Aquino. The loan agreement was amended seven times, and the principal amount was increased to $7,027,305.75. Payments totaling $933,454.81 were made between March 2007 and July 2008. Including accrued interest, a total of $9,566,679.89 is currently owed on the Second Capitol Loan.

19. On July 19, 2007, Medical Capital (MPFV IV, series 2) executed a loan agreement in the amount of $2,060,000 with Capitol ("Third Capitol Loan"). A total of $2,391,387.00 was advanced under the Third Capitol Loan. Like the First and Second Capitol Loans, the Third Capitol Loan is secured by Capitol's inventory and equipment, and is personally guaranteed by Aquino. Payments totaling $66,191.98

were made between August 2007 and July 2008. Including accrued interest, a total of $3,153,755.03 is currently owed on the Third Capitol Loan.[2]

20. On June 20, 2007, Medical Capital (MPFC IV, series 2) executed a loan agreement with Parkway Hospital, as Debtor-in-Possession in bankruptcy, in the amount of $18.2 million ("Parkway DIP Loan"). The loan was approved by the bankruptcy court on July 31, 2007 in connection with confirmation of Parkway Hospital's chapter 11 plan (discussed below). The loan is secured by all of Parkway Hospital's assets. A total of $19,114,053.17 was advanced under the Parkway DIP Loan. Payments totaling $135,438.04 were made between July and September 2007. Including accrued interest, a total of $29,358,543.71 is currently owed on the Parkway DIP Loan.

21. Adding all of the loans together, and including accrued interest, a total of $97,019,234.44 is currently owed on the loans to Aquino, Parkway Hospital, Parkway Acquisition, and Capitol.

E. Confirmation of Parkway Hospital's Chapter 11 Plan

22. On July 31, 2007, while the First Berger Adversary was pending, the bankruptcy court confirmed Parkway Hospital's First Amended Chapter 11 Plan. As part of plan confirmation, the Parkway DIP Loan was approved and the Boro DIP Loan was converted to equity in Parkway Hospital.

23. Parkway Hospital's efforts to operate on a cash-positive basis, challenge the Berger Commission and its recommendations, and avoid closure by the State of New York were unsuccessful. On October 3, 2008, the First Berger Adversary was resolved by stipulation dismissing Parkway Hospital's claims with prejudice. The hospital was closed on or about November 5, 2008.

---

[2] Two hundred thousand dollars of the funds advanced under the Third Capitol Loan was used by Aquino to make a deposit towards the purchase of ambulance licenses owned by Century Ambulance Services, Inc. The deposit, litigation between Century Ambulance and Aquino, and settlement thereof are described in a motion I filed on May 11, 2011. The motion was granted and the settlement was approved on June 8, 2011.

F. The Capitol, Boro and Related Bankruptcy Cases

24. On October 7, 2008, Capitol, Boro, Lifeco and four other entities owned by Aquino filed chapter 11 bankruptcy in the Southern District of New York. The other four entities are Boulevard Surgical Center, Inc., Boro Medical of New York, Inc., Boro Medical of Westchester, Inc., and Boro Healthcare of Union, P.C. All seven cases are jointly administered. Medical Capital stipulated to the debtors' use of cash collateral to support their operations through December 2008. Certain of the entities continued to operate, while others ran out of capital and ceased operations.

G. The Parkway Hospital Bankruptcy Gets Converted to Chapter 7

25. On May 6, 2009, six months after Parkway Hospital was closed, it filed an adversary proceeding in bankruptcy court seeking funds from the State of New York under a program known as HEAL, which was established to compensate healthcare facilities for the costs of implementing the Berger Commission's recommendations ("Second Berger Adversary"). Parkway Hospital also asserted a takings claim. The State moved to dismiss the Second Berger Adversary on the grounds that the takings claim was substantially similar to claims dismissed with prejudice in the First Berger Adversary. The State also argued that Parkway Hospital failed to timely apply for HEAL funds and, therefore, was not eligible to receive them. The State's motion was granted by the bankruptcy court in August 2010, and the Second Berger Adversary was dismissed.

26. On August 12, 2010, the bankruptcy court granted the United States Trustee's motion to convert the Parkway Hospital bankruptcy case from chapter 11 to chapter 7. Ian Gazes ("Parkway Trustee") was appointed chapter 7 trustee, and is charged with administering the assets of Parkway Hospital. The Parkway Trustee had all medical records removed from the Property, and is in the process of pursuing reimbursement claims from Medicare, "no fault" insurance claims, and other collection actions. The amounts collected will be distributed to the Medical Capital

receivership estate after payment of bankruptcy court-approved administrative expenses. My counsel is in regular contact with the Parkway Trustee and his counsel on the status of these matters.

H. Appointment of a Chapter 11 Trustee for Capitol, Boro, Lifeco and Related Entities

27. On September 13, 2010, the bankruptcy court granted the United States Trustee's motion to appoint a chapter 11 trustee for Capitol, Boro, Lifeco and the other four entities. Mark Tulis ("Capitol Trustee") was appointed chapter 11 trustee, and is charged with administering the assets of the seven entities. On November 18, 2010, on the Capitol Trustee's motion, the bankruptcy cases for four of the entities - Lifeco, Boro Medical of New York, Inc., Boro Medical of Westchester, Inc., and Boro Healthcare of Union, P.C. - were converted to chapter 7. On February 2, 2011, the Capitol and Boro cases were converted to chapter 7. The Capitol Trustee now acts as chapter 7 trustee in these cases.

28. The Capitol Trustee determined that only one of the seven entities had value as an operating business - Boulevard Surgical Center, Inc. ("Boulevard"). The Capitol Trustee marketed Boulevard, proposed a sale to the bankruptcy court, subject to overbid, and ultimately sold the entity for $1 million. The sale proceeds, after payment of bankruptcy court-approved administrative expenses, will be paid to the Medical Capital receivership estate. My counsel is in regular contact with the Capitol Trustee and his counsel on the status of these matters. On October 27, 2011, I received a partial distribution in the amount of $501,300 from the proceeds of the Boulevard sale. I expect to receive another approximately $200,000 from the Capitol bankruptcy estate.

I. The Foreclosure Action

29. As noted above, the Property is owned by Parkway Acquisition, which is not in bankruptcy. Accordingly, I engaged counsel in New York, the Trachtenberg Rodes & Friedberg firm, to commence a foreclosure action. In order

to avoid any claims that the foreclosure action violated the automatic stay in the Parkway Hospital or Capitol bankruptcy case, the Parkway Trustee and I stipulated to relief from the automatic stay to allow me to proceed with the foreclosure action, including against any interests that Parkway Hospital might have in the Property. Similarly, the Capitol Trustee and I stipulated to a cancellation of any and all interests that Capitol, Boro, Lifeco or the related entities might have in the Property. These stipulations were approved by the bankruptcy court in November and December 2010.

30. On January 6, 2011, I commenced an action in New York state court to foreclose on the Property ("Foreclosure Action").[3] On or about February 15, 2011, Parkway Acquisition served a verified answer with counterclaims. The counterclaims are based on the false allegation that I made a commitment to accept $2.6 million in full satisfaction of the First Parkway Loan. I demanded that these patently frivolous claims be withdrawn under New York's equivalent of Rule 11 of the Federal Rules of Civil Procedure. Parkway Acquisition refused. On March 28, 2011, I moved to dismiss the counterclaims, to strike affirmative defenses based on the counterclaims, and for sanctions. On May 17, 2011, the New York court granted my motion to dismiss the counterclaims and strike the related affirmative defenses, but denied the request for sanctions. On October 21, 2011, I moved for summary judgment. Parkway Acquisition recently hired new counsel and requested additional time to file opposition to the motion. The opposition was served on January 25, 2012. The motion will be fully submitted on March 14, 2012.

31. The New York court system moves slowly, and Parkway Acquisition has made it clear that it will contest the foreclosure, including taking frivolous positions in order to delay the process. My counsel at Trachtenberg Rodes & Friedberg believes that it could take as long as another nine months to complete the

[3] In New York, foreclosures are all conducted judicially and must be completed through the court system.

foreclosure sale. At that point, I would need to undertake additional efforts to market the Property, negotiate sale terms and move for Court approval of a sale. This process generally takes between 120 and 180 days.

J. Aquino Indictment

32. On March 10, 2011, the Manhattan U.S. Attorney announced the unsealing of a complaint charging New York State Senator Carl Kruger and New York State Assemblyman William Boyland, Jr. with taking bribes. The complaint charges Aquino and four others - CEO of MediSys Health Network David Rosen, healthcare consultant Solomon Kalish, real estate developer Aaron Malinsky, and lobbyist Richard Lipsky - of bribing and conspiring to bribe Kruger, Boyland, Jr., and former New York State Assemblyman Anthony Seminerio (now deceased). Michael Turano is charged with, among other things, laundering money for his and Kruger's benefit. On January 3, 2012, Aquino pled guilty to one count of conspiracy to commit bribery. Sentencing is set for May 3, 2012.

K. Tax and Utility Liens on the Property

33. As of January 23, 2012, there was approximately $5.36 million in liens on the Property securing Parkway Acquisition's obligations to pay property taxes, water and sewer charges. The utility charges date back as far as February 2006, and the property taxes date back to January 2008. Interest on the amounts owed accrues at the rate of more than $50,000 per month. The interest compounds daily, and, therefore, the monthly interest accrual grows each month. In addition, every six months, another approximately $220,000 is owed in property taxes and is added to the obligations secured by the liens. The taxes and utility charges, including accrued interest, must be paid from the proceeds of any sale of the Property, whether through foreclosure or otherwise. I estimate that by June 30, 2012, the total obligations secured by the liens will be $5.64 million and by the end of 2012, will be $6.5 million.

L. Appraisals

34. Between August and November 2010, I obtained two appraisals of the Property from licensed appraisers and three opinions of value from licensed brokers with expertise regarding healthcare properties in the New York area. The average of these appraisals and opinions of value is approximately $11.5 million. In January 2012, my staff contacted one of the brokers, who advised that his opinion of value has not materially changed since August 2010.

M. Conditions at the Property

35. I have visited the Property in person and have had my counsel in New York visit the Property. My staff has reviewed financial statements for the Property provided by Parkway Acquisition and has also spoken to the last tenant in the building about the conditions at the Property before she left in June 2011. I believe that basic maintenance and repairs at the Property are not being done and, therefore, conditions at the Property are deteriorating.[4]

36. Furthermore, I learned that Parkway Acquisition had not paid its premiums for insurance on the Property, and therefore I have been forced to insure the Property. To date, I have paid $88,779.66 for insurance. The insurance carrier has stated that it will not renew the policy, which expires in July 2012, unless repairs are made to the roof and the sprinkler system is serviced and tested.

II. MARKETING AND SALE OF THE FIRST PARKWAY LOAN

37. With the assistance of an experienced broker, I have marketed the First Parkway Loan, which is in first position *vis-à-vis* the Property. I engaged Kenneth Enos of Colliers International LI, Inc. ("Broker") to market the First Parkway Loan. Subject to Court approval, I agreed that Broker will be paid two percent (2%) of the

[4] If I were not proposing this sale, I would have moved the New York court for appointment of a receiver for the Property in order to protect against diminution of the Property value. As it stands, the short term costs of a receiver would likely outweigh the benefits to the Medical Capital receivership estate. The proposed sale, if approved, must close within 61 days of entry of the Court order.

purchase price up to $5.1 million, and three percent (3%) of the portion of the purchase price that exceeds $5.1 million. If the proposed sale to Purchaser is approved, the commission will be $135,000.

38. The best offer received was from Purchaser in the amount of $6.2 million. With the assistance of counsel, I negotiated and executed a Loan Purchase and Sale Agreement with Purchaser, a true and correct copy of which is attached hereto as Exhibit A ("Agreement").

III. LOSSES RESULTING FROM THE LOANS

39. It is not yet possible to quantify the total direct loss that will result from the loans made to Aquino, Parkway Hospital, Parkway Acquisition and Capitol. I continue efforts to collect from the Parkway Hospital and Capitol bankruptcy estates and from Aquino via a judgment obtained in Nevada federal court.[5] However, the loss will be at least $85 million. If the proposed sale is approved (and assuming no qualified overbids are received), the direct loss resulting from the First Parkway Loan, the only loan secured by real property, will be more than $6.8 million.

40. The enormous losses are attributable to the high level of risk and lack of adequate collateral for the loans. Parkway Hospital was already in chapter 11 at the time Medical Capital began making loans to Aquino, Parkway Hospital and his other entities. The hospital was then recommended for closure by the Berger Commission. At this point, although the loan from GE HFS was clearly in a distressed state, Medical Capital paid full price for it.

41. The Parkway DIP Loan, under which Medical Capital advanced another $18.2 million secured only by the assets of a hospital about to be closed, is difficult to comprehend. Due to the Berger Commission's recommendation, the likelihood of Parkway Hospital being able to operate into the future was low. The hospital had been in bankruptcy and unable to pay its creditors since July 2005. The

[5] The loan agreements with Aquino select Nevada as the forum for all actions to enforce the loan agreements.

hospital's assets were already security for the First Parkway Loan. Whatever value the assets had was woefully insufficient to secure an additional $18.2 million. Likewise, whatever value the assets of Aquino and Capitol had, such assets were only sufficient to secure a small percentage of the more than $34.5 million Medical Capital loaned them.

42. The losses from the loans are exacerbated by Medical Capital's decisions to advance more funds and failure to enforce its rights. Medical Capital repeatedly amended the loan agreements with Aquino and Capitol increasing the principal loaned despite the fact that no payments were being made. In the aggregate, the First Capital Loan, Second Capitol Loan and Second Aquino Loan were amended 16 times, increasing the total principal loaned from $16.85 million to $32.47 million. Moreover, unlike most secured creditors, Medical Capital rarely asserted itself in the Parkway Hospital or Capitol bankruptcy case, and made no attempts to push the cases forward or obtain relief from stay to foreclose on its collateral. Medical Capital also never sued Aquino to collect on the loans made to him or to enforce his personal guarantees. The failure to enforce the numerous loans, security agreements and guarantees is difficult to comprehend considering how much Medical Capital had advanced, the nominal payments made by the borrowers, and the very low probability that Parkway Hospital or Aquino's other entities would be able to pay off the debt.

IV. APPROVAL OF THE SALE AND BROKER'S COMMISSION

43. As noted above, the total owed on the First Parkway Loan is $13,064,849.94. As of late 2010, the Property was appraised at approximately $11.5 million (the average of two independent appraisals, and three broker opinions of value). By the time I could complete a foreclosure on the Property, the tax and utility liens, which must be paid first, would likely exceed $5.5 million. Therefore, the net recovery from the foreclosure sale would likely be approximately $6 million.

However, the costs to continue to prosecute the foreclosure and to insure the Property would further reduce the recovery. Parkway Acquisition has made it clear that it will contest the foreclosure, including taking frivolous positions. There is also risk that Parkway Acquisition will further delay the foreclosure by filing bankruptcy. Moreover, I believe that conditions at the Property are deteriorating, and therefore that the Property value may decrease before the foreclosure is completed. Finally, I retain all rights under the First Parkway Loan to recover from Parkway Hospital's assets and to receive distributions from the Parkway Hospital bankruptcy estate.

44. Considering all of these factors, I believe that the proposed sale, which will generate an immediate cash recovery of $6.2 million, and is subject to overbid to ensure that the highest and best price is obtained, is in the best interests of the receivership estate.

45. Broker has spent substantial time marketing the Loans, providing information to prospective purchasers, and assisting in the negotiation and documentation process. The First Parkway Loan has been marketed by Broker since January 2011. I believe that the proposed commission described above is in line with industry standards, and is fair and reasonable under the circumstances.

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

Executed this 2nd day of February, 2012, at Irvine, California.

Thomas A. Seaman

THOMAS A. SEAMAN

EXHIBIT A

LOAN PURCHASE AND SALE AGREEMENT

THIS LOAN PURCHASE AND SALE AGREEMENT (this "**Agreement**") is made as of this ___ day of January, 2012 (the "**Effective Date**"), by and between THOMAS A. SEAMAN, solely in his capacity as Receiver ("**Seller**"), appointed by the United States District Court for the Central District of California, Southern Division (the "**Court**") for Medical Provider Financial Corporation I, a Nevada corporation ("**MedCap I**"), Medical Provider Financial Corporation II, a Nevada corporation ("**MedCap II**"), Medical Provider Financial Corporation III, a Nevada corporation ("**MedCap III**"), Medical Provider Financial Corporation IV, a Nevada corporation ("**MedCap IV**") and Medical Provider Financial Corporation V, a Nevada corporation ("**MedCap V**" and together with MedCap I, MedCap II, MedCap III and MedCap IV collectively, "**MedCap**"), and PH PAPER LLC, a New York limited liability company ("**Purchaser**").

RECITALS:

A. Pursuant to that certain Revolving Loan and Security Agreement (the "**Revolving Loan Agreement**"), dated August 8, 2001 by and among Heller Healthcare Finance, Inc., a Delaware corporation ("**Heller**"), as lender, and The Parkway Hospital, Inc., a New York corporation ("**PHI**"), and Parkway Hospital Associates, a New York partnership ("**PHA**") (PHI and PHA are sometimes collectively referred to herein as "**Borrowers**" and individually as "**Borrower**"), Heller made available to Borrowers a revolving credit facility in an amount not to exceed Eight Million Dollars ($8,000,000) (the "**Original Revolving Loan**"). The Original Revolving Loan is evidenced by that certain Amended and Restated Revolving Credit Note, dated August 8, 2001 executed by Borrowers in favor of Heller (which Note was amended by that certain Mortgage Modification Agreement ("**Revolving Loan Modification**") dated May 24, 2005, executed by PHA and GE HFS Holdings, Inc. ("**GE**"), formerly known as Heller Healthcare Finance, Inc., and recorded in the Official Records on June 21, 2005, as CFRN 200500356382, increasing the amount of the Original Revolving Loan to an amount not to exceed Eight Million Five Hundred Thousand Dollars ($8,500,000) (which Mortgage was assigned (i) from GE to MedCap III pursuant to that certain Assignment of Mortgage, dated December 18, 2006, recorded on March 2, 2007 in the Official Records, as CFRN 2007000116515 ("**GE Revolving Loan Assignment**"), (ii) from MedCap III to Wells Fargo Bank pursuant to an Assignment of Mortgage dated May 29, 2007 and recorded on July 10, 2007, as CRFN 2007000351934 in the Official Records ("**MedCap III Revolving Loan Assignment**") and (iii) from Wells Fargo Bank to the Seller pursuant to an Assignment of Mortgage dated May 25, 2010 and recorded on June 9, 2010, in the Official Records as CFRN 2010000192223 ("**WFB Loan Assignment**") (as amended and assigned, the "**Revolving Note**"). The Revolving Note is secured by, among other things, that certain Amended and Restated Revolving Mortgage and Security Agreement, dated August 8, 2001, made by PHA, as mortgagor, in favor of Heller, as mortgagee, recorded on September 21, 2001 in the Office of The Registrar, Queens County, New York ("**Official Records**") in Reel 6019, Page 2442 (which Mortgage was amended by the Revolving Loan Modification and assigned (i) from GE to MedCap III pursuant to the GE Revolving Loan Assignment, (ii) from MedCap III to Wells Fargo Bank pursuant to the MedCap III Revolving Loan Assignment, and (iii) from Wells Fargo Bank to MedCap III pursuant to the WFB Revolving Loan Assignment (as amended and

assigned, the "**Revolving Mortgage**"). The Original Revolving Loan as increased by the Revolving Loan Modification is referred to herein as the "**Revolving Loan**". The Revolving Loan Agreement, the Revolving Note the Revolving Mortgage and all other agreements, documents, and instruments evidencing and/or securing the payment or performance of the Revolving Loan, including without limitation the agreements, documents and instruments described on **Exhibit A** hereto, as may be amended or modified from time to time, are hereinafter collectively sometimes referred to as the "**Revolving Loan Documents**".

B. Pursuant to that certain Mortgage Loan Agreement (the "**Term Loan Agreement**"), dated August 8, 2001 by and among Heller, as lender, and Borrowers, Heller made available to Borrowers a term loan in the amount of Two Million Dollars ($2,000,000) (the "**Term Loan**"). The Term Loan is evidenced by that certain Amended and Restated Term Note and Security Agreement, dated August 8, 2001 executed by Borrowers in favor of Heller (which Note was assigned from GE to MedCap III pursuant to an Assignment of Mortgage dated May 21, 2009, and recorded on June 12, 2009 as CFRN 2009000178375 in the Official Records ("**GE Term Loan Assignment**") (ii) from MedCap III to Wells Fargo Bank pursuant to an Assignment dated March 2, 2007; and (iii) from Wells Fargo Bank to Seller pursuant to the WFB Loan Assignment (as assigned, the "**Term Note**"). The Term Note is secured by, among other things, that certain Amended and Restated Mortgage and Security Agreement, dated August 8, 2001, made by PHA, as mortgagor, in favor of Heller, as mortgagee, recorded on September 21, 2001 with the Queens County Clerk ("**Official Records**") in Reel 6019, Page 2442 (which Mortgage was assigned from GE to MedCap III pursuant to the GE Term Loan Assignment (as assigned, the "**Term Mortgage**"). The Term Loan Agreement, the Term Note the Term Mortgage and all other agreements, documents, and instruments evidencing and/or securing the payment or performance of the Term Loan, including without limitation the agreements, documents and instruments described on **Exhibit A** hereto, as may be amended or modified from time to time, are hereinafter collectively sometimes referred to as the "**Term Loan Documents**".

C. The Revolving Loan and the Term Loan are hereinafter individually referred to as a "**Loan**" and collectively as the "**Loans**". The Revolving Note and the Term Note are hereinafter individually referred to as a "**Note**" and collectively as the "**Notes**". The Revolving Mortgage and the Term Mortgage are hereinafter individually referred to as a "**Mortgage**" and collectively as the "**Mortgages**". The Term Loan Documents and the Revolving Loan Documents are hereinafter collectively referred to as the "**Loan Documents**".

D. Pursuant to that certain Preliminary Injunction and Order Appointing a Permanent Receiver (the "**Order**") entered on August 18, 2009 by the Court in Case No. SACV 09-818 DOC (RNBx) (the "**Case**"), Thomas A. Seaman ("**Receiver**") was appointed receiver of MedCap. The term "**Seller**" as used in this Agreement shall mean the Receiver in connection with the sale of the Loans.

E. Seller wishes to sell all of Seller's right, title and interest in, to and under the Loans, and Purchaser, based on its own due diligence review of the Loans and the Property (as defined in **Exhibit B** to this Agreement), wishes to purchase all of Seller's right, title and interest in, to and under the Loans.

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are expressly acknowledged, Seller and Purchaser agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1. Definitions. Capitalized terms used in this Agreement are defined in **Exhibit B** or in the text with a cross-reference in **Exhibit B**.

Section 1.2. Rules of Construction. This Agreement will be interpreted in accordance with the rules of construction set forth in **Exhibit C** to this Agreement.

ARTICLE II

SALE AND PURCHASE OF THE LOANS

Section 2.1. Agreement to Sell and Purchase the Loans. Seller agrees to sell, and Purchaser agrees to purchase, all of Seller's right, title, interest and benefits in, to and under the Loans and the Loan Documents in accordance with the terms of this Agreement, together with all Claims for the payment of principal, interest on such principal, fees, costs, or penalties for the Loans for the period prior to the Closing (but excluding (i) any and all right, title and interest in and to the collateral pledged or assigned by PHI pursuant to the Loan Documents as additional collateral for the Loans (the "**PHI Pledged Collateral**") and (ii) any and all rights, interests and claims in the PHI Bankruptcy Case relating to the Loans, including without limitation, the right to receive any and all distributions payable to the owner and holder of the Notes (the "**PHI Bankruptcy Claim**"), all of which right, title and interest Seller shall retain in accordance with the terms of the Participation Agreement), for the sum of (a) SIX MILLION TWO HUNDRED THOUSAND AND 00/100 DOLLARS ($6,200,000.00) plus (b) an amount equal to Seller's Enforcement Costs, the total amount of which shall be provided to Purchaser not less than three (3) Business Days prior to the Closing (collectively, the "**Purchase Price**").

Section 2.2. Assignment and Assumption of the Loan Documents. Effective as of the Closing, Seller hereby assigns and transfers all of its right, title, interest and benefits as lender in, to, and under the Loan Documents to Purchaser (expressly excluding the PHI Bankruptcy Claim and the PHI Pledged Collateral in accordance with the terms of the Participation Agreement). Effective as of the Closing, Purchaser hereby assumes the performance of all of the terms, covenants, conditions, and obligations of Seller as lender under the Loan Documents, arising or accruing from and after the Closing.

Section 2.3. Access to Loan File; Confidentiality. Prior to the Effective Date and pursuant and subject to the terms of that certain Confidentiality Agreement ("**Confidentiality Agreement**") dated October 21, 2011 executed by Seller and by an authorized representative of Purchaser on behalf of Purchaser, Seller has made available to Purchaser certain Evaluation Materials (as defined in the Confidentiality Agreement) requested by Purchaser and in the possession of Seller relating to the Loans and which includes copies of all documents and

materials comprising the Loan File. Purchaser acknowledges that much of the Evaluation Materials which Seller has made, and may make, available to Purchaser were prepared by third parties other than Seller and, in many instances, may have been prepared prior to Seller taking control over the Loans. Purchaser expressly acknowledges that the Evaluation Materials Purchaser receives from Seller or any of Seller's agents, employees, contractors or representatives are furnished on the express condition that, other than as set forth in Article V below, Purchaser shall not rely thereon, that Purchaser shall make an independent verification of the accuracy of the Evaluation Materials, and that the Evaluation Materials are being furnished without any representation or warranty whatsoever. Without limiting the foregoing, other than as set forth in Article V below, (i) Seller makes no representation or warranty, and hereby expressly disclaims any representation or warranty, that any of the Evaluation Materials or other documents comprising the Loan File previously or hereafter delivered or made available to Purchaser are true, accurate or complete, and (ii) Seller has informed Purchaser that such Evaluation Materials and Loan File delivered or made available to Purchaser may not constitute all of the documents, agreements, reports or materials relating to the Loans, the Borrowers, including without limitation the PHI Bankruptcy Case, and the Property in the possession of Seller and Purchaser acknowledges that Purchaser has satisfied itself that such Evaluation Materials including, without limitation, the (i) Certificate of Title prepared by First American Title Insurance Company dated effective as of November 12, 2010, as amended on January 4, 2011(as amended, the "**Title Report**") and all exceptions and underlying documents disclosed therein, and (ii) the existing lender's title policy issued by Chicago Title Insurance Company ("**Chicago Title**") as of June 21, 2005 (Policy No. 3605-00192) (the "**Existing Lender's Policy**"), all of which have been delivered or made available to Purchaser, and are sufficient for Purchaser to purchase the Loans. Purchaser and Seller acknowledge and agree that the Confidentiality Agreement is binding on Purchaser notwithstanding Purchaser is not identified as the "Investor" therein and shall remain in full force and effect from and after the Effective Date and shall survive the execution and delivery of this Agreement and the Closing.

Section 2.4. Due Diligence and Review of Loan File and Title. Purchaser has made such examination, review and investigation of the Loan File, the court files relating to the PHI Bankruptcy Case and the Pending Foreclosure Action, the Title Report, the Existing Lender's Policy and the condition of title to the Property and all exceptions and title documents disclosed in the Title Report and the Existing Lender's Policy, and the facts and circumstances necessary to evaluate the Loan File and other above referenced court files and documents as Purchaser has deemed necessary or appropriate to purchase the Loans.

ARTICLE III

THE CLOSING

Section 3.1. Time and Location of the Closing. The Closing will occur on the earliest of (a) the date that is sixty one (61) calendar days following the date Seller obtains the Court Approval, and (b) such other date following the date Seller obtains the Court Approval as Purchaser and Seller may mutually agree (the "**Scheduled Closing Date**"). The Closing will take place through the offices of First American Title Insurance Company, located in Santa Ana, California ("**Escrow Agent**"). If the Closing does not occur by the Scheduled Closing Date for any reason whatsoever; TIME BEING OF THE ESSENCE WITH RESPECT THERETO, this

Agreement shall immediately and automatically terminate and the Deposit shall be disbursed to the party entitled thereto pursuant to Section 3.2 below.

Section 3.2. Payment of Purchase Price.

(a) Concurrently with the execution and delivery of this Agreement and as an express condition to the effectiveness of this Agreement, Purchaser shall deposit with the Escrow Agent the sum of One Million and No/100 Dollars ($1,000,000.00) (the "**Deposit**") which Deposit shall be released by Escrow Agent to Seller within one (1) Business Day after Escrow Agent's receipt thereof by wire transfer pursuant to wiring instruction to be provided by Seller to Escrow Agent and without any further instructions from Purchaser. Except as otherwise expressly provided in Section 3.2(c) hereof, the Deposit shall be nonrefundable to Purchaser immediately upon deposit with Escrow Agent, and Purchaser shall not be entitled to a refund of all or any part of the Deposit under any circumstances. Upon the Closing, the Deposit shall be credited toward payment of the Purchase Price.

(b) The Deposit shall be retained by Seller as liquidated damages if the Closing does not occur on or before the Scheduled Closing Date for any reason other than (i) a material default by Seller, (ii) the material failure of a condition precedent to Purchaser's obligations to consummate the Closing hereunder, (iii) a sale to a Qualified Bidder of the Loans in accordance with Article XI, below, or (iv) the failure of the Receiver to obtain Court Approval.

(c) If the Closing does not occur because of (i) Seller's material default, (ii) the material failure of a condition precedent to Purchaser's obligations to consummate the Closing hereunder, (iii) a sale to a Qualified Bidder of the Loans in accordance with Article XI, below, or (iv) the failure of the Receiver to obtain Court Approval, the Deposit shall be returned to Purchaser as Purchaser's sole and exclusive remedy at law or equity under this Agreement or the transactions contemplated hereby, except that Purchaser's Expenses shall be reimbursed to Purchaser in accordance with Section 6.1 hereof.

(d) Not later than 2:00 p.m. (Eastern Time) on the Scheduled Closing Date, Purchaser will deliver the Purchase Price (plus other amounts as may be required under this Section 3.2) to Escrow Agent. The Purchase Price shall be paid by wire transfer of immediately available funds in accordance with the wiring instructions attached to this Agreement as **Exhibit D** (in the event that the Purchase Price is not received by Escrow Agent by 4:00 p.m. (Eastern Time) on the Scheduled Closing Date, then Purchaser shall be deemed to have defaulted under this Agreement).

(e) Any and all adjustments to the Purchase Price will be computed effective as of 12:01 a.m. (Eastern Time) on the date specified in this Agreement for the particular adjustment.

(f) Subject to Article XII below, all payments and prepayments of principal of any Loan received on or before the Closing Date, if any, will be the property of Seller and Purchaser will receive a credit against the Purchase Price at Closing for any such payment or prepayment made.

Section 3.3. Purchaser's Closing Documents. At least two (2) Business Days prior to the Scheduled Closing Date, Purchaser will deliver the following Closing Documents to Escrow Agent, in escrow, for inspection by Seller in the offices of Escrow Agent and for further delivery by Escrow Agent to Seller at the Closing:

(a) an original assumption of Seller's rights and obligations under the Loan Documents, in the form of **Exhibit E** to this Agreement, executed in counterpart by Purchaser (the "**Assignment Agreement**");

(b) an original letter addressed to each Borrower notifying such Borrower of the transfer of the applicable Loan to Purchaser and directing such Borrower to make all debt service and any other payments required under the applicable Loan from and after the Closing Date to Purchaser or Purchaser's designee, substantially in the form of **Exhibit F** to this Agreement, executed in counterpart by Purchaser (the "**Borrower Notice Letter**");

(c) an original certificate of Purchaser certifying (i) as to the incumbency of the signatories authorized to execute this Agreement and the Closing Documents required to be executed and delivered by Purchaser on behalf of Purchaser; (ii) that attached to such certificate is (A) a true and correct copy of the resolutions authorizing the execution and delivery of this Agreement and the Closing Documents by Purchaser and the performance of Purchaser's obligations hereunder and under the Closing Documents and (B) a certificate of good standing issued by the New York Secretary of State within thirty days of the Closing Date, showing that Purchaser is in good standing in the state of New York; (iii) that the execution of this Agreement and the Closing Documents and the consummation of the transaction contemplated by this Agreement have been duly authorized, executed by the Secretary or Assistant Secretary of Purchaser; and (iv) such other matters as Seller may reasonably request;

(d) a settlement statement for the Closing (the "**Settlement Statement**"), executed in counterpart by Purchaser;

(e) the original Substitution of Attorney (defined below) executed by Purchaser's counsel; and

(f) an original Participation Agreement, in the form of **Exhibit J** attached hereto ("**Participation Agreement**"), executed in counterpart by Purchaser.

Section 3.4. Seller's Closing Documents. At least two (2) Business Days prior to the Scheduled Closing Date, Seller will deliver the following Closing Documents to Escrow Agent, in escrow, for inspection by Purchaser in the offices of Escrow Agent and for further delivery by Escrow Agent to Purchaser at the Closing, or for recording or filing as provided below (and pursuant to which Seller will transfer, assign, set-over and convey to Purchaser, without recourse), all of Seller's right, title and interest in, to and under the Loans:

(a) the original Notes and original allonges to the Notes, to the extent in Seller's possession;

(b) an endorsement to each Note endorsed to Purchaser, substantially in the form of **Exhibit G** to this Agreement, originally executed by Seller ("**Seller's Endorsement**"), ;

(c) original Assignment Agreement, in the form of **Exhibit E** to this Agreement, executed in counterpart by Seller;

(d) UCC-3 Financing Statements (or the equivalent) , assigning to Purchaser the rights of Seller as "Secured Party" under the UCC-1 Financing Statements (collectively, the "**UCC-3 Financing Statements**") ;

(e) an original Borrower Notice Letter, substantially in the form of **Exhibit F** to this Agreement, executed in counterpart by Seller;

(f) an original assignment of the Revolving Mortgage and the Term Mortgage, in form appropriate for recording, executed by Seller and acknowledged by a notary public (each a "**Mortgage Assignment**" collectively, the "**Mortgage Assignments**") in the form of **Exhibit H** attached hereto;

(g) the Settlement Statement, executed in counterpart by Seller;

(h) an original substitution of attorney ("**Substitution of Attorney**"), to be prepared and executed by Seller's counsel in the Pending Foreclosure Action, to be filed in the Pending Foreclosure Action by Purchaser after the Closing;

(i) an original Assignment Causes of Action, of all of Seller's right, title and interest in the Pending Foreclosure Action, in the form attached hereto as **Exhibit I**, to be filed in the Pending Foreclosure Action by Purchaser after the Closing, which Assignment of Causes of Action shall be (i) without recourse to or any representation or warranty, express or implied, by Seller and (ii) subject to the terms and conditions of the Participation Agreement; and

(j) an original Participation Agreement, in the form of **Exhibit J** attached hereto, executed in counterpart by Seller.

Section 3.5. Delivery of the Closing Documents.

(a) At Closing, and upon Escrow Agent's receipt of the Purchase Price, and the executed Closing Documents Escrow Agent shall (i) promptly deliver to Purchaser, at Purchaser's expense, all Closing Documents (other than those to be recorded or filed) required to be delivered by Seller to Purchaser in accordance with this Section 3, (ii) transfer to Seller, by wire transfer of immediately available funds in accordance with the wiring instructions to be provided by Seller to Escrow Agent, the Purchase Price and thereafter deliver to Seller all Closing Documents required to be delivered by Purchaser to Seller, all in accordance with this Article III; (iii) file the UCC-3 Financing Statements in the Office of the Secretary of State of the State of New York and other appropriate states, if any, and (iv) record in the Official Records the Mortgage Assignments referenced in Section 3.4(f) above.

(b) Intentionally Omitted.

Section 3.6. Cost of Recording and Filing Closing Documents. All filings and recordings described in Section 3.5 shall be at Purchaser's Expense.

Section 3.7. Other Closing Conditions.

(a) Purchaser's obligation to Close is subject to satisfaction of the following conditions, which are for the benefit of Purchaser and may be waived by Purchaser in its sole discretion:

(A) Seller's representations and warranties set forth in this Agreement shall be true and correct in all material respects.

(B) Seller shall not, as of the Closing Date, be in material default in the performance of Seller's obligations under this Agreement.

(C) The Court shall have approved this Agreement and the transaction contemplated herein, including the sale procedures set forth in Article XI, confirmation of the ownership of the Loans to enable Seller to convey the Loans to Purchaser and the sale of the Loans to Purchaser as the highest, best bidder for the Loans at the Auction pursuant to this Agreement (the "**Court Approval**").

(D) All of the documents required to be delivered by Seller to Purchaser or Escrow Agent (as the case may be) at the Closing pursuant to the terms and conditions hereof shall have been delivered.

(b) Seller's obligation to Close is subject to satisfaction of the following conditions, which are for the benefit of Seller and may be waived by Seller in its sole discretion:

(A) Purchaser's representations and warranties set forth in this Agreement shall be true and correct in all material respects.

(B) All of the documents and funds required to be delivered by Purchaser to Seller or Escrow Agent (as the case may be) at the Closing pursuant to the terms and conditions hereof shall have been delivered.

(C) Seller shall have received all consents, documentation and approvals necessary to consummate and facilitate the transactions contemplated hereby, including the Court Approval and as may otherwise be required by law.

(D) Purchaser shall not, as of the Closing Date, be in material default in the performance of its obligations under this Agreement.

(c) If the purchase and sale fails to Close by the Scheduled Closing Date due to a failure of a condition, the party for whose benefit the condition is set forth may terminate this Agreement at any time thereafter until the Closing occurs, so long as the failure of condition is not caused by such party's material breach of such party's obligations under this Agreement. If Purchaser so terminates, Purchaser shall be entitled as Purchaser's sole and exclusive remedy to the return of the Deposit.

Section 3.8. Lender's Title Policy Endorsement. Purchaser may, at its option, obtain from Chicago Title an endorsement (TIRSA Successor in Ownership of Indebtedness

Endorsement) to the Existing Lender's Policy, insuring that Purchaser is the named insured thereunder ("**Lender's Endorsement**") or a new loan policy from a reputable insurance company licensed to do business in the State of New York ("**New Loan Policy**"); provided that (a) all costs and expenses in obtaining and issuing the Lender's Endorsement or the New Loan Policy shall be paid for by Purchaser and (b) neither issuance of the Lender's Endorsement or the New Loan Policy nor obtaining a commitment from the appropriate title company to issue the Lender's Endorsement or the New Loan Policy, shall be conditions to the Closing or otherwise delay the Closing.

Section 3.9. Loan File and Further Assurances. Purchaser acknowledges that Seller has delivered to Purchaser the Loan File (other than the original Notes and allonges to the Notes, in Seller's possession, to be delivered to Purchaser through Escrow Agent at Closing in accordance with Section 3.4 hereof). Purchaser acknowledges that Seller has retained a copy of the Loan File for Seller's records. From and after the Closing, Seller and Seller's Affiliates, agents, employees, representatives and trustees will have no responsibility for the Loan File and Purchaser will bear all risk of loss or damage with respect to the Loan File, including the original Notes and allonges to the Notes delivered to Escrow Agent by Seller. Prior to and after the Closing, Seller shall reasonably cooperate with Purchaser (so long as Seller is not required to incur any costs or expenses in connection therewith) to execute and deliver such other documents as Purchaser, Escrow Agent may reasonably request in order to transfer to Purchaser all right, title and interest in and to the Loan Documents and otherwise to effectuate the intent of this Agreement.

ARTICLE IV

PURCHASER'S REPRESENTATIONS, WARRANTIES AND COVENANTS

Purchaser warrants and represents to Seller, as of the Effective Date and the Closing Date, and where indicated, covenants and agrees as follows:

Section 4.1. Purchaser's Authority.

(a) The managing member and Chief Executive Officer of Purchaser is as of the Effective Date and as of the Closing Date Lawrence Selevan. Purchaser is and through the Closing Date will continue to be duly organized, validly existing and in good standing under the laws of the state or commonwealth in which it was organized or incorporated. Neither Borrowers nor any entity or person owning a direct or indirect ownership interest in either of the Borrowers owns or will own a direct or indirect ownership interest in Purchaser.

(b) Purchaser has and through the Closing Date will continue to have all necessary approvals, whether governmental or otherwise, and full right, power and authority, to (i) execute and deliver this Agreement and the Closing Documents and (ii) perform Purchaser's obligations under this Agreement and the Closing Documents and consummate the transaction contemplated by this Agreement.

(c) Purchaser's execution and delivery of this Agreement and the Closing Documents, Purchaser's performance of Purchaser's obligations under this Agreement and the

Closing Documents and consummation of the transaction contemplated by this Agreement and the Closing Documents do not and through the Closing Date will continue to not (i) conflict with any laws or agreements binding on Purchaser or (ii) result in a default under any agreement or other instrument to which the Purchaser is a party or that is applicable to the Purchaser which, in each case, would adversely affect Purchaser's ability to carry out the transactions contemplated by this Agreement and the Closing Documents.

(d) Assuming Seller's due execution and delivery of this Agreement and the Closing Documents, this Agreement and the Closing Documents constitute and through the Closing Date will continue to constitute legal, valid and binding obligations of Purchaser, enforceable in accordance with their respective terms, except to the extent that enforceability of the obligations may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting the rights of creditors generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

Section 4.2. No Reliance.

(a) Purchaser acknowledges the following: (i) Seller may not have in Seller's possession or control all documents relating to or affecting the Loans as Seller has taken control over the Loans as a court appointed receiver only, and as such, the Loan File may be incomplete and (ii) Seller did not conduct any due diligence of the Loan File or the Loans prior to obtaining control of the Loans. This Section 4.2(a) is subject to Seller's representations and warranties set forth in Article V below.

(b) As of the Effective Date and as of the Closing Date, Purchaser is familiar with all aspects of each Loan, the Property and Borrowers, including without limitation, the PHI Bankruptcy Case and the Pending Foreclosure Action, and, in entering into this Agreement, other than as set forth in Section 5.1, Purchaser has not relied on any oral or written information provided by Seller or by Seller's Affiliates, agents, employees, representatives or trustees or by any broker or agent pertaining to any Loan or the Property, but merely on Purchaser's independent review of the Loan File and such independent evaluation of each Loan, the Borrowers any guarantors or obligors of the Loans, the PHI Bankruptcy Case, and the Property as Purchaser deemed necessary. Purchaser's decision to purchase all of Seller's right, title and interest in, to and under the Loans is based on Purchaser's due diligence review and independent evaluation of each Loan, the Borrowers, any guarantors or obligors of the Loans, the PHI Bankruptcy Case, the Pending Foreclosure Action and the Property. Purchaser is a sophisticated purchaser and investor. Purchaser understands and is freely taking all risks involved in connection with the transaction and acknowledges that the nature and risks are reflected in the Purchase Price and in the terms and conditions pursuant to which Purchaser is willing to purchase and Seller is willing to sell all of Seller's right, title and interest in, to and under the Loans. Purchaser acknowledges that except as expressly set forth in Section 5.1 of this Agreement, Seller has not made any representations or warranties with respect to the Loans, the Borrower, any guarantors or obligors of the Loans, the PHI Bankruptcy Case, the Pending Foreclosure Action or the Property.

(c) No agent, employee or representative of Seller or other agent or broker has been authorized to make, and Purchaser has not relied on, any statements other than those

expressly set forth in this Agreement. Except as specifically set out in this Agreement, Purchaser is not relying on any continued actions or efforts on the part of Seller or Seller's Affiliates, agents, employees, representatives or trustees with respect to any Loan. After the Closing Date, Seller will retain no further interest in the Loans (except as otherwise expressly set forth in Section 7.4), and Seller and Seller's Affiliates, agents, employees, representatives and trustees will not provide any further servicing of the Loans or any foreclosure or other management services. Seller has not and will not advance funds to Purchaser to protect the Property or to maintain the yield of the Loans. Seller has not guaranteed and does not guarantee payment of the Loans or performance of Borrowers' obligations under the documents in the Loan File, and Seller has not guaranteed and does not guarantee the condition, performance, rate of return, value or yield of the Loans or the Property. Further, Purchaser acknowledges that the Loans are currently in default for, among other things, failing to pay the monthly installments of interest due under the Revolving Note and property taxes, and the filing of the PHI Bankruptcy Case involving PHI. Seller shall have no responsibility for the validity, sufficiency, priority or effectiveness of the liens created by the Loan Documents. Subject to Seller's representations, warranties and covenants contained herein, Seller's right, title and interest in, to and under the Loans are being sold on an "AS IS," "WHERE IS" BASIS, "WITH ALL FAULTS" AND WITHOUT REPRESENTATIONS, EXPRESS OR IMPLIED, OF ANY TYPE, KIND, CHARACTER OR NATURE (INCLUDING, WITHOUT LIMITATION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE), AND WITHOUT WARRANTIES, EXPRESS OR IMPLIED, OF ANY TYPE, KIND, CHARACTER OR NATURE (INCLUDING, WITHOUT LIMITATION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE), EXCEPT THE LIMITED AND EXPRESS REPRESENTATIONS OF SELLER SET FORTH IN ARTICLE V HEREOF, AND WITHOUT RECOURSE OF ANY NATURE TO SELLER.

(d) Notwithstanding anything to the contrary herein, other than as set forth in Article V below, Seller shall not have any liability whatsoever to Purchaser with respect to any matter disclosed to or discovered by Purchaser or Purchaser's agents or representatives prior to the Closing Date.

(e) Purchaser acknowledges and agrees that, as a result of the existing defaults under the Loan Documents, Seller has filed an action for, among other things, judicial foreclosure under the Mortgages (the "**Pending Foreclosure Action**") and that Seller may, in its sole and absolute discretion (but without any obligation to do so), pursue, and/or continue to pursue, at all times after the Effective Date through the Closing Date, all of Seller's rights and remedies under the Loan Documents or otherwise available under applicable law, including without limitation, taking such action as Seller, in its sole and absolute discretion, deems necessary or advisable in connection with the Pending Foreclosure Action, seeking the appointment of a receiver for the Property, and/or seeking relief or otherwise enforcing its rights in connection with the bankruptcy proceeding currently pending in the Southern District of New York (Case No. 05-14876 with respect to PHI (the "**PHI Bankruptcy Case**") provided that with respect to the Pending Foreclosure Action (i) Seller will use good faith efforts to promptly provide Purchaser with copies of any pleadings filed by Seller or Borrowers in the Pending Foreclosure Action from and after the Effective Date and (ii) from and after the Effective Date, Seller agrees that it will not, without first obtaining the Purchaser's written consent, (A) voluntarily dismiss the Pending Foreclosure Action, (B) enter into a written modification of either of the Loans, (C) enter into any written agreement with Borrowers providing for a deed in

lieu of foreclosure, a discounted payoff of either of the Loans, a subordination of the Loans or the lien of the Mortgages, or a release or partial release of either of the Borrowers or any guarantor or obligor of the Loans from their respective obligations under the Loan Documents.

(f) No Securities. Purchaser waives all rights, if any, to make any Claim against Seller or any other third party in connection with any federal or state securities law.

Section 4.3. Environmental, Seismic, Engineering and Structural Risks. Certain environmental, seismic, engineering and structural risks may exist with respect to the Property. Purchaser has analyzed or has had an opportunity to analyze the environmental, seismic, engineering, and structural issues pertaining to the Property and is acquiring all of Seller's right, title and interest in, to and under the Loans subject to the risks mentioned above.

Section 4.4. Litigation. Purchaser will not (a) institute any legal action in the name of Seller, (b) intentionally or unintentionally, through misrepresentation or nondisclosure, conceal or mislead any person as to Purchaser's identity or (c) hold itself out as Seller or Seller's agent to promote the sale or transfer of any Loan or the collection or management of any Loan.

Section 4.5. Brokers. Seller has engaged the services of Colliers International L.I, Inc. ("**Seller's Broker**") in connection with the sale of the Loans. Seller shall be responsible for the payment of the commission, fee or compensation payable to Seller's Broker. Purchaser and Seller each represents to the other, which representation shall survive Closing, that except for Seller's Broker, it has not engaged the services of any broker or finder in connection with the transactions contemplated by this Agreement, and each agrees to indemnify the other from and against any claims in connection therewith.

ARTICLE V

SELLER'S REPRESENTATIONS AND WARRANTIES

Section 5.1. Representations or Warranties. Seller warrants and represents to Purchaser, as of the Effective Date and the Closing Date as follows:

(a) Receiver has been duly appointed by the Court as receiver for MedCap III.

(b) Seller has not entered into any written agreements to modify the terms of any Loan, other than (i) any modifications that may have been entered into by MedCap III prior to Receiver taking control of the Loans and (ii) any modifications that may be necessary to confirm ownership of the Loans so that Seller may convey the Loans to Purchaser on the Closing Date.

(c) Assuming Purchaser's due execution and delivery of this Agreement and the Closing Documents and subject to the receipt of the Court Approval, this Agreement and the Closing Documents constitute and through the Closing Date will continue to constitute legal, valid and binding obligations of Seller, enforceable in accordance with their respective terms, except to the extent that enforceability of the obligations may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting the rights of creditors generally and to

general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(d) The Receiver, as court appointed receiver for the receivership estate of MedCapIII (i) has not transferred, sold, pledged, encumbered or assigned the Loans to any third party (ii) has not entered into any written agreement with the Borrowers or any guarantor or obligor of the Loans, modifying, amending, supplementing or cancelling the Loan Documents and (iii) has not entered into any agreement with Borrowers, any guarantor or obligor of the Loans, or any third party providing for the subordination of the liens created by the Mortgages or any of the other Loan Documents to any other lien or encumbrance.

(e) Subject to receipt of the Court Approval, Seller has and through the Closing Date will continue to have the full right, power and authority, to (i) execute and deliver this Agreement and the Closing Documents and (ii) perform Seller's obligations under this Agreement and the Closing Documents and consummate the transaction contemplated by this Agreement, subject to the terms and provisions of this Agreement and the Court Approval if and when obtained.

Section 5.2. No Implied Representations or Warranties. Except as expressly provided in Section 5.1, Seller has not and will not be deemed to have made and specifically disclaims any implied warranties or representations under this Agreement. Except as expressly provided in Section 5.1 hereof, Seller makes no representations or warranties with respect to (a) any Loan or the Loan File; (b) the priority, perfection or enforceability of the Notes, the Mortgages, any of the other Loan Documents or any other document in the Loan File; (c) the presence or absence of defaults under, defenses to or offsets against the Notes, the Mortgages, the other Loan Documents or any other document in the Loan File; (d) the status or financial condition of any Borrower or any guarantor or any other obligor of the Loans; (e) the status of the PHI Bankruptcy Case or (f) any fact or condition respecting the Property, including without limitation, the value of the Property securing the Loans.

ARTICLE VI

DEFAULTS AND REMEDIES

Section 6.1. Seller's Breach. If Seller defaults under this Agreement, the default is discovered prior to Closing by Purchaser and Purchaser proceeds to close the transactions contemplated hereunder, Purchaser shall have waived any and all rights and remedies resulting from Seller's default. If Seller materially defaults under this Agreement and the Closing and the consummation of the transactions contemplated herein do not occur as a result thereof, Purchaser may, at Purchaser's option, as Purchaser's sole and exclusive remedy, either (i) terminate this Agreement and be entitled to return of the Deposit, Purchaser shall also be entitled to reimbursement of Purchaser's actual third-party fees, costs and expenses incurred in connection with the transactions contemplated hereunder as and to the extent (A) supported by copies of paid invoices, paid bills or other similar documentation and proof of payment, reasonably satisfactory to Seller, delivered to Seller by Purchaser and (B) not previously reimbursed by Seller to Purchaser pursuant to any other provision of this Agreement (which reimbursement, in any event, shall not exceed Seventy-Five Thousand and No/100 Dollars ($75,000) in the

aggregate) ("**Purchaser's Expenses**") or (ii) seek specific performance. Notwithstanding anything herein to the contrary, if the Closing and the consummation of the transactions herein contemplated do not occur by reason of any such material default by Seller, or Purchaser elects not to proceed to Closing as a result of such material breach of Seller, then Purchaser shall be deemed to have elected to terminate this Agreement pursuant to clause (i) hereinabove if Purchaser fails to deliver to Seller written notice of its intent to file a claim or assert a cause of action for specific performance against Seller on or before ten (10) days following the Scheduled Closing Date or, having given such notice, fails to file a lawsuit asserting such claim or cause of action with the Court within thirty (30) calendar days following the Scheduled Closing Date. Under no circumstances whatsoever may Purchaser recover any consequential, exemplary, special, indirect, incidental, or punitive damages resulting from Seller's defaults under this Agreement and Purchaser hereby expressly waives any claim or right to do so. PURCHASER AND SELLER HEREBY AGREE THAT A REASONABLE ESTIMATE OF THE TOTAL NET DETRIMENT THAT PURCHASER WOULD SUFFER IN THE EVENT THAT SELLER MATERIALLY DEFAULTS (AND THIS AGREEMENT IS TERMINATED SOLELY AS A DIRECT RESULT OF SUCH BREACH) IS AND SHALL BE, AN AMOUNT EQUAL TO THE DEPOSIT PLUS PURCHASER'S EXPENSES. SAID AMOUNT SHALL BE THE FULL, AGREED AND LIQUIDATED DAMAGES FOR THE BREACH OF THIS AGREEMENT BY SELLER, ALL OTHER CLAIMS TO DAMAGES BEING HEREIN EXPRESSLY WAIVED BY PURCHASER. THE PAYMENT OF SUCH AMOUNT AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO PURCHASER PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, 1676 AND 1677.

SELLER AND PURCHASER ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THE PROVISIONS OF THIS SECTION 6.1 AND BY THEIR INITIALS IMMEDIATELY BELOW AGREE TO BE BOUND BY ITS TERMS.

PURCHASER'S INITIALS

SELLER'S INITIALS

Section 6.2. Purchaser's Breach. IF PURCHASER MATERIALLY DEFAULTS UNDER THIS AGREEMENT AND THE CLOSING AND THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED HEREIN DO NOT OCCUR AS RESULT THEREOF, PURCHASER AND SELLER AGREE THAT IT WOULD BE IMPRACTICAL AND EXTREMELY DIFFICULT TO ESTIMATE THE DAMAGES WHICH SELLER MAY SUFFER. THEREFORE, PURCHASER AND SELLER HEREBY AGREE THAT A REASONABLE ESTIMATE OF THE TOTAL NET DETRIMENT THAT SELLER WOULD SUFFER IN THE EVENT THAT PURCHASER DEFAULTS IS AND SHALL BE, AN AMOUNT EQUAL TO THE DEPOSIT. SAID AMOUNT SHALL BE THE FULL, AGREED AND LIQUIDATED DAMAGES FOR THE BREACH OF THIS AGREEMENT BY PURCHASER, ALL OTHER CLAIMS TO DAMAGES BEING HEREIN EXPRESSLY WAIVED BY SELLER. THE PAYMENT OF SUCH AMOUNT AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO CALIFORNIA

CIVIL CODE SECTIONS 1671, 1676 AND 1677. NOTHING CONTAINED HEREIN SHALL BE DEEMED TO LIMIT OR OTHERWISE AFFECT PURCHASER'S INDEMNIFICATION OBLIGATIONS UNDER THIS AGREEMENT.

SELLER AND PURCHASER ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THE PROVISIONS OF THIS SECTION 6.2 AND BY THEIR INITIALS IMMEDIATELY BELOW AGREE TO BE BOUND BY ITS TERMS.

PURCHASER'S INITIALS TAS SELLER'S INITIALS

ARTICLE VII

INDEMNIFICATION; RELEASE

Section 7.1. General Indemnification. Purchaser hereby indemnifies, holds harmless and defends Seller, Seller's Affiliates, agents, employees, representatives and trustees, the existing trustees under any mortgage securing any Loan and any predecessor or successor of Seller (each an "**Indemnified Party**" and collectively, the "**Indemnified Parties**") for, from and against any and all Claims, losses or damages to which any of the Indemnified Parties may become subject (other than for a material breach of Seller's representations and warranties) on account of, arising out of or related to any act, omission, conduct or activity of Purchaser or any of Purchaser's Affiliates, agents, employees, members, partners, principals, representatives or trustees at any time occurring or failing to occur after the Closing Date and arising out of or related to (a) any action or omission of Purchaser with respect to any Loan; (b) any inaccuracy in or breach of Purchaser's representations, warranties, covenants or acknowledgments made pursuant to this Agreement; and (c) any Claim for a finder's fee or broker's commission asserted against Seller and arising from the transaction contemplated by this Agreement and arising through Purchaser.

Section 7.2. Settlement. If any Claim is settled or if there is a final judgment against the Indemnified Party in any Claim, the indemnifying party will indemnify, hold harmless and defend the Indemnified Party for, from and against any and all loss or liability incurred by the Indemnified Party by reason of such settlement or judgment and will pay on demand all costs and expenses incurred by the Indemnified Party in connection with the settlement or judgment.

Section 7.3. Indemnities. Nothing in this Agreement or any documents delivered pursuant to this Agreement will prejudice Seller from seeking the benefit of any environmental indemnity or other indemnity given or delivered by any Borrower or any other guarantor or indemnitor to Seller in connection with any Loan to the extent permitted by applicable law.

Section 7.4. Release. From and after the Closing and so long as the Closing occurs, Purchaser hereby agrees that Seller, MedCap, Seller's and MedCap's Affiliates, agents, employees, representatives and trustees, the existing trustees under any deed of trust securing any Loan and any predecessor or successor of Seller and/or MedCap (each a "**Released Party**" and collectively, the "**Released Parties**") shall be, and are hereby, fully and forever released and discharged from any and all Claims, whether direct or indirect, known or unknown, foreseen or

unforeseen, that may arise on account of or in any way be connected with the Case, any Loan or the Property. Purchaser hereby expressly waives the provisions of Section 1542 of the California Civil Code which provides:

> "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."

and all similar provisions or rules of law. Purchaser elects to and does assume all risk for such Claims heretofore and hereafter arising, whether now known or unknown by Purchaser.

BY INITIALING BELOW, PURCHASER HEREBY WAIVES THE PROVISIONS OF SECTION 1542 IN CONNECTION WITH THE MATTERS WHICH ARE THE SUBJECT OF THE FOREGOING WAIVERS AND RELEASES:

_____
PURCHASER'S INITIALS

In this connection and to the greatest extent permitted by law, Purchaser hereby agrees, represents and warrants that such party realizes and acknowledges that factual matters now unknown to him, her or it may have given or may hereafter give rise to causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which are presently unknown, unanticipated and unsuspected, and Purchaser further agrees, represents and warrants that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that Purchaser nevertheless hereby intends to release, discharge and acquit the Released Parties from any such unknown Claims, debts, and controversies which might in any way be included as a material portion of the consideration given to Seller by Purchaser in exchange for Seller's performance hereunder. Without limiting the foregoing, if Purchaser has actual knowledge of a default in any of the covenants, agreements or obligations to be performed by Seller under this Agreement, and Purchaser nonetheless elects to proceed to Closing, then, upon the consummation of the Closing, Purchaser shall be conclusively deemed to have waived any such default and shall have no Claim against Seller or hereunder with respect thereto.

Seller has given Purchaser material concessions regarding this transaction in exchange for Purchaser agreeing to the provisions of this Section 7.4. The provisions of this Section 7.4 shall survive the Closing and shall not be deemed merged into any instrument or conveyance delivered at the Closing.

Section 7.5. NO LIABILITY TO RECEIVER. WITHOUT LIMITATION OF THE FOREGOING, AS AN ESSENTIAL INDUCEMENT TO RECEIVER TO ENTER INTO THIS AGREEMENT, AND AS PART OF THE CONSIDERATION GIVEN HEREUNDER, PURCHASER ACKNOWLEDGES, UNDERSTANDS AND AGREES AS FOLLOWS:

(a) RECEIVER IS ENTERING INTO THIS AGREEMENT SOLELY IN CONNECTION WITH HIS DUTIES AS RECEIVER PURSUANT TO THE ORDER. IN NO EVENT SHALL RECEIVER BE LIABLE FOR ANY ERROR OF JUDGMENT OR ACT

DONE BY RECEIVER, OR BE OTHERWISE RESPONSIBLE OR ACCOUNTABLE UNDER ANY CIRCUMSTANCE WHATSOEVER, EXCEPT IF THE RESULT OF RECEIVER'S GROSS NEGLIGENCE OR INTENTIONAL AND WILLFUL MISCONDUCT. RECEIVER SHALL NOT BE PERSONALLY LIABLE IN CONNECTION WITH ANY DUTIES PERFORMED BY RECEIVER PURSUANT TO THE ORDER.

(b) NO PROVISION OF THIS AGREEMENT SHALL OPERATE TO PLACE ANY OBLIGATION OR LIABILITY FOR THE SERVICING OF ANY LOAN OR THE CONTROL, CARE, MANAGEMENT OR REPAIR OF THE PROPERTY UPON RECEIVER NOR SHALL IT OPERATE TO MAKE RECEIVER RESPONSIBLE OR LIABLE FOR ANY WASTE COMMITTED ON THE PROPERTY BY ANY PERSON OR FOR ANY DANGEROUS OR DEFECTIVE CONDITION OF THE PROPERTY OR FOR ANY NEGLIGENCE IN MANAGEMENT, UPKEEP, REPAIR OR CONTROL OF THE PROPERTY RESULTING IN LOSS OR INJURY OR DEATH TO ANY PERSON.

THE PROVISIONS OF THIS SECTION 7.5 SHALL SURVIVE THE CLOSING AND SHALL NOT BE DEEMED MERGED INTO ANY INSTRUMENT OR CONVEYANCE DELIVERED AT CLOSING.

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Notices. All Notices must be in writing and (a) delivered personally by a process server providing a sworn declaration evidencing the date of service, the individual served, and the address where the service was made; (b) sent by certified mail, return receipt requested; or (c) delivered by nationally recognized overnight delivery service providing evidence of the date of delivery, with all charges prepaid, addressed to the appropriate party at its address listed in **Exhibit B**. Seller and Purchaser each may change from time to time the address to which Notices must be sent, by Notice given in accordance with this Section 8.1 All Notices given in accordance with this Section 8.1 will be deemed to have been given three (3) Business Days after having been deposited in any mail depository regularly maintained by the United States postal service, if sent by certified mail, or one (1) Business Day after having been deposited with a nationally recognized overnight delivery service, if sent by overnight delivery, or on the date of personal service, if served by a process server.

Section 8.2. Applicable Law. This Agreement is governed by and will be construed in accordance with the laws of the State of California.

Section 8.3. Discretion. Wherever under this Agreement either Seller or Purchaser has the right to approve or determine any matter, such approval or determination will be in the approving party's sole discretion unless expressly provided to the contrary in this Agreement. Wherever under this Agreement any matter is required to be satisfactory to Seller or Purchaser, such determination that the matter is satisfactory will be in the party's sole discretion unless expressly provided to the contrary in this Agreement.

Section 8.4. Unenforceable Provisions. If any provision of this Agreement is found to be illegal or unenforceable or would operate to invalidate this Agreement, then the provision will be deemed to be expunged and this Agreement will be construed as though the provision was not contained in this Agreement and the remainder of this Agreement will remain in full force and effect.

Section 8.5. Survival. Unless expressly provided to the contrary in this Agreement, Seller's and Purchaser's representations, warranties and covenants contained in this Agreement will continue in full force and effect and survive the Closing and any other act or omission that might otherwise be construed as a release or discharge and will not merge into the Closing Documents, but instead will be independently enforceable.

Section 8.6. Entire Agreement. Any agreements between Seller and Purchaser relating to the matters described in this Agreement are contained in this Agreement, which contains the complete and exclusive statement of the agreements between Seller and Purchaser, except as Seller and Purchaser may later agree in writing to amend this Agreement.

Section 8.7. No Oral Amendment. This Agreement may not be amended, waived or terminated orally or by any act or omission made individually by Seller or Purchaser but may be amended, waived or terminated only by a written document signed by the party against which enforcement of the amendment, waiver or termination is sought.

Section 8.8. Joint and Several Liability. If Purchaser or Seller consists of more than one person or entity, the obligations and liabilities of each such person or entity under this Agreement are joint and several.

Section 8.9. Successors and Assigns. This Agreement binds Seller and Purchaser and their respective successors and assigns and inures to the benefit of Seller and Purchaser and their respective successors and permitted assigns. This Agreement also inures to the benefit of all Indemnified Parties and Released Parties pursuant to Article VII. Except as expressly provided above, this Agreement is not intended to give or confer any benefits, rights, privileges, claims, actions, or remedies to any person or entity as a third party beneficiary, decree, or otherwise.

Section 8.10. Duplicates and Counterparts; Facsimile. Duplicate counterparts of this Agreement may be executed and together will constitute a single original document. Transmission by facsimile of the signature of any party to this Agreement shall constitute execution and delivery of this Agreement or such document, provided that the party transmitting the same shall be obligated to promptly deliver the executed original thereof to the other party.

Section 8.11. Rights Cumulative; Waivers. The rights of each of Seller and Purchaser under this Agreement are cumulative and may be exercised as often as such party considers appropriate. The rights of each of Seller and Purchaser under this Agreement will not be capable of being waived or varied except by an express waiver or variation in writing. Any failure to exercise or any delay in exercising any of such rights will not operate as a waiver or variation of that or any other such right. Any defective or partial exercise of any of such rights will not preclude any other or further exercise of that or any other such right. No act or course of conduct

or negotiation on the part of any party will in any way preclude such party from exercising any such right or constitute a suspension or any variation of any such right.

Section 8.12. Assignment. Purchaser shall not assign all or any part of Purchaser's right, title and interest in and to this Agreement without first obtaining the prior written consent of Seller, which may be granted, conditioned or denied in Seller's sole and absolute discretion.

Section 8.13. Fees and Expenses. Purchaser and Seller shall each bear their own costs, fees and expenses incurred thereby in connection with this Agreement, including without limitation, the fees and expenses of accountants, appraisers, attorneys, servicers and other consultants and other costs and expenses in connection with the preparation of this Agreement and the consummation of the transaction contemplated by this Agreement. Escrow Agent's fees for serving as escrow agent shall be paid for and borne by Purchaser and Seller equally, regardless of whether or not the Closing occurs. Purchaser shall pay all other title and escrow costs and expenses related to the transaction, including without limitation, the cost of the Title Report and the Lender's Endorsement or New Loan Policy, if obtained by Purchaser. Without limitation of the foregoing, Seller shall not bear the cost of any recordation fees and/or taxes associated with selling, transferring, and assigning the Loans or any interest therein, including, without limitation, assignments of any mortgage, assignments of any financing statements, and any fees and/or taxes associated with other transfer documents which are to be recorded in connection with the transactions contemplated hereby. On or before the Closing Date, Purchaser agrees to deposit with Escrow Agent cash in an amount sufficient to pay all costs to be paid by Purchaser with respect to the Closing.

Section 8.14. Agreement Not Binding. Nothing contained in this Agreement will create any obligation on the part of Seller under this Agreement unless and until Seller has executed and delivered to Purchaser a counterpart copy of this Agreement.

Section 8.15. Further Assurances. Seller and Purchaser shall, upon the request of the other, execute and deliver such assignment and assumption documents, or perform such other acts, as may be reasonably required in order to effect, perfect or confirm the assignment by Seller, and the assumption by Purchaser, of all right, title, interest and obligations of Seller under the Loans and to complete the transactions contemplated by this Agreement, including correcting any errors or omissions in the Closing Documents delivered under Sections 3.3 and 3.4 hereof.

Section 8.16. Attorneys' Fees. If any action or claim is made by any party hereto against the other relating to this Agreement or the subject matter hereof, the prevailing party shall be entitled to their reasonable attorneys' fees and legal expenses, including all fees, costs and expenses incurred in any appellate or bankruptcy proceedings, or in any post-judgment proceedings to collect or enforce any judgment. This provision for the recovery of post-judgment fees, costs, and expenses is separate and several and shall survive the merger of this Agreement into any judgment. The term "prevailing party" means the party obtaining substantially the relief sought, whether by compromise, settlement or judgment.

Section 8.17. Right To Market Loans. From and after the date hereof until the Closing occurs in accordance with the terms of this Agreement, Purchaser acknowledges and agrees that Seller shall have the right to continue to market the Loans to other potential third party

purchasers ,and to receive and respond to offers to purchase the Loans from other potential purchasers, including without limitation, Prospective Bidders.

ARTICLE IX

DISPUTE RESOLUTION

Section 9.1. Court Trial. Each party to this Agreement hereby expressly waives any right to trial by jury with respect to any claim, demand, action or cause of action (a) arising under this Agreement, including any present or future modification thereof, or (b) in any way connected with or related or incidental to the dealings of the parties hereto or any of them with respect to this Agreement (as now or hereafter modified) or any other instrument, document or agreement executed or delivered in connection herewith, or the transactions related hereto or thereto, in each case whether such claim, demand, action or cause of action is now existing or hereafter arising, and whether sounding in contract or tort or otherwise; and each party hereby agrees and consents that any such claim, demand or cause of action shall be decided by court trial without a jury, and that any party to this Agreement may file an original counterpart or a copy of this section with any court as written evidence of the consent of the parties hereto to the waiver of any right they might otherwise have to trial by jury.

Section 9.2. Venue. Any action shall be commenced and maintained in the Court. The parties irrevocably consent to jurisdiction and venue in such Court and agree not to seek transfer or removal of any action commenced in accordance with the terms of this Article IX.

ARTICLE X

ESCROW PROVISIONS

Section 10.1. Escrow. Upon the execution of this Agreement by Purchaser and Seller, and the acceptance of this Agreement by Escrow Agent in writing, this Agreement shall constitute the joint escrow instructions of Purchaser and Seller to Escrow Agent to open escrow (the "**Escrow**") for the consummation of the transfer of Seller's right, title and interest in, to and under the Loans to Purchaser pursuant to this Agreement. Upon Escrow Agent's receipt of the Deposit and Escrow Agent's written acceptance of this Agreement, Escrow Agent is authorized to act in accordance with the terms of this Agreement. Purchaser and Seller shall promptly execute general escrow instructions based upon this Agreement at the request of Escrow Agent; provided, however, that if there is any conflict or inconsistency between such general escrow instructions and this Agreement, this Agreement shall control. Upon the Closing, Escrow Agent shall pay any sum owed to Seller with immediately available United States federal funds.

Section 10.2. Termination of Obligations. After delivery of the Deposit, the Purchase Price and the Closing Documents in accordance herewith, Escrow Agent shall have no further liability or obligation of any kind whatsoever.

ARTICLE XI

SALE PROCEDURES FOR AUCTION

Section 11.1. The Auction. The parties acknowledge it is a condition precedent to the Closing that Receiver obtain the Court Approval and the Receiver shall seek such Court Approval from the Court. Receiver shall use good faith efforts to request a hearing date from the Court for the application for Court Approval within twenty-one (21) calendar days after the date this Agreement is executed and delivered by Seller and Purchaser and Seller has received the Deposit from Escrow Agent. Receiver will propose to the Court that the sale of the Loans be subject to an auction (the "**Auction**") conducted under the Court's supervision in accordance with the following terms and provisions:

(a) Overbids and Bid Increments. The minimum overbid shall be Six Million Five Hundred Thousand and No/100 Dollars ($6,500,000) (the "**Minimum Overbid Amount**"). Only Qualified Bidders (as defined below) may make bids at the Auction. All bids are subject to overbids in increments of Fifty Thousand and No/100 Dollars ($50,000). The Court may reject any and all bids following conclusion of the Auction. If no Qualified Bidder submits a bid in the amount of the Minimum Overbid Amount or higher, this Agreement will be submitted to the Court for Court Approval.

(b) Due Diligence Information. All prospective bidders ("**Prospective Bidders**") shall have had the opportunity to inspect the Loans, the Loan File and any documentation in the Receiver's possession or control relating thereto prior to the Auction ("**Due Diligence Information**") and obtain a form purchase and sale agreement, after executing a limited access agreement in form acceptable to Seller. Such limited access agreement shall include confidentiality and disclaimer provisions as determined necessary or appropriate by the Receiver.

(c) No Representations and Warranties for Due Diligence Information. Any Due Diligence Information provided to Prospective Bidders is for informational purposes only and provided without any warranty, guaranty or representation by Receiver, express or implied. All Prospective Bidders shall conduct their own independent investigation and analysis regarding the Loans, the Loan File, Borrowers and the Property and whether or not to proceed with the purchase of the Loans. Receiver has not and will not be deemed to have made any representations, express or implied, regarding the completeness or accuracy of the Loan File or other Due Diligence Information.

(d) Qualified Bidder. To be determined a qualified bidder (the "**Qualified Bidder**"), one must: (i) provide a fully executed purchase and sale agreement for the Loans in form substantially similar to this Agreement ("**Qualified Bid PSA**"), acceptable to the Receiver (provided, that, such Qualified Bid PSA shall be revised to (A) reflect any changes in this Agreement that are personal in nature to the Qualified Bidder, as purchaser), (ii) concurrently with the execution and delivery of the Qualified Bid PSA, provide evidence, in the form of a cashier's check, a deposit of immediately available funds or an irrevocable letter of credit in favor of the Receiver, or such other evidence acceptable to the Receiver, in his sole and absolute discretion that the Qualified Bidder has the ability to pay at least the Minimum Overbid Amount

set forth above ("**Evidence of Funds**"), (iii) concurrently with the execution and delivery of the Qualified Bid PSA, provide an earnest money deposit (the "**Overbid Deposit**") in Immediately Available Funds in the amount of One Million and No/100 Dollars ($1,000,000.00) payable to the Receiver, which amount shall be *non-refundable* to the Qualified Bidder with the highest bid at the Auction (the "**High Bidder**") except as expressly set forth in the Qualified Bid PSA.. Purchaser is a Qualified Bidder. Each Qualified Bidder (other than Purchaser) must provide the Qualified Bid PSA executed by such Qualified Bidder, the Overbid Deposit and the Evidence of Funds to the Receiver no later than five (5) Business Days' prior to the date set for the hearing with the Court of the application seeking Court Approval ("**Hearing Date**"). The Qualified Bidders shall appear at the Auction in person, or through a duly authorized representative. The High Bidder's Overbid Deposit shall be applied to the purchase price under the Qualified Bid PSA, if the sale is approved by the Court.

(e) Consent to Court Jurisdiction and Waiver of Jury Trial. All Qualified Bidders appearing at the Auction shall have deemed to have consented to the Court's jurisdiction and waived any right to jury trial in connection with any disputes related to the Auction, or the closing of the sale. The Court shall be the exclusive forum for any such disputes.

(f) No Contingencies for Qualified Bidder. The sale to any Qualified Bidder of the Property shall *not* be subject to any contingencies, including without limitation, contingencies for financing, due diligence or inspection.

(g) No Conditions Precedent for Qualified Bidder. The sale to any Qualified Bidder of the Property shall not be subject to any additional conditions precedent (not reflected in this Agreement) to the Qualified Bidder's obligation to timely consummate the sale transaction, and to pay the remainder of the purchase price.

(h) Auction Confirmation Order. The only authorized condition subsequent to the Auction for the Qualified Bidder is entry of a Court order confirming the sale to the Qualified Bidder (the "**Auction Confirmation Order**").

(i) Conditions to Consummation of Sale Transaction Prior to and Following Auction. In addition to the Closing conditions set forth in this Agreement, the closing of any sale to a Qualified Bidder shall be subject to the following additional conditions: (i) Receiver's review and acceptance of the highest bid received from a Qualified Bidder, (ii) entry of the Auction Confirmation Order and (iii) prior to Auction, waiver and release of all claims against the Receiver. If any of these foregoing conditions are not satisfied, (a) the sale to the Qualified Bidder shall not be consummated, and (b) any obligations of the Receiver shall also be terminated, including any obligations under the Qualified Bid PSA.

(j) Transfer of the Loans Following Auction. Following the Auction, all of Seller's right, title and interest in and to the Loans shall be transferred "*AS-IS*", *WITHOUT REPRESENTATIONS AND WARRANTIES*, to the High Bidder.

(k) Receiver's Right to Determine Conduct of Auction. The Receiver reserves the right to deny any person (other than Purchaser) admittance to the Auction, to postpone or cancel the Auction, to withdraw the Loans from the Auction, and to change any terms or

procedures of the Auction or the particular conditions of sale, as necessary, upon notice to Purchaser, and any Qualified Bidders, prior to or at the Auction, without further Court order.

(l) Breakup Fee; Purchaser's Rights upon Overbid. If Purchaser is outbid by a Qualified Bidder at the Auction and the sale of the Loans to such Qualified Bidder is consummated, (i) Purchaser shall be entitled to a break-up fee equal to Purchaser's Expenses to the extent not previously reimbursed by Seller to Purchaser pursuant to any other provision contained in this Agreement, (ii) the Deposit shall immediately be returned to Purchaser, and (iii) this Agreement shall be terminated and, except as specifically set forth in this Agreement, neither party shall have any further obligation or liability to the other.

ARTICLE XII

SUBORDINATION AGREEMENT

Section 12.1. Purchaser acknowledges that MedCap III made the following loans to Robert J. Aquino ("**Aquino**"), (i) a loan in the original principal amount of $500,000 evidenced by a promissory note dated October 20, 2006 from Aquino to MedCap III and (ii) a loan in the original principal amount of $12,800,000 evidenced by a promissory note dated January 23, 2007 from Aquino to MedCap III (collectively, the "**Aquino Loans**"). Until the Aquino Loans have been indefeasibly paid in full, from and after the Closing: (a), Purchaser hereby agrees that all existing and future indebtedness payable by Aquino to Purchaser as guarantor under the Loan Documents (collectively, the "**Subordinated Debt**") shall be and is hereby subordinated to the Aquino Loans, and the payment of the Subordinated Debt is hereby deferred in right of payment to the prior payment and performance of the Aquino Loans; (b) Purchaser shall not collect or receive any cash or non-cash payments on any Subordinated Debt or transfer all or any portion of the Subordinated Debt; (c) Purchaser shall from time to time promptly notify Seller in writing of any litigation, proceeding or action commenced, instituted or taken against Aquino, or his assets, including without limitation, any action taken in the Pending Foreclosure Action, to collect the Subordinated Debt or otherwise enforce the Subordinated Debt (each an "**Enforcement Action**") (each of which notice shall be accompanied by file stamped copies of all pleadings or other court documents filed with the applicable court in connection with any such Enforcement Action); and (d) in the event that any payment or distribution of assets with respect to any Subordinated Debt is received by or on behalf of Purchaser, such payment or distribution shall be held in trust by Purchaser for the benefit of Seller, and immediately paid over to Seller until such time as the Aquino Loans have been indefeasibly paid in full. The provisions of this Section 12.1 shall survive the Closing and shall not be deemed merged into any instrument or conveyance delivered at the Closing.

IN WITNESS WHEREOF, Seller and Purchaser have executed and delivered this Agreement as of the date first set forth above.

PURCHASER:

PH PAPER LLC,
a New York limited liability company

By:_____
Name:_____
Its:_____

SELLER:

_____
THOMAS A. SEAMAN, SOLELY IN HIS CAPACITY AS RECEIVER, APPOINTED BY THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA, SOUTHERN DIVISION FOR MEDICAL PROVIDER FINANCIAL CORPORATION III, a Nevada corporation

TERMS OF THIS AGREEMENT ARE AGREED TO AND ACKNOWLEDGED BY ESCROW AGENT THIS ___ DAY OF _____, 2012

"ESCROW AGENT"

FIRST AMERICAN TITLE INSURANCE COMPANY

By:_____
Name:_____
Title:_____

EXHIBIT A

SCHEDULE OF LOAN DOCUMENTS

A revolving loan in the original principal amount of up to $8,000,000 as subsequently increased to $8,500,000 and a term loan in the original principal amount of $2,000,000 from Thomas A. Seaman, as receiver for Medical Provider Financial Corporation III, a Nevada corporation ("**MPFC III**"), as assignee of GE HFS Holdings, Inc., as successor in interest to Heller Healthcare Finance, Inc. ("**GE**"), made to Parkway Hospital Associates, a New York general partnership, now known as Parkway Acquisition I, LLC, a New York limited liability company ("PHA") and The Parkway Hospital Inc. ("**PHI**") (PHA and PHI are collectively referred to herein as "**Borrowers**") as evidenced, secured, modified and extended by the instruments, agreements and such other documents as set forth below. Capitalized terms used in this Exhibit A to the Agreement shall have the meanings set forth in Exhibit B to the Agreement.

1. A Consolidation, Extension and Modification Agreement with Core States Bank ("**CSB**") dated October 18, 1994 (the "**Original Consolidation Mortgage**") delivered by PHA to CSB in the principal sum of Eight Million Dollars ($8,000,000.00) recorded November 4, 1995, pursuant to which PHA consolidated five original mortgages with various lenders and mortgaged to CSB the premises commonly known and designated as 70-35 113th Street, Forest Hills, NY and more particularly described in said Original Consolidation Mortgage to secure repayment, and performance, of certain obligations to CSB.

2. An Assignment (the "**Assignment**") dated August 6, 2001 from First Union National Bank, as successor in interest to CSB, assigning the Original Consolidation Mortgage and the underlying obligations due from PHA to Heller.

3. The Term Loan Agreement.

4. The Term Note.

5. The Term Mortgage.

6. The GE Term Loan Assignment.

7. A UCC-l Financing Statement filed by First Pennsylvania Bank N.A. with the New York Secretary of State on August 31, 1989 as File No. 218411, perfecting a security interest in certain personal property of PHA, as more fully described on Exhibit A thereto, together with any and all amendments, assignments or continuations thereof.

8. A UCC-l Financing Statement filed by Heller with the New York Secretary of State on August 20, 2001 as File No. 156413, perfecting a security interest in certain personal property of PHI, as more fully described on Exhibit A thereto, together with any and all amendments, assignments or continuations thereof.

9. A UCC-l Financing Statement filed by Heller with the New York Secretary of State on August 20, 2001 as File No. 156409, perfecting a security interest in certain personal property of PHA, as more fully described on Exhibit A thereto, together with any and all amendments, assignments or continuations thereof.

10. A UCC-1 Financing Statement filed by Heller with the New York Secretary of State on August 20, 2001 as File No. 156448, perfecting a security interest in certain personal property of PHA, as more fully described on Exhibit A thereto, together with any and all amendments, assignments or continuations thereof.

11. A UCC-1 Financing Statement filed by Heller with the New York Secretary of State on September 4, 2001 as File No. 167333, perfecting a security interest in certain personal property of PHA, as more fully described on Exhibit A thereto, together with any and all amendments, assignments or continuations thereof.

12. The Revolving Loan Agreement.

13. The Revolving Note.

14. The Revolving Mortgage.

15. A November 19, 2003 Forbearance Agreement between PHA and PHI and GE (the "**First Forbearance Agreement**").

16. A February 24,2004 Second Forbearance Agreement between PHA and PHI and GE (the "**Second Forbearance Agreement**").

17. A March 17, 2004 Overline Letter (the "**First Overline Loan**") pursuant to which GE advanced the principal sum of Three Hundred and Fifty Thousand Dollars ($350,000.00) to PHA and PHI.

18. An April 23, 2004 Third Forbearance Agreement between PHA and PHI and GE (the "**Third Forbearance Agreement**", collectively with the First Forbearance Agreement and Second Forbearance Agreement, the "**Forbearance Agreements**").

19. Letter dated May 4, 2004 letter to PHA and PHI from GE identifying defaults under Third Forbearance Agreement (the "**May 4, 2004 Letter**").

20. Letters dated May 18, 2004, May 24, 2004 and June I, 2004 extending the time to allow PHA and PHI to cure the ongoing defaults pursuant to the Third Forbearance Agreement (collectively, the "**Default Extension Letters**").

21. Letters dated June 4, 2004 and June 17, 2004, extending the term of the Third Forbearance Agreement and the payment of the First Overline Loan (collectively, the "**Forbearance Extension Letters**").

22. An Inter-Creditor Agreement by and between GE and Parkway Hospital Equities, LLC, PHA and PHI dated June 25, 2004 (the "**Inter-Creditor Agreement**").

23. Letter dated September 2, 2004 extending the term of the Revolver Note, the term of the Third Forbearance Agreement and the payment of the First Overline Loan to October 15, 2004 (the "**September 2, 2004 Letter**").

24. Letter dated October 18, 2004 extending the term of the Revolver Note, the term of the Third Forbearance Agreement and the payment of the First Overline Loan to October 29, 2004 (the "**October 18, 2004 Letter**").

25. Letter dated October 29,2004 extending the term of the Revolving Credit Note, the term of the Third Forbearance Agreement and the payment of the First Overline Loan to December 17, 2004 (the "**October 29, 2004 Letter**").

26. Letter dated November 19, 2004 from GE to PHA and PHI identifying defaults under the Revolving Loan Agreement and Third Forbearance Agreement (the "**November 19, 2004**").

27. Letter dated December 21, 2004 extending the term of the Revolver Note, the term of the Third Forbearance Agreement and the payment of the First Overline Loan to February 25, 2005 (the "**December 21, 2004 Letter**").

28. A January 31, 2005 Second Overline Letter (the "**Second Overline Loan**") pursuant to which GE advanced the principal sum of Two Hundred and Fifty Thousand ($250,000.00) to PHA and PHI.

29. A January 31, 2005 Personal Guarantee (the "**January Personal Guarantee**") delivered by Robert J. Aquino ("**Aquino**") to GE guaranteeing the re-payment of the Second Overline Loan to GE.

30. Letter dated February 11, 2005 amending the terms of re-payment of the Second Overline Loan (the "**February 11, 2005 Letter**").

31. Letter dated February 24, 2005 extending the term of the Revolver Note, the term of the Third Forbearance Agreement and the payment of the First Overline Loan to April 29, 2005 (the "**February 24, 2005 Letter**").

32. Letter dated April 8, 2005 identifying events of default under the Third Forbearance Agreement and Revolving Loan Agreement and the Loan Documents (the "**April 8, 2005 Letter**").

33. Letter dated April 28, 2005 extending the term of the Revolver Note and the Third Forbearance Agreement as provided for therein (the "**April 28, 2005 Letter**").

34. A May 9, 2005 Third Overline Letter (the "**Third Overline Loan**") pursuant to which GE advanced the principal sum of Three Hundred Thousand ($300,000.00) to PHA and PHI.

35. Letter dated May 9, 2005 extending the term of the Revolver Note and the Third Forbearance Agreement to May 16, 2005 (the "**May 9, 2005 Letter**").

36. A May 10, 2005 Personal Guarantee (the "**May 10 Personal Guarantee**") delivered by Aquino to GE guaranteeing the re-payment of the Third Overline Loan to GE.

37. Letter dated May 16, 2005 extending the term of the Revolver Note and the Third Forbearance Agreement to May 23, 2005 (the "**May 16, 2005 Letter**").

38. Letter dated May 24, 2005 extending the term of the Revolver Note and the Third Forbearance Agreement to June 1, 2005 (the "**May 24, 2005 Letter**").

39. A May 24, 2005 Fourth Overline Letter (the "**Fourth Overline Loan**") pursuant to which GE advanced the principal sum of Five Hundred Thousand Dollars ($500,000.00) to PHA and PHI.

40. A May 25, 2005 Personal Guarantee (the "**May 25 Personal Guarantee**") delivered by Aquino to GE guaranteeing the re-payment of the Fourth Overline Loan to GE.

41. A May 25, 2005 Corporate Guarantee (the "**May Corporate Guarantee**") delivered by Bora Medical, P.C., Bora Healthcare of Union, P.C., Bora Medical of Westchester, Inc., Boulevard Surgical Center, Inc. f/k/a QSCC Acquisition Corp., Lifeco Medical P.C., Capital Health Management, Inc., Capital Health Management Services Limited (collectively the "**Corporate Guarantors**" and collectively, with Aquino the "**Guarantors**") to GE guaranteeing repayment of the Fourth Overline Loan to GE.

42. Letter dated June 16, 2005 extending the term of the Revolver Note and the Third Forbearance Agreement to June 29, 2005 (the "**June 16, 2005 Letter**").

43. A June 21, 2005 Fifth Overline Letter (the "**Fifth Overline Loan**", collectively with the First Overline Loan, Second Overline Loan, Third Overline Loan, and Fourth Overline Loan the "**Overline Loans**") pursuant to which GE advanced Two Hundred Thousand Dollars ($200,000.00) to PHA and PHI.

44. A June 21, 2005 Personal Guarantee (the "**June Personal Guarantee**") delivered by Aquino to GE guaranteeing repayment of the Fifth Overline Loan.

45. A June 21, 2005 Corporate Guarantee (the "**June Corporate Guarantee**") delivered by the Corporate Guarantors to GE guaranteeing repayment of the Fifth Overline Loan.

46. Letter dated June 30, 2005 extending the term of the Revolver Note and the Third Forbearance Agreement to July 6, 2005 (the "**June 30, 2005 Letter**").

47. The Revolving Loan Modification.

48. GE Revolving Loan Assignment.

49. MedCap III Revolving Loan Assignment.

50. WFB Revolving Loan Assignment.

51. Such other documents related to, evidencing and/or securing the Loans or the Loan Documents and recorded in the Office of the Register of Queens County or filed with the New York Secretary of State.

EXHIBIT B

DEFINITIONS

"**Affiliate**" is defined, in the case of any entity, as the entity's parent or any wholly or partially-owned subsidiary of the entity or the entity's parent.

"**Agreement**" is defined as this Loan Purchase and Sale Agreement, together with all Exhibits, Schedules and attachments annexed hereto and made a part hereof, as the same may be amended, supplemented or modified.

"**Aquino**" is defined in Section 12.1 hereof.

"**Aquino Loans**" is defined in Section 12.1 hereof.

"**Assignment Agreement**" is defined in Section 3.3(a) hereof.

"**Auction**" is defined in Section 11.1 hereof.

"**Auction Confirmation Order**" is defined in Section 11.1(h) hereof.

"**Borrower**" or "**Borrowers**" is defined in Recital A above.

"**Borrower Notice Letter**" is defined in Section 3.3(b) hereof.

"**Business Day**" is defined as any day, other than a Saturday, a Sunday, a federal holiday or any day on which banking institutions in Los Angeles, California are not generally open for business.

"**Case**" is defined in the Recital D above.

"**Chicago Title**" is defined in Section 2.3 hereof.

"**Claim**" is defined as any and all liabilities, losses, claims (including third party claims), demands, damages (of any nature whatsoever), causes of action, costs, penalties, fines, judgments, attorneys' fees, consultants' fees and costs and experts' fees.

"**Closing**" and "**Close**" are defined as the consummation of the purchase and sale of all of Seller's right, title and interest in the Loans as contemplated by this Agreement pursuant to delivery of the Closing Documents, payment of the Purchase Price and sale and purchase of the Loans in accordance with this Agreement, which Closing will occur at or before 2:00 p.m. (Eastern Time) on the Scheduled Closing Date.

"**Closing Date**" is defined as the date on which the Closing actually occurs.

"**Closing Documents**" is defined as all documents that are required to be delivered by Seller or Purchaser at the Closing in accordance with this Agreement.

"**Confidentiality Agreement**" is defined in Section 2.3 hereof.

"**Court**" is defined as the United States District Court for the Central District of California, Southern Division.

"**Court Approval**" is defined in Section 3.7(a)(C) hereof.

"**Deposit**" is defined in Section 3.2(a) hereof.

"**Due Diligence Information**" is defined in Section 11.1(b) hereof.

"**Effective Date**" is defined in the preamble of this Agreement.

"**Escrow**" is defined in Section 10.1 hereof.

"**Escrow Agent**" is defined in Section 3.1(a) hereof. Escrow Agent's address for Notices is as follows:

First American Title Insurance Company
5 First American Way
Santa Ana, CA 92707
Facsimile: (714) 800-3235
Attention: Patty Beverly
Escrow No. NCS 465012-SA1

"**Enforcement Action**" is defined in Section 12.1 hereof.

"**Enforcement Costs**" means all legal fees and expenses (including without limitation, any and all expert and consultant fees, deposition fees and costs, filing fees and costs) incurred by Seller from the date of this Agreement to the Closing Date in connection with the Pending Foreclosure Action or otherwise in connection with the enforcement of Seller's rights and remedies under the Loan Documents.

"**Evaluation Materials**" as defined in the Confidentiality Agreement.

"**Existing Lender's Policy**" is defined in Section 2.3 hereof.

"**GE**" is defined in Recital A hereof.

"**Heller**" is defined in Recital A hereof.

"**Hearing Date**" is defined in Section 11.1(d) hereof.

"**High Bidder**" is defined in Section 11.1(d) hereof.

"**Lender's Endorsement**" is defined in Section 3.8 hereof.

"**Indemnified Party**" and "**Indemnified Parties**" are each defined in Section 7.1 hereof.

"**Loan**" or "**Loans**" is defined in Recital C above.

"**Loan Documents**" is defined in Recital C above.

"**Loan File**" is defined as, with respect to the Loans,

(a) copies of the Notes and any endorsements thereto;

(b) recorded copies, of the original recorded Mortgage for each Loan, and any recorded intervening assignments thereof , in each case with evidence of recording indicated thereon;

(c) copies of all of the other Loan Documents described on **Exhibit A** hereto;

(d) executed copies of all assumption, modification, amendment and substitution agreements in those instances, if any, where the Notes, the Mortgages or any other documents in the Loan File have been assumed, modified, amended or substituted in Seller's possession;

(e) copies of the filed UCC Financing Statements; and

(f) all other Evaluation Materials made available or delivered to Purchaser pursuant to the Confidentiality Agreement and/or this Agreement, including without limitation, copies of the Title Report and the Existing Lender's Policy.

"**MedCap I**" is defined in the Preamble.

"**MedCap II**" is defined in the Preamble.

"**MedCap III**" is defined in the Preamble.

"**Minimum Overbid Amount**" is defined in Section 11.1(a) hereof.

"**Mortgage**" or "**Mortgages**" is defined in Recital C hereof.

"**Mortgage Assignments**" is defined in Section 3.4(f) hereof.

"**New Loan Policy**" is defined in Section 3.8 hereof.

"**Note**" or "**Notes**" is defined in Recital C above

"**Notice**" is defined as any and all acceptances, approvals, consents, demands, notices, requests and other communications required or permitted to be given under this Agreement.

"**Order**" is defined in the Recital D above.

"**Overbid Deposit**" is defined in Section 11.1(d) hereof.

"**Participation Agreement**" is defined in Section 3.3(f) hereof.

"**Pending Foreclosure Action**" is defined in Section 4.2(e) hereof.

"**PHA**" is defined in Recital A above.

"**PHI**" is defined in Recital A above.

"**PHI Bankruptcy Case**" is defined in Section 4.2(e) hereof.

"**PHI Bankruptcy Claim**" is defined in Section 2.1 hereof.

"**PHI Pledged Collateral**" is defined in Section 2.1 hereof.

"**Property**" is defined as the real and personal property described in the Mortgages.

"**Proposed Assignee**" is defined in Section 8.12 hereof.

"**Prospective Bidders**" is defined in Section 11.1(b) hereof.

"**Purchase Price**" is defined in Section 2.1 hereof.

"**Purchaser**" is defined in the preamble of this Agreement. Purchaser's address for Notices is as follows:

PH Paper LLC
c/o Chesterfield Faring, Ltd
415 Madison Avenue
New York, NY 10017
Attention: Mr. Lawrence Selevan

with a copy to:

Kenneth P. Horowitz, Esq.
Kriss & Feuerstein LLP
360 Lexington Avenue – 12th Floor
New York, New York 10017

"**Purchaser's Expenses**" is defined in Section 6.1 hereof.

"**Qualified Bid PSA**" is defined in Section 11.1(d) hereof.

"**Qualified Bidder**" is defined in Section 11.1(d) hereof.

"**Receiver**" is defined in the Recital D above.

"**Released Party**" or "**Released Parties**" is defined in Section 7.4 hereof.

"**Revolving Loan** " is defined in Recital A hereof.

"**Revolving Loan Agreement**" is defined in Recital A hereof.

"**Revolving Loan Documents**" is defined in Recital A hereof.

"**Revolving Loan Modification**" is defined in Recital A hereof.

"**Revolving Mortgage**" is defined in Recital A hereof.

"**Revolving Note**" is defined in Recital A hereof.

"**Scheduled Closing Date**" is defined in Section 3.1 hereof.

"**Seller**" is defined in the introductory paragraph. Seller's address for Notices is as follows:

THOMAS SEAMAN COMPANY
3 Park Plaza, Suite 550
Irvine, California 92614
Facsimile: (949) 222-0661
Attention: Thomas A. Seaman CFA (Tom)

with a copy to: Allen Matkins Leck Gamble Mallory & Natsis LLP
1900 Main Street, 5th Floor
Irvine, California 92614
Attention: Anne E. Klokow

"**Seller's Broker**" is defined in Section 4.6 hereof.

"**Subordinated Debt**" is defined in Section 12.1 hereof.

"**Substitution of Attorney**" is defined in Section 3.5 hereof.

"**Term Loan** " is defined in Recital B hereof.

"**Term Loan Agreement**" is defined in Recital B hereof.

"**Term Loan Documents**" is defined in Recital B hereof.

"**Term Mortgage**" is defined in Recital B hereof.

"**Term Note**" is defined in Recital B hereof.

"**UCC Financing Statements**" is defined as those UCC financing statements filed with the New York Secretary of State in connection with the Loans and described on Exhibit A hereto.

"**UCC-3 Financing Statements**" is defined in Section 3.4(d) hereof.

EXHIBIT C

RULES OF CONSTRUCTION

1. References in this Agreement to numbered Articles or Sections are references to the Articles and Sections of this Agreement. References in this Agreement to lettered Exhibits and numbered Attachments are references to the Exhibits and Attachments attached to this Agreement, all of which are incorporated in and constitute a part of this Agreement. Article, Section, Exhibit and Attachment captions used in this Agreement are for reference only and do not describe or limit the substance, scope or intent of this Agreement or the individual Articles, Sections, Exhibits or Attachments of this Agreement.

2. The terms "include", "including" and similar terms are construed as if followed by the phrase "without limitation."

3. The term "Property" is construed as if followed by the phrase "or any part thereof".

4. Any agreement by or duty imposed on either party in this Agreement to perform any obligation or to refrain from any act or omission constitutes a covenant on such party's part and includes a covenant by such party to cause its Affiliates, agents, employees, members, partners, principals, representatives and trustees to perform the obligation or to refrain from the act or omission in accordance with this Agreement.

5. The singular of any word includes the plural and the plural includes the singular. The use of any gender includes all genders.

6. The terms "person", "party" and "entity" include natural persons, firms, partnerships, limited liability companies and partnerships, corporations and any other public or private legal entity.

7. The term "provisions" includes terms, covenants, conditions, agreements and requirements.

8. The term "amend" includes modify, supplement, renew, extend, replace, restate and substitute and the term "amendment" includes modification, supplement, renewal, extension, replacement, restatement and substitution.

9. No inference in favor of or against a party with respect to this Agreement may be drawn from the fact that the party drafted this Agreement.

10. The term "certificate" means the sworn, notarized statement of the entity giving the certificate, made by a duly authorized person satisfactory to Seller affirming the truth and accuracy of every statement in the certificate. Any document that is "certified" means the document has been appended to a certificate of the entity certifying the document that affirms the truth and accuracy of everything in the document being certified. In all instances the entity issuing a certificate must be satisfactory to Seller and Purchaser.

11. All obligations, rights, remedies and waive contained in this Agreement will be construed as being limited only to the extent required to be enforceable under applicable law.

EXHIBIT D

WIRING INSTRUCTIONS FOR ESCROW AGENT

Bank:	First American Trust, FSB 5 First American Way Santa Ana, CA 92707
ABA Routing Number:	122241255
Account Name:	First American Title Insurance Company
Account Number:	3016030000
Depositor's Name:	_____
For Credit to:	Escrow No. NCS 465012-SA1
Escrow Officer:	Patty Beverly Telephone Number (714) 250-8455

EXHIBIT E

FORM OF
ASSIGNMENT AND ASSUMPTION OF AGREEMENTS

FOR VALUE RECEIVED, _____ ("**Assignor**"), assigns, conveys, grants, sets over and transfers to _____ ("**Assignee**"), all of Assignor's right, title and interest, if any, in and to (1) the agreements listed on **Attachment 1** to this Assignment and Assumption (collectively, the "**Agreements**"), (2) to the extent paid after the Effective Date, all scheduled and unscheduled payments, including any proceeds of any insurance claims or settlements or casualty or eminent domain proceedings or any payments made by Borrower, arising in connection with the Loans and (3) the Loan File, including, without limitation, the servicing files, if any (to the extent in the possession and/or control of Assignor).

TOGETHER WITH all of Assignor's right, title and interest, if any, in and to all notes and contracts described or referred to in the Agreements, all guarantees of the Agreements all assumptions of the Agreements, the money due and to become due thereon with interest and all contract rights accrued or to accrue under the Agreements (excluding the PHI Pledged Collateral and PHI Bankruptcy Claim (as defined in the Purchase Agreement) and subject to the terms and conditions of the Participation Agreement (as defined in the Purchase Agreement).

Assignee unconditionally assumes all liabilities and obligations of Assignor arising under the Agreements on and after the Effective Date, including, without limitation, any obligation under the Agreements to make any future advances to the borrower thereunder at any time on and after the Effective Date.

This Assignment and Assumption of Agreements (this "**Assignment and Assumption**") will be binding on and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

Except as set forth in the Loan Purchase and Sale Agreement, dated as of _____, 2012, between Assignor and Assignee (the "**Purchase Agreement**"), this Assignment and Assumption is made without recourse to or any representation or warranty, express or implied, by Assignor. Any such representation or warranty will not inure to the benefit of any assignee of Purchaser other than an assignee permitted under such Purchase Agreement. Capitalized terms not otherwise defined in this Assignment and Assumption shall have the respective meaning ascribed to such term in the Purchase Agreement.

Dated as of the ____ day of _____, 2012.

ASSIGNEE:

By: _____
Name:
Title:

ASSIGNOR:

By: _____
Name:
Title:

ATTACHMENT 1

AGREEMENTS

[TO BE ATTACHED]

EXHIBIT F

FORM OF NOTICE TO BORROWER

_____, 2012

BY CERTIFIED MAIL/
RETURN RECEIPT REQUESTED

_____
_____
_____
Attention: _____

Re: [INSERT DESCRIPTION OF THE LOANS HERE]

Ladies and Gentlemen:

_____ ("**Seller**") and _____ ("**Purchaser**"), having an address at _____, _____, _____ _____. Attention: _____, hereby notify _____ ("**Borrower**") that on the date hereof, Seller sold its entire interest in the referenced loan ("**Loans**") to Purchaser. Should you have any questions concerning the Loans, please contact Purchaser at the above referenced address.

Thank you very much for your cooperation.

Very truly yours

By: _____
Name:
Title:

EXHIBIT G

FORM OF ENDORSEMENT

Pay to the order of _____ ("**Purchaser**"), without any recourse to or representation or warranty, express or implied, by _____ Lender, except as expressly set forth in that certain Loan Purchase and Sale Agreement, dated as of _____, 2012, by and between Lender and Purchaser.

This endorsement is attached to and forms a part of that certain [*describe the Note*], made by _____, as borrower, to Lender, in the original principal amount of $_____.

Dated as of the ____ day of _____, 2012.

By:_____
Name:
Title:

EXHIBIT H

FORM OF MORTGAGE ASSIGNMENT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

_____
_____
_____
Attn.: _____

(Space Above For Recorder's Use)

ASSIGNMENT OF MORTGAGE

KNOW THAT THOMAS A. SEAMAN, having an office at _____ ("**Assignor**"), solely in his capacity as Receiver for Medical Provider Financial Corporation III, for good and valuable consideration received from PH PAPER, LLC, a New York limited liability company ("**Assignee**"), receipt of which Assignor acknowledges, does hereby assign unto Assignee the Mortgages set forth on **Schedule "A"**;

TOGETHER with the notes or other obligations described in the Mortgages, and the moneys due and to grow thereon with interest;

TO HAVE AND TO HOLD, the same unto Assignee and to its successors and assigns forever. This assignment is made by the Assignor and accepted by the Assignee without guarantee or representation on the part of the Assignor and without recourse to the Assignor in any event or for any cause.

IN WITNESS WHEREOF, Assignor has duly executed this Assignment as of _____, 2012.

_____
THOMAS A. SEAMAN, solely in his capacity as receiver for Medical Provider Financial Corporation III, a Nevada corporation

Assignee represents in accordance with Section 275 of the Real Property Law that Assignee is not a nominee of the owner of the property covered by the Mortgages and that the Mortgages continue to secure a bona fide debt.

PH PAPER LLC,
a New York limited liability company

By:_____
Name:_____
Title:_____

SCHEDULE A

1. Mortgage made by Jacob W. Friedman and Samuel Gutterman (Owner and/or Landlord) and Unum Realty Corporation (Tenant) to Suburbia Federal Savings and Loan Association dated 12/15/61, recorded 12/21/61 in Liber 7940 Page 378 in the amount of $2,000,000.00.

2. Mortgage made by Unum Realty Corporation to Suburbia Federal Savings and Loan Association dated 9/15/71, recorded 9/28/71 in Reel 513, Page 95 in the amount of $2,348,985.96.

   Which mortgage, by its terms, was consolidated with Mortgage 1 to form a first lien in the amount of $3,500,000.00.

   Modification & Extension Agreement: Unum Realty Corporation and Suburbia Federal Savings and Loan Association dated 9/15/71 and recorded 9/28/71 in Reel 513, Page 101.

   Assignment of Mortgage made by Fidelity Federal Savings Bank of New York f/k/a Suburbia Federal Savings and Loan Association to First Pennsylvania Bank, N.A. dated 8/10/89, recorded 8/21/89 in Reel 2821, Page 1864,

3. Mortgage made by Parkway Hospital Associates to Pennsylvania Bank, N.A. dated 8/11/89, recorded 8/22/89 in Reel 2862, Page 1336 in the amount of $4,227,631.44.

   Consolidation, Extension and Modification Agreement made between Parkway Hospital Associates and First Pennsylvania Bank, N.A. dated 8/11/89, recorded 8/22/89 in Reel 2862, Page 1340 consolidating mortgages 1, 2, and 3 to form a single lien of $5,000,000.00.

4. Mortgage made by Parkway Hospital to Corestates Bank, N.A., dated 1/24/92, Recorded 3/12/92 in Reel 3284, Page 1539 in the amount of $3,000,000.00.

   Consolidation, Extension and Modification Agreement made between Corestates Bank, N.A., Successor by Merger to First Pennsylvania Bank, N.A. and Parkway Hospital Associates dated 1/24/92, recorded 3/12/92 in Reel 3284, Page 2439 consolidating mortgages 1, 2, 3 and 4 to form a single lien of $8,000,000.00.

5. Mortgage made by Parkway Hospital to Corestates Bank, N.A., dated 10/18/94 recorded 11/4/94 in Reel 4013, Page 1539 in the amount of $3,047,616.00.

   Consolidation, Extension and Modification Agreement made between Parkway Hospital and Corestates Bank, N.A., dated 10/18/94, recorded 11/4/94 in Reel 4013, Page 1544 consolidating mortgages 1, 2, 3, 4, and 5 to form a single lien of $8,000,000.00.

   Modification Agreement made between Parkway Hospital Associates and First Union National Bank, Successor by merger to Corestates Bank, N.A., dated 9/29/98, recorded 11/29/98 in Reel 5033, Page 1878.

Assignment of Mortgage made by First Union National Bank to Heller Healthcare Finance, Inc., dated 8/6/01, recorded 9/21/01 in Reel 6019, Page 2429.

Amendment to Mortgage made between Parkway Hospital Associates and Heller Healthcare Finance, Inc., dated 8/8/01, recorded 9/21/01 in Reel 6019, Page 2423.

Agreement of Splitter made by and between Heller Healthcare Finance, Inc., The Parkway Hospital, Inc., and Parkway Associates, dated 8/8/01, recorded 9/21/01 in Reel 6019, Page 2417, splitting mortgages 1.2,3,4 and 5 into two (2) liens, one (1) of which constitutes the restated mortgage being assigned hereunder.

Amended Restated Revolving Mortgage and Security Agreement made by and between Parkway Hospital Associates and Heller Healthcare Finance, Inc., dated 8/8/01, whereby the above five (5) mortgages as consolidated and split are modified to secure the reduced amount of $1,142,222.00, recorded 9/21/01 in Reel 6019, Page 2442.

Mortgage Modification Agreement made between Parkway Hospital Associates and GE HFS Holdings, Inc., f/k/a Heller Healthcare Finance, Inc., securing the increased amount of $8,500,000.00, dated 5/24/05, recorded 6/21/05 in CRFN 2005000356382.

Assignment of Mortgage made by GE HFS Holdings, Inc., to Medical Provider Financial Corporation III, dated 12/18/06, recorded 3/2/07 in CRFN 2007000116515 (assigns mortgages 1, 2, 3, 4 and 5 as consolidated, split, restated and modified as set forth above).

Assignment of Mortgage made by Medical Provider Financial Corporation III, to Wells Fargo Bank, dated 5/29/07, recorded 7/10/07 in CRFN 2007000351934 (assigns mortgages 1, 2, 3, 4 and 5 as consolidated, split, restated and modified as set forth above).

Assignment of Mortgage made by Wells Fargo Bank to Thomas A. Seaman, as receiver for Medical Provider Financial Corporation III, dated May 25, 2010 and recorded on June 9, 2010, in the Official Records as CFRN 2010000192223 (assigns mortgages 1, 2, 3, 4 and 5 as consolidated, split, restated and modified as set forth above).

EXHIBIT I

FORM OF ASSIGNMENT OF CAUSES OF ACTION

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF QUEENS

--X

MEDICAL PROVIDER FINANCIAL CORPORATION III,

Plaintiff,

v.

PARKWAY ACQUISITION 1, LLC f/k/a PARKWAY HOSPITAL ASSOCIATES, THE PARKWAY HOSPITAL, INC., IAN GAZES, CHAPTER 7 TRUSTEE FOR THE ESTATE OF THE PARKWAY HOSPITAL, INC., ROBERT AQUINO, CAPITOL HEALTH MANAGEMENT SERVICES LIMITED, SPRINT SPECTRUM L.P., NEW YORK SMSA LIMITED PARTNERSHIP d/b/a VERIZON WIRELESS f/k/a BELL ATLANTIC MOBILE, OMNIPOINT COMMUNICATIONS, INC., DIRECT CARE CORP., NEW YORK CITY ENVIRONMENTAL CONTROL BOARD, SEGNA ELECTRIC INC., UNITY COOL CORP., PROSPECT PAYMENT SPECIALIST, INC., HEALTHPRO NURSING SOLUTIONS, LLC, NOUVEAU ELEVATOR INDUSTRIES INC., MARY ANDREA, CONSOLIDATED EDISON COMPANY OF NEW YORK, INC., "JOHN DOE #1" through "JOHN DOE #20," the last twenty names being fictitious and unknown to plaintiff, the persons or parties intended being the tenants, occupants, persons or corporations, if any, having or claiming an interest in or lien upon the premises, described in the complaint,

Defendants.

--X

ASSIGNMENT OF CAUSES OF ACTION

Index No. 489-2011

WHEREAS, MEDICAL PROVIDER FINANCIAL CORPORATION III ("MPFC") commenced this action against PARKWAY ACQUISITION 1, LLC f/k/a PARKWAY HOSPITAL ASSOCIATES, et al.

NOW THEREFORE, for due and valuable consideration, the receipt of which is hereby acknowledged, plaintiff, MPFC, hereby assigns and transfers unto PH PAPER LLC, its

successors and assigns ("PH"), its interest as plaintiff in the above-captioned action, including all causes of action asserted in the Complaint filed herein. This Assignment is made without guarantee or representation, express or implied, on the part of MPFC and without recourse to MPFC.

Plaintiff further agrees to execute documents as reasonably required by PH (i) to effectuate this assignment; and/or (ii) to permit said action to be concluded by further prosecution upon any of the causes of action asserted in the Complaint.

Dated: January ___, 2012.

THOMAS A. SEAMAN, SOLELY IN HIS CAPACITY AS RECEIVER, APPOINTED BY THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA, SOUTHERN DIVISION FOR MEDICAL PROVIDER FINANCIAL CORPORATION III, a Nevada corporation

ACKNOWLEDGMENT

State of California)
County of _____)

On _____, before me, _____,
(insert name of notary)
Notary Public, personally appeared THOMAS A. SEAMAN, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____
Notary Public

EXHIBIT J

PARTICIPATION AGREEMENT

This Participation Agreement (this "**Agreement**") is made as of _____, 2012 by and between PH PAPER, LLC, a New York limited liability company ("**PH**"), and THOMAS A. SEAMAN, SOLELY IN HIS CAPACITY AS RECEIVER, APPOINTED BY THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA, SOUTHERN DIVISION FOR MEDICAL PROVIDER FINANCIAL CORPORATION III, a Nevada corporation ("**Receiver**")

A. Pursuant to that certain Loan Purchase and Sale Agreement, dated as of _____, 2012, between Receiver, as seller, and PH, as purchaser (the "**Purchase Agreement**"), PH acquired from the Receiver all of the Receiver's right, title, interest and benefits in, to and under the Loans and the Loan Documents in accordance with the terms of the Purchase Agreement, together with all Claims for the payment of principal, interest on such principal, fees, costs, or penalties for the Loans for the period prior to the Closing (but excluding (i) any and all right, title and interest in and to the collateral pledged or assigned by PHI pursuant to the Loan Documents as additional collateral for the Loans (the "**PHI Pledged Collateral**") and (ii) any and all rights, interests and claims in the PHI Bankruptcy Case relating to the Loans, including without limitation, the right to receive any and all distributions in the PHI Bankruptcy Case payable to the owner and holder of the Notes (the "**PHI Bankruptcy Claim**"), subject to the terms of this Agreement.

B. The parties hereto desire to enter into this Agreement to provide for the assignment from PH to the Receiver of the Participation Interest (defined below) and the respective rights and obligations of the parties regarding the PHI Pledged Collateral, the PHI Bankruptcy Claim and the PHI Distributions (defined below) following the Closing (as defined in the Purchase Agreement).

C. Capitalized terms not otherwise defined in this Agreement shall have the respective meaning ascribed to such term in the Purchase Agreement.

NOW, THEREFORE, as a material condition to Receiver executing the Purchase Agreement, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, PH and the Receiver agree as follows:

1. Assignment of Participation Interest. Effective immediately following the execution and delivery of the Assignment Agreement, PH hereby sells, transfers and assigns to Receiver, without recourse or representation, express or implied except as expressly set forth in the Purchase Agreement, a participation interest in the Loans and the Loan Documents ("**Participation Interest**") equal to all amounts now or at any time hereafter available for payment or distribution with respect to or in connection with the PHI Pledged Collateral and/or the PHI Bankruptcy Claim, or any amounts realized as proceeds thereof, including without limitation, amounts now or hereafter available for distributions in the PHI Bankruptcy Case on account of the Loans (each a "**PHI Distribution**" and collectively, the "**PHI Distributions**"),

which Participation Interest shall be realized by the Receiver exclusively from the PHI Distributions.

2. Right to Receive PHI Distributions. Receiver shall be entitled to receive any and all PHI Distributions whether (i) payable in connection with the PHI Bankruptcy Case or (ii) otherwise in the event the PHI Bankruptcy is dismissed at any time prior to receipt by the Receiver of all PHI Distributions; provided that the Receiver will not accept PHI Distributions that are required to be applied to the Loans in excess of $1,500,000 prior to the Sale Date. Any PHI Distributions received by or on behalf of PH shall be held in trust by PH for the benefit of the Receiver, and immediately paid over to the Receiver.

3. Judicial Foreclosure Sale. PH agrees that its maximum bid at the judicial foreclosure sale ("**Sale**") of the Property in the Pending Foreclosure Action will not exceed an amount equal to the total amount of the Foreclosure Judgment (defined below) at the time of the Sale less $1,500,000.00 (which amount represents Receiver's estimate of the maximum amount of the available PHI Distributions). PH will promptly give written notice to Receiver of both the scheduled date of the Sale and the actual date the Sale is consummated by delivery of a deed of conveyance ("**Referee's Deed**") to the successful bidder at the Sale ("**Sale Date**"), together with such information concerning the Sale as the Receiver may reasonably request. The parties acknowledged and agreed that, notwithstanding anything to the contrary in this Agreement, the Receiver shall have no interest whatsoever in the fee ownership of the Property or the Referee's Deed.

4. Foreclosure Process and Assignment of Pending Foreclosure Action/ Deficiency Judgment.

(a) PH shall use its best efforts (a) to provide that the judgment of foreclosure and sale to be entered in the Pending Foreclosure Action (the "**Foreclosure Judgment**") ascribes liability for the deficiency, if any, to the parties who are responsible for such deficiency ("**Liable Parties**") as set forth in the complaint filed in the Pending Foreclosure Action and in accordance with Section 1371(1) of the New York Real Property Actions and Proceedings Law ("**RPAPL**") and (b) to cause the Sale to be conducted by the court appointed referee within a commercially reasonable time following the entry of the Foreclosure Judgment and the Referee's Deed to thereafter be delivered to the successful bidder at the Sale in accordance with applicable law.

(b) As soon as possible but in no event later than three (3) Business Days following the Sale Date, PH shall execute and cause to be filed with the court in the Pending Foreclosure Action (i) an Assignment of Causes of Action ("**Assignment of Causes of Action**"), in the form attached hereto as Exhibit 1, assigning to the Receiver, all of PH's right, title and claims in and to the Pending Foreclosure Action, including without limitation, the right to file a motion ("**Section 1371 Motion**") for an order confirming the Sale ("**Sale Confirmation Order**") and for leave to enter a deficiency judgment against the Liable Parties in accordance with Section 1371(2) of the RPAPL ("**Deficiency Judgment**") and (ii) an Assignment of the Foreclosure Judgment, assigning to the Receiver, in the form attached hereto as Exhibit 2, all of PH's right, title and interest in and to the Foreclosure Judgment. PH agrees, at the Receiver's sole cost and expense, to provide such information and otherwise cooperate, as may be reasonably requested by the Receiver, in connection with the Section 1371 Motion to be filed by the Receiver; it being

acknowledged by the parties that the foregoing assignments to the Receiver and the Section 1371 Motion are for the sole purpose of the Receiver obtaining the Deficiency Judgment. Moreover, if the Assignment of Causes of Action is not effective for any reason or if the Receiver is not permitted to file the Section 1371 Motion within the time period required under Section 1371 or to otherwise obtain the Deficiency Judgment, then in such case the Receiver shall be entitled to file and prosecute the Section 1371 Motion in PH's name, at the sole cost and expense of the Receiver and for the benefit of the Receiver. Upon entry of the Deficiency Judgment, PH shall promptly assign to the Receiver all of PH's right, title and interest in the Deficiency Judgment pursuant to a written Assignment of Deficiency Judgment, in the form attached hereto as Exhibit 3. Each of the written assignments to be delivered pursuant to this Section 4(b) and Section 4(c) below, shall be (i) made without guarantee or representation, express or implied, on the part of the assignor thereunder and without recourse to the assignor thereunder in any event or for any cause and (ii) subject to the terms of the Participation Agreement.

(c) In the event, the Receiver files the Section 1371 Motion and any party files a motion to vacate the Foreclosure Judgment or to set aside the Sale or Referee's Deed , then in such event, the Receiver will execute and cause to be promptly filed with the court in the Pending Foreclosure Action a written Assignment of Causes of Action, in substantially the form of Exhibit I to the Purchase Agreement, assigning to PH, all of the Receiver's right, title and claim in and to the Pending Foreclosure Action to be filed by the parties in the Pending Foreclosure Action for the sole purpose of opposing any such motion and to the extent necessary, taking the actions provided for below in this subsection (c). In the event that the court vacates the Foreclosure Judgment or sets aside the Sale or the Referee's Deed, then in either event, PH will take, at the sole cost and expense of PH, all necessary steps to obtain a Foreclosure Judgment and/or re-notice the Sale in accordance with Section 3 and Section 4(a) above, as applicable, and thereafter comply with the provisions of Section 4(b) above.

5. Enforcement Rights.

(a) By this Agreement, the parties intend that the Receiver shall have the full right and authority to enforce all rights and remedies under the Loan Documents with respect to or in connection with the Deficiency Judgment, the PHI Pledged Collateral and the PHI Distributions and to otherwise protect and preserve the PHI Pledged Collateral and otherwise receive the PHI Distributions (collectively, the "**PHI Enforcement Rights**"). The Receiver shall have the sole right and authority, acting alone and without the consent of PH, (i) to exercise the PHI Enforcement Rights and (ii) to make all decisions concerning or relating to the PHI Bankruptcy Case, the PHI Pledged Collateral and the PHI Distributions; so long as any such decision or exercise of rights and remedies by the Receiver does not adversely affect PH's Enforcement Rights (defined below) or its right, title and interest in the Notes and other Loan Documents.

(b) PH agrees that if for any reason prior to Receiver's receipt of all of the PHI Distributions, the Receiver is not entitled to receive the PHI Distributions and/or the Receiver is not able to exercise all or any of the PHI Enforcement Rights in the PHI Bankruptcy Case or otherwise in the event the PHI Bankruptcy Case is dismissed, then PH agrees to take, on behalf of and for the benefit of the Receiver (at the sole cost and expenses of Receiver, including without limitation, reasonable attorney's fees incurred by

PH) any and all actions reasonably requested by the Receiver to exercise and enforce the PHI Enforcement Rights to the fullest extent permitted under the Loan Documents and applicable law; so long as any such requested action does not adversely affect PH's Enforcement Rights or PH's right, title and interest in the Notes and other Loan Documents.

(c) Subject to the terms and restrictions contained in this Agreement, PH shall have the sole right and authority, acting alone and without the consent of the Receiver, (i) to exercise all rights and remedies under the Loan Documents other than the PHI Enforcement Rights to the fullest extent permitted under the Loan Documents and applicable law, including without limitation, prosecuting the Pending Foreclosure Action ("**PH's Enforcement Rights**"), and (ii) to make all decisions, concerning or relating to the PH Enforcement Rights, including without limitation, the Pending Foreclosure Action; so long as any such decision or exercise of rights and remedies by PH does not adversely affect the PHI Enforcement Rights or the Receiver's right, title and interest in the PHI Distributions.

6. Actions Requiring Receiver's Consent. Without first obtaining the prior written consent of the Receiver (which consent will not be unreasonably withheld or delayed), PH will not amend or dismiss the Pending Foreclosure Action, or enter into a written modification of either of the Loans, a deed in lieu of foreclosure agreement, an agreement providing for the discounted payoff of either of the Loans or any other agreement with either of the Borrowers or any guarantor or obligor of the Loans that might result in the diminution, elimination or impairment of the PHI Bankruptcy Claim or the PHI Pledged Collateral or otherwise adversely impact the Receiver's right to receive the full amount of the PHI Distributions or obtain the Deficiency Judgment.

7. Application of PHI Distributions. Any PHI Distributions received by the Receiver shall be applied by PH to the outstanding balance of the Notes in accordance with and in the order and priority set forth in the Loan Documents provided that the Receiver will not accept PHI Distributions that are required to be applied to the Loans in excess of $1,500,000 prior to the Sale Date.

8. PH Representations. PH, as of the date hereof, represents and warrants to the Receiver that (a) PH has the full power and authority to enter into and perform its obligations under this Agreement; (b) this Agreement has been duly executed and delivered by PH and (c) except as expressly provided in this Agreement, PH is the sole legal and beneficial owner of the Loans and the Loan Documents and has the right to enter into this Agreement without the consent of any third party.

9. Receiver Representations. Receiver, as of the date hereof, represents and warrants to PH that (a) the Receiver has the full power and authority to enter into and perform its obligations under this Agreement; (b) this Agreement has been duly executed and delivered by the Receiver and (c) the Receiver has the right to enter into this Agreement without the consent of any third party.

10. Notices. All notices, requests or other written communications given under this Agreement shall be delivered to the addresses and in the manner set forth the Purchase Agreement.

11. Further Assurances. PH and Receiver shall, upon the request of the other, execute and deliver such documents, or perform such other acts, as may be reasonably required in order to effect, confirm and complete the assignment and transactions contemplated by this Agreement.

12. Miscellaneous.

(a) This Agreement is binding on and shall inure to the benefit of Assignor and Assignee and their respective permitted successors and assigns. Neither PH nor the Receiver shall have the right to transfer, assign or participate all or any portion of its respective right, title or interest in the Loans or the Loan Documents to any third party without the prior written consent of the other party.

(b) This Agreement is governed by and will be construed in accordance with the laws of the State of New York.

(c) If any provision of this Agreement is found to be illegal or unenforceable or would operate to invalidate this Agreement, then the provision will be deemed to be expunged and this Agreement will be construed as though the provision was not contained in this Agreement and the remainder of this Agreement will remain in full force and effect.

(d) Duplicate counterparts of this Agreement may be executed and together will constitute a single original document. Transmission by facsimile of the signature of any party to this Agreement shall constitute execution and delivery of this Agreement or such document, provided that the party transmitting the same shall be obligated to promptly deliver the executed original thereof to the other party.

(e) Each party to this Agreement hereby expressly waives any right to trial by jury with respect to any claim, demand, action or cause of action (a) arising under this Agreement, including any present or future modification thereof, or (b) in any way connected with or related or incidental to the dealings of the parties hereto or any of them with respect to this Agreement (as now or hereafter modified) or any other instrument, document or agreement executed or delivered in connection herewith, or the transactions related hereto or thereto, in each case whether such claim, demand, action or cause of action is now existing or hereafter arising, and whether sounding in contract or tort or otherwise; and each party hereby agrees and consents that any such claim, demand or cause of action shall be decided by court trial without a jury, and that any party to this Agreement may file an original counterpart or a copy of this section with any court as written evidence of the consent of the parties hereto to the waiver of any right they might otherwise have to trial by jury.

(f) Any action arising out of or relating to this Agreement shall be commenced and maintained in the Court. The parties irrevocably consent to jurisdiction and venue in the Court and agree not to seek transfer or removal of any such action.

(g) If any action or claim is made by any party hereto against the other relating to this Agreement or the subject matter hereof, the prevailing party shall be entitled to their reasonable attorneys' fees and legal expenses, including all fees, costs and expenses incurred in any appellate or bankruptcy proceedings, or in any post-judgment proceedings to collect or enforce any judgment. This provision for the recovery of post-judgment fees, costs, and expenses is separate and several and shall survive the merger of this Agreement into any judgment. The term "prevailing party" means the party obtaining substantially the relief sought, whether by compromise, settlement or judgment.

(h) Nothing contained in this Agreement, and no action taken pursuant hereto, and no action taken pursuant to this Agreement, shall be deemed to constitute a partnership or joint venture or similar relationship.

Dated as of the date first written above.

"Receiver":

_____

THOMAS A. SEAMAN, SOLELY IN HIS CAPACITY AS RECEIVER, APPOINTED BY THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA, SOUTHERN DIVISION FOR MEDICAL PROVIDER FINANCIAL CORPORATION III, a Nevada corporation

"PH":

PH PAPER LLC,
a New York limited liability company

By: _____
Name: _____
Title: _____

EXHIBIT 1

FORM OF ASSIGNMENT OF CAUSES OF ACTION
(PH to Receiver)

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF QUEENS

--X
MEDICAL PROVIDER FINANCIAL CORPORATION III,

Plaintiff,

v.

PARKWAY ACQUISITION 1, LLC f/k/a PARKWAY HOSPITAL ASSOCIATES, THE PARKWAY HOSPITAL, INC., IAN GAZES, CHAPTER 7 TRUSTEE FOR THE ESTATE OF THE PARKWAY HOSPITAL, INC., ROBERT AQUINO, CAPITOL HEALTH MANAGEMENT SERVICES LIMITED, SPRINT SPECTRUM L.P., NEW YORK SMSA LIMITED PARTNERSHIP d/b/a VERIZON WIRELESS f/k/a BELL ATLANTIC MOBILE, OMNIPOINT COMMUNICATIONS, INC., DIRECT CARE CORP., NEW YORK CITY ENVIRONMENTAL CONTROL BOARD, SEGNA ELECTRIC INC., UNITY COOL CORP., PROSPECT PAYMENT SPECIALIST, INC., HEALTHPRO NURSING SOLUTIONS, LLC, NOUVEAU ELEVATOR INDUSTRIES INC., MARY ANDREA, CONSOLIDATED EDISON COMPANY OF NEW YORK, INC., "JOHN DOE #1" through "JOHN DOE #20," the last twenty names being fictitious and unknown to plaintiff, the persons or parties intended being the tenants, occupants, persons or corporations, if any, having or claiming an interest in or lien upon the premises, described in the complaint,

Defendants.

--X

ASSIGNMENT OF CAUSES OF ACTION

Index No. 489-2011

This Assignment is made the ___ day of _____, 2012, between plaintiff, PH PAPER LLC (the "Assignor") and MEDICAL PROVIDER FINANCIAL CORPORATION III ("Assignee").

WHEREAS, on the ____ day of _____, 2012, Judgment of Foreclosure and Sale ("Judgment") was entered in the Supreme Court of the State of New York, County of Queens, in favor of Assignor, and against defendants PARKWAY ACQUISITION 1, LLC f/k/a PARKWAY HOSPITAL ASSOCIATES, [_____, and _____] in this action;

WHEREAS, concurrently herewith, Assignor is assigning to Assignee its interest in the Judgment pursuant to that certain Assignment of Judgment of Foreclosure and Sale of substantially even date herewith executed by Assignor in favor of Assignee;

NOW THEREFORE, for due and valuable consideration, the receipt of which is hereby acknowledged, plaintiff, Assignor, hereby assigns and transfers unto Assignee, and its successors and assigns, all of Assignor's interest as plaintiff in the above-captioned action, including all causes of action asserted in the Complaint filed herein and the right to seek and obtain a deficiency judgment. This Assignment is made without guarantee or representation, express or implied, on the part of Assignor and without recourse to Assignor.

Assignor further agrees to execute documents as reasonably required by Assignee (i) to effectuate this assignment; and/or (ii) to permit said action to be concluded by further prosecution upon any of the causes of action asserted in the Complaint, including without limitation obtaining a deficiency judgment.

Dated: January ___, 2012

"Assignor"

PH PAPER LLC, a New York limited liability company

By: _____
Name: _____
Title: _____

ACKNOWLEDGMENT

(State of New York)
) ss.:
(County of New York)

On the _____ day of _____, 2012, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity(ies), and that by his/her signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

_____
Notary Public

EXHIBIT 2

FORM OF ASSIGNMENT OF FORECLOSURE JUDGMENT

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF QUEENS

--X

MEDICAL PROVIDER FINANCIAL CORPORATION III,

Plaintiff,

v.

PARKWAY ACQUISITION 1, LLC f/k/a PARKWAY HOSPITAL ASSOCIATES, THE PARKWAY HOSPITAL, INC., IAN GAZES, CHAPTER 7 TRUSTEE FOR THE ESTATE OF THE PARKWAY HOSPITAL, INC., ROBERT AQUINO, CAPITOL HEALTH MANAGEMENT SERVICES LIMITED, SPRINT SPECTRUM L.P., NEW YORK SMSA LIMITED PARTNERSHIP d/b/a VERIZON WIRELESS f/k/a BELL ATLANTIC MOBILE, OMNIPOINT COMMUNICATIONS, INC., DIRECT CARE CORP., NEW YORK CITY ENVIRONMENTAL CONTROL BOARD, SEGNA ELECTRIC INC., UNITY COOL CORP., PROSPECT PAYMENT SPECIALIST, INC., HEALTHPRO NURSING SOLUTIONS, LLC, NOUVEAU ELEVATOR INDUSTRIES INC., MARY ANDREA, CONSOLIDATED EDISON COMPANY OF NEW YORK, INC., "JOHN DOE #1" through "JOHN DOE #20," the last twenty names being fictitious and unknown to plaintiff, the persons or parties intended being the tenants, occupants, persons or corporations, if any, having or claiming an interest in or lien upon the premises, described in the complaint,

Defendants.

--X

ASSIGNMENT OF JUDGMENT OF FORECLOSURE AND SALE

Index No. 489-2011

This indenture is made the ___ day of _____, 2012, between plaintiff, PH PAPER LLC (the "Assignor") and MEDICAL PROVIDER FINANCIAL CORPORATION III ("Assignee").

WHEREAS, on the ____ day of _____, 2012, Judgment of Foreclosure and Sale ("Judgment") was entered in the Supreme Court of the State of New York, County of

Queens, in favor of Assignor, and against defendants PARKWAY ACQUISITION 1, LLC f/k/a PARKWAY HOSPITAL ASSOCIATES, _____, and _____in this action;

WHEREAS, concurrently herewith, Assignor is assigning to Assignee its interest as Plaintiff in the above caption action pursuant to that certain Assignment of Causes of Action of substantially even date herewith executed by Assignor in favor of Assignee;

NOW THIS INDENTURE WITNESSETH that Assignor, in consideration of $10.00 duly paid, has sold, and by these presents hereby does assign, transfer and set over, unto Assignee, its executors, administrators, and assigns, the said Judgment and all sums of money that may be had or obtained by means thereof, or on any proceedings to be had thereupon, in order to recover the deficiency as against the defendants named in said Judgment.

Also, the Assignor does hereby constitute and appoint Assignee, its executors, administrators, and its assigns, its true and lawful attorney, with power of substitution and revocation, to ask, demand, and receive, and to obtain executions, and take all lawful ways of recovery of the money due under the Judgment after the foreclosure sale had herein; and on payment to acknowledge satisfaction, or to discharge the same; and the attorneys one or more under the purposes aforesaid, to make and substitute and at pleasure to revoke, hereby ratifying and confirming all that its said attorney or substitute shall lawfully do in the premises.

This Assignment is made without guarantee or representation, express or implied, on the part of Assignor and without recourse to Assignor.

Dated: _____ ___, 2012

PH PAPER LLC,
a New York limited liability company

By:_____
Name:_____
Title:_____

EXHIBIT 2 TO
EXHIBIT J

ACKNOWLEDGMENT

(State of New York)
) ss.:
(County of New York)

On the _____ day of _____, 2012, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity(ies), and that by his/her signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

_____
Notary Public

EXHIBIT 3

FORM OF ASSIGNMENT OF DEFICIENCY JUDGMENT

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF QUEENS

--X
MEDICAL PROVIDER FINANCIAL CORPORATION III,

Plaintiff,

v.

PARKWAY ACQUISITION 1, LLC f/k/a PARKWAY HOSPITAL ASSOCIATES, THE PARKWAY HOSPITAL, INC., IAN GAZES, CHAPTER 7 TRUSTEE FOR THE ESTATE OF THE PARKWAY HOSPITAL, INC., ROBERT AQUINO, CAPITOL HEALTH MANAGEMENT SERVICES LIMITED, SPRINT SPECTRUM L.P., NEW YORK SMSA LIMITED PARTNERSHIP d/b/a VERIZON WIRELESS f/k/a BELL ATLANTIC MOBILE, OMNIPOINT COMMUNICATIONS, INC., DIRECT CARE CORP., NEW YORK CITY ENVIRONMENTAL CONTROL BOARD, SEGNA ELECTRIC INC., UNITY COOL CORP., PROSPECT PAYMENT SPECIALIST, INC., HEALTHPRO NURSING SOLUTIONS, LLC, NOUVEAU ELEVATOR INDUSTRIES INC., MARY ANDREA, CONSOLIDATED EDISON COMPANY OF NEW YORK, INC., "JOHN DOE #1" through "JOHN DOE #20," the last twenty names being fictitious and unknown to plaintiff, the persons or parties intended being the tenants, occupants, persons or corporations, if any, having or claiming an interest in or lien upon the premises, described in the complaint,

Defendants.

ASSIGNMENT OF DEFICIENCY JUDGMENT

Index No. 489-2011

This indenture is made the ___ day of _____, 2012, between plaintiff, PH PAPER LLC ("Assignor") and MEDICAL PROVIDER FINANCIAL CORPORATION III ("Assignee").

WHEREAS, on the ____ day of _____, 2012, Judgment of Foreclosure and Sale was entered in the Supreme Court of the State of New York, County of Queens, in favor of

Assignor, and against defendants PARKWAY ACQUISITION 1, LLC f/k/a PARKWAY HOSPITAL ASSOCIATES, [_____, and _____] in this action;

WHEREAS, on the ____ day of _____, 2012, a deficiency judgment was entered in the Supreme Court of the State of New York, County of Queens, in favor of Assignor, and against defendants PARKWAY ACQUISITION 1, LLC f/k/a PARKWAY HOSPITAL ASSOCIATES, [_____, and _____] in this action (the "Deficiency Judgment");

NOW THIS INDENTURE WITNESSETH that Assignor, in consideration of $10.00 duly paid, has sold, and by these presents hereby does assign, transfer and set over, unto Assignee, its executors, administrators, and assigns, the said Deficiency Judgment and all sums of money that may be had or obtained by means thereof, or on any proceedings to be had thereupon, in order to recover the moneys due under the Deficiency Judgment as against the defendants named in said Deficiency Judgment.

Also, the Assignor does hereby constitute and appoint Assignee, its executors, administrators, and its assigns, its true and lawful attorney, with power of substitution and revocation to ask, demand, and receive, and to obtain executions, and take all lawful ways of recovery of the money due under the Deficiency Judgment, and on payment to acknowledge satisfaction, or to discharge the same; and the attorneys one or more under the purposes aforesaid, to make and substitute and at pleasure to revoke, hereby ratifying and confirming all that its said attorney or substitute shall lawfully do in the premises.

This Assignment is made without guarantee or representation, express or implied, on the part of Assignor and without recourse to Assignor.

Dated: _____ ___, 2012

PH PAPER LLC, a New York limited liability company

By:_____
Name: _____
Title: _____

ACKNOWLEDGMENT

(State of New York)
) ss.:
(County of New York)

On the _____ day of _____, 2012, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her capacity(ies), and that by his/her signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

_____
Notary Public

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

Attorneys for Receiver Thomas A. Seaman

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

SOUTHERN DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

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

Defendants.

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

DECLARATION OF KENNETH R. ENOS IN SUPPORT OF MOTION FOR APPROVAL OF (A) SALE OF LOAN MADE TO THE PARKWAY HOSPITAL, INC. AND PARKWAY ACQUISITION I, LLC, AND (B) PAYMENT OF BROKER'S COMMISSION

Date: March 5, 2012
Time: 8:30 a.m.
Ctrm: 9D
Judge: Hon. David O. Carter

I, Kenneth R. Enos, declare as follows:

1. I have been a real estate broker licensed in the State of New York since 1986. I am a Senior Director at Colliers International. I specialize in sales of real estate investments and loans. Since I joined Colliers International in 1995, I have been responsible for transactions with an aggregate value of more than $850 million. The following facts are within my knowledge and if called as a witness I would testify to them under oath.

2. I was engaged by the Receiver in January 2011 to market the loan issued to The Parkway Hospital, Inc. and Parkway Acquisition I, LLC (formerly known as Parkway Hospital Associates) as co-borrowers, which loan is secured by the property located at 70-35 113th Street, Forest Hills, Queens, New York ("First Parkway Loan").

3. I identified approximately 800 potential purchasers of the First Parkway Loan and sent them a marketing teaser about the opportunity. The opportunity was also listed on the Colliers International website.

4. I received requests for confidentiality agreements from 373 potential purchasers, 68 of whom executed confidentiality agreements and were given access to due diligence materials. I received 12 offers from potential purchasers.

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

Executed this 1st day of ~~January~~ February, 2012, at Lake Success, New York.

Kenneth R Enos

KENNETH R. ENOS