RECEIVER

Thomas A. Seaman (the "Receiver"), the court-appointed Permanent Receiver for Medical Capital Holdings, Inc., Medical Capital Corporation, Medical Provider Funding Corporation VI, and their subsidiaries and affiliates (collectively the "Receivership Entities"), submits this fifth interim application for approval and payment of fees. This application covers the period November 1, 2010 through January 31, 2011 (the "Fifth Application Period").

During the Fifth Application Period, the Receiver and his staff spent 1,859.7 hours executing the duties set forth in the Temporary Restraining Order and Order Appointing Receiver and the subsequent Preliminary Injunction and Order Appointing Permanent Receiver, and subsequent orders of the Court. During this period the Receiver has recovered \$2,702,257.45 in gross receipts for the receivership estate. By this Fifth Interim Fee Application, Thomas Seaman seeks approval of \$294,547.50 in fees which were incurred at a weighted average hourly rate of \$158 per hour. The Receiver seeks approval to pay 90% of this amount, or \$265,092.75.

The Receiver does not seek reimbursement of any expenses.

### I. PROCEDURAL OVERVIEW OF THE RECEIVERSHIP CASE.

On July 16, 2009, the SEC commenced an enforcement action against Medical Capital Holdings, Inc., Medical Capital Corporation, Medical Provider Funding Corporation VI, Sidney M. Field and Joseph J. Lampariello ("Defendants"), alleging various violations of securities laws. On the same day, the SEC filed an Ex Parte Application for Temporary Restraining Order ("TRO") and Orders: (1) Freezing Assets; (2) Appointing a Temporary Receiver; (3) Prohibiting the Destruction of Documents; (4) Granting Expedited Discovery, and (5) Requiring Accountings; and Order to Show Cause Re: Preliminary Injunction and Appointment of a Permanent Receiver. On July 20, 2009, the Court granted the

TRO, however, the TRO was vacated the following day at the request of the Defendants, and further briefing was submitted.

Thereafter, on August 3, 2009 (the "Appointment Date"), the Court entered the TRO, appointing Thomas A. Seaman as temporary receiver for the Receivership Entities. On August 17, 2009, the Court confirmed the appointment of the Receiver and entered the Preliminary Injunction and Order Appointing a Permanent Receiver ("Appointment Order"), by which Mr. Seaman was appointed as the Permanent Receiver for the Receivership Entities.

#### II. SCOPE OF THE RECEIVERSHIP CASE.

The Receivership Entities were in the business of raising money through broker dealers purportedly to fund lending activities which entailed making loans to medical providers secured by medical accounts receivable, as well as making other loans and investments, and then managing the collection of such loans and investments through an operating company called Medical Capital Corporation ("MCC"), a wholly owned subsidiary of Medical Capital Holdings Corporation ("MCH"), defendants herein.

Although a billion dollars in loans were allegedly outstanding at the time of the Receiver's appointment, the Defendants' accounts receivable factoring business had essentially ceased and collections had slowed to a trickle. During July 2009, the month prior to the appointment of the Receiver, the Defendants only collected approximately \$317,000.

It is quite clear to the Receiver based on interviews with company personnel, review of books and records of the company, review of borrowers' loan documents, payment histories, security agreements and modifications thereto, and meeting with borrowers, that loans were made to risky borrowers of low or poor credit quality.

The high risk nature of the loans made by the Receivership Entities is confirmed by the Receiver's investigation of the sources and uses of investor cash,

which demonstrates that the Receivership Entities did not operate their lending business profitably. In fact, leaving aside that the Receiver has learned that many of the accounts receivable do not exist, it appears that the vast majority of the real unpaid loans are non-performing. Notwithstanding the unprofitability of the Receivership Entities' money lending activities, the money raising entities paid administrative fees in excess of \$324 million to MCC.

The funds used to make investments were raised through the sale of promissory notes to investors from Special Purpose Corporations ("SPC's"), referred to as Medical Provider Financial Corporations ("MPs"). MCC was very successful in attracting investors, apparently raising over \$1.7 billion from investors in the MPs. At the time of the Receiver's appointment investors were owed \$1.079 billion.

The history of making poor credit decisions resulted in numerous foreclosure actions and the Receivership Entities took possession of collateral securing many of its loans. Other non-performing notes were restructured or converted to equity. The consequence has been that the Receivership Entities now own a variety of assets completely unrelated to its core medical accounts receivable business. The range of assets includes non-operating hospitals, a feature film, a non-operating radio pharmaceutical manufacturer, a wireless entertainment company, a 118 foot luxury yacht, among others, in addition to numerous nonperforming notes, and a handful of performing loans.

Following the Appointment Date, the Receiver had to analyze, investigate and preserve the value of dozens of assets with a stated value of over \$1.1 billion which quickly revealed that many of the loans were fictional while others were subject to immediate potential impairment.

In addition, because the Defendants did not keep accurate books and records, the Receiver is conducting a forensic accounting of the sources and uses of investor funds. The forensic accounting entails entering over transactions totaling \$10

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billion of into a relational database designed to identify assets of the company and recipients of ill-gotten gains, as well as allow the Court to make determinations as to the nature of the fraud including a likely finding that Medical Capital affiliates and subsidiaries operated a unitary enterprise in a Ponzi-like manner in order to defraud investors and enrich the Defendants. The forensic accounting is being performed by the Receiver and his staff along with certain former employees of Medical Capital (who are paid from the estate thereby greatly reducing the cost of performing the forensic accounting), which would have been massively expensive if performed by an outside accounting firm. During the Fifth Application Period the Receiver and his agents incurred fees of \$72,068.00 working on the forensic accounting. The cost of the forensic accounting from inception of the receivership through January 31, 2011, has been approximately \$329,946.50.

The preliminary forensic accounting clearly indicates that the Receivership Entities' lending and investing activities were not profitable, notwithstanding that the Receivership Entities were showing a profit in their financial statements and income tax returns. Moreover, the Receivership Entities paid the income taxes on their overstated income. The Receiver has filed amended tax returns for 2005, 2006, 2007 and 2008, as well as the pre-receiver 2009 return, which the Receiver is hopeful will result in significant income tax refunds.

Administration of the receivership estate therefore involved or continues to involve a multiplicity of activities in the following varied functional areas:

- Collection efforts
  - Foreclosure actions
  - Actions to enforce personal guarantees
  - Discounted pay-off negotiations
  - Forbearance negotiations

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- Claims against Receivership Entities, not all of which were covered by the stay imposed by the Preliminary Injunction
- Lawsuits and other claims of lender breach relative to the collection of accounts receivable that had not been financed (in at least one case, the borrower had paid its debt in full and MCC continued to collect the underlying accounts receivable), or Medical Capital's failure to perform lending commitments
- Asset sales
- Management or oversight of operating businesses owned or otherwise controlled by Receivership Entities:
- Marketing and sale of all real property owned by the Receivership
   Entities, some by virtue of foreclosure
- Marketing of notes
- Marketing and maintenance of the Home Stretch (luxury yacht)
- Disposition of personal property
- Forensic accounting based on daily cash receipts and disbursements
  covering nearly six years and approximately \$10 billion of transactions
  in 258 bank accounts. Approximately 15,000 bank statements have
  been input and reconciled.
- Accounting for receivership receipts and disbursements segregated by
   MP and business operating entities
- Preparation of monthly reports filed with Court
- Handling of investor relations and communications
  - ◆ Establish and maintain website, with all pleadings promptly posted there (www.medicalcapitalreceivership.com)
  - Establish and effectuate investor claim process

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1	• Rental income:	\$	8 <u>,300.00</u>				
2	Total	\$2,702	2,257.45				
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4	The sales and disposition of assets were comprised of:						
5	<ul> <li>Sale of Home Stretch:</li> </ul>	\$210	\$210,000.00				
6	Significant loan collections included:						
7	• Transfac:	\$120	\$120,750.00				
8	The gross receipts of the receivership estate, the Receiver's fees and the						
9	Receiver's fees as a percentage of gross receipts are summarized below.						
10	<u>Fifth Fee</u>	Application Ir	nception To Date				
11	Gross Receipts \$ 2	2,702,257.45	5 120,633,046.49				
12	Receiver's Fees \$	294,547.50	5 1,974,069.00				
13	Receiver's Fees as % of Receipts	10.9%	1.64%				
14	One reason that the receiver's fees as a percent of funds recovered are higher						
15	during this fee application period than in previous fee applications is that a						
16	significant amount of the work performed by the Receiver will result in future						
17	recovery to the estate in future periods. For example, during the fee application						
18	period, the Receiver worked on the TRACE sale and the yacht sale and a large						
19	portion of funds to be recovered will be received after the fee application period.						
20	The Receiver also spent time on the Southwest Atlanta Hospital sale and the						
21	Parkway note sale, both of which have been problematic and time consuming to						
22	administer. The Receiver also prepared NHBC for disposition. The Receiver also						
23	expended time and resources investigating and seeking approval to bring actions						
24	against former counsel and the indenture trustees. Many of the Receiver's activities,						
25	such as the forensic accounting, necessary to find assets and sources of recovery,						
26	and effectuating the investor claims process, may not produce immediate returns or						

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any returns, but are necessary to administer this complex estate.

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As of January 31, 2011, the Receiver was holding cash in the amount of \$98,671,630.98. More currently, the receivership's gross receipts have increased since that time by \$5,822,013.98 million to \$126,455,060.47 and the Receiver is holding cash in the amount of \$101,601,711.05 as of April 22, 2011.

#### III. ANALYSIS OF RECEIVER'S FEES AND RELATED METRICS.

Exhibit A provides a detailed listing of each and every time entry comprising the Receiver's fees. In order to assist the Court in its review and analysis of the Receiver's fees, the Receiver has prepared three separate analyses. The first is a breakdown by timekeeper setting forth the amount of time spent by the Receiver and his agents at their respective hourly rate. The next summary is a breakdown of work by functional area including debt collection, accounting, forensic accounting, business management, asset sales, and investor relations, among others. The third breakdown is by significant asset or loan.

### Charges by Timekeeper

Exhibit B provides a breakdown by timekeeper setting forth the amount of time spent by the Receiver and his agents at their respective hourly rates. The Receiver personally expended 140.3 hours for the Fifth Application Period for a total cost of \$52,612.50. During the Fifth Application Period the Receiver expended 29% of his time working on the Medical Capital receivership.

In order to manage the Receivership in a cost effective manner, the Receiver delegates some assignments to agents who are billed at hourly rates ranging from \$35 to \$300 per hour. These agents perform accounting, financial analysis, business management, forensic accounting, investor relations and claims management, debt collection, litigation support, real estate management, management of asset disposition and other services required by the receivership estate. During the Fifth Application Period, the Receiver's agents expended 1,719.4 hours at an average

hourly rate of \$141 per hour. The Receiver expects the number of hours necessary to administer the receivership estate to continue to remain stable in subsequent months as the Receiver's investigation and recovery efforts proceed.

By using qualified agents at significantly lower hourly rates than the Receiver, the Receiver was able to achieve a weighted average hourly (blended) rate of \$158 per hour for the Fifth Application Period and \$154 per hour from inception to date. The Receiver believes that the hourly rates charged by the Receiver are fair and reasonable given the requirements of the receivership estate.

#### B. Charges by Task

Exhibit C provides a monthly breakdown by tasks performed by the Receiver and his agents, including graphs for total costs for each task by month. The total hours and cost by task for the billing period are as follows:

<u>Task</u>	<b>Hours</b>	Rate	<u>Amount</u>
A/R and other Debt Collections	105.6	\$219	\$23,144.50
Accounting and Reporting	48.5	\$150	\$7,256.00
Bookkeeping	314.6	\$105	\$32,924.00
Forensic Accounting	627.0	\$115	\$72,068.00
Investor Relations	19.1	\$162	\$3,090.00
Litigation & Support	45.3	\$265	\$12,000.00
Manage Business	65.0	\$208	\$13,522.50
Paralegal	82.3	\$115	\$9,464.50
Project Mgmt	175.7	\$199	\$35,009.50
Receiver	45.3	\$375	\$16,987.50
Receivership Admin	84.3	\$48	\$4,017.00
Sell Liquidate Assets	247.0	\$263	\$65,064.00
Totals	1,859.7	\$158	\$294,547.50

The Receiver did not charge for the cost of preparing the fee applications, which took 26.90 hours to prepare during the Fifth Application Period at a cost savings to the receivership estate of \$3,632.00.

#### C. **Charges by Asset**

Exhibit D provides a monthly breakdown by asset of tasks performed by the Receiver and his agents. The Receiver has attempted to categorize costs by significant asset. Most assets can be tied to an MP or MPs, as applicable. The pie chart graph in Exhibit D displays the cost of work performed for each referenced asset as a percentage of the work performed for all referenced assets during the Fifth Application Period. Not all of the Receiver's work can be tied to specific asset and there is a category for this unspecified work. This work is listed in the table below as Non-Categorized but is not included in the graph. The amount of time devoted to each asset and the related cost is as follows:

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. 1	Asset	Hours	Rate	Cost	% of Referenced Assets Costs	
3	Castle Hill	3.1	\$230	\$714	0.4%	
4	Concept One	1.3	\$300	\$390	0.2%	
5	Edge	6.8	\$212	\$1,440	0.9%	
	Gulf Pines	14.2	\$172	\$2,444	1.5%	
6	HCMFA	1.9	\$118	\$224	0.1%	
7	Home Stretch	41.2	\$159	\$6,541	4.1%	
8	Lavipharm	0.9	\$317	\$285	0.2%	
9	MTS	0.1	\$115	\$12	0.0%	
10	NHBC	317.4	\$146	\$46,473	29.1%	
11	Parkway Hospital	209.4	\$252	\$52,711	33.0%	
12	Perfect Game	42.4	\$128	\$5,439	3.4%	
13	Southwest Atlanta Hospital	95.2	\$230	\$21,904	13.7%	
14	TEEM, Macaluso	1.6	\$239	\$383	0.2%	
15	TRACE	75.6	\$227	\$17,155	10.7%	
16	Valley Health	0.7	\$311	\$218	0.1%	
	Velocity (mail.com)	11.3	\$239	\$2,702	1.7%	
17	Vivavision	5.3	\$114_	\$603	0.4%	
18	Total Referenced Asset			,		
19	Categories (Excludes work not					
20	related to specific assets) <sup>1</sup>	828.4	\$193	\$159,634	100.0%	
21	Non-Categorized <sup>2</sup>	1,031.3	\$131	\$134,914		
22	Totals	1,859.7	\$158	\$294,548		
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27	Excludes work not related to specific assets.					
28 Gamble	Work not directly related to any categorized asset.  FIFTH INTERIM FEE APPLICATION OF					
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#### IV. CONCLUSION.

The Receiver believes his fees are fair and reasonable in view of the circumstances encountered by the Receiver. The Receiver has worked diligently to perform his duties in an efficient and cost effective manner. Therefore, the Receiver respectfully requests an order:

- 1. Approving fees totaling \$294,547.50 for the Fifth Application Period;
- 2. Authorizing the Receiver to pay 90% of such sum, or \$265,092.75, out of assets of the receivership estate; and
- 3. For other and further relief as is appropriate.

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

Executed this 5th day of May, 2011, at Los Angeles, California.

THOMAS A. SEAMAN

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