

CPM Helps Investors Reach Landmark Settlement with Wells Fargo in Medical Capital Ponzi Scheme Actions

\$105 Million Settlement Reached on Eve of Trial, Resolving Claims in Class and Related Mass Actions; Total Recovery of \$219 Million, Including Prior \$114 Million Settlement with Bank Of New York Mellon 04.30.2013

On April 30, 2013, on the eve of trial, the parties in the Medical Capital class action, as well as two related mass actions, reached a comprehensive Settlement Agreement with Defendant Wells Fargo Bank. The Settlement, if approved by the Court, will resolve all claims against Wells Fargo relating to its work for Medical Capital, a medical receivables factoring company based in Tustin, California, that turned out to be a massive ponzi scheme.

Wells Fargo has agreed to pay \$105 million dollars to resolve the actions. When combined with the prior \$114 million settlement reached with Bank of New York Mellon earlier this year, investors will recover \$219 million, one of the largest recoveries against indenture trustees in United States history.

Wells Fargo and Bank of New York Mellon were retained by Medical Capital to serve as indenture trustees for about 10,000 investors, including many senior citizens. Under the indenture trust contracts, the banks were obligated to administer trust accounts where investor funds were deposited. Plaintiffs alleged that the banks breached their duties under the trust agreements and improperly disbursed hundreds of millions of dollars to Medical Capital. The banks denied the allegations.

The settlement with Wells Fargo was reached just as the jury trial was set to begin in federal court in Santa Ana, and just after Plaintiffs had survived summary judgment motions asking that the case be thrown out. **Mark Molumphy** said: *"This is a tremendous result for the Class. After three years of extremely hard fought litigation against two of the largest corporate defendants in the country, with unlimited resources, it was clear we*

Attorneys

Mark C. Molumphy

Practice Areas

Securities / Financial Fraud

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were ready and willing to try the case. The settlements will return a substantial amount of funds back to investors so that they can try to move on from this debacle.”