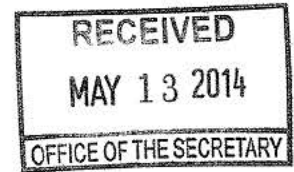


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**UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION**



**ADMINISTRATIVE PROCEEDING
File No. 3-15755**

In the Matter of

MARK FEATHERS,

Respondent.

**DECLARATION OF JOHN B. BULGOZDY
IN SUPPORT OF DIVISION OF
ENFORCEMENT'S REPLY MEMORANDUM
IN SUPPORT OF MOTION FOR SUMMARY
DISPOSITION AGAINST RESPONDENT
MARK FEATHERS PURSUANT TO
COMMISSION RULE OF PRACTICE 250**

I, John B. Bulgozdy, declare pursuant to 28 U.S.C. § 1746 as follows:

1. I am one of the attorneys representing the Division of Enforcement in this action. I have personal knowledge of the following facts and, if called as a witness, would testify competently thereon.

2. Attached as Exhibit 1 is an excerpt from the Transcript of Proceedings before the Honorable Edward J. Davila on June 28, 2013, in *SEC v. Small Business Capital Corp., et al.*, Civil Action No. 5:12-cv-03237-EJD, pending in the Northern District of California. This is an excerpt of the hearing on the parties' cross-motions for summary judgment.

3. Mark Feathers' spouse, Natalie Feathers, filed a complaint against me, and others, with the State Bar of California because papers filed in the litigation captioned *SEC v. Small Business Capital Corp., et al.*, Civil Action No. 5:12-cv-03237-EJD, pending in the Northern District of California, mistakenly identified Thomas A. Seaman as a "CPA" rather than as a "CFA." I was subsequently advised by the State Bar of California that complaint had been dismissed.

4. Attached hereto as Exhibit 2 is a true and correct copy of a letter from Milton T. Lynch filed in *SEC v. Small Business Capital Corp., et al.*, Civil Action No. 5:12-cv-03237-EJD, pending in the Northern District of California.

5. Attached hereto as Exhibit 3 is a true and correct copy of a letter from William C. Slocum filed in *SEC v. Small Business Capital Corp., et al.*, Civil Action No. 5:12-cv-03237-EJD, pending in the Northern District of California.

6. Attached hereto as Exhibit 4 is a true and correct copy of a letter from Louis J. Leo filed in *SEC v. Small Business Capital Corp., et al.*, Civil Action No. 5:12-cv-03237-EJD, pending in the Northern District of California.

7. Attached hereto as Exhibit 5 is a true and correct copy of a letter from Matt Tunney filed in *SEC v. Small Business Capital Corp., et al.*, Civil Action No. 5:12-cv-03237-EJD, pending in the Northern District of California.

8. Attached hereto as Exhibit 6 is a true and correct copy of a letter from Michael R. Bird filed in *SEC v. Small Business Capital Corp., et al.*, Civil Action No. 5:12-cv-03237-EJD, pending in the Northern District of California.

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

Executed on May 9, 2014, in Los Angeles, California.


John B. Bulgozdy

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UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

PLAINTIFF,

VS.

SMALL BUSINESS CAPITAL
CORPORATION, ET AL.,

DEFENDANTS.

CASE NO. CV-12-3237-EJD

SAN JOSE, CALIFORNIA

JUNE 28, 2013

PAGES 1 - 67

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE EDWARD J. DAVILA
UNITED STATES DISTRICT JUDGE

A-P-P-E-A-R-A-N-C-E-S

FOR THE PLAINTIFF: UNITED STATES SECURITIES AND EXCHANGE
COMMISSION
BY: JOHN B. BULGOZDY
LYNN M. DEAN
5670 WILSHIRE BOULEVARD, 11TH FLOOR
LOS ANGELES, CALIFORNIA 90036

FOR THE RECEIVER: ALLENS, MATKINS, LECK, GAMBLE, MALLORY
& NATSIS
BY: TED FATES
501 WEST BROADWAY, 15TH FLOOR
SAN DIEGO, CALIFORNIA 92101

(APPEARANCES CONTINUED ON THE NEXT PAGE.)

OFFICIAL COURT REPORTER: IRENE L. RODRIGUEZ, CSR, CRR
CERTIFICATE NUMBER 8074

PROCEEDINGS RECORDED BY MECHANICAL STENOGRAPHY,
TRANSCRIPT PRODUCED WITH COMPUTER.

1 APRIL AND I --

2 THE COURT: MAYBE SOMEONE CAN GET THAT AS YOU
3 CONTINUE.

4 MR. BULGOZDY: IT'S ACTUALLY IN MY PLEADINGS.

5 THE COURT: I DON'T HAVE IT AT MY FINGERTIPS RIGHT
6 NOW.

7 MR. BULGOZDY: IT IS IN OUR PLEADINGS, BUT THE
8 EASIEST PLACE FOR ME TO FIND IT RIGHT NOW IS IN THE RECEIVER'S
9 FORENSIC REPORT.

10 SO ON MAY 18TH, 2012, THE SUNSHINE HOSPITAL LOAN WAS SOLD
11 A PREMIUM OF \$500,000 WAS PAID AND \$315,000 WENT TO SBCC
12 IMMEDIATELY; AND THEN ON MAY 23RD, 2012, THE MILLIKEN NAPA LOAN
13 WAS SOLD, A PREMIUM OF \$169,750 WAS PAID, A MANAGEMENT FEE OF
14 \$175,000 WAS IMMEDIATELY TRANSFERRED TO SBCC. THAT'S ON PAGE
15 15 OF THE FORENSIC REPORT, WHICH IS TABLE 14.

16 IT'S ALSO IN THE MITCHELL DECLARATION, TABLE 1.

17 THE COURT: NOW, WHEN I LOOKED AT MR. FEATHERS, HIS
18 REPLY, I THINK ON PAGE 9, I WANTED YOU TO SPEAK TO THIS, AND
19 I'LL GIVE YOU AN OPPORTUNITY TO SPEAK TO THIS, HE CITES THE
20 FAULTY FORMULA THAT THE S.E.C. HAD USED PREVIOUSLY, AND THERE
21 WAS SOME CRITICISM ABOUT THE FORMULA I THINK THAT MR. FEATHERS
22 SUGGESTED, AND I WANT TO GIVE YOU AN OPPORTUNITY TO SPEAK TO
23 THE FAULTY FORMULA.

24 MR. BULGOZDY: WELL, YOUR HONOR, WE HAVE NOT MOVED
25 FOR SUMMARY JUDGMENT ON THAT. OUR SUMMARY JUDGMENT MOTION IS

1 BASED ON THE NO LOANS TO MANAGER MISREPRESENTATION; AND OUR
2 SUMMARY JUDGMENT MOTION IS BASED ON THE MISREPRESENTATIONS
3 ABOUT THE CONSERVATIVE LENDING POLICIES; AND OUR SUMMARY
4 JUDGMENT MOTION IS BASED ON OVERDISTRIBUTION.

5 BUT WE HAVE NOT RELIED ON THAT CHART FOR OUR SUMMARY
6 JUDGMENT MOTION. THAT'S PREVIOUSLY BEEN ADDRESSED IN A MOTION
7 TO DISMISS. THE COURT HAS DENIED THE MOTION TO DISMISS.

8 IF THE CASE PROCEEDED TO TRIAL, IF WE INTRODUCED EVIDENCE
9 LIKE THAT, THAT WOULD BE RELEVANT.

10 WE DON'T THINK THAT, THAT FAULTY FORMULA ISSUE IS
11 RELEVANT. WE HAVE, WE HAVE TOLD THE COURT WE RECOGNIZE THAT
12 THERE WERE SOME ERRORS IN THERE. WE STILL THOUGHT THAT THERE
13 WERE THREE PERIODS WHERE JUST ON THE FINANCIAL STATEMENTS THERE
14 WAS OVERDISTRIBUTION.

15 BUT WE HAVEN'T MOVED ON THAT ISSUE TO AVOID PUTTING THE
16 COURT IN THE POSITION OF ADDRESSING THAT FAULTY FORMULA ISSUE.

17 MR. FEATHERS WANTS TO JUST KEEP BRINGING THAT UP AND
18 BRINGING THAT UP BECAUSE BY HECTORING THE COMMISSION AND THE
19 COURT ON THAT, HE BELIEVES HE'LL DAMAGE THE CREDIBILITY, WE
20 THINK, OF THE COMMISSION WITH THE COURT.

21 SO IN AN EFFORT TO AVOID HAVING THE COURT NEED TO ADDRESS
22 THAT AND BECAUSE OF THE ABUNDANT EVIDENCE ABOUT MR. FEATHERS'S
23 FRAUD, WE DON'T NEED TO ADDRESS THAT IN OUR MOTION. AND THE
24 COURT NEED NOT ADDRESS IT IN REACHING A CONCLUSION CONCERNING
25 THE COMMISSION'S ALLEGATIONS.

1 THE COURT: SO IT HAS NO RELEVANCE TO THE SUMMARY
2 JUDGMENT, THE ISSUES IN RE SUMMARY JUDGMENT THAT YOU BRING
3 BEFORE THE COURT IN YOUR PLEADINGS, IS THAT WHAT YOU'RE
4 SUGGESTING?

5 MR. BULGOZDY: THAT'S CORRECT, YOUR HONOR.

6 THE COURT: ALL RIGHT. I WANTED YOU TO SPEAK TO
7 THAT. I'LL GIVE YOU THE OPPORTUNITY TO SPEAK TO THAT.

8 I DO WANT TO ASK YOU ONE OTHER QUESTION. SO YOU'VE ASKED
9 FOR SUMMARY JUDGMENT AND YOU HAVE ALSO ASKED FOR RELIEF,
10 SPECIFIC RELIEF --

11 MR. BULGOZDY: YES, YOUR HONOR.

12 THE COURT: -- IN THE SUMMARY JUDGMENT. ARE THOSE
13 TWO THINGS, THAT IS, SUMMARY JUDGMENT AND THE SPECIFIC RELIEF
14 THAT YOU ASK FOR SEVERABLE?

15 MR. BULGOZDY: YES, YOUR HONOR. AND, IN FACT, THERE
16 ARE DECISIONS, AND I CAN SUPPLY CITES AFTER THE HEARING IF THE
17 COURT SPECIFICALLY WANTS TO KNOW, BUT ABSOLUTELY, YOUR HONOR,
18 THERE ARE DECISIONS WHERE THE COURTS HAVE GRANTED SUMMARY
19 JUDGMENT AND HELD FOR LATER DETERMINATION, FOR EXAMPLE, THE
20 ISSUE OF THE AMOUNT OF DISGORGEMENT.

21 ALTHOUGH THE ISSUE OF THE INJUNCTION MIGHT BE DECIDED AT
22 THE SUMMARY JUDGMENT STAGE BECAUSE THE FACTORS FOR THE
23 INJUNCTIVE RELIEF OVERLAP SO MUCH WITH THE FACTORS THAT WOULD
24 RELATE TO SUMMARY JUDGMENT.

25 PARTICULARLY HERE WHERE THE FORENSIC ACCOUNTING WAS

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CERTIFICATE OF REPORTER

I, THE UNDERSIGNED OFFICIAL COURT REPORTER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA, 280 SOUTH FIRST STREET, SAN JOSE, CALIFORNIA, DO HEREBY CERTIFY:

THAT THE FOREGOING TRANSCRIPT, CERTIFICATE INCLUSIVE, IS A CORRECT TRANSCRIPT FROM THE RECORD OF PROCEEDINGS IN THE ABOVE-ENTITLED MATTER.



IRENE RODRIGUEZ, CSR, CRR
CERTIFICATE NUMBER 8076

DATED: SEPTEMBER 4, 2013

2

Milton T Lynch



April 7, 2014

Hon. Edward J. Davila

United States District Court

280 So. 1st Street #2112

San Jose, CA 95113

Re: Case #CV 12-03237

Securities and Exchange Commission, Plaintiff, vs
Small Business Capital Corp., Mark Feathers, Investors Prime
Fund, LLC and SBC Portfolios, LLC,

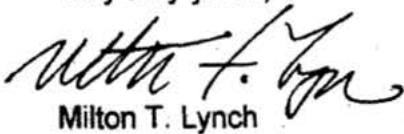
Dear Judge Davila,

I am an investor in both the Investors Prime Fund and the SBC Portfolio Fund.

I find it alarming that Mark Feathers, a person with a proven record of unethical business practices, would be given any form of a voice in determining the fate of the portfolios he caused to be so substantially devalued.

The plan proposed by the receiver should be put into effect immediately in order to minimize the financial losses we continue to bear.

Very truly yours,


Milton T. Lynch

CC Thomas Seaver

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RICHARD W. WIEING
U.S. DISTRICT COURT
NO. 101 ST. CA

3

Hon. Edward J. Davila
U.S. District Court
280 1st St. # 2112
Ponape, Pa 95113

Re: Case# CV12-03237

Dear Sir:

I am writing to you because I will be unable to attend the upcoming hearing.

I am an investor in both ~~of~~ of the funds involved in this case.

I believe it is in my best interests, as well as all the investors, to liquidate the assets as soon as possible and distribute the cash to the investors.

Although I have been convinced at times of Mr. Leathers' innocence in the Ponzi accusation, I am now convinced that he is truly guilty and should not be allowed to manage the funds again.

Please ~~me~~ as quickly as possible to have the Receiver sell the assets and distribute the cash.

Thank you for your consideration of this request.

Sincerely,

William L. Slocum
WILLIAM E. SLOCUM



4

4/6/14

Hon. Edward J. Davila
UNITED STATES DISTRICT COURT
280 S. 1st Street #2112
San Jose, California 95113

Re: Case # CV12-03237
S.E.C. vs Small Business Capital Corp.,
Mark Feathers: Investors Prime Fund;
S.B.C. Portfolios

Dear Judge Davila,

I am an investor in one of the defendant funds. I have confidence in all the work that the Receiver, Thomas Seaman, has done to date and appreciate your continuing attention and thoughtful decisions. I urge you to move as quickly as possible to have the Receiver sell the remaining assets for a reasonable value and distribute the final proceeds as quickly as possible. Please do not allow Mr. Feathers to delay this process any more than he already has done with his obsessive and idiotic motions...he fraudulently caused this mess and should be held criminally and civilly accountable.

Sincerely,



Louis J. Leo, The Leo Family Trust

cc. Thomas Seaman
Thomas Seaman Company
3 Park Plaza, Suite 550
Irvine, CA. 92614

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EDWARD W. WERNING CLERK
U.S. DISTRICT COURT
NO. DIST. OF CA.

5

Matt Tunney



Hon. Edward J. Davila
UNITED STATES DISTRICT COURT
280 S 1st St #2112,
San Jose, California 95113

Re Case No. CV12-03237
SECURITIES AND EXCHANGE COMMISSION, Plaintiff, vs.
SMALL BUSINESS CAPITAL CORP.; MARK FEATHERS; INVESTORS PRIME
FUND, LLC AND SBC PORTFOLIOS, LLC,

Dear Judge Davila,

I am writing to you because it is not possible for me to attend the upcoming hearing.

1) I am an investor in the two of defendant funds.

2) It is my desire to have the receiver liquidate all the assets as promptly as possible and distribute the cash to the investors. In the event that he judges the offered prices to be too low, I would like to have this continue as a liquidating trust to realize the highest net yield to investors (after correcting for management costs, and the time value of money).

3) There is no need for an appraisal of these assets. The value of a performing loan is quite easy to estimate. I have confidence in Mr. Seaman's judgment.

4) Mark Feathers owes more than seven million dollars to the investors, in a judgment issued by you, and he has been convicted of securities law violations in your court room. There is no way he can be allowed to resume control of any of these assets. Please do not let him delay your actions.

5) I urge you to move as quickly as possible to have the receiver sell the assets and distribute the cash.

Sincerely

Cc: Thomas Seaman, CFA
Thomas Seaman Company
3 Park Plaza, Suite 550
Irvine, California 92614

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2014 APR 15 4 53 PM
CLERK, U.S. DISTRICT COURT
SAN JOSE, CALIFORNIA

6

Michael R. Bird

April 5, 2014

Hon. Edward J. Davila
UNITED STATES DISTRICT COURT
280 S 1st St #2112,
San Jose, California 95113

Re Case No. CV12-03237
SECURITIES AND EXCHANGE COMMISSION, Plaintiff, vs.
SMALL BUSINESS CAPITAL CORP.; MARK FEATHERS; INVESTORS PRIME
FUND, LLC; AND SBC PORTFOLIOS, LLC,

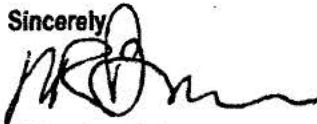
Dear Judge Davila;

I am writing to you because I'm very concerned about the degradation of our distributions due to Mr. Feathers' illegal behavior and trying to stall the final payoffs. Mr. Seaman has done an admirable job under the circumstances of Feathers continual harassment, stonewalling and twisted half-baked facts.

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APR 15 2014
U.S. DISTRICT COURT
SAN JOSE, CALIFORNIA

- 1) I am an investor in the defendant funds.
- 2) It is my desire to have the receiver liquidate all the assets as promptly as possible and distribute the cash to the investors. In the event that he judges the offered prices to be too low, I would like to have this continue as a liquidating trust to realize the highest net yield to investors (after correcting for management costs, and the time value of money).
- 3) There is no need for further appraisal of these assets. The value of a performing loan is quite easy to estimate. I have confidence in Mr. Seaman's judgment.
- 4) Mark Feathers owes more than seven million dollars to the investors, in a judgment issued by you, and he has been convicted of securities law violations in your court room. There is no way he can be allowed to resume control of any asset based investments again. Please do not let him delay your very well thought actions.
- 5) I urge you to move as quickly as possible to have the receiver sell the assets and distribute the cash.

Sincerely



Michael R. Bird

C: Thomas Seaman, CFA
Thomas Seaman Company
3 Park Plaza, Suite 550
Irvine, California 92614