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11 Attorneys for Receiver
12 THOMAS A. SEAMAN

13 **UNITED STATES DISTRICT COURT**
14 **CENTRAL DISTRICT OF CALIFORNIA**
15 **WESTERN DIVISION**

16 SECURITIES AND EXCHANGE
17 COMMISSION,

18 Plaintiff,

19 v.

20 STEVE CHEN, USFIA, INC.,
21 ALLIANCE FINANCIAL GROUP,
INC., AMAUCTION, INC., ABORELL
22 MGMT I, LLC, ABORELL ADVISORS
I, LLC, ABORELL REIT II, LLC,
23 AHOME REAL ESTATE, LLC,
ALLIANCE NGN, INC., APOLLO
24 REIT I, INC., APOLLO REIT II, LLC,
AMKEY, INC., US CHINA
25 CONSULTATION ASSOCIATION, and
QUAIL RANCH GOLF COURSE, LLC,

26 Defendants.
27

Case No. 2:15-CV-07425-RGK-

**NOTICE OF MOTION AND
MOTION FOR ORDER:**
1) **SETTING CLAIMS BAR DATE;**
2) **APPROVING CLAIM FORMS;**
3) **APPROVING CLAIMS PROCESS;**
AND
4) **APPROVING ENGAGEMENT OF
THIRD PARTY CLAIMS ANALYSTS
AND ADMINISTRATORS;**

**MEMORANDUM OF POINTS AND
AUTHORITIES**

Date: March 5, 2018
Time: 9:00 a.m.
Ctmm: 850
255 E. Temple St., Los Angeles
Judge: Hon. R. Gary Klausner

1 **TO ALL INTERESTED PARTIES:**

2 **PLEASE TAKE NOTICE** that on March 5, 2018 at 9:00 a.m. in
3 Courtroom 850 of the above-entitled Court, located at 255 E. Temple Street,
4 Los Angeles, California, Thomas A. Seaman (“Receiver”), the Court-appointed
5 permanent receiver for Defendants USFIA, Inc., Alliance Financial Group, Inc.,
6 Amauction, Inc., Aborell Mgmt I, LLC, Aborell Advisors I, LLC, Aborell
7 REIT II, LLC, Ahome Real Estate, LLC, Alliance NGN, Inc., Apollo REIT I, Inc.,
8 Apollo REIT II, LLC, Amkey, Inc., US China Consultation Association, Quail
9 Ranch Golf Course, LLC, and their subsidiaries and affiliates (collectively,
10 “Receivership Entities”), will and hereby does move the Court for an order
11 (a) setting a claims bar date, (b) approving claim forms, (c) approving the claims
12 process, and (d) engagement of a third party claims administrators (the Motion”).

13 The Motion is based on this Notice of Motion and Motion, the attached
14 Memorandum of Points and Authorities, the Declaration of Thomas A. Seaman, the
15 documents and pleadings already on file in this action, and upon such further oral
16 and documentary evidence as may be presented at the time of the hearing.

17 **Procedural Requirements:** If you oppose this Motion, you are required to
18 file your written opposition with the Office of the Clerk, United States District
19 Court, 255 East Temple Street, Los Angeles, California 90012-3332 and serve the
20 same on the undersigned not later than twenty-one (21) calendar days prior to the
21 hearing.

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

4
5 Dated: January 29, 2018

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

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7 By: _____
8 DAVID R. ZARO
9 Attorneys for Receiver
10 THOMAS A. SEAMAN
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1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I. INTRODUCTION**

3 Since his appointment, the Receiver has recovered approximately \$53 million
4 and accumulated approximately \$46.2 million in cash. That amount is increasing as
5 real property and additional assets are recovered and/or sold. The Receiver has
6 nearly completed his forensic accounting and analysis with regard to the
7 Receivership Entities’ records. Accordingly, he is now in a position to recommend
8 a claims process designed to efficiently verify investors’ and others’ claims in
9 anticipation of making distributions upon Court approval of a distribution plan.

10 The Receiver estimates there may be as many as 200,000 or as few as 75,000
11 potential investor claimants. The reasons for the uncertainty with regard to the
12 estimated number of potential investor claimants are many, but primarily stem from
13 the lack of a complete, trustworthy company database reflecting investor
14 information, the location of many investors outside the United States, and the fact
15 that a significant number of investors gave their money to individuals (so-called
16 “Leaders” or “Distributors”) who may have pooled the funds with those of other
17 investors before investing with the Receivership Entities. These issues, the
18 Receiver’s concerns with regard to the potential for fraudulent claims, and the
19 extraordinary cost of manually reviewing tens of thousands of claims have lead the
20 Receiver to propose a two or possibly three phase claims process and to engage Epiq
21 Systems, Inc. (“Epiq”) and Berkeley Research Group LLC (“BRG”), to assist with
22 the automation of the claims process and analysis of claims.

23 As detailed below, the first phase of the claims process will involve the
24 following work: developing a web-based claim portal where investors can directly
25 input and upload their claims data (aka “proof of claim”); developing an automated
26 system to match claims information from investors with the electronic records from
27 the Receivership Entities; providing notice of the claims process to investors; setting
28 a claims “bar date”, (the deadline for the receipt of claims); and gathering all claim

1 information from investors and other claimants. This first phase will be a partially
2 automated process with the goal of establishing the universe of claims, both as to the
3 amount and as to the identity of claimants. The Receiver will also learn the quality
4 of information available from claimants and the prospects for automating the claims
5 review by attempting to match claims information received from investors and other
6 claimants against the existing Receivership Entities' database records.

7 If a verifiable set of claimants can be established in phase one and the data
8 can be matched against company records, then the Receiver can proceed with the
9 traditional claims processing where claimants supply the requested back-up
10 information to support their claims. The cost of such a process will likely be in line
11 with those of a typical receivership. Under this circumstance, the Receiver
12 anticipates that phase two of the claims process will be primarily automated and
13 only partially manual. That is, using the information gathered from claimants as
14 well as data the Receiver has obtained and verified from the Receivership Entities'
15 records and third party sources (e.g., bank records), the Receiver, with the assistance
16 of BRG and Epiq, will work to establish proposed allowed claim amounts for each
17 claimant, which amounts can then be used as the basis for a proposed distribution
18 plan.

19 If the quality or quantity of information received in phase one is such that the
20 Receiver believes the customary approach to claims processing is not feasible
21 (either because there is a lack of verifiable information, the Receivership Entity
22 database cannot be used to match the claims data, or the cost of reviewing the claims
23 that require manual review exceeds typical cases), then the Receiver will propose an
24 alternative approach which will likely involve significantly more manual claims
25 review. The Receiver anticipates that the manual review of claims may cost
26 \$200,000 to \$300,000, depending on the number of claims, the quality of
27 information received, and the level of automation. In either case, the Receiver

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1 proposes to complete phase one as proposed herein and then report back to the Court
2 with his findings, along with his proposal for phase two.

3 As detailed below, the Receiver has researched multiple claims administrators
4 and identified Epiq and BRG as best suited to handle the claims processing,
5 administration and analysis. Epiq and BRG will perform completely separate
6 function. Epiq will develop the online proof of claim portal, host the proof of claim
7 website, and collect all of the proof of claim data. They estimate the cost to be
8 \$15,200. Once Epiq collects all of the proof of claim data, they will hand the data to
9 BRG, who will conduct a claims analysis using the “back office” system and other
10 data from the Receivership Entities. BRG estimates that its fees for this work will
11 be \$35,000.

12 The Receiver requests that the Court: (1) approve the first phase of the proof
13 of claim process and proof of claim forms presented herein, (2) set a claims bar date
14 by which all investor and creditor proofs of claim must be submitted to the
15 Receiver, and (3) authorize the Receiver to retain Epiq and BRG to perform their
16 phase one work based upon the estimated costs in their respective contracts.

17 **II. FACTUAL BACKGROUND**

18 The Receiver was appointed to be the federal equity receiver pursuant to the
19 Temporary Restraining Order entered on September 28, 2015 and the Preliminary
20 Injunction Order entered on October 6, 2015 (collectively the “Appointment
21 Order”). Since his appointment, the Receiver has worked to, among other things,
22 marshal assets, complete a forensic accounting while concurrently analyzing and
23 developing data to support a claims and distribution process. At the same time, the
24 Receiver has been engaged in the orderly marketing and sale of assets of the
25 Receivership Entities. As of the date of this filing, the Receiver has recovered and
26 holds approximately \$53 million in gross receipts. The Receiver continues to
27 market and sell assets but the vast majority of assets have been liquidated and the

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1 Receiver has almost completed his accounting. Accordingly, the Receiver believes
2 he is now in a position to cost effectively implement a claims process.

3 **A. The Receiver’s Work to Develop the Claims Process**

4 As with any claims process, the Receiver’s goal is to find an efficient and cost
5 effective means to verify and validate investor and creditor claims. In a best case
6 scenario, the Receiver would transmit the receivership entity’s estimated claim
7 amounts to each claimant as part of the proof of claim form and simply seek
8 confirmation of the claim information. In other cases, the Receiver will request
9 claimants to submit proof of claim forms and then matches the information received
10 from claimants with information found in the records of the receivership entities or
11 backup information provided by investors.

12 The current case is neither typical nor the ideal, at least with regard to the
13 claims process. Here, the Receiver cannot be certain as to the identity of the
14 investors or the amounts invested. There are no reliable, detailed company records
15 reflecting who invested and how much was invested. Declaration of Thomas A.
16 Seaman In Support of Motion for Order Setting Claims Bar Date, Approving Claims
17 Forms, Approving Claims Process and Engagement of Third Party Claims Analysts
18 and Administrator (“Seaman Declaration”), ¶¶ 3-4.

19 Additional factors impact the claims review process in this case. First, a
20 significant number of investors did not invest directly with the Receivership
21 Entities, but rather invested through other individuals and entities (*i.e.* the so-called
22 Leaders). This makes the process of matching claims to deposits or company
23 receipts far more complicated because the Receivership Entities’ records likely do
24 not accurately reflect each individual investor’s investment. Seaman Declaration,
25 ¶ 4.

26 Second, there appear to be tens of thousands of investors (many of whom are
27 from countries around the world), and the records indicate that these investors used
28 a variety of methods to make their investments. *Id.* at ¶ 5. Third, the so-called

1 “back-office” system which was used by the Receivership Entities for tracking
2 investors, members and others may or may not contain accurate information
3 regarding the investors or their accounts. All of the foregoing make the cost of the
4 claims process, including manually reviewing claims, unpredictable and possibly,
5 very expensive. Seaman Declaration, ¶¶ 6-7.

6 Accordingly, from the outset of the case, the Receiver has tried to locate
7 accurate information concerning the identity of investors as well as the amount of
8 claims. The Receiver discovered the existence of the so-called “back office” system
9 containing what appeared to be investor account information. This database proved
10 suspect as it contained a vast number of member accounts, and the member accounts
11 appeared to include incomplete information with regard to the identify of investors
12 and the nature/amount of their investment. In other words, it is not certain that the
13 data contained in the back office database is accurate with regard to investor
14 investment activity (*e.g.*, investor deposits and disbursements). Seaman
15 Declaration, ¶ 7.

16 Through his forensic accounting process, subpoenas to third party financial
17 institutions, and BRG’s preliminary analysis of data on the “back office” database,
18 the Receiver has gradually refined the information and developed a forensic
19 accounting, which the Receiver believes will assist in verifying the amounts of some
20 of the investor claims via an automated claims review. Seaman Declaration, ¶ 8.

21 In light of the foregoing, the Receiver’s proposed claims process has been
22 developed with an eye toward cost-effective claims processing, taking into account
23 both the attributes of the likely claimants and the information available. In
24 considering how to proceed, the Receiver considered the cost/benefit of a variety of
25 approaches in light of the following: (a) the Receivership Entities’ money raising
26 scheme was largely propagated online and by word of mouth; (b) investor physical
27 address data remains largely incomplete; (c) investors are located in the United
28 States as well as other countries throughout the world; (d) there were a myriad of

1 ways in which funds were received by the Receivership Entities (via wires, checks,
2 credit cards, and cash); (e) many investments were made indirectly (*i.e.*, via Leaders
3 and/or other individuals/entities); and (f) many investments were relatively small.
4 Seaman Declaration, ¶ 9.

5 The foregoing factors necessitate retention of a third party claims processor
6 with the ability to develop and manage an online web-based platform for the claims
7 process. In addition, the claims processor must be sophisticated enough to develop
8 automated proof of claims database in order to provide a platform for processing
9 data and later make distributions to allowed claimants. In addition, the Receiver
10 determined that it made sense to use a second vendor, BRG, to provide more
11 complex analysis of the claims data and to try and match investor information with
12 the data from the back office system. BRG was selected to perform the work
13 because BRG has already gained significant experience with and knowledge of the
14 back office system in its capacity as the vendor has provided the Receiver with
15 computer imaging and analysis since the inception of the case. *Id.* at ¶ 10. The
16 Receiver has selected two vendors with particular expertise in web-based claims
17 processing and database analysis to address large numbers of investors located
18 around the world. Seaman Declaration, ¶¶ 10-11.

19 **B. Selection of Claims Administrator**

20 As noted above, the Receiver proposes to use Epiq and BRG to provide the
21 data processing and analysis. Epiq will provide the proof of claim portal, gather the
22 claims information and host the online claims database. BRG will work with Epiq,
23 to provide the analysis of claims information. At the outset of the case, BRG was
24 retained to image the computers and servers at the Receivership Entities. In the
25 course of their work, BRG was retained to further study the back office database
26 system and other databases in an effort to try to locate the investor accounts and
27 information. Based upon their work, BRG is in the best position to use its existing
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1 knowledge to develop the software required to attempt to match the proof of claims
2 data gathered by Epiq with the data in the back office system.

3 BRG has the technical expertise to analyze and process the large amount of
4 data gathered by Epiq. BRG is also familiar with the computer systems, database
5 and back office system at the Receivership Entities. As such, they are best suited to
6 attempt to perform the automated analysis. *Id.*

7 The Receiver selected Epiq and BRG based on their experience in other large
8 and complex matters and their reasonably priced proposals. Epiq has proprietary
9 systems and technologies that are designed to accommodate the online proof of
10 claim process and has the ability to process claims in the several languages. Seaman
11 Declaration ¶ 11. They also have the technical, core competencies and system
12 security to assist the Receiver with this claims process. Seaman Declaration, ¶ 11.

13 The breakdown of Epiq's and BRG's proposals for phase one work is set
14 forth below and in the proposals from Epiq and BRG attached to the Seaman
15 Declaration, *Id* at ¶¶ 12-13, Exhibits B and C. The Receiver anticipates some
16 Receiver and attorney time will be required to assist in the start-up and oversight of
17 phase one. Seaman Declaration, ¶ 14.

18 Once the Receiver has assessed the quality or quantity of information
19 received in phase one of the process, the Receiver will develop a proposal for phase
20 two based upon the existence or non-existence of verifiable information in the data
21 bases and the cost of reviewing the claims requiring manual review. As previously
22 noted, the Receiver will return to this Court with a proposed approach to handling
23 claims (e.g., phase two), based upon the results of phase one. Seaman Declaration,
24 ¶ 16.

25 **III. CLAIMS PROCESS AND CLAIMS BAR DATE**

26 **A. Summary and Timeline**

27 While the Receiver believes the records obtained and compiled likely contain
28 the identity of most investors, there are particular challenges with investors (a) who

1 invested through Leaders or others, (b) who invested with cash, and/or (c) whose
 2 records may not reconcile to those compiled by the Receiver for various reasons.
 3 Because of these challenges, in order to determine the amount invested by each
 4 claimant and formulate a recommendation for making distributions to investors, the
 5 Receiver must have a better understanding of the magnitude or number of individual
 6 claimants and amount of each allowed claim. As such, the Receiver is first seeking
 7 approval of the initial claims process and will later seek authorization for phase two
 8 and the distribution process to make distributions.

9 The Receiver proposes the following timeline¹ for phase one of the claims
 10 process:

TASKS	DUE DATE
1. Develop Online Claim Portal and Develop Database for Claims Process	30 Days after Court Order
2. Send Proof of Claim (POC) Email Notice	30 Days after Court Order
3. Claims Filing Deadline (aka Claims “Bar Date”)	(No sooner than) 60 Days from POC email notice
4. Process Data and POCs (download and log claims – this does not involve claims review)	60 Days from POC Email notice (continuous)
5. Exception Reporting and Audits	90 Days from Bar Date
6. File Report to Court on Claims Process and Proposal for Phase Two	120-150 Days from Bar Date

22 Seaman Declaration, ¶ 17.

23 Details of the foregoing timeline are as follows:

- 24 1. **Develop Online Proof of Claim (“POC”) Filing Website -**
 - 25 a) Establish an on-line POC portal in both English and Mandarin.

26 ¹ If any of the tasks subsequent to the claims filing deadline can be completed
 27 faster, the Receiver will move forward prior to the “Due Date” presented herein.
 28 The estimates are conservative in case the volume of claims received is high
 and/or the claims received are complicated.

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- b) Establish a webpage with answers to frequently asked questions and directing questions to a designated email address.
- 2. **Send POC Email Notice** - send out proof of claims form notices with claims bar date to potential claimants and investors via electronic mail and publication (see details below).
 - a) For investors, the electronic mail contact information obtained from the Receivership Entity records including the back office database will be used to generate notices.
 - b) For other potential claimants, the Receiver will send notices to known employees at the Receiver’s takeover, known Receivership Entity vendors, and government agencies.
 - c) Prospective claimants will be assigned a unique identifier with a specific link to the online claim form website and will be encouraged to electronically file their proofs of claim, but, alternatively, will be able to mail in a physical proof of claim form.
 - d) A copy of the notice, a link to the claim form website and a PDF of the claim form itself will be posted to the receivership website. The Receiver will also publish the claims bar date as further discussed below.
- 3. **Process Data and POCs** – claim forms and supporting documentation received will be downloaded and logged (not reviewed) during this process. Claims will be automatically downloaded and logged on a continuous basis. However, so to not incur the variable costs associated with manual review of claims until the universe of claimants is understood, claims will not be processed until after the claims bar date.

- 1 4. **Exception Reporting and Audits** – claims will be reviewed for
2 completeness and ineligible conditions, partially or entirely duplicate
3 claims, undocumented, deficient or inconsistent conditions will be
4 identified and evaluated. Epiq will transmit the proof of claims data to
5 BRG and BRG will attempt to compare the information contained on
6 each proof of claim with the electronic data on the “back office”
7 database system and other data from the Receiver. BRG will create
8 reports reflecting their findings.
- 9 5. **Deficiency Notifications** – notices regarding any exception reporting
10 and initial audit results will be developed and sent to claimants.
11 Claimants will have 20 days from the date of the Deficiency
12 Notifications to respond and address deficiencies.
- 13 6. **File Motion to propose Phase Two Processing** – The Receiver will
14 use the reports from Epiq and BRG to develop and file with the Court a
15 proposal for the second phase of claims processing.

16 Seaman Declaration, ¶ 18.

17 **B. Claims Bar Date and Notices**

18 Setting a claims bar date will provide certainty and finality to the claims
19 process. The receivership estate (and those with allowed claims) should not incur
20 the expense of continuously receiving, reviewing, and objecting to claims, as well as
21 recalculating distributions on account of late claims.

22 Accordingly, the Receiver requests the Court enter an order establishing a
23 date that is the first business day that is approximately 90 days after approval of this
24 Claims Motion as the date by which proofs of claims against the Receivership
25 Entities must be submitted to the Receiver as a prerequisite to being considered to
26 receive a distribution from the receivership estate’s assets.

27 Within 5 days of the Court’s approval of this Motion, the Receiver will file a
28 Notice of Bar Date with the Court in which the specific claims bar date is identified.

1 The Receiver proposes providing notice of the claims bar date by email, posting the
2 date on the receivership website and by publishing notice twice, once in USA Today
3 and once in The Wall Street Journal Asia (the version of the Wall Street Journal
4 published in most major Asian cities). In addition, approximately 60 days before
5 the Bar Date, Receiver will send an email to each identified investor and each
6 known non-investor creditor with a link to the claim form website and the claim
7 form. Finally, the Receiver will also post the notice, a link to the claim form
8 website and a copy of the physical claim form itself on the Receiver's website.
9 Seaman Declaration, ¶ 19.

10 These notices are designed to efficiently inform as many investors and
11 creditors as possible of the requirement and deadline to submit a claim. Investors
12 are dispersed throughout the world and many of them invested relatively small
13 amounts. As a result, there is no single publication or website that is likely to reach
14 a greater population of investors than the proposed email, receivership website, and
15 publication notices. Accordingly, consuming further receivership estate resources
16 on publishing notices is not warranted.

17 **C. The Claim Form**

18 Attached as Exhibit A to the Seaman Declaration is the Receiver's proposed
19 claim form for investors and creditor claimants. Id. at ¶ 20. Claimants will be
20 encouraged to complete the claims process online and will be instructed to provide
21 supporting documentation. Detailed instructions for completing the claim form are
22 provided on page two of the form itself and will also be included in the email
23 notification. The website/portal will also include answers to frequently asked
24 questions and will direct claimants to send any further questions to a designated e-
25 mail address. The notice, the physical claim form and the claim form website will
26 be presented in two languages: English and Mandarin.

27 The Proof of Claim Form is designed to make it clear to claimants what needs
28 to be filled out and submitted in order for a claim to be accepted and allowed by the

1 Court. Accordingly, the Receiver requests approval of the Proof of Claim form and
2 authorization to create the claim form website with assistance of Epiq.

3 **D. Claims Review**

4 Once the universe and magnitude of claims are determined, the Receiver, with
5 the assistance of Epiq and BRG, will determine an appropriate claims review
6 strategy. Claims review is one of the most cost-intensive and variable parts of the
7 claims and distribution process. Based on the number of potential claimants, there
8 may be a point at which the costs outweigh the benefits in terms of providing the
9 maximum recovery to investors. Seaman Declaration, ¶ 21.

10 If the number of claims is manageable and the claimants provide sufficient
11 data to conduct an automated analysis, then the Receiver will propose that Epiq and
12 BRG proceed with the automated claims review process in order to determine the
13 allowed amount of each claim. If the claims information received from claimants
14 does not allow for the information in the available databases to be used, then the
15 Receiver, Epiq and BRG will develop a cost effective proposal to review individual
16 claims to verify claim amounts. For example, if there were 50,000 claims requiring
17 extensive manual review and/or the quality of data does not match expectations,
18 then it may not make economic sense to try and reach a firm number for each
19 claimant. Instead, it may be more cost effective to simply determine that the
20 claimant is a *bona fide* investor and place investors into broader claims tranches for
21 purposes of making distributions. In either event the Receiver will report to the
22 Court his findings and seek Court approval before moving forward with a claims
23 determination methodology. Seaman Declaration, ¶ 23.

24 **IV. ENGAGEMENT OF THIRD PARTY CLAIMS ADMINISTRATOR**

25 As previously discussed, the Receiver has considered several claims
26 administrators and spent a significant amount of time with two qualified claims
27 administrators.

28

1 After carefully considering the experience, capabilities, and proposals, the
 2 Receiver seeks authority to engage Epiq and BRG. A copy of the proposed
 3 contracts with Epiq and BRG, contingent upon Court approval, is attached to the
 4 Seaman Declaration as Exhibit B and C. The Receiver determined, in his business
 5 judgment, that Epiq and BRG can handle the unique challenges presented by this
 6 claims process. Seaman Declaration, ¶ 14.

7 While there are numerous tasks and cost categories included in Epiq’s and
 8 BRG’s proposals, for the sake of explaining the proposed administrator costs, the
 9 Epiq and BRG proposals can be broken down as follows:

EPIQ SYSTEMS PRICING SCHEDULE	
PROFESSIONAL FEES	HOURLY RATES
Clerical/Administrative Support	\$35
Project Manager	\$80
IT/Programming	\$100
Translation Services	At preferred rates
DATA MANAGEMENT SERVICES	RATES
Data Input	Hourly rates apply
On-line Claims portal – setup fee per form	\$3,500
On-line Claims portal hosting fee	\$200 per month

ESTIMATED STATEMENT OF WORK	APPROXIMATE NUMBER OF HOURS	ESTIMATED COST
Project Management – \$80 per hour (12 hours per month x 3 months)	36 hours	\$2880
IT Programming – \$100 per hour. Setup 2 Claims Portals – English and Mandarin	6 Hours	\$600

ESTIMATED STATEMENT OF WORK	APPROXIMATE NUMBER OF HOURS	ESTIMATED COST
Claim Form Setup – Claims Portal \$3500 x 2 – English and Mandarin ** Claim responses must be in English or additional translation charges will be incurred.	-	\$7000
3 Months Portal Hosting – \$200 per month x 3 months	-	\$600
IT/Prog – \$100 per hour – Monthly Claims Extraction (per pull) 150,000+ Claims (14 hours per month x 3 months)	42 Hours	\$4200
Epiq Estimate Based on 150,000+ Claims and 3 Months of Service	-	\$15,200

BRG FEE SUMMARY		
PROJECT PHASE	HOURS	SUBTOTAL
Data Intake	10 hours @ \$350	\$3,500
Member Validation	30 hours @ \$350	\$10,500
Claims Processing	20 hours @ \$350	\$7,000
QC & Reporting	40 hours @ \$350	\$14,000
Estimate		\$35,000

Significant efforts have gone into estimating costs and the total actual costs could vary depending on the number of claims received as well as the number of excepted/deficient claims. If the claims data actually received proves to be materially different than the assumptions outlined above and/or the costs of phase one will be higher than those listed above, the Receiver will return to the Court with

1 an update and seek further authority to proceed. Moreover, the Receiver will review
2 the costs incurred by Epiq and BRG and work diligently to manage the costs of the
3 claims process.

4 **V. ARGUMENT**

5 “The power of a district court to impose a receivership or grant other forms of
6 ancillary relief does not in the first instance depend on a statutory grant of power
7 from the securities laws. Rather, the authority derives from the inherent power of a
8 court of equity to fashion effective relief.” *SEC v. Wencke*, 622 F.2d 1363, 1369
9 (9th Cir. 1980). The “primary purpose of equity receiverships is to promote orderly
10 and efficient administration of the estate by the district court for the benefit of
11 creditors.” *SEC v. Hardy*, 803 F.2d 1034, 1038 (9th Cir 1986). As the appointment
12 of a receiver is authorized by the broad equitable powers of the court, any
13 distribution of assets must also be done equitably and fairly. See *SEC v. Elliot*,
14 953 F.2d 1560, 1569 (11th Cir. 1992).

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

19 A district court’s power to supervise an equity
20 receivership and to determine the appropriate action to be
21 taken in the administration of the receivership is extremely
22 broad. The district court has broad powers and wide
23 discretion to determine the appropriate relief in an equity
24 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.

25 *Id* (citations omitted); see also *Commodities Futures Trading Comm’n. v. Topworth*
26 *Int’l, Ltd.*, 205 F.3d 1107, 1115 (9th Cir. 1999) (“This court affords ‘broad
27 deference’ to the court’s supervisory role, and ‘we generally uphold reasonable
28

1 procedures instituted by the district court that serve th[e] purpose’ of orderly and
2 efficient administration of the receivership for the benefit of creditors.”).

3 Accordingly, this Court has broad equitable powers and discretion in
4 formulating procedures, schedules and guidelines for administration of the
5 receivership estate, including establishing procedures for the administration of
6 claims. Here, the Receiver’s proposal for a phased approach to claims processing is
7 reasonable and prudent under the facts and circumstances of the case. The proposed
8 procedures are designed to allow as many investors and other claimants as possible
9 to submit claims to the Receiver and have those claims processed and reviewed with
10 the minimum consumption of receivership estate resources. The proposed proof of
11 claim form has been formulated to be as clear and user friendly as possible, while
12 requiring investors and other claimants to submit information necessary for the
13 efficient review of their claims. Finally, the need to retain a third party claims
14 administrators has been sufficiently established based upon the large number of
15 potential claimants located throughout the world, the need to automate the claims
16 process to the extent possible, and the complexities in the review process discussed
17 above.

18 **VI. CONCLUSION**

19 For the foregoing reasons, the Receiver respectfully requests the Court
20 approve phase one of the claims process as discussed herein, set a claims bar date,
21 approve the proposed proof of claim form for investors and creditors, and approve
22 the retention of Epiq and BRG to assist in the claims process.

23 Dated: January 29, 2018

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

24 By: /s/ David R. Zaro

25
26 DAVID R. ZARO
27 Attorneys for Receiver
28 THOMAS A. SEAMAN

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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

STEVE CHEN, USFIA, INC.,
ALLIANCE FINANCIAL GROUP,
INC., AMAUCTION, INC., ABORELL
MGMT I, LLC, ABORELL ADVISORS
I, LLC, ABORELL REIT II, LLC,
AHOME REAL ESTATE, LLC,
ALLIANCE NGN, INC., APOLLO
REIT I, INC., APOLLO REIT II, LLC,
AMKEY, INC., US CHINA
CONSULTATION ASSOCIATION, and
QUAIL RANCH GOLF COURSE, LLC,

Defendants.

Case No. 2:15-CV-07425-RGK-

**[PROPOSED] ORDER GRANTING
MOTION:
1) SETTING CLAIMS BAR DATE;
2) APPROVING CLAIM FORMS;
3) APPROVING CLAIMS
ENGAGEMENT OF THIRD PARTY
CLAIMS PROCESS; AND
4) APPROVING ENGAGEMENT OF
THIRD PARTY CLAIMS
ADMINISTRATOR**

Date: March 5, 2018
Time: 9:00 a.m.
Ctrm: 850
255 E. Temple St., Los Angeles
Judge: Hon. R. Gary Klausner

The Motion for Order: (1) setting a claims bar date, (2) approving claim forms, (3) approving the claims process, and (4) engagement of a third party claims analysts and administrators (the "Motion") of Thomas A. Seaman ("Receiver"), the Court-appointed permanent receiver for Defendants USFIA, Inc., Alliance Financial Group, Inc., Amauction, Inc., Aborell Mgmt I, LLC, Aborell Advisors I, LLC,

1 Aborell REIT II, LLC, Ahome Real Estate, LLC, Alliance NGN, Inc., Apollo
2 REIT I, Inc., Apollo REIT II, LLC, Amkey, Inc., US China Consultation
3 Association, Quail Ranch Golf Course, LLC, and their subsidiaries and affiliates
4 (collectively, "Receivership Entities"), came on for hearing on March 5, 2018.
5 Appearances were as noted on the record.

6 The Court having received and read the Motion, including any supporting
7 declarations and objections filed therein, and being so advised in the matter and
8 finding good cause, orders as follows:

9 **IT IS ORDERED:**

- 10 1. The Motion is granted in its entirety.
- 11 2. The Receiver is authorized to proceed with Phase One of the claims
12 process as reflected in the Motion and report back to the Court with his findings and
13 a proposal for Phase Two of the claims process.
- 14 3. **Claims Notice and Bar Date:** The Receiver is authorized to proceed
15 with the noticing prospective claimants as described in the Claims Motion, including
16 via the Receiver's website, email, mail, and by publication of notice of the claims
17 process twice, once in USA Today and once in The Wall Street Journal Asia (the
18 version of the Wall Street Journal published in most major Asian cities), within
19 thirty (30) days from the date of this Order. The Receiver is authorized to set claims
20 bar date that is approximately 90 days from the date of this Order. Within 5 days of
21 the entry of this Order, the Receiver will file a Notice of Bar Date with the Court in
22 which the specific claims bar date is identified;
- 23 4. **Claim Form:** The Proof of Claim Form and Instructions attached as
24 Exhibit A to the Declaration of Thomas A. Seaman In Support of the Motion for
25 Order: (1) Setting Claims Bar Date; (2) Approving Claims Forms; (3) Approving
26 Claims Process; and (4) Approving Engagement of Claim Administrators ("Seaman
27 Declaration") is hereby approved.

28

1 5. **Third Party Claims Administrators:** The Receiver is authorized to
2 engage Epiq and BRG as the third party claims administrators to assist in processing
3 the investor and creditor claims pursuant to those contracts attached to the Seaman
4 Declaration as Exhibits B and C. The Receiver is authorized to pay Epiq and BRG
5 in accordance with the contracts. The Receiver's report to the Court and
6 recommendations as to Phase Two of the claims process shall include any request
7 that Epiq and BRG be retained to assist with Phase Two, along with new
8 agreements and budgets for Phase Two.

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Dated: _____

Hon. R. Gary Klausner
Judge, United States District Court