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12 Attorneys for Receiver  
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

26 Defendants.  
27

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

**DECLARATION OF THOMAS A.  
SEAMAN IN SUPPORT OF MOTION  
FOR ORDER TO EXTEND CLAIMS  
SUBMISSION DEADLINE [BAR  
DATE]**

Date: July 30, 2018  
Time: 9:00 a.m.  
Ctvm: 850  
Judge: Hon. R. Gary Klausner

1 I, Thomas A. Seaman, declare:

2 1. I am the permanent receiver for Defendants USFIA, Inc., Alliance  
3 Financial Group, Inc., Amauction, Inc., Aborell Mgmt I, LLC, Aborell  
4 Advisors I, LLC, Aborell REIT II, LLC, Ahome Real Estate, LLC, Alliance  
5 NGN, Inc., Apollo REIT I, Inc., Apollo REIT II, LLC, Amkey, Inc., US China  
6 Consultation Association, Quail Ranch Golf Course, LLC, and their subsidiaries and  
7 affiliates (collectively, "Receivership Entities").

8 2. This declaration is made in support of my Motion for Order to extend the  
9 last day for investors and creditors to file their claims until October 1, 2018, rather  
10 than the original June 29, 2018 bar date. I have personal knowledge of the facts set  
11 forth herein and, if called as a witness, could and would testify to such facts under  
12 oath.

13 3. As previously reported, in formulating procedures for the administration  
14 of claims, my goal is to find an efficient and cost effective means to verify and  
15 validate investor and creditor claims. As expected, the process has been anything but  
16 typical and has presented numerous challenges. Among other things, access to the  
17 claims portal has been blocked in China, investors have been told to withdraw proofs  
18 of claims, many email addresses for investors have turned out to be inaccurate; and it  
19 appears that many investors gave their money to a third party who, in some cases,  
20 pooled the money with other investor money before transmitting the investment  
21 proceeds to the Receivership Entities.

22 4. Pursuant to the process set forth in the Claims Motion, investors and  
23 other creditors were to have at least 60 days to submit claims to me. The claims  
24 process information, the proof of claims form, and the Claims Portal (as defined  
25 below), was presented to investors and creditors in both English and Mandarin.  
26 Following entry of the Claims Order, the Receiver and Epiq activated the electronic  
27 claims submission portal ("Claims Portal"), and electronically transmitted notices and  
28

1 information regarding the claims process to all known investor and non-investor  
2 claimants.

3         5.       On April 6, 2018, the claims notice was published in the USA Today and  
4 the Financial Times. My office also mailed physical notices to any other known  
5 creditor of the Receivership Entities (approximately 220 notices), and Epiq and our  
6 office sent email blasts to the email addresses in our possession believed to be  
7 associated with investors. Ultimately, the unreturned number of original email  
8 notices totaled 43,062. The notices (physical and email) included instructions on how  
9 to submit claims and the emails contained a link to the Claims Portal, which had been  
10 activated prior to the physical and email notices being sent. A notice and link to the  
11 Claims Portal were also posted at the top of the receivership website used to provide  
12 other case information to investors.

13         6.       To date, approximately 1,740 claims have been submitted. This number  
14 is substantially lower than anticipated based on the number of unique email addresses  
15 and the number of emails that were actually opened from the Receiver's initial email  
16 blast and based upon estimates derived from an analysis of the bank and other records  
17 of the Receivership Entities. Based on the statistics from the initial email blast and  
18 company records, we anticipated receiving 15,000 to 30,000 claims. The reasons for  
19 the uncertainty regarding the estimated number of potential investor claims are many,  
20 but I believe that they stem from the lack of a complete or trustworthy company  
21 database, the location of many investors outside the United States, and the fact that a  
22 significant number of investors gave their money to other individuals ("Leaders") who  
23 pooled the funds with those of other investors before investing with the Receivership  
24 Entities.

25         7.       As of June 25, 2018, Epiq had received over 250 email messages sent to  
26 the email address dedicated to questions about claims. I have received over 500  
27 additional email messages sent directly to my staff. From these email messages and  
28

1 my observation of the process, certain reasons and themes for investors not submitting  
2 claims have emerged. The most common reasons are as follows:

3       **A) Technical and Other Claims Portal Issues** – Epiq has experienced  
4 significant issues with regard to Chinese users' access to the claims portal.  
5 Specifically, in 2010, Google pulled out of the Chinese market due to conflicts with  
6 the Chinese government over censorship. Epic's claims portal was modified in late  
7 2017 to use Google reCaptcha, a security feature to prevent denial of service and  
8 other attacks resulting from automated code accessing the website. As a result, the  
9 claim registration page was no longer functional in China. The reCaptcha feature is  
10 being replaced with BotDetect, a security feature that is not blocked in China. This  
11 was on Thursday, June 28, 2018, and will resolve the registration issues for Chinese  
12 investors. I am also concerned that some investors may believe the Claims Portal is  
13 another scam, an unauthorized attempt to get their personal information, or that the  
14 government will be watching them if they submit a claim.

15       **B) Steve Chen** – Based upon communications with investors, it appears that  
16 either Steve Chen or those actively involved with him have spread misinformation to  
17 investors resulting in at least 50 requests by investors to withdraw their claims. When  
18 questioned, these investors indicated that they believed Defendant Steve Chen and the  
19 USFIA program will continue and they will recover their original investment through  
20 future operations. I am concerned that Mr. Chen or the so-called "Leaders" who also  
21 acted as sales agents are spreading false information and may be engaging in new  
22 sales activities related to a new scheme.

23       **C) Difficulty with Claims Process** – some investors are having problems  
24 submitting claims for one or more of the following reasons:

- 25       • They do not have or do not remember their investment information.  
26       • They think I should have their information and they should not have to  
27       provide it.  
28       • They do not understand the instructions for submitting claims.

1           • They do not have access to a computer or scanner to submit documents.

2           8. I believe that further outreach and instruction will generate many more  
3 claims. I believe all reasonable and cost-effective efforts should be made to contact  
4 and encourage investors to submit claims.

5           9. I am holding approximately \$50 million in cash and expect to recover  
6 additional amounts, including through the sale of the remaining real property assets as  
7 well as pending recovery actions and collection efforts. I anticipate providing a very  
8 meaningful recovery to investors with allowed claims. Accordingly, after consulting  
9 with Epiq, and counsel, I recommend the following actions as the most efficient and  
10 effective means to increase the number of investor claims submitted:

- 11           • Extend the Claims Bar Date by approximately 90 days to October 1,  
12           2018, to allow investors more time to submit claims. The claim form  
13           requires that investors submit supporting documentation. Although the  
14           original 60 days should have been enough time to gather such  
15           documentation, the emails received to date indicate that a lack of  
16           supporting documentation is an issue for many investors.
- 17           • I will then have an additional 45 days to validate and communicate with  
18           claimants in order to remedy or address issues with regard to deficient  
19           claims.
- 20           • Send email blasts to investors every 7 to 10 days to not only remind  
21           investors to submit a claim, but also to address common inquiries and  
22           themes in investor correspondence. Although each repeat email blast  
23           may not generate a significant bump in the number of claims, they are  
24           still a very efficient way of reminding and encouraging investors to  
25           submit claims. The cost of each email blast is approximately \$200 to  
26           \$400, depending on the amount of translation necessary.
- 27           • Establish a message center with voice mail in multiple languages for  
28           investors to call in and ask questions. Calls will then be returned in an

1 efficient manner. Investors will be guided through the claims process,  
2 and therefore will gain confidence in the claims process. With a message  
3 system in place, the receivership will be able to control the costs by  
4 addressing the needs of the diverse number of languages without the  
5 expense of having live telephone operators. Investors will be able to  
6 leave messages and have their calls returned in English, Spanish, French,  
7 Mandarin, Korean, Malaysian, or Vietnamese. The English and  
8 Mandarin calls will go directly to my staff and calls in all other  
9 languages will be handled by Epiq. Epiq's estimated cost for the  
10 message center for 90 days is approximately \$20,000-\$30,000,  
11 depending on the volume of calls. If the Court approves, the next e-mail  
12 blast will announce to investors that the deadline to submit claims has  
13 been extended and the message center is open.

- 14 • I have been and will continue to accept hard copy claims by mail or  
15 email. I will also attempt to find physical mailing addresses from  
16 company records in a further effort to reach investors. I also recommend  
17 scheduling an investor meeting to inform investors of the claims process  
18 and to assist investors that are having difficulties or have questions about  
19 the claims process. The meeting would be in the San Gabriel Valley  
20 area of Los Angeles, near the Receivership Entities' former offices.

21 10. I estimate that the total expenses associated with these efforts will be  
22 approximately \$30,000-\$35,000. I expect that Epiq's total fees for Phase I of the  
23 claims process will come in under the budgeted cap for Phase I. The costs of the  
24 additional outreach efforts described herein, however, were not included in the  
25 Phase I budget.

Executed this 29<sup>th</sup> day of June, 2018, at Irvine, California.



THOMAS A. SEAMAN