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12 Thomas A. Seaman

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

16 SECURITIES AND EXCHANGE  
COMMISSION,

17 Plaintiff,

18 v.

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

27 Defendants.  
28

Case No. 2:15-cv-07425 RGK PLA

**JOINT STATUS REPORT  
PURSUANT TO COURT'S JUNE 23,  
2020 ORDER [DKT. 425]**

Ctrm.: 850  
Judge: Hon. R. Gary Klausner

1 Thomas A. Seaman, the Court-appointed permanent receiver ("Receiver"), the  
2 Court-appointed permanent receiver for Defendants USFIA, Inc., Alliance Financial  
3 Group, Inc., Amauction, Inc., Aborell Mgmt I, LLC, Aborell Advisors I, LLC,  
4 Aborell REIT II, LLC, Ahome Real Estate, LLC, Alliance NGN, Inc., Apollo  
5 REIT I, Inc., Apollo REIT II, LLC, Amkey, Inc., US China Consultation  
6 Association, Quail Ranch Golf Course, LLC, and their subsidiaries and affiliates  
7 (collectively, "Receivership Entities"), and the Securities and Exchange  
8 Commission ("SEC"), hereby submit this Joint Status Report pursuant to Court's  
9 June 23, 2020 Order [Dkt. 425].<sup>1</sup>

## 10 I. PROCEDURAL STATUS

11 On March 13, 2017, the Court entered a Final Judgment as to Defendant  
12 Steve Chen. Dkt. 210. On March 17, 2017, the Court entered an Amended Final  
13 Judgment as to the Receivership Entities. Dkt. 219. Accordingly, the SEC's claims  
14 in this action have been resolved and the remaining matters pertain to the  
15 receivership, which, as discussed below, include determining claim amounts, filing  
16 income tax returns, and distributing the funds the Receiver has marshaled over the  
17 course of the receivership to those with allowed claims.

## 18 II. CLAIMS PROCESS

19 As previously reported, the claims process has been complicated due to a  
20 variety of factors including the large volume of claims, the location of claimants  
21 around the world, language barriers, and incomplete and unreliable books and  
22 records of the Receivership Entities. There are approximately 8,000 claims, with a  
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24 <sup>1</sup> The intervenors – Jennifer Li Zhao and Ally Investors – were permitted to  
25 intervene for the limited purpose of seeking to unfreeze certain bank accounts.  
26 Ally Investors was then determined to be an affiliate of the Defendants and  
27 therefore included in the receivership. Ms. Zhao and two other individuals who  
28 claimed ownership of the funds in the Ally Investors bank account then released  
their claims to ownership of the funds as part of a settlement with the Receiver,  
which was approved by the Court. Accordingly, Ms. Zhao's only remaining  
interest in the receivership estate is as a prospective claimant, subject to the  
Receiver's review and the Court's determination of her claim.

1 total dollar value of approximately \$123 million. The number of claimants is  
2 growing due to the filing of certain claims by a single claimant on behalf of multiple  
3 underlying claimants that are now being broken down into individual claims.  
4 However, the total face value of claims of \$123 million should not significantly  
5 change. To date, the Receiver has identified allowable claims of approximately \$70  
6 million and objectionable claims of approximately \$42 million. Approximately  
7 \$11 million in claims remain to be fully analyzed. There are also expected  
8 allowable claims of approximately \$90,000 and \$177,000 for former employee  
9 wages and trade creditors, respectively. Based on the cash on hand in the  
10 receivership estate and the projected total amount of allowed claims (and assuming  
11 the tax claims discussed below are subordinated), the Receiver currently estimates  
12 investors will receive a distribution of approximately 75% of their net losses from  
13 their investments.

14 With respect to timing, input of the multiple claims and claims arising from  
15 the Vecast, Inc. claimants is ongoing and should be completed in the next two  
16 weeks. Following that, the Receiver will need approximately six weeks to complete  
17 the evaluation and verification process and conclude the determination of claims.  
18 The Receiver, therefore, expects to conclude the processing of claims by the end of  
19 August. The next step will be to prepare a motion for approval of the Receiver's  
20 recommendations regarding allowed claim amounts and claims to be disallowed.  
21 The Receiver anticipates filing this motion by September 11, 2020. The Receiver  
22 will simultaneously seek approval of a proposed plan of distributing receivership  
23 estate funds to those with allowed claims.

### 24 III. INCOME TAXES

25 The Receiver is using the forensic accounting completed in December 2019  
26 (Dkt. 406) to complete the pre-receiver tax returns for the Receivership Entities for  
27 2014 and 2015. The preliminary estimate of taxes owing is \$20 million. However,  
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1 how the IRS treats certain expenses could conceivably result in tax liabilities that  
2 exceed the amount of cash held by the Receiver for distribution.

3 The Receiver expects to file the returns by September 4, 2020. The IRS and  
4 FTB will need time to review the returns. While the Receiver will request expedited  
5 review of the returns by the taxing authorities, the timing is not certain. Regardless  
6 of the amount of taxes owing, the Receiver will seek to subordinate tax claims to  
7 investor claims until all investors are paid in full. The Receiver will seek the  
8 consent of the SEC, IRS and FTB by way of stipulation, or alternatively with the  
9 assistance of the Court ordering subordination of the tax claims on the basis of  
10 Department of Justice Tax Division Directive 137. It is critical that the tax claims  
11 be addressed and the subordination issue resolved prior to distributing receivership  
12 estate funds to investors and creditors with allowed claims.

13  
14 Dated: July 7, 2020

15 By:           /s/ Donald W. Searles            
16 DONALD W. SEARLES  
17 Attorneys for Plaintiff  
18 SECURITIES AND EXCHANGE  
19 COMMISSION

18 Dated: July 7, 2020

19 ALLEN MATKINS LECK GAMBLE  
20 MALLORY & NATSIS LLP  
21 By:           /s/ Edward G. Fates            
22 EDWARD G. FATES  
23 Attorneys for Receiver  
24 THOMAS A. SEAMAN

23 In accordance with Local Rule 5-4.3.4, the filer hereby attests that all other  
24 signatories listed, and on whose behalf the filing is submitted, concur in the filing's  
25 content and have authorized the filing.  
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27  
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