

1 ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
2 DAVID R. ZARO (BAR NO. 124334)
TIM C. HSU (BAR NO. 279208)
3 865 South Figueroa Street, Suite 2800
Los Angeles, California 90017-2543
4 Phone: (213) 622-5555
Fax: (213) 620-8816
5 E-Mail: dzaro@allenmatkins.com
thsu@allenmatkins.com

6 ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
7 EDWARD G. FATES (BAR NO. 227809)
8 One America Plaza
600 West Broadway, 27th Floor
9 San Diego, California 92101-0903
Phone: (619) 233-1155
10 Fax: (619) 233-1158
E-Mail: tfates@allenmatkins.com

11 Attorneys for Receiver
12 Thomas A. Seaman

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

17 SECURITIES AND EXCHANGE
COMMISSION,
18 Plaintiff,
19 v.
20 STEVE CHEN, USFIA, INC.,
ALLIANCE FINANCIAL
21 GROUP, INC., AMAUCTION, INC.,
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.

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

**DECLARATION OF THOMAS A.
SEAMAN IN SUPPORT OF MOTION
FOR (A) APPROVAL OF SALE OF
COMMERCIAL REAL PROPERTY
(LIVE OAK PROPERTY), AND (B)
AUTHORITY TO PAY BROKER'S
COMMISSION**

Date: November 5, 2018
Time: 9:00 a.m.
Ctrm.: 850
Judge: Hon. R. Gary Klausner

1 I, Thomas A. Seaman, declare:

2 1. I am the Court-appointed receiver for 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 ("Ahome"), Alliance NGN, Inc.,
5 Apollo 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").

8 2. I make this declaration in support of my Motion for (A) Approval of
9 Sale of Commercial Real Property (Live Oak Property), and (B) Authority to Pay
10 Broker's Commission ("Motion"). I have personal knowledge of the facts stated
11 herein, and if called upon to do so, I could and would personally and competently
12 testify to them.

13 3. On March 30, 2012, Apollo REIT II, LLC purchased an office building
14 located at 135 E. Live Oak Avenue, Arcadia, California ("Property") for \$3,880,000.
15 The Property was built in 1982, is approximately 18,516 square feet, and has two
16 stories.

17 4. Given that holding and maintaining the Property entails significant
18 carrying costs to the receivership estate, including costs for maintenance, insurance,
19 and property taxes, and that the Receivership Entities are no longer operating or in
20 need of the Property, I listed the Property for sale through licensed brokers, William
21 DuBrowa & Associates and Sperry Van Ness ("Broker").

22 5. After consulting with Broker, I listed the Property for sale on or about
23 April 23, 2018, at \$6,900,000. This list price was based on an opinion of value of
24 the Property from 2016. It was agreed that the price would be dropped to a price
25 more consistent with 2018 values if there was no interest at that price during the first
26 90 days. Broker listed the Property on LoopNet, Costar, and the Multiple Listing
27 Service – three widely used internet listing services for commercial property.
28 Broker also emailed the listing to over 1,800 brokers and over 950 potential buyers.

1 Broker held five open houses and gave ten private showings of the Property.
2 Despite these marketing efforts, no offers were received at or near the list price.
3 Accordingly, in consultation with Broker, I reduced the price to \$5,750,000, which
4 is supported by comparable sales in the area in 2018. Two offers in the range of the
5 reduced list price were received shortly thereafter.

6 6. I negotiated terms with both potential buyers and agreed on a purchase
7 price of \$5,650,000 with 135 E. Live Oak, LLC ("Buyer"). The Buyer and I then
8 entered into a Purchase and Sale Agreement and Joint Escrow Instructions
9 ("Agreement"). Among other things, the Agreement specifies the sale is subject to
10 Court approval and is on an "AS IS" basis. The Agreement is attached hereto as
11 Exhibit A. During the due diligence period, it was discovered that significant
12 repairs were needed to air conditioning and roof of the building. Accordingly, the
13 Buyer and I agreed to a \$75,000 price reduction to \$5,575,000, and Buyer removed
14 its contingencies.

15 7. In my reasonable business judgment, I believe the Agreement, obtained
16 through the commercially reasonable and customary method of listing the property
17 with a licensed broker and after arm's length negotiations with Buyer, reflects the
18 fair market value of the Property. Moreover, the sale is subject to overbid and
19 public auction procedures discussed below. Accordingly, I respectfully requests this
20 Court grant this Motion and approve and authorize: (1) the sale of the Property, and
21 (2) payment of the Broker's commission.

22 8. The proposed sale to Buyer should be approved. The Property has been
23 fully and properly exposed to the market by Broker through the customary means of
24 listing the property on LoopNet, Costar, and the Multiple Listing Service ("MLS"),
25 advertising, holding open houses, and showing the property to prospective
26 purchasers. I believe the proposed sale represents the fair market value and will
27 generate the highest and best recovery from the Property.

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1 9. The proposed sale is subject to overbid and public auction. I propose to
2 conduct a public auction consistent with the requirements of Section 2001(a).
3 Specifically, I will publish the following notice of the sale once a week for four
4 weeks in the San Gabriel Valley Tribune:

5 In the action pending in U.S. District Court for the Central
6 District of California, Case No. 16-CV-07425-RGK-PLA,
7 Securities and Exchange Commission v. Steve Chen et al.,
8 notice is hereby given that the court-appointed receiver will
9 conduct a public auction for the commercial real property
10 located at 135 E. Live Oak Ave., Arcadia, California. Sale is
11 subject to Court confirmation after the auction is held.
12 Minimum bid price is \$5,825,000. The auction will take place
13 on November 5, 2018, at 11:00 a.m. at the property located at
14 135 E. Live Oak Ave., Arcadia, California. To be allowed to
15 participate in the auction, prospective purchasers must meet
16 certain bid qualification requirements, including submitting a
17 signed purchase and sale agreement, an earnest money deposit
18 of \$100,000, and proof of funds. All bidders must be qualified
19 by 3:00 p.m. PT on October 26, 2018, by submitting the
20 required materials to the Thomas Seaman Company at 3 Park
21 Plaza, Suite 550, Irvine California, 92614. If interested in
22 qualifying as a bidder, please contact William DuBrowa at
23 (310) 699-1289 or bdubrowa@yahoo.com or Allen Afshar at
24 (310) 500-3321 or allen.afshar@svn.com.

16 10. In order to conduct an orderly auction and provide sufficient time for
17 the publication of notices discussed above, I will require bidders to complete the
18 above steps by October 26, 2018 ("Bid Qualification Deadline"), and conduct the
19 live public auction at the Property at 11:00 a.m. on November 5, 2018.

20 11. I will inform all interested persons of the opportunity to overbid at the
21 public auction, provided they qualify themselves to bid by the Bid Qualification
22 Deadline by (a) signing a non-contingent purchase and sale agreement for the
23 properties on the same terms and conditions as Buyer, but with a purchase price of
24 at least \$5,825,000, (b) providing me with an earnest money deposit of \$100,000,
25 and (c) providing proof of funds necessary to close the sale transaction in the form
26 of a current bank statement, cashier's check delivered to me, or other evidence
27 deemed sufficient by me.

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1 12. In the event one or more prospective purchasers qualify themselves to
2 bid, I will promptly notify the Court and the auction will be conducted at the
3 Property as noted above. Bids will be allowed in increments of \$25,000. I will then
4 file a notice advising the Court of the result of the auction (*i.e.*, the highest bid) and
5 seek entry of an order confirming the sale. Earnest money deposits provided by
6 bidders who are unsuccessful will be promptly returned to them. In the event no
7 prospective purchasers qualify themselves to bid by the Bid Qualification Deadline,
8 I will notify the Court and seek entry of an order approving the sale to Buyer.

9 13. Pursuant to its broad equitable powers with respect to the
10 administration of receivership assets, I request the Court authorize payment from the
11 proceeds of the sale of the Property of the valid liens,¹ taxes, and any other claims
12 on the property, subject to any objections to such liens, taxes, or claims by me. I
13 note that the Property is owned free and clear of debt. The net proceeds of the sale
14 are expected to be approximately \$5.2 million.

15 14. Finally, I request authority to pay Broker a commission in the amount
16 of 5% of the final purchase price or 4% in the event of a successful overbidder
17 represented by Broker. Based on my extensive experience in real estate
18 transactions, I believe that such commission is commercially reasonable and
19 consistent with real estate industry standards. Broker has invested substantial time
20 into preparing the Property for sale, locating potential purchasers, marketing the
21 property to them, negotiating terms, and preparing sale documents.

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28 ¹ I am not aware of any valid liens on the Property, which was purchased with all cash.

1 I declare under penalty of perjury under the laws of the United States of
2 America that the foregoing is true and correct.

3 Executed this ____ day of October 2018, at Irvine, California.

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THOMAS A. SEAMAN