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10 Attorneys for Receiver
11 THOMAS A. SEAMAN

12 UNITED STATES DISTRICT COURT
13 CENTRAL DISTRICT OF CALIFORNIA

14
15 SECURITIES AND EXCHANGE
COMMISSION,

16 Plaintiff,

17 v.

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

24 Defendants.
25

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

**MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT OF
RECEIVER'S RENEWED MOTION
TO APPROVE RECEIVER'S
AMENDED DISTRIBUTION PLAN
RE: SECOND DISTRIBUTION**

Date: September 18, 2023
Time: 9:00 a.m.
Ctrm: 850
Judge Hon. R. Gary Klausner

1 Thomas A. Seaman ("Receiver"), Court-appointed receiver for Defendants
2 USFIA, Inc., Alliance Financial Group, Inc., Amauction, Inc., Aborell
3 Mgmt I, LLC, Aborell Advisors I, LLC, Aborell REIT II, LLC, Ahome Real
4 Estate, LLC, Alliance NGN, Inc., Apollo REIT I, Inc., Apollo REIT II, LLC,
5 Amkey, Inc., US China Consultation Association, Quail Ranch Golf Course, LLC,
6 and their subsidiaries and affiliates (collectively, "Receivership Entities"), is renews
7 his Motion to Approve Receiver's Amended Distribution Plan Re: Second
8 Distribution (the "Renewed Motion"), in accordance with the Court's Civil Minute
9 order dated July 24, 2023. [Doc. No. 509.] As detailed below, the Receiver has
10 provided additional notice to Claimants in an effort to make distributions to those
11 with Allowed Claims who had not previously been located or who had otherwise not
12 received their payments from the first distribution ("First Distribution") under the
13 original Distribution Plan. Having completed the First Distribution, the Receiver is
14 prepared to commence the second distribution to investors with Allowed Claims
15 (the "Second Distribution") pursuant to the proposed Amended .Plan of Receiver
16 Thomas A. Seaman, (the "Amended Plan")

17 **1. Updated Status of Distributions.**

18 As reported to the Court in Receiver's Response, Report and
19 Recommendations for Concluding the Receivership [Doc. No. 503] ("Receiver's
20 Report"), the closing of the case has primarily been impeded due to extraordinary
21 issues arising in the distribution of proceeds to the approximately 84% of the
22 investors who are located outside of the United States. In May 2023, the Receiver
23 estimated that he would have an estimated \$5.0 million available for a second
24 distribution at the conclusion of the First Distribution which was made under the
25 original Distribution Plan of Receiver Thomas A. Seaman ("Original Plan"). [Doc.
26 No. 455.] Based upon the amount of money available for distribution and the cost
27 of doing so, the Receiver determined that it is in the best interests of the victim
28 claimants to make a second distribution (the "Second Distribution") to those

1 investors with Allowed Claims. On June 5, 2023, the Receiver filed the Motion to
2 Approve Receiver’s Amended Distribution Plan Re: Second Distribution (“Second
3 Distribution Motion”) seeking approval of the Second Distribution and Amended
4 Plan

5 A hearing on the Second Distribution Motion was conducted on July 24,
6 2023. At the hearing the Court requested the Receiver to make one final attempt to
7 reach those investors with an Allowed Claim who, for whatever reason had either
8 not been located or did not or could not negotiate their distribution payment. In
9 accordance with the Minute Order, on July 24, 2023, the Receiver sent notice to
10 those investors with Allowed Claims who had not yet received or negotiated their
11 distribution payment. The Receiver also posted the notice on the USFIA
12 Receivership website (www.usfiareceivership.com). A true and correct copy of this
13 notice is attached as Exhibit B to the Declaration of Thomas A. Seaman in Support
14 of the Renewed Motion to Approve Receiver’s Amended Distribution Plan Re:
15 Second Distribution.

16 As a result of this further notice, the Receiver was able to locate and make
17 additional distributions to 105 investors with Allowed Claims. Accordingly, the
18 Receiver presently has \$3,277,675, available to make a Second Distribution.

19 The Receiver proposes to make a Second Distribution per the Amended Plan
20 and close the receivership over the next 5 months as follows:

- 21 • Complete the First Distribution on or before August 16, 2023;
- 22 • Commence a Second Distribution no later than September 25, 2023,¹
23 with a relatively short deadline (45 days) for investors to receive and
24

25
26
27 ¹ This assumes a hearing date of September 18, 2023. The Receiver can
28 commence the Second Distribution about 7 days after the Order is entered.
Therefore, the above dates for commencing and concluding the Second
Distribution may move ahead or backward, depending on when the Order is
entered.

- 1 cash their Second Distribution checks, or complete wire transfer and
2 Paypal transactions;
- 3 • Conclude the Second Distribution on December 1, 2023;
 - 4 • No later than January 12, 2024, the Receiver shall file motions seeking
5 approval of a final accounting, final fee applications, the discharge of
6 the receiver and the closing of the receivership (collectively, the
7 "Closing Motions").

8 By this Motion, the Receiver seeks approval of the Amended Plan and to
9 make the Second Distribution as follows:

- 10 • The Allowed Claims of Claimants who could not be located or whose
11 payments were made by the Receiver but are not negotiated or
12 otherwise do not clear the Receiver's bank or Paypal account by
13 August 9, 2023, (or shortly thereafter if time is required for a wire or
14 payment in process to clear), will be extinguished. For avoidance of
15 doubt, such Claimant's Allowed Claims will be void and they will not
16 participate in the Second Distribution.
- 17 • After setting aside funds to pay for current and future administrative
18 expenses, the Receiver will distribute the remaining proceeds to the
19 Claimants with Allowed Claims on a pro-rata basis commencing no
20 later than September 25, 2023 (see Footnote 1.)
- 21 • Claimants who receive a Second Distribution will have a maximum of
22 45 days to negotiate the payment (and for the payment to clear
23 Receiver's accounts). The Receiver shall take steps to stop payment as
24 to all distribution checks and payments as of December 1, 2023.
- 25 • The remaining terms of the Original Plan shall remain in full force and
26 effect.

27 See Declaration of Thomas A. Seaman in Support of Motion to Approve Amended
28 Distribution Plan, ¶¶ 5-6, Exhibit A.

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I. STATUS

After months of extraordinary efforts to locate investors and assist in their negotiation of the First Distribution payment, of the \$64,000,000 approved distribution, the Receiver still holds an estimated \$3,584,916 in undistributed distribution proceeds. At this time, the Receiver can either make a Second Distribution to those investors with Allowed Claims to whom payment of the First Distribution was successful, or turn these funds over to the Securities and Exchange Commission for payment to the United States Treasury.

The Receiver believes it is important to distribute as much money as possible to the victims of this financial fraud. With the knowledge gained from the First Distribution and placing strict time limits on negotiating payments, the Receiver can conclude a Second Distribution in less than 90 days, including allowing 45 days for payments to clear. Accordingly, the Receiver recommends making a second and final distribution to Claimants with Allowed Claims in accordance with the Amended Plan, attached as Exhibit A to the Seaman Declaration.

II. RECEIVER’S PROPOSED AMENDED PLAN

In accordance with Section III. C. of the Original Distribution Plan, those Claimants with Allowed Claims who have not been located, shall have their claims extinguished and shall not participate in any future distributions. [Doc. 444, Exh. E, Page 374.] The Receiver seeks to amend the Original Distribution Plan, to state that all those Claimants with Allowed Claims that could not be located or who have failed to negotiate their First Distribution made under the Original Plan as of August 9, 2023, shall no longer have an Allowed Claim (i.e. their previously Allowed Claim is extinguished) and will not be eligible to participate in the Second Distribution.

On or about September 25, 2023, the Receiver will commence making the Second Distribution to those remaining Claimants with Allowed Claims, (i.e. those Claimants with Allowed Claims whose addresses are known and whose payments

1 cleared the Receiver's account as of August 9, 2023). (See Footnote 1.) The Second
2 Distribution shall be made on a pro rata basis to those Claimants with Allowed
3 Claims. The recipients of the Second Distribution shall have 45 days to negotiate
4 their checks or have their wires or PayPal payments clear the Receiver's bank or
5 other accounts. Those distributions that have not cleared the Receiver's accounts
6 (bank, PayPal or otherwise) on or before December 1, 2023, shall be void and the
7 Receiver will take steps to stop payment as deems appropriate.

8 The Receiver estimates that the cost to complete the Second Distribution will
9 be in the range of \$140,000 to \$170,000. The work will be done primarily by a
10 Mandarin-speaking staff member and senior financial analyst staff member of the
11 Receiver's office at significantly lower hourly rates than the Receiver. The
12 Receiver expects his future fee applications to be as follows:

13	Quarter 4, 2022	\$110,799
14	Quarter 1 2023	\$103,213
15	Quarter 2 2023	\$167,283
16	Quarter 3 2023	\$95,000
17	Quarter 4 2023	\$110,000

18 The Receiver does not anticipate incurring significant attorneys' fees with regard to
19 the Second Distribution. It is anticipated that the attorneys' fees will be limited to
20 drafting the instant Motion and the Amended Plan, and supporting the Receiver if
21 legal issues arise in connection with the Second Distribution, if any. Thereafter,
22 Counsel will assist with drafting the Closing Motions. Following the Court's
23 approval of the Closing Motions and payment of approved taxes and administrative
24 expenses of the receivership estate, the balance of funds held by the Receiver after
25 concluding the Second Distribution, shall be turned over to the Securities and
26 Exchange Commission for payment to the United States Treasury.

27 The Receiver and his counsel have met and conferred with counsel for the
28 Securities and Exchange Commission (the "SEC"). The SEC supports the proposed

1 plan and the Receiver’s good faith efforts to see that receivership funds are
2 distributed to investor victims (as opposed to having a larger percentage of the
3 receivership funds go to the United States Treasury), and believes that the estimated
4 costs of completing the Second Distribution are reasonable under the circumstances.

5 **III. CONCLUSION**

6 Based upon his investigation and findings, the Receiver also requests the
7 Court approve the Amended Plan.

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9
10 Dated: August 17, 2023

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

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12
13 By: /s/ David R. Zaro

14 DAVID R. ZARO
15 Attorneys for Receiver
16 THOMAS SEAMAN
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