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10 Attorneys for Receiver
11 Thomas A. Seaman

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

15 SECURITIES AND EXCHANGE
COMMISSION,

16 Plaintiff,

17 v.

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

26 Defendants.

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

DECLARATION OF THOMAS A. SEAMAN IN SUPPORT OF MOTION FOR ORDER: (1) APPROVING FINAL REPORT AND ACCOUNTING; (2) AUTHORIZING PAYMENT OF FINAL FEE APPLICATIONS OF RECEIVER AND PROFESSIONALS; (3) AUTHORIZING CORRECTIVE DISTRIBUTIONS ON ALLOWED CLAIMS; (4) AUTHORIZING FINAL TAX RETURNS; (5) AUTHORIZING ABANDONMENT OR DESTRUCTION OF RECORDS; AND (6) CLOSING RECEIVERSHIP CASE AND DISCHARGING RECEIVER

Date: June 17, 2024
Time: 9:00 a.m.
Ctrm: 850, 8th Floor
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, and Quail Ranch Golf Course, LLC (collectively,
7 "Receivership Entities"). I have personal knowledge of the facts set forth herein and,
8 if called as a witness, could and would testify to such facts under oath.

9 2. This declaration is made in support of my Motion for Order:
10 (1) Approving Final Report and Accounting; (2) Authorizing Payment of Final Fee
11 Applications of Receiver and Professionals; (3) Authorizing Corrective Distributions
12 on Allowed Claims; (4) Authorizing Final Tax Returns; (5) Authorizing
13 Abandonment or Destruction of Records; and (6) Closing Receivership Case and
14 Discharging Receiver (the "Motion").

15 3. I was appointed on October 6, 2015. Since my appointment, I have
16 administered the receivership estate and all receivership assets in accordance with the
17 Court's instructions, including specifically: (1) marshaling and preserving
18 Receivership Assets; (2) completing the disposition of real and personal property
19 Assets; (3) performing accountings and analysis of the Receivership Entities'
20 financial activities and condition; (4) eliminating and addressing the Entities'
21 liabilities; (5) recommending the claims process, appropriate treatment of claims, and
22 making a distribution; (6) negotiating with tax agencies to subordinate their claims;
23 and (7) preparing reports for this Court. Much of my work has been accounted for
24 and reflected in my 27 Interim Receiver Reports, and my Final Report, filed
25 herewith.

26 4. In accordance with the Appointment Order, and the Court's subsequent
27 orders regarding the administration of the instant receivership, some of my most
28 significant accomplishments during the pendency of the receivership included:

- 1 • Recovery of approximately \$80 million and will have distributed
2 \$63,444,000.60 to victims.
- 3 • Preparation and filing of 27 status reports and accountings over the
4 duration of the receivership.
- 5 • Conducting a forensic accounting which was required in order to
6 identify and marshal assets, address the tax obligations of the
7 Receivership Entities, ascertain damages, and substantiate claims. This
8 work had the added benefit of enabling me to comply with a Grand Jury
9 subpoena in connection with the criminal matter against the Defendants.
- 10 • Locating and seizing funds in the amount of \$32.3 million and locating
11 and recovering approximately \$700,000 in unearned law firm retainers.
- 12 • Locating and monetizing assets owned by the Receivership Entities
13 including but not limited to 17 real property assets, primarily comprised
14 of single family residences owned by defendant Steven Chen, his
15 relatives and acquaintances. In addition, I recovered and sold a hotel, an
16 apartment building, and vacant land.
- 17 • Recovering vehicles and personal property located at the company
18 premises including but not limited to art, women's handbags, and
19 jewelry which were sold at auction.
- 20 • Managing and operating assets owned by the Receivership Entities
21 including a hotel in San Bernardino and an apartment building in
22 Alhambra until they could be sold. Revenues from these operations
23 were \$2.259 million.
- 24 • Addressing and solving some extremely complicated tax issues which
25 arose out of USFIA, Inc. operating as a C corporation with the attendant
26 tax obligations of a non-pass through corporation. I was faced with
27 large potential tax liability which could have depleted the funds
28 recovered by the Receiver and dramatically reduced the distributions to

1 investor claimants. I also faced personal liability if the IRS obligations
2 were not met before making a distribution. I was ultimately able to
3 reach an agreement with the IRS as reflected in the Amended
4 Distribution Plan whereby the Receiver held the proceeds of the
5 Receivership Entities in constructive trust for payment of the
6 administrative expenses of the receivership estate and the investor
7 victims with allowed claims. In deference to the investor victims, the
8 IRS agreed to subordinate payment of any present or future claim of the
9 IRS to the payment of 100% of the Allowed Claims of Claimants.

10 • Administering the investor claims process. The claims process was
11 complex and difficult to administer due to the large number claimants
12 and because the investors resided in 50 countries. The poor condition of
13 the Defendant's book & records (many of which were maintained in
14 Mandarin), and the large sales network also contributed to the
15 difficulties in evaluating claims. Additional complexities arose with
16 foreign exchange rates and a highly complex back-office database that
17 required sophisticated digital forensic work to extract and analyze data.
18 Ultimately, claimants received nearly 79.2% of their losses from the
19 receivership.

20 • Providing ongoing investor communications. The Receiver maintained
21 a website for communicating with investors and investor telephone line.
22 I also arranged for a Mandarin speaking contact to be available to
23 claimants, many of whom were in China.

24 5. I have concluded, in my reasonable business judgment, that continued
25 administration of the receivership will not result in the recovery of additional
26 Receivership Assets, will not increase the amount of Assets available to the
27 Receivership Estate, or otherwise yield a net benefit to investors or creditors.

28

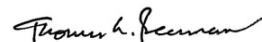
1 6. Accordingly, I believe that it is now appropriate to pay administrative
2 fees and expenses, file final tax returns, close the receivership case, and seek the
3 discharge and release the Receiver.

4 7. As previously noted, I made two distributions to those claimants with
5 Allowed Claims. Through this process, I learned that several investor claimants with
6 Allowed Claims did not receive a payment or the amount that they received was
7 incorrect, either due to an error of the investor or the Receiver. In addition, several
8 investors who did not negotiate their first distribution check and who were later
9 deemed by the Court to have their claim extinguished, later surfaced. Given that there
10 is a surplus in the receivership that will otherwise be turned over to SEC for payment
11 to the United States Treasury, I believe it is fair and appropriate to correct these
12 issues. There are three categories of corrective distributions: 1) 18 investors who did
13 not negotiate their first distribution check and who were later deemed by the Court to
14 have their claim extinguished, \$30,089.54; 2) three investors with stale dated Second
15 Distribution Payments, \$253.89; and three corrections to claims that were made after
16 the Court's prior cut-off dates and therefore deemed rejected, \$27,717.95. I
17 recommend that, as part of the termination of the instant receivership, the Court
18 authorize him to make the corrective distributions of \$58,061.38 to these 24 investors.

19 8. I have reviewed the Final Fee Applications submitted by Allen Matkins,
20 and believe the hourly rates charged were appropriate, the Estate has benefited from
21 the services identified in Allen Matkins' invoices, and the total fees for which Allen
22 Matkins seeks authorization for payment are fair and reasonable.

23 I declare under penalty of perjury under the laws of the United States that the
24 foregoing is true and correct.

25 Executed this 14th day of May, 2024, at Orange County, California.

26
27 

28 THOMAS A. SEAMAN