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8 **UNITED STATES DISTRICT COURT**
 9 **NORTHERN DISTRICT OF CALIFORNIA**
 10 **SAN JOSE DIVISION**

11 SECURITIES AND EXCHANGE
12 COMMISSION,

13 Plaintiff,

14 vs.

15 SMALL BUSINESS CAPITAL CORP.;
 MARK FEATHERS; INVESTORS PRIME
 16 FUND, LLC; and SBC PORTFOLIOS, LLC,

17 Defendants.

Case No. CV12-03237

**DECLARATION OF THOMAS A. SEAMAN
 IN SUPPORT REPLY TO RESPONSES TO
 MOTION FOR APPROVAL OF
 DISTRIBUTION PLAN AND
 AUTHORIZATION TO MAKE INTERIM
 DISTRIBUTIONS**

Date: January 31, 2014
 Time: 9:00 a.m.
 Ctrm: 4 - 5th Floor
 Judge: Hon. Edward J. Davila

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1 I, Thomas A. Seaman, declare:

2 1. I am the court-appointed receiver for Small Business Capital Corp. ("SB Capital"),
3 Investors Prime Fund, LLC ("IPF"), and SBC Portfolio Fund, LLC ("SPF"), and their subsidiaries
4 and affiliates ("Receivership Entities"). I have personal knowledge of the facts stated herein, and
5 if called upon to do so, I could and would personally and competently testify to them.

6 2. The U.S. Small Business Administration ("SBA") submitted a claim for
7 \$24,181,665.40, all but \$34,269 of which is contingent based on the SBA's contentions that certain
8 SBA loans originated by the Receivership Entities did not conform to loan program rules. The
9 SBA argues that its \$34,269 liquidated claim should be paid in full and some assurance there will
10 be adequate funds available to resolve its contingent claim should be provided.

11 3. The alleged "irregularities" with the loans on which the SBA claim is based are
12 non-monetary in nature. The SBA contends certain loans do not comply with federal regulations,
13 including, for example, that certain 504 loans which the borrowers used to purchase or renovate
14 hotel properties violate federal regulations because the loan proceeds were used to finance the
15 acquisition of hotels with swimming pools. The SBA claim is not based on the performance of the
16 loans or an assessment of risk or exposure to losses.

17 4. I am currently in discussions with the SBA and believe it is likely the SBA's
18 contingent claim will be satisfied through a sale of 7(a) and 504 loan portfolios. I anticipate the
19 buyer of each portfolio will assume any and all liability to the SBA arising from such portfolio as
20 part of the purchase. In that event, neither I nor the Court will need to address the amount of the
21 SBA claim. As such, in connection with my Claims Motion, I have proposed that the Court's
22 determination of the SBA claim be deferred until a sale of each loan portfolio is proposed.

23 5. I believe the proposed cash reserve (approximately \$1.6 million), the monthly
24 interest and servicing income (approximately \$200,000 per month), the loan portfolios
25 (approximately \$15.6 million outstanding), and the SBA lending license, provide an adequate
26 reserve of assets for the SBA's claim. The loan portfolios overall are performing well, and the
27 SBA loans that have had problems are adequately collateralized. I estimate the SBA's actual
28 exposure to loan losses is less than \$1 million.

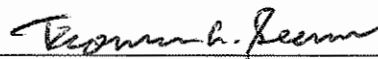
1 6. The SBA and I continue to discuss the reserve. It is my hope that a reserve will be
2 agreed upon shortly. I will report the status of my discussions with the SBA at least 14 days prior
3 to the January 31, 2014 hearing.

4 7. I disagree with the SBA's assertion that distribution is premature. Investors, many
5 of whom invested a substantial portion of their savings with the Receivership Entities, have been
6 waiting more than 18 months to receive a distribution. In light of this financial hardship, the Court
7 agreed to advance the hearing date on the Distribution Plan Motion and related Claims Motion by
8 almost three months.

9 8. It is incorrect to say I have not made any attempt to sell the SBA loan portfolio. I
10 have been working with the SBA over the last six months to agree on procedures for the sale of
11 the loan portfolios and the lending license. Much of this time has been spent waiting for the SBA
12 to provide proposed procedures. As soon as an agreement is reached, I will seek Court approval
13 of the sale procedures.

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

17 Executed this 10th day of December 2013, at Irvine, California.

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22 THOMAS A. SEAMAN