

## **'S'wak-linked firms at epicentre of US subprime crisis'**

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There have been many allegations against Samling Global, the timber multinational giant with close ties to Sarawak Chief Minister Abdul Taib Mahmud, including environmental degradation, illegal logging, and most recently, sexual and other human rights violations.

azlanIf that's not dastardly enough, Sarawak Report has alleged in its latest report that several inter-related companies linked by business and family ties to Samling were at the "epicentre" of the sub-prime mortgage crisis of 2007 that subsequently brought about the global financial crisis.

The companies named Sarawak Report are SunChase Holdings, its subsidiary Trimark Communities LLC and the Mountain House town project in San Joaquin, California.

San Joaquin Valley was said to have been one of three regions that recorded among the highest rates of sub-prime, or "piggyback" lending, in the US.

NONESunChase, Trimark and Mountain House, in turn, come under the complex and multi-million web of Yaw family-owned companies in the US that are primarily involved in property development.

At the centre of these three entities is Chee Siew Yiew (left), son of the founder and owner of Samling, Yaw Teck Seng, and current president of the California-based CSY Investments.

CSY Investments was earlier in the spotlight over allegations that it had transferred a US\$6.8 million (RM21 million) mansion in Seattle (below) - for a nominal sum of US\$1 (RM3.1) - to the Taib family.

Samling's role in all this, said the Sarawak Report, is as prime investor in real estate across the US using the profits gained from its heavily criticised logging business in Sarawak under the patronage of Taib, who is also the state's resources planning minister.

Selling grand dreams

NONEAccording to the Sarawak Report, Trimark between 1990 and 1992 bought about 1,500 hectares of land in San Joaquin and began seeking approval for an approximately half billion dollar development project comprising the largest housing scheme in California.

In the meantime, however, SunChase had made its mark as investor in numerous other grand-scale projects.

The company claims that it specialises in building 'large-scale, master-planned communities' and 'managing distressed real estate assets' (repossessed property).

In particular, SunChase emerged as the top bidder for Resolution Trust Corporation (RTC) land, which was auctioned off by the US government in the aftermath of the 'savings and loans' crisis of the late 1980s.

Approval was finally granted in 2001 after almost two decades of lobbying and in the face of lawsuits filed by the US Department of Fish and Game over environmental concerns.

Tsamling 040910 mountain house project californiahe Mountain House project (left) finally gained planning permission on the basis of its promise to create a sustainable, self-contained new town made up of affordable housing, retail and business outlets that would create sufficient jobs for its inhabitants.

The promotional material by Trimark Communities targeted the aspirations of the middle-class looking for grander accommodation in an area of housing shortages.

The company marketed Mountain House as the 'American Dream in the Town of Tomorrow', promising traditional-style, detached houses built around 14 separate 'village' settings, each with a school, leisure centre, open spaces and commercial heart for business enterprises.

'Within weeks, everything changed'

Although the San Joaquin authorities had understood that houses would be priced around an affordable US\$200,000 (RM622,000) the demand for grander homes and the availability of dubious lending mechanisms and sub-prime loans meant that prices before 2007 exceeded US\$800,000 (RM2.48 million).

samling 040910 mountain house project california road to nowhereFrom the start, said Sarawak Report, sceptics had pointed out that the project looked more like a 'get-rich-quick scheme' by the developer with little provision for real employment.

Within weeks of the crash of July 2007, everything had changed.

While 16,000 houses were supposed be built for the accommodation of 44,000 people in the most ambitious development project in California for decades, the lending market collapsed.

The main losers in the disaster, said the Sarawak Report, have been the thousands of buyers who lost their homes and the California Public Employees Retirement Scheme (CalPERS), which had invested heavily in the project on behalf of its future pensioners.

CalPERS is believed to have lost US\$926 million (RM2.88 billion) of the value of its original US\$1.2 billion (RM3.73 billion) investment in the project.

Those people who have remained in Mountain House have found themselves paying huge mortgages on low-value properties in a part-built town.

According to one description cited by the Sarawak Report: "Landscaped lawns face fields of weeds. Sheep graze on the future golf course. While two schools (out of a promised 14) have been built and a third is under way, there's just one retail business, a convenience store. The closest supermarket is five miles away.

"A multimillion-dollar bridge - designed to link the southern and northern halves of town - has been fenced off. It's our bridge to nowhere".

As a result, Mountain House has been left part-constructed and famous for being the repossession capital of the US, said the report.

In the aftermath of the crash, the unfinished project has been abandoned by the original developer and the town has been identified as the most "underwater" community in America, with over 89 percent of the properties now worth far less than the amount of money borrowed to buy them.

The prices of these houses are now half what they were in 2006, leaving buyers in a repossession nightmare.

By that time, however, the Yaw family had pulled out. Trimark Communities was dissolved in California and Chee Siew had left the US, claiming that he divested all his US interests in 2006.

"So, like the indigenous people of Sarawak, the people of Mountain House are now living with the devastation wreaked on their lives by Samling," said the Sarawak Report.

Same office, same team

According to one said to have suffered from the devastation, "all they did was build as many houses as they could as quickly as possible to cash in on profit before the bubble burst".

Interesting questions still surround the transfer of the Yaw holdings in the US.

Following Chee Siew's pronounced divestment of his US assets, SunChase Holdings was transferred to the current ownership of Sterling Pacific Assets, Inc (California).

Yet, Sterling Pacific Assets was already part of the SunChase Group and had previously been described as "an affiliated professional services company" in SunChase promotional material.

The 100 percent shareholder of Sterling Pacific Assets of is one of the SunChase's own company directors, William A Pope, who joined the management team in 1990, two years after the Yaw family established the company.

Nevertheless, the SunChase website currently implies that it was he who formed the company.

More notably, in spite of the takeover, SunChase Holdings is still run out of the same offices and by the same team established by Chee Siew before his abrupt departure in 2006.

The circumstances that enabled a member of the management team to buy out such an enormous multi-million dollar company remain unclear, claimed the Sarawak Report.

"Sarawak Report and doubtless the people of Sarawak, would be interested to know whether the Yaw family do in fact retain an interest in SunChase Holdings in the USA.

"Given the controversy surrounding the legality of the timber licences issued by the chief minister, there is the likelihood that future enquiries that might result in the restitution of some of Sarawak's lost profits from its many timber concessions.

"SunChase Holdings in the United States might be a good place to start looking."

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