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7 Attorneys for Receiver
8 STEPHEN J. DONELL

9 UNITED STATES DISTRICT COURT
10 CENTRAL DISTRICT OF CALIFORNIA

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12 SECURITIES AND EXCHANGE
COMMISSION,

13 Plaintiff,

14 v.

15 ROBERT YANG, et al.,

16 Defendants,

17 YANROB'S MEDICAL, INC., et al.,

18 Relief Defendants.
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Case No. 5:15-CV-02387-SVW (KKx)

THIRD INTERIM APPLICATION FOR
PAYMENT OF FEES AND
REIMBURSEMENT OF EXPENSES OF
RECEIVER'S COUNSEL ALLEN
MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

[Notice of Applications for Payment of
Fees and Reimbursement of Expenses;
Third Interim Application of Receiver,
Stephen J. Donell; Memorandum of
Points and Authorities; Declaration of
Stephen J. Donell; and [Proposed] Order
submitted concurrently herewith]

Date: February 27, 2017

Time: 1:30 p.m.

Ctrm: 10A

Judge: Hon. Stephen V. Wilson

23
24 **I. INTRODUCTION.**

25 Allen Matkins Leck Gamble Mallory & Natsis LLP ("Allen Matkins"),
26 counsel of record for Stephen J. Donell (the "Receiver"), the Court-appointed
27 permanent receiver for Defendants Suncor Fontana, LLC, Suncor Hesperia, LLC,
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THIRD INTERIM APPLICATION FOR
PAYMENT OF FEES & REIMBURSEMENT
OF EXPENSES OF RECEIVER'S COUNSEL
ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS

1 Suncor Care Lynwood, LLC ("Defendants"), and their respective subsidiaries and
2 affiliates (collectively, the "Receivership Entities" or "Entities") hereby submits this
3 Third Interim Application for Payment of Fees and Reimbursement of Expenses (the
4 "Application"). The Application covers the period from July 1, 2016 through
5 September 30, 2016 (the "Application Period").

6 As reflected below, during the Application Period, Allen Matkins spent a total
7 of 162.9 hours working on behalf of the Receivership Entities (after write-downs of
8 time), for fees totaling \$83,899.35. In addition, Allen Matkins incurred \$1,132.15 in
9 expenses. Allen Matkins now requests that the Court approve the \$83,899.35 in fees
10 and \$1,132.15 in expenses incurred during the Application Period, and enter an
11 Order authorizing the Receiver to pay, on an interim basis, 80% of the fees incurred
12 (\$67,119.48) and 100% of expenses incurred (\$1,132.15).

13 **II. GENERAL SUMMARY.**

14 As reflected in his previous submissions to this Court, during the Application
15 Period, the Receiver, with assistance from counsel, made substantial progress in
16 satisfaction of his duties as determined by the Court in its December 11, 2015
17 Preliminary Injunction, Order Appointing Receiver, Freezing Assets, and Providing
18 for Other Ancillary Relief ("Appointment Order"). Specifically, during the
19 Application Period, the Receiver and his counsel, among other things: (1) continued
20 to administer the estates of the Receivership Entities (collectively, the "Estate")
21 funded via approximately \$2.4 million, in cash, previously recovered by the
22 Receiver, on-hand and available for the administration and benefit of the
23 Receivership Entities; (2) confirmed the amount and location of another \$2.75
24 million in cash assets potentially available for recovery and subject to the turn-over
25 requirements of the Appointment Order; (3) secured the turn-over of an additional
26 \$2 million in the above-referenced cash from Celtic Bank Corporation ("Celtic
27 Bank"), which funds the Receiver is holding in a separate account pending a Court
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1 determination regarding competing claims to these funds; (4) developed and
2 commenced marketing and disposition plans in connection with the real properties
3 implicated in this matter, including via the engagement of real property brokers and
4 the commencement of marketing efforts for all saleable properties; (5) coordinated
5 with Celtic Bank and with GBC International Bank ("GBC Bank") regarding the
6 potential abandonment of two of the real properties implicated in this matter;
7 (6) identified two real properties determined to be "underwater," and subject to
8 immediate abandonment, secured abandonment orders from the Court; and (7)
9 identified a pre-receivership purchase and sale agreement ("PSA") for another real
10 property which the Receiver determined should be abandoned, and secured an
11 abandonment order from the Court.

12 The Receiver further: (8) completed the preparation of his Second Quarterly
13 Status Report (Dkt No. 129); (9) continued to monitor and participate in all pending
14 state court litigation matters affecting or relating to the Receivership Entities and
15 maintained the status quo in each matter; and (10) continued to communicate with
16 investors (and counsel for investors) in the Receivership Entities regarding the status
17 of the receivership, issues relating to investor immigration petitions, and registration
18 for updates and information via the Receiver's website.

19 Given the amount and nature of the work completed by Allen Matkins in
20 furtherance of the Receiver's duties, Allen Matkins and the Receiver respectfully
21 submit that the fees and expenses incurred during the Application Period are
22 appropriate. Allen Matkins and the Receiver therefore request that the Court
23 approve Allen Matkins' fees in the amount of \$83,899.35, and expenses in the
24 amount of \$1,132.15. Again, as an accommodation to the Estate, while it requests
25 approval of all fees and expenses incurred during the Application Period, Allen
26 Matkins requests that the Court enter an Order authorizing payment of only 80% of
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1 its fees (in the amount of \$67,119.48) and 100% of its expenses (in the amount of
2 \$1,132.15), on an interim basis, at this time.

3 **III. SERVICES PERFORMED BY ALLEN MATKINS DURING THE**
4 **APPLICATION PERIOD.**

5 The order approving the Receiver's engagement of Allen Matkins was entered
6 on March 8, 2016¹ (See Dkt. No. 46.). The Receiver selected Allen Matkins as his
7 general counsel because of the firm's extensive experience and expertise in federal
8 equity receiverships, as well as bankruptcy and litigation matters. Allen Matkins
9 has served as counsel to federal equity receivers in dozens of cases, has represented
10 a variety of entities in bankruptcy matters, and has significant substantive
11 experience in related areas such as corporate and securities laws, real estate, and
12 other matters.

13 During the Application Period, Allen Matkins staffed each task as efficiently
14 as possible, using a team of core attorneys, with the assistance of specialized
15 expertise as necessary. As the Court may recall, Allen Matkins agreed to discount
16 its ordinary billing rates by 10% and to not adjust its billing rates for attorneys
17 staffed on this matter until January 2017, despite the fact that the firm's rates
18 ordinarily adjust in July of each year.

19 Detailed descriptions of the services rendered by Allen Matkins are reflected
20 in **Exhibit A**, attached hereto. Biographical information of the Allen Matkins
21 attorneys who have rendered significant services to the Receiver during the
22 Application Period are attached as **Exhibit B**. During the Application Period, Allen
23 Matkins recorded its time in the following categories:²

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25 ¹ The Appointment Order, entered December 11, 2015, had previously authorized
26 the Receiver to engage counsel. Allen Matkins was engaged at that time, but was
27 formally approved as the Receiver's counsel on March 8, 2016 pursuant to the
28 Court's Order in Aid of Receivership.

27 ² While every effort is made to be consistent and accurate in the allocation of
28 activities to the various categories, certain activities may lend themselves to more
than one category, or may simply be difficult to categorize. Nevertheless,

- 1 1. General and Administrative;
- 2 2. General Receivership;
- 3 3. Asset Recovery and Administration;
- 4 4. Investigation/Reporting;
- 5 5. Investor Communications;
- 6 6. Sale of Assets/Disposition;
- 7 7. Pending Litigation; and
- 8 8. Claims.

9 1. General and Administrative.

10 During the Application Period, Allen Matkins counsel provided legal advice
 11 relating to the Receiver's role in the upcoming settlement conference. The following
 12 Allen Matkins attorney billed time to this matter during the Application Period:

<u>Name</u>	<u>Title</u>	<u>Rate</u>	<u>Hours</u>	<u>Fees</u>
D. Zaro	Partner	\$670.50	0.3	\$201.15
TOTAL:			0.3	\$201.15
Average Hourly Rate		\$670.50		
Total Expenses				\$86.00

19 2. General Receivership.

20 Services in the "General Receivership" category relate to assisting the
 21 Receiver with the administration of the Estate. During the Application Period, Allen
 22 Matkins attorneys assisted the Receiver in addressing the issues related to Defendant
 23 Robert Yang's ("Defendant Yang") proposed solicitation of investment and
 24 coordination with Celtic Bank. Allen Matkins also reviewed administrative filings
 25 and orders, and advised the Receiver relating to these and other administrative

27 Exhibit A reflects the actual time spent on any given activity and contains an
 28 accurate description of the services provided.

1 issues. Finally, Allen Matkins communicated extensively with counsel for
 2 Defendants regarding the administration of the receivership case and related matters.
 3 The following Allen Matkins attorneys and staff billed time to this matter during the
 4 Application Period:

<u>Name</u>	<u>Title</u>	<u>Rate</u>	<u>Hours</u>	<u>Fees</u>
J. del Castillo	Partner	\$495.00	4.5	\$2,227.50
K. Harbison	Sr. Associate	\$445.50	0.9	\$400.95
TOTAL:			5.4	\$2,628.45
Average Hourly Rate		\$486.75		
Total Expenses				\$58.60

13 3. Asset Recovery and Administration.

14 Services in the "Asset Recovery and Administration" category relate directly
 15 to the Receiver's efforts to identify, secure, and recover Receivership Assets.
 16 During the Application Period, these efforts focused primarily on the development
 17 and prosecution of the Receiver's disposition plans, and the disposition of real
 18 property assets. Allen Matkins drafted and reviewed PSAs for certain properties,
 19 drafted and filed the motions to abandon several properties, attended hearings
 20 related to these motions, and continued to assist the Receiver in his negotiations
 21 with GBC Bank related to real property located at 406 East Vanderbilt Way, San
 22 Bernardino, California 92408 (the "Vanderbilt Property"). Allen Matkins spent
 23 significant time addressing the Receiver's anticipated abandonment of a pre-
 24 receivership PSA for another property in Mentone, California (the "Mentone
 25 Property") and related contract issues with the contemplated, pre-receivership buyer,
 26 RL Properties, along with related lien and asset recovery issues. During the
 27 Application Period, the motion to abandon the Mentone Property PSA was granted.

1 Allen Matkins also prepared documents relating to the disposition of the Mentone
 2 Property, including a reconveyance of Deed of Trust and substitution of trustee so as
 3 to clear title to the property in anticipation of the Receiver's sale of the property.

4 Allen Matkins also assisted the Receiver in discussions with Celtic Bank and
 5 Defendant Yang related to his requested turnover of a property located at 7227
 6 Oleander Avenue, Fontana California 92336 (the "Fontana Property").

7 Outside of real property assets, Allen Matkins assisted in the investigation
 8 and analysis of funds paid to the Entities' subscription agent, Mason Investments,
 9 LLC ("Mason"), and conducted analysis relating to a possible alter ego claim
 10 against its principal. The following Allen Matkins attorneys and staff billed time to
 11 this matter during the Application Period:

<u>Name</u>	<u>Title</u>	<u>Rate</u>	<u>Hours</u>	<u>Fees</u>
D. Zaro	Partner	\$670.50	13.9	\$9,319.95
J. del Castillo	Partner	\$495.00	21.6	\$10,692.00
K. Harbison	Sr. Associate	\$445.50	9.6	\$4,276.80
M. Shapiro	Associate	\$364.50	0.3	\$109.35
TOTAL:			45.4	\$24,398.10
Average Hourly Rate		\$537.40		
Total Expenses				\$161.20

23 4. Investigation/Reporting.

24 Services in the "Investigation/Reporting" category relate to the Receiver's
 25 efforts to investigate the nature and location of Receivership Assets, along with the
 26 business and financial activities of the Entities, and his preparation of reports to the
 27 Court. Allen Matkins continued to assist the Receiver in connection with the
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1 identification, recovery, and review of documents relating to the Receivership
 2 Entities and their business and financial activities, and with the compilation and
 3 presentation of conclusions derived from these materials to the Court.

4 During the Application Period, Allen Matkins spent significant time
 5 compiling and preparing the Second Quarterly Status Report, as well as consulting
 6 the Securities and Exchange Commission (the "Commission"), Defendants' counsel,
 7 and Receiver with regard to the report.

8 Allen Matkins also reviewed documents produced from Mason in response to
 9 a prior subpoena, in order to address a potential alter-ego issue between Mason and
 10 its principal, some time for which was separately billed to the Asset Recovery
 11 category, depending on the specific nature of the work (there was no double-billing),
 12 and to generally determine the content of the production.

13 The following Allen Matkins attorneys and staff billed time to this matter
 14 during the Application Period:

<u>Name</u>	<u>Title</u>	<u>Rate</u>	<u>Hours</u>	<u>Fees</u>
J. del Castillo	Partner	\$495.00	9.3	\$4,603.50
K. Harbison	Sr. Associate	\$445.50	0.3	\$133.65
M. Zonne	Associate	\$306.00	3.5	\$1,071.00
TOTAL:			13.1	\$5,808.15
Average Hourly Rate		\$443.37		
Total Expenses				\$125.00

24 5. Investor Communications.

25 The time billed to this matter reflects Allen Matkins' assistance to the
 26 Receiver in connection with communications with Entity investors and Allen
 27 Matkins' direct discussions with investors and investor representatives at the
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1 Receiver's behest. During the Application Period, Allen Matkins continued to assist
 2 the Receiver in managing correspondence with investors and counsel for investors
 3 regarding the status of the receivership.

4 The following Allen Matkins attorneys and staff billed time to this matter
 5 during the Application Period:

<u>Name</u>	<u>Title</u>	<u>Rate</u>	<u>Hours</u>	<u>Fees</u>
J. del Castillo	Partner	\$495.00	1.3	\$643.50
TOTAL:			1.3	\$643.50
Average Hourly Rate		\$495.00		

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 12 **6. Sale of Assets/Disposition.**

13 This category consists of expenses incurred in connection with the analysis of
 14 issues relating to the potential and actual disposition of Receivership Assets, with
 15 particular attention to the potential sale of the individual real estate properties.
 16 These efforts included the drafting and review of PSAs and letters of intent
 17 ("LOIs"), marketing and sale efforts, drafting and filing motions to abandon several
 18 properties, facilitating the sale process for a property in Lynwood, California (the
 19 "Lynwood Property") (including communications with potential buyers), reviewing
 20 court orders relating to the motions to abandon, and attending to other asset
 21 disposition matters.

22 In addition, during the Application Period, Allen Matkins assisted with the
 23 negotiation and execution of the stipulation to abandon the Vanderbilt Property, and
 24 communicated with GBC Bank as a part of this effort.

25 The following Allen Matkins attorneys and staff billed time to this matter
 26 during the Application Period:

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<u>Name</u>	<u>Title</u>	<u>Rate</u>	<u>Hours</u>	<u>Fees</u>
D. Zaro	Partner	\$670.50	10.5	\$7,040.25
J. del Castillo	Partner	\$495.00	52.1	\$25,789.50
K. Harbison	Sr. Associate	\$445.50	0.5	\$222.75
K. Pollock	Sr. Associate	\$481.50	12.2	\$5,874.30
M. Shapiro	Associate	\$364.50	1.0	\$364.50
TOTAL:			76.3	\$39,291.30
Average Hourly Rate		\$514.96		
Total Expenses				0

7. Pending Litigation.

Services provided in the "Pending Litigation" category during the Application Period include the detailed analysis and management of all pre-receivership actions pending against the Receivership Entities, attendance at hearings and status conferences in connection with each of those actions, and the preparation of materials necessary to provide status updates when requested by the individual state courts.

The following Allen Matkins attorneys and staff billed time to this matter during the Application Period:

<u>Name</u>	<u>Title</u>	<u>Rate</u>	<u>Hours</u>	<u>Fees</u>
J. del Castillo	Partner	\$495.00	4.6	\$2,277.00
K. Harbison	Sr. Associate	\$445.50	3.8	\$1,692.90
M. Zonne	Associate	\$306.00	2.2	\$673.20
TOTAL:			10.6	\$4,643.10
Average Hourly Rate		\$438.03		
Total Expenses				\$701.35

1 8. Claims.

2 During the Application Period, Allen Matkins conferred with counsel, the
 3 Receiver and the Commission regarding the claims process. Allen Matkins also
 4 drafted and revised the Receiver's motion to approve the claims process.

5 The following Allen Matkins attorneys and staff billed time to this matter
 6 during the Application Period:

<u>Name</u>	<u>Title</u>	<u>Rate</u>	<u>Hours</u>	<u>Fees</u>
D. Zaro	Partner	\$670.50	6.2	\$4,157.10
J. del Castillo	Partner	\$495.00	4.3	\$2,128.50
TOTAL:			10.5	\$6,285.60
Average Hourly Rate		\$598.63		
Total Expenses				\$0

14 **IV. THE FEES AND EXPENSES ARE REASONABLE AND SHOULD BE**
 15 **ALLOWED.**

16 Allen Matkins respectfully submits that the fees and expenses it incurred in its
 17 representation of the Receiver during the Application Period were fair, reasonable,
 18 and necessary, and significantly benefitted the estate of the Receivership Entities.
 19 Accordingly, Allen Matkins requests that this Court approve the fees and expenses
 20 incurred, and authorize the interim payments requested herein.

21 Specifically, the billing rates of Allen Matkins personnel are comparable to
 22 those charged in the community on similarly complex matters. Further, the billing
 23 statements of Allen Matkins were submitted to the Commission for review prior to
 24 the filing of this Application. The Commission has indicated it will not oppose the
 25 Application. Moreover, and as noted above, Allen Matkins seeks payment of
 26 \$67,119.48 in fees, or 80% of the fees incurred during the Application Period, in
 27 recognition of the fact that its work in assisting the Receiver is ongoing. Payment of
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1 the remaining 20% of its fees will be deferred to the submission of the Receiver's
2 and his professionals' final fee applications, and Allen Matkins will request payment
3 of the 20% holdback at the conclusion of the receivership.

4 **V. CONCLUSION.**

5 Accordingly, Allen Matkins respectfully requests that the Court approve
6 Allen Matkins' fees of \$83,899.35, its expenses in the amount of \$1,132.15, and
7 authorize the Receiver to pay Allen Matkins, on an interim basis, 80% of its fees
8 incurred (\$67,119.48) and 100% of its expenses, totaling \$1,132.15.

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10 Dated: January 11, 2017

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
DAVID R. ZARO
JOSHUA A. DEL CASTILLO
MELISSA K. ZONNE

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13 By: /s/ Joshua A. del Castillo

JOSHUA A. DEL CASTILLO
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STEPHEN J. DONELL

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