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 8 STEPHEN J. DONELL

9 UNITED STATES DISTRICT COURT
 10 CENTRAL DISTRICT OF CALIFORNIA

11
 12 SECURITIES AND EXCHANGE
 COMMISSION,

13 Plaintiff,

14
 15 v.

16 ROBERT YANG, et al.,

17 Defendants,

18
 19 YANROB'S MEDICAL, INC., et al.,

20 Relief Defendants.

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

**FIRST INTERIM APPLICATION
 FOR PAYMENT OF FEES AND
 REIMBURSEMENT OF EXPENSES
 OF RECEIVER STEPHEN J.
 DONELL AND FORENSIC
 ACCOUNTANT, BRANDLIN &
 ASSOCIATES**

[Notice of Applications for Payment of
 Fees and Reimbursement of Expenses;
 First Interim Application of Allen
 Matkins; Memorandum of Points and
 Authorities; Declaration of Stephen J.
 Donnell; and [Proposed] Order submitted
 concurrently herewith]

Date: July 11, 2016
 Time: 1:30 p.m.
 Ctrm: 6
 Judge: Hon. Stephen V. Wilson

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 24 Stephen J. Donell (the "Receiver"), the Court-appointed permanent receiver
 25 for Defendants Suncor Fontana, LLC, Suncor Hesperia, LLC, Suncor Care
 26 Lynwood, LLC, and their respective subsidiaries and affiliates (collectively, the
 27 "Receivership Entities" or "Entities"), hereby submits this First Interim Application
 28

1 for Payment of Fees and Reimbursement of Expenses (the Receiver's
2 "Application"). The Application covers the period from December 11, 2015,
3 through March 31, 2016 (the "Application Period").

4 As reflected below, during the Application Period, the Receiver and his staff,
5 along with the professional forensic accountant, spent a total of 973.6 hours working
6 on behalf of the Receivership Entities, for fees totaling \$278,810.80, less discounts
7 of \$17,912.00 from the professional forensic accounting firm, and other discounts of
8 \$1,280.00, for a total of \$259,618.80 in discounted billed fees. Additionally, the
9 Receiver incurred \$1,800.96 in expenses. In accordance with this Court's prior
10 Orders, **the Receiver now requests that this Court approve 100% of the**
11 **Receiver's and his forensic accountant's fees and expenses incurred during the**
12 **Application Period, and enter an Order authorizing the Receiver to pay, on an**
13 **interim basis, 90% of the fees incurred, in the amount of \$233,656.92, and to**
14 **pay 100% of the \$1,800.96 in expenses incurred.**

15 As reflected in the Receiver's prior submissions to the Court, during the
16 Application Period, the Receiver made substantial progress in satisfaction of his
17 duties as defined by the Court in its December 11, 2016 Preliminary Injunction,
18 Order Appointing Receiver, Freezing Assets, and Providing for Other Ancillary
19 Relief (the "Appointment Order"). Specifically, during the Application Period, the
20 Receiver, among other things: (1) provided appropriate notice of the Appointment
21 Order to third parties, including banks and potential claimants; (2) recovered
22 significant amounts of Receivership Entity documents; (3) acted to preserve and
23 manage various properties in which the Receivership Entities had invested funds;
24 (4) identified numerous individuals and entities believed to be in possession of
25 assets belonging to the Receivership Entities ("Receivership Assets" or "Assets"));
26 (5) negotiated with two banks that are holding significant funds that the Receiver
27 believes must be turned over to the Receiver; (6) recovered approximately
28 \$2,377,211.65 in Receivership Assets; (7) reviewed and responded to inquiries from

1 investors and other third parties; (8) assembled and presented his preliminary
2 analysis and conclusions to the Court in the form of his previously submitted Initial
3 Report of Receiver ("Initial Report") (Dkt. No. 20); (9) initiated the creation of an
4 extensive forensic accounting performed by a professional forensic accounting firm
5 that the Receiver hired; and (10) evaluated the potential sale or other disposition
6 possibilities relating to numerous real property Assets.

7 Given the amount and nature of the work completed during the Application
8 Period by the Receiver and his staff, as well as by the professional forensic
9 accounting firm that the Receiver separately hired, the Receiver respectfully submits
10 that the fees and expenses incurred and addressed herein are appropriate and,
11 accordingly, requests that the Court enter an Order authorizing payment of 90%
12 (\$233,656.92) of his and his forensic accountant's fees, at this time, from the funds
13 of the Receivership Entities, along with payment of 100% of the \$1,800.96 in
14 expenses incurred.

15 **I. WORK PERFORMED BY THE RECEIVER AND HIS FORENSIC**
16 **ACCOUNTANT.**

17 During the Application Period, the Receiver and his staff undertook
18 substantial efforts to understand the business and financial activities of the
19 Receivership Entities, investigate and recover Receivership Assets, and otherwise
20 administer the estate of the Receivership Entities. Significant progress has been
21 made, and the Receiver's efforts continue. The Receiver's previously submitted
22 Initial Report and his First Quarterly Status Report ("Interim Report") (Dkt. No. 53)
23 summarize the Receiver's efforts and his preliminary conclusions in substantial
24 detail. The Receiver invites the Court and all interested parties to review those
25 documents in conjunction with the present Application. Below, the Receiver
26 addresses many of the key efforts undertaken and the issues addressed during the
27 Application Period, and provides a detailed summary of the services provided and of
28 the time spent by the Receiver and his staff during the Application Period, as well as

1 a summary of the services provided by the professional forensic accounting firm that
2 he hired. Herein, the Receiver has categorized his efforts by project, property and/or
3 Entity:

4 **A. Suncor Fontana LLC/7227 Oleander Avenue.**

5 Receivership Entity Suncor Fontana, LLC is associated with the property
6 located at 7227 Oleander Avenue, Fontana, California ("Fontana Project"). As
7 detailed in the Initial Report and in the Interim Report, the Fontana Project is a
8 partially constructed sub-acute / skilled nursing facility, and appears to be
9 approximately 45% complete.

10 The Receiver and his team have undertaken significant analysis and work
11 relating to Suncor Fontana, LLC and the Fontana Project since the inception of this
12 receivership. That has included providing appropriate notices, evaluating recovered
13 documents, evaluating the status of ongoing construction and potential valuations
14 for the Fontana Project, negotiating with the construction lender, evaluating ongoing
15 third-party litigation that involved the Fontana Project at the time of appointment of
16 the Receiver, evaluating insurance issues relating to the Fontana Project, submitting
17 an insurance application for new/renewed insurance, and recovering funds for the
18 benefit of Suncor Fontana, LLC and ultimately for the estate of the Receivership
19 Entities.

20 Immediately after his appointment, the Receiver worked to provide service of
21 the Court's Appointment Order on relevant individuals, entities, and banks, and the
22 Receiver worked with his professionals to record an appropriate notice of pending
23 receivership. The Receiver also acted, as necessary, to provide such notices later
24 during the Application Period, particularly to various contractors and subcontractors
25 relating to the Fontana Project.

26 During the first two months of the receivership, the Receiver also retrieved
27 and reviewed large numbers of documents relating to the construction that was
28 already ongoing at the Fontana Project, as and when these documents were received,

1 including documents received from Celtic Bank ("Celtic"), the Fontana Project
2 construction lender, as well as documents received from attorneys already involved
3 in Fontana Project litigation and documents received from other sources, including
4 Orange Community Escrow, and the Fontana Project architect.

5 As mentioned above, the Fontana Project's construction lender was and
6 remains Celtic. Celtic provided construction loans of an amount up to \$5,000,000
7 ("Fontana Loans"), of which approximately \$3,000,000 has been disbursed. The
8 individual defendants in the above-captioned action also transferred \$2,000,000 to
9 Celtic, which Celtic held on deposit, and which Celtic claims is security for the
10 Fontana Loans. The Receiver has had communications with Celtic, and later with
11 both Celtic and its counsel, relating to numerous issues arising from this basic fact
12 pattern. This includes initial communications relating to Celtic's loans and the status
13 of insurance for the Fontana Project, and discussions about "draws" on the Fontana
14 Loans, both prior to the appointment of the Receiver, and concerning then-
15 upcoming draws, which culminated in Celtic refusing to distribute additional funds
16 pursuant to the sixth draw request. The Receiver also engaged in extensive
17 evaluation of, and communications relating to, the status of the \$2,000,000 that had
18 been put on deposit with Celtic, and engaged in settlement discussions relating to
19 the same. For purposes of this Application Period, in the Receiver's work on this
20 issue culminated in his review of an *ex parte* application which asked the Court to
21 hold Celtic in civil contempt for refusing to turn over, to the Receiver, the
22 \$2,000,000 in deposited funds.

23 The Receiver's evaluation of the Fontana Project's construction status,
24 viability, and value intersected, especially at first, with his communications with
25 Celtic. From the outset, the Receiver incurred time in evaluating and understanding
26 the status and viability of a complex construction project with many moving parts.
27 This included meeting with the construction professionals who had already been
28 working on the Fontana Project, evaluating ongoing disputes, and communicating

1 over time. The Receiver also acted to employ as a construction consultant Weiland-
2 Davco ("Weiland") in order to aid the Receiver in evaluating the status, value, and
3 viability of the Fontana Project, and to coordinate the hiring of security for the
4 Fontana Project. The Receiver engaged in numerous communications with Weiland
5 relating to such issues.

6 Ultimately, as detailed in the Interim Report, the Receiver made the decision
7 to halt construction at the Fontana Project, as a result of his analysis, and especially
8 because Celtic suspended construction funding, as discussed above. The Receiver
9 also, as a result, had discussions with potential buyers of the Fontana Project, and
10 has engaged in related communications and has acted to obtain his own broker
11 valuations of the Fontana Project property, which he also discussed with Celtic.

12 As mentioned above, upon the appointment of the Receiver, the Fontana
13 Project was already involved in litigation and threatened litigation, relating to
14 construction disputes and other issues. The Receiver acted, with his counsel, to
15 have existing litigation stayed, worked with the attorneys involved in that litigation
16 to gain an understanding of what was at stake therein, and evaluated non-litigated
17 mechanic's liens and other claims relating to bills that had gone unpaid prior to the
18 entry of the Appointment Order. The existence of such litigation, claims, and
19 potential claims also required the Receiver to perform basic title research, and order
20 and review title reports relating to the Fontana Project.

21 Finally, the Receiver also acted to recover and did recover funds that had
22 been held in various of Suncor Fontana, LLC's bank accounts, and the Receiver
23 created appropriate records of these monetary recoveries.

24 The below chart summarizes work performed by the Receiver relating to this
25 Entity and Project, by task category:
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Task	Amount
Administration – Development Issues	\$11,069.30
Administration – General Estate Operations	\$4,317.80
Administration – Investor Relations	\$34.70
Administration – Receivership Estate Operations	\$3,930.50
Financial – General Accounting/Auditing	\$805.00
Financial – Business Analysis	\$1,804.40
Financial – Forensic Accounting	\$36,867.10
Financial – Tax Issues	\$34.70
Financial – Valuation	\$451.10
Legal – Asset Analysis and Recovery	\$1,765.20
Legal – Asset Disposition	\$546.70
Legal – Claims Administration	\$345.70
Litigation – Asset Recovery	\$1,145.10
Litigation -- Other	\$381.70
Non-Categorized	\$104.10
Total	\$63,603.10

B. Suncor Hesperia LLC/17577-17579 Sultana Street.

Receivership Entity Suncor Hesperia, LLC is associated with the property located at 17577-17579 Sultana Street, Hesperia, California ("Hesperia Project"). As detailed in the Initial Report and in the Interim Report, the Hesperia Project is currently undeveloped land, apparently intended by the individual defendants to be developed as a sub-acute care / skilled nursing facility.

Immediately after his appointment, the Receiver worked to provide service of the Appointment Order on relevant individuals, entities, and banks, and the Receiver worked with his professionals to record an appropriate notice of pending receivership relating to the Hesperia Project. The Receiver also acted, as necessary,

1 to provide such notices later during the Application Period, particularly to the City
2 of Hesperia and various departments therein, and also to actual or potential
3 creditors, including S&J Supply Co., B&T Works, Inc., and the Building Industry
4 Credit Association.

5 During the first two months of the receivership, the Receiver also retrieved
6 and reviewed a number of documents relating to the construction that was already
7 ongoing at the Hesperia Project, as and when these documents were received,
8 including documents received from Orange Community Escrow, the City of
9 Hesperia, and various potential lien claimants.

10 The Receiver worked extensively, particularly during the first month of the
11 receivership, to understand the status of construction and entitlements at the
12 Hesperia Project, to understand its insurance status, to work on placement of
13 insurance, and to understand and mitigate potential risks to the estate of the
14 Receivership Entities, which existed by virtue of the unfinished status of
15 construction at the Hesperia Project: specifically, upon the appointment of the
16 Receiver, the Hesperia Project was a large dirt lot at the top of a hill, overlooking at
17 least two homes, on which grading had been done and a fire access road removed.

18 Relating to such risk issues, the Receiver had significant discussions with the
19 City of Hesperia and with the adjacent property owner, Dr. Vangala, and multiple
20 meetings with interested parties. Discussions and meetings with the City of
21 Hesperia focused on soil erosion concerns, and fire safety concerns, as addressed in
22 the Initial Report and in the Interim Report. This required the Receiver to evaluate
23 how much the estate of the Receivership Entities could afford to expend in order to
24 mitigate the various risks. The Receiver also had discussions with Dr. Vangala
25 about purchasing the property, and about impacts or potential impacts of the
26 unfinished construction on his property. As part of the Receiver's analysis, the
27 Receiver also had communications with, and meetings with, representatives of
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1 Weiland, aimed at understanding potential options to mitigate risks at the Hesperia
2 Project, including their cost.

3 The Receiver has been required to evaluate a number of unpaid invoices and
4 claims for payment. During the Application Period, the Receiver evaluated existing
5 liens, requested and evaluated a title report, and communicated regarding previously
6 unpaid invoices, including an S&J Supply Co., Inc. mechanic's lien. The Receiver
7 also compiled a list of invoices, evaluated unpaid property taxes, and processed
8 various payment, including to the Hesperia Water District.

9 Finally, during the Application Period, the Receiver worked to obtain, did
10 obtain, and then recorded the receipt of funds from Suncor Hesperia, LLC's bank
11 account at Citizens Business Bank. The below chart summarizes work performed
12 by the Receiver relating to this Entity and Project:

<u>Task</u>	<u>Amount</u>
Administration – Development Issues	\$208.20
Administration – Entitlement Issues	\$2,255.50
Administration – Property Management	\$1,388.00
Administration – General Estate Operations	\$5,406.70
Administration – Investor Relations	\$555.20
Administration – Receivership Estate Operations	\$2,464.60
Financial – General Accounting/Auditing	\$390.00
Financial – Forensic Accounting	\$25,672.50
Financial – Valuation	\$173.50
Legal – Asset Analysis and Recovery	\$728.70
Legal – Asset Disposition	\$104.10
Legal – Business Operations	\$34.70
Total	\$39,381.70

1 **C. Suncor Lynwood, LLC/3598 Martin Luther King, Jr. Blvd.**

2 Suncor Lynwood, LLC is associated with the property located at 3598 Martin
3 Luther King, Jr. Blvd, Lynwood, California ("Lynwood Project"). As detailed in the
4 Initial Report and in the Interim Report, the Lynwood Project is currently a vacant
5 structure previously used as a skilled nursing facility and apparently intended to be
6 re-developed as a sub-acute care / skilled nursing facility by the individual
7 defendants.

8 During the first month of the receivership, the Receiver retrieved and
9 reviewed a number of documents relating to the construction/demolition that had
10 occurred at the Lynwood Project, as and when received. The Receiver worked with
11 various entities and individuals to gather documents, including Claudia Kano, and
12 Park Place Escrow, and engaged in significant communications with Park Place
13 Escrow about documents. The Receiver also catalogued and reviewed various
14 relevant documents turned over by the Securities and Exchange Commission
15 ("Commission") relating to the Lynwood Project.

16 During the Application Period, the Receiver also endeavored to ascertain the
17 construction status of the Lynwood Project and to generate a cost to complete the
18 Lynwood Project, and the Receiver obtained and reviewed a broker's opinion of
19 value. The Receiver, based upon the broker's opinion of value, and communications
20 with counsel for the individual defendants, also began to engage in discussions with
21 potential buyers of the Lynwood Project.

22 From a property preservation standpoint, the Receiver also evaluated property
23 tax issues, including the non-payment of prior years' property taxes, evaluated the
24 insurance status of the Lynwood Project, obtained and reviewed a title report, made
25 at least one site visit, and engaged in communications necessary verify the security
26 situation of the Lynwood Project.

27 The Receiver also had multiple communications with investors in Suncor
28 Lynwood, LLC who were concerned about their immigration application status.

1 Finally, the Receiver coordinated and documented the recovery of money from
 2 Bank of America, at which Suncor Lynwood, LLC had an account, and from Park
 3 Place Escrow. The below chart summarizes work performed by the Receiver
 4 relating to this Entity and Project:

<u>Task</u>	<u>Amount</u>
Administration – Development Issues	\$347.00
Administration – Property Management	\$104.10
Administration – General Estate Operations	\$2,365.60
Administration – Investor Relations	\$277.60
Administration – Receivership Estate Operations	\$1,050.50
Financial – General Accounting/Auditing	\$75.00
Financial – Forensic Accounting	\$29,686.00
Financial – Tax Issues	\$165.00
Financial -- Valuation	\$242.90
Legal – Asset Analysis and Recovery	\$173.50
Total	\$34,487.20

19 **D. The Mentone Property/11201 Opal Avenue.**

20 As detailed in the Initial Report and in the Interim Report, the real property
 21 located at 11202 Opal Ave., Mentone, California ("Mentone Property") is presently
 22 comprised of unproductive orchard land, but sits at the center of a series of parcels
 23 of real property immediately adjacent to the City of Redlands, which parcels are
 24 apparently intended to be developed as single-family housing.

25 At the beginning of the Application Period, the Receiver provided notice of
 26 the Appointment Order to the escrow agent for a pending sale transaction involving
 27 the Mentone Property, and engaged in numerous communications designed to
 28 understand the nature of that transaction and its status.

1 The Receiver in this process gathered documents from Park Place Escrow,
2 and from Claudia Kano, relating to that pending sale transaction, including the
3 purchase and sale agreement, an amendment thereto, and related communications,
4 which showed that relief defendant Suncor Care, Inc. had contemplated a sale of this
5 Mentone Property to a developer entity known as RL Communities, Inc. The
6 Receiver also recovered and reviewed civil engineering files relating to the Mentone
7 Property, and evidence of prior preliminary municipal entitlement applications.

8 The Receiver also, during the Application Period, performed an initial
9 analysis, in conjunction with his forensic accountants, showing that the money used
10 by Suncor Care, Inc. to purchase the Mentone Property was Suncor Lynwood, LLC
11 investor money that had been diverted to Suncor Care, Inc. in order to make this
12 purchase, and the Receiver engaged in communications with Claudia Kano in order
13 to get information from her regarding this issue. The Receiver also began the
14 process of evaluating the contemplated sale of the Mentone Property by Suncor
15 Care, Inc. to RL Communities, Inc., in order to determine if that sale transaction
16 could still be completed, and if doing so would provide an acceptable risk/return
17 tradeoff for Entity investors. As part of this process, the Receiver had multiple
18 communications with the Mentone Property buyer, and the Receiver endeavored to
19 ascertain the scope of the work that had been performed already relating to the
20 Mentone Property.

21 In the service of property preservation, the Receiver also evaluated the
22 insurance status and need for insurance relating to the Mentone Property, obtained
23 and reviewed a preliminary title report, worked with his counsel to transfer the
24 escrow accounting relating to the Mentone Property sale transaction from Park Place
25 Escrow to another escrow company, evaluated municipal claims that the Mentone
26 Property was subject to code violations, and confirmed that property taxes relating
27 to the Mentone Property were paid and current.

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1 Finally, the Receiver also worked to recover, did recover, and documented the
 2 recovery of money relating to the Mentone Property from Park Place Escrow. The
 3 below chart summarizes work performed by the Receiver relating to this property:

<u>Task</u>	<u>Amount</u>
Administration – Entitlement	\$3,365.90
Administration – Property Sale	\$520.50
Administration – General Estate Operations	\$2,530.50
Administration – Receivership Estate Operations	\$513.00
Financial – General Accounting/Auditing	\$52.50
Financial – Business Analysis	\$659.30
Financial – Forensic Accounting	\$104.10
Legal – Asset Analysis and Recovery	\$347.00
Legal – Asset Disposition	\$381.70
Legal – Claims Administration	\$69.40
Total	\$8,543.90

17 **E. Yanrob's Medical, Inc./406 Vanderbilt Way.**

18 As detailed in the Initial Report and in the FQ Report, the real property
 19 located at 406 Vanderbilt Way, San Bernardino, California (the "Vanderbilt
 20 Property") is the principal place of business of Relief Defendant Yanrob's Medical,
 21 Inc. ("Yanrob"), and the location of Defendant Yang's medical practice.

22 During the Application Period, the Receiver worked to obtain necessary
 23 documents relating to the Vanderbilt Property, with a focus on the banking records
 24 of Yanrob.

25 This was necessary because under the terms of the Appointment Order, the
 26 initial plan was that the Receiver would recover all money in Yanrob's bank
 27 accounts and would manage the payment of Yanrob's expenses. In dealing with
 28 such issues, the Receiver had numerous communications with Claudia Kano and

1 with counsel, relating to the evaluation of payroll issues, Yanrob's outstanding bill
2 payments, and coordination of planning for how to deal with Yanrob's other
3 expenses. During the Application Period, a dispute arose between the Receiver and
4 the defendants in this action, relating to the respective financial obligations of the
5 Receiver versus defendant Yang and Yanrob.

6 This led to discussions that the Receiver had with counsel for the defendants
7 relating to the continued occupancy of the Vanderbilt Property by Yanrob,
8 especially as the Receiver during the Application Period initially confirmed that a
9 significant amount of Entity money had been diverted to Yanrob, including from
10 investors in Suncor Hesperia, LLC.¹ The Receiver discussed and analyzed various
11 disposition plans relating to the Vanderbilt Property, including the potential sale of
12 the Vanderbilt Property, and obtained an initial valuation of the Vanderbilt Property,
13 met with a broker, and evaluated the level of the equity in the property.

14 The level of the equity in the Vanderbilt Property was evaluated because the
15 Receiver determined that the property was encumbered by GBC International Bank
16 ("GBC"), and that the defendants had further transferred \$500,000 to GBC, which
17 GBC was holding on deposit. GBC refused to turn over this money to the Receiver,
18 claiming that was security for its two loans, which total approximately \$1.5 million.
19 The Receiver had numerous communications with counsel for GBC and with his
20 own counsel relating to this issue, and worked to finalize a strategy for resolving the
21 dispute with GBC.

22 Finally, during the Application Period, the Receiver worked to obtain access
23 to Yanrob's Pacific Premier Bank account, and to obtain funds from other Yanrob
24 accounts, including at Bank of America. The below chart summarizes work
25 performed by the Receiver relating to this property and relief defendant:
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28 ¹ No determination was made that the actual Vanderbilt Property was or was not a
receivership Asset during the Application Period.

Task	Amount
Administration – Property Management	\$34.70
Administration – General Estate Operations	\$5,082.60
Administration – Receivership Estate Operations	\$3,617.50
Financial – General Accounting/Auditing	\$427.50
Financial – Forensic Accounting	\$24,784.50
Financial -- Valuation	\$624.60
Legal – Asset Analysis and Recovery	\$659.30
Legal – Asset Disposition	\$242.90
Legal – Claims Administration	\$34.70
Litigation -- Other	\$173.50
Total	\$35,681.80

F. General Receivership Work.

The Receiver also engaged during the Application Period in numerous general efforts on behalf of any and all of the Receivership Entities, in order to maintain the value of the cumulative estate, coordinate with the Commission, and fulfill his reporting and other obligations, including by coordinating the preparation of a detailed forensic accounting.

Early in the receivership, the Receiver undertook significant efforts to understand the case the Commission was prosecuting in the above-captioned action, to understand the finances of the defendant entities and individuals, to coordinate turnover requests to banks, to evaluate payments that defendants made to Mason Investments LLC, and to coordinate with firms involved in the Receivership Entities' use of the United States Customs and Immigration Services ("USCIS") EB-5 investment program, to interview and hire a forensic accounting firm.

The Receiver also acted to coordinate the general recovery of Entity documents, including electronically imaged documents, throughout the Application

1 Period. For example, the Receiver met with Claudia Kano at defendant Robert
2 Yang's offices, and worked to recover non-electronic documents. The Receiver also
3 expended time dealing with the belated turnover of documents by the defendants in
4 this action, and coordinating such turnover. The Receiver also worked, along with
5 counsel, to recover documents from third parties, including by subpoena, and
6 expended time reviewing documents that were received as a result of such efforts.

7 The Receiver also spent time during the Application Period reviewing and
8 finalizing the Receiver's Initial Report (Dkt. No. 20) and coordinating the filing of
9 his Notice of Motion and Motion for Order in Aid of Receivership (Dkt. No. 30),

10 He conferred throughout the Application Period with the Commission and
11 with counsel for the defendants in this action regarding issues of general concern,
12 managed address changes for the Entities, create a creditors service list and a case
13 service list, created a list of all relevant and necessary insurance policies, managed
14 his website – including the posting of receivership documents filed in the above-
15 captioned action, reviewed subpoenas, hired Weiland to evaluate multiple properties
16 for purposes of determining whether construction should be completed or whether
17 they should be sold or abandoned, and managed tax issues relating to the Entities.

18 Finally, the Receiver engaged in significant communications with counsel for
19 the defendants in this action, and undertook analysis – including communications
20 with brokers, that related to multiple properties, projects, and Entities, and which
21 thus cannot be neatly categorized as relating to any particular property, project, or
22 Entity. This included, for example, discussions about seeking a waiver of the
23 requirements of 28 U.S.C. 2001, analysis of valuations of multiple
24 properties/projects if considered as a package deal, managing the general accounts
25 of the Entities, handling business licensing issues, and handling the translation of
26 certain materials on his website into Mandarin.

27 The below chart summarizes work performed by the Receiver relating to this
28 generalized and inclusive category of work:

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<u>Task</u>	<u>Amount</u>
Administration – Property Disposition Work	\$347.00
Administration – General Estate Operations	\$19,786.80
Administration – Investor Relations	\$242.90
Administration – Receivership Estate Operations	\$11,036.80
Administration – Website Operations	\$591.00
Financial – General Accounting/Auditing	\$1,538.40
Financial – Business Analysis	\$728.70
Financial – Data Analysis	\$3,415.10
Financial – Forensic Accounting	\$51,078.80
Financial – Status Reports	\$2,123.10
Financial – Tax Issues	\$736.60
Financial -- Valuation	\$1,006.30
Legal – Asset Analysis and Recovery	\$1,115.00
Legal – Asset Disposition	\$1,587.70
Legal – Business Operations	\$117.20
Legal – Case Administration	\$1,489.50
Legal – Claims Administration	\$137.50
Litigation – Asset Recovery	\$34.70
Subtotal	\$97,113.10
Less General Discount	\$1,280.00
Total	\$95,833.10

A true and correct copy of all of the Receiver's invoices for the Application Period are attached to his concurrently-filed declaration. (Declaration of Stephen J. Donell in support of the Application ["Donell Decl."], ¶ 4, **Exh. A.**) In his

1 reasonable business judgment, the Receiver believes the hourly rates that he and his
2 internal professionals charged, as well as those charged by Brandlin, were
3 appropriate, given the requirements of the receivership, that every effort was made
4 to have tasks completed at the lowest possible billing rate, and that the total fees for
5 which he seeks approval are fair and reasonable. (Donell Decl., ¶ 4.) Further,
6 pursuant to Commission procedures, the Receiver has prepared a Standardized Fund
7 Accounting Report for the estate of the Receivership Entities. (Donell Decl., ¶ 5,
8 **Exh. B.**)

9 **G. Forensic Accounting Work.**

10 The Receiver helped to manage the efforts of the forensic accounting firm
11 that he hired during the Application Period, Brandlin and Associates ("Brandlin"),
12 provided Brandlin with documents upon request, and providing supplementary
13 analysis as requested. During the Application Period, both the Receiver and
14 Brandlin expended significant resources, at the request of the Court and of the
15 Commission, undertaking the Receiver's Forensic Accounting Report ("Forensic
16 Accounting"), which was ultimately attached as Exhibit 2 to the Interim Report.²

17 The Forensic Accounting analysis required the review and analysis of tens of
18 thousands of pages of materials relating to the Entities' business and financial
19 activities and the amount and nature of the Receivership Assets. These materials
20 covered a period of over five years, and included over 1,000 separate bank
21 statements, reflecting more than 20,000 individual transactions. The Forensic
22 Accounting to which this work during the Application period related allowed the
23 Receiver to confirm that the Receivership Entities raised approximately \$21 million,
24 that the Entities commingled investor funds among and between all of the Entities,
25 that funds were not used for the purposes for which they had been invested, that

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28 ² On May 20, 2016, the Receiver filed a Notice of Filing of Amended Forensic
Accounting Report, which attached an amended forensic accounting (Dkt no.
69.)

1 investor funds were used to purchase at least one speculative project completely
 2 unrelated to the purposes for which any of the Entities had been established, that
 3 investor funds were used to pay the commissions or purported commissions of the
 4 subscription agent believed to have administered or supervised investments in the
 5 Entities relating to the EB-5 Program, that investor funds were diverted to third
 6 parties, including relief defendant Yanrob, and the individual defendants, that
 7 investor funds were used to pay the personal financial obligations of defendant
 8 Robert Yang, and that investor funds were used to pay the Entities' attorneys' fees.

9 These Forensic Accounting conclusions, which were supported by the earlier,
 10 significant work performed by the Receiver and by Brandlin during the Application
 11 Period, have been presented to the Court and will support both the Commission's
 12 claims against the defendants in this action, and the Receiver's likely future attempts
 13 to recover additional investor funds on behalf of the Receivership Entities. Finally,
 14 Brandlin discounted the work it performed during the Application Period, relating to
 15 the ultimate Forensic Accounting, by \$17,912.00. As an additional accommodation,
 16 another discount of \$1,280.00 was made relating to work that led to the Forensic
 17 Accounting. Accordingly, the work of the Receiver, and of Brandlin, whose
 18 professional firm provided the bulk of the data entry and analysis work and handled
 19 the bulk of the review of documents relating to the ultimate Forensic Accounting,
 20 was valuable, reasonable, and should be compensated by this Court.³

21 **II. SUMMARY OF RECEIVER'S/FORENSIC ACCOUNTANT'S FEES.**

22 **A. Summary Of Fees By Category Of Work.**

23 The total fees of \$278,810.80 (before discounts) incurred by the Receiver and
 24 by Brandlin since the inception of the case through March 31, 2016, can be broken
 25 down into the following categories of work:

27 ³ As reflected above, the billings of the Receiver and of Brandlin relating to the
 28 Forensic Accounting have been segregated above by entity, by project, by
 property, or by relief-defendant in order to give the Court the clearest possible
 view of how intensive the Forensic Accounting Work was with regard to each.

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Task	Amount	Percentage
Administration – Development Issues	\$11,138.70	3.9951%
Administration – Entitlement Issues	\$5,621.40	2.0162%
Administration – Property Disposition Work	\$867.50	0.3111%
Administration – Property Management	\$2,012.60	0.7219%
Administration – General Estate Operations	\$39,490.00	14.1637%
Administration - Investor Relations	\$1,110.40	0.3983%
Administration – Receivership Estate Operations	\$22,612.90	8.1105%
Administration – Website Operations	\$591.00	0.2120%
Financial – General Accounting/Auditing	\$3,288.40	1.1794%
Financial – Business Analysis	\$3,192.40	1.1450%
Financial – Data Analysis	\$3,415.10	1.2249%
Financial – Forensic Accounting ⁴	\$168,193.00	60.3251%
Financial – Status Reporting	\$2,123.10	0.7615%
Financial – Tax Issues	\$936.30	0.3358%
Financial – Property Valuation Analysis	\$2,498.40	0.8961%
Legal – Asset Analysis and Recovery	\$4,788.70	1.7175%
Legal – Asset Disposition Analysis and Efforts	\$2,863.10	1.0269%
Legal – Business Operations	\$151.90	0.0545%
Legal – Case Administration	\$1,489.50	0.5342%
Legal – Claims Administration	\$587.30	0.2106%
Litigation – Asset Recovery	\$1,179.80	0.4232%
Litigation -- Other	\$555.20	0.1991%
Non-Categorized	\$104.10	0.0373%
Subtotal	\$278,810.80	
Brandlin Forensic Accounting Discount	(\$17,912.00)	
Other Accounting Discount	(\$1280.00)	
Final Total	\$259,618.80	

⁴ The fees incurred by the Receiver, and also those incurred by the forensic accounting firm that he hired, Brandlin, are all included on the Receiver's invoices.

1 **III. ASSET RECOVERY SUMMARY.**

2 As reflected above, the Receiver has made substantial progress in recovering
3 Assets of the Entities. During the Application Period, his efforts resulted in the
4 recovery of approximately \$2,377,211.65 million in Assets for the benefit of these
5 Entities. The Receiver's and Brandlin's discounted fees, and the Receiver's and
6 Brandlin's discounted fees as a percentage of gross receipts are summarized below:

	<u>Application Period</u>
7	
8 Gross Receipts (Application Period)	\$ 2,377,211.65
9 Receiver's/Forensic Accountant's Discounted Fees	\$ 259,618.80
10 Fees as % of Application Period Receipts	10.9211%

11 As of the filing of this Application, due to receivership business operations
12 the Receiver is now holding cash in the approximate amount of \$2,132,891.11.
13 Accordingly, the Receiver respectfully submits that the fees incurred during the
14 Application Period were reasonable, and should be approved by the Court.

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1 **IV. CONCLUSION.**

2 As reflected above, the Receiver has determined, in his reasonable business
3 judgment, that the total fees incurred during the Application Period were reasonable.
4 **Accordingly, the Receiver respectfully requests that the Court enter an Order**
5 **approving the \$259,618.80 for his and Brandlin's discounted fees incurred**
6 **during the Application Period, and authorizing the payment, on an interim**
7 **basis, of 90% of said fees incurred, in the amount of \$233,656.92, and an Order**
8 **approving the payment of 100% of the \$1,800.96 in expenses incurred.**

9
10 Dated: June 3, 2016

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
DAVID R. ZARO
JOSHUA A. DEL CASTILLO
KENYON HARBISON

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13 By: /s/ Joshua A. del Castillo

JOSHUA A. DEL CASTILLO
Attorneys for Receiver
STEPHEN J. DONELL

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1 **PROOF OF SERVICE**

2 *Securities and Exchange Commission v. Robert Yang, Suncor Fontana, et al.*
3 USDC, Central District of California – Case No. 5:15-cv-02387-SVW (KKx)

4 I am employed in the County of Los Angeles, State of California. I am over
5 the age of 18 and not a party to the within action. My business address is 515
6 S. Figueroa Street, 9th Floor, Los Angeles, California 90071-3398.

7 A true and correct copy of the foregoing document(s) described below will be
8 served in the manner indicated below:

9 **FIRST INTERIM APPLICATION FOR PAYMENT OF FEES AND**
10 **REIMBURSEMENT OF EXPENSES OF RECEIVER,**
11 **STEPHEN J. DONELL, AND FORENSIC ACCOUNTANT,**
12 **BRANDLIN & ASSOCIATES**

13 1. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC**
14 **FILING ("NEF")** – the above-described document will be served by the Court
15 via NEF. On **June 3, 2016**, I reviewed the CM/ECF Mailing Info For A Case
16 for this case and determined that the following person(s) are on the Electronic
17 Mail Notice List to receive NEF transmission at the email address(es) indicated
18 below:

- 19 • **Zachary T. Carlyle**
20 carlylez@sec.gov,kasperg@sec.gov,karpeli@sec.gov,
21 blomgrene@sec.gov,pinkstonm@sec.gov,NesvigN@sec.gov
- 22 • **Stephen J. Donell**
23 jdelcastillo@allenmatkins.com
- 24 • **Mark T. Hiraide**
25 mhiraide@hiraidelaw.com,kju@phlcorplaw.com,
26 hitabashi@phlcorplaw.com,eganous@phlcorplaw.com
- 27 • **Leslie J. Hughes**
28 hughesLJ@sec.gov,kasperg@sec.gov,pinkstonm@sec.gov,
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- **George D. Straggas**
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- **David R Zaro**
dzaro@allenmatkins.com

2. **SERVED BY U.S. MAIL OR OVERNIGHT MAIL (indicate method for each person or entity served)**: On _____, I served the following person(s) and/or entity(ies) in this case by placing a true and correct copy thereof in a sealed envelope(s) addressed as indicated below. I am readily familiar with this firm's practice of collection and processing correspondence for mailing. Under that practice it is deposited with the U.S. postal service on that same day in the ordinary course of business. I am aware that on motion for party served, service is presumed invalid if postal cancellation date or postage meter date is more than 1 (one) day after date of deposit for mailing in affidavit.

I declare that I am employed in the office of a member of the Bar of this Court at whose direction the service was made. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on **June 3, 2016** at Los Angeles, California.

s/ Martha Díaz

Martha Diaz