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6 Attorneys for Receiver
7 STEPHEN J. DONELL

8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA

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11 SECURITIES AND EXCHANGE
COMMISSION,
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Plaintiff,
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v.
14 ROBERT YANG, et al.,
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Defendant,
16 YANROB'S MEDICAL, INC., et al.,
17 Relief Defendants.

Case No. 5:15-CV-02387-SVW (KKx)
FOURTH 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;
Fourth Interim Application of Receiver,
Stephen J. Donell; Memorandum of
Points and Authorities; Declaration of
Stephen J. Donell; and [Proposed] Order
submitted concurrently herewith]

Date: July 10, 2017
Time: 1:30 p.m.
Ctrm: 10A
Judge: Hon. Stephen V. Wilson

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23 **I. INTRODUCTION.**

24 Allen Matkins Leck Gamble Mallory & Natsis LLP ("Allen Matkins"),
25 counsel of record for Stephen J. Donell (the "Receiver"), the Court-appointed
26 permanent receiver for Defendants Suncor Fontana, LLC, Suncor Hesperia, LLC,
27 Suncor Care Lynwood, LLC ("Defendants"), and their respective subsidiaries and
28 affiliates (collectively, the "Receivership Entities" or "Entities") hereby submits this

1 Fourth Interim Application for Payment of Fees and Reimbursement of Expenses
2 (the "Application"). The Application covers the period from October 1, 2016
3 through December 31, 2016 (the "Application Period").

4 As reflected below, during the Application Period, Allen Matkins spent a total
5 of 167.3 hours working on behalf of the Receivership Entities with fees totaling
6 \$79,274.70. In addition, Allen Matkins incurred \$1,884.60 in expenses. Allen
7 Matkins now requests that the Court approve the \$79,274.70 in fees and \$1,884.60
8 in expenses incurred during the Application Period, and enter an Order authorizing
9 the Receiver to pay, on an interim basis, 80% of the fees incurred (\$63,419.76) and
10 100% of expenses incurred (\$1,884.60).

11 **II. GENERAL SUMMARY.**

12 As reflected in his previous submissions to this Court, during the Application
13 Period, the Receiver, with assistance from counsel, made substantial progress in
14 satisfaction of his duties as identified in the Court's December 11, 2015 Preliminary
15 Injunction, Order Appointing Receiver, Freezing Assets, and Providing for Other
16 Ancillary Relief ("Appointment Order"). Specifically, during the Application
17 Period, the Receiver and his counsel, among other things: (1) continued to
18 administer the estates of the Receivership Entities (collectively, the "Estate") funded
19 via approximately \$2.4 million, in cash, and available for the benefit and
20 administration of the Receivership Entities; (2) confirmed the amount and location
21 of additional cash assets potentially available for recovery and subject to the
22 turnover requirements of the Appointment Order; (3) negotiated and entered into a
23 tentative settlement (later approved by the Court, see Dkt. No. 170) with the
24 Metropolitan Water District of Southern California (the "MWD") in connection with
25 \$250,000 in funds paid by the Receivership Entities in the pre-receivership period in
26 a failed real estate transaction; (4) negotiated with prospective buyers regarding the
27 Entities' remaining real estate assets, which sales the Receiver anticipates submitting
28 for Court approval shortly; and (5) developed a claims and distribution process and

1 sought, and secured, Court approval.

2 In addition, and with Allen Matkins' assistance, the Receiver also
3 (6) completed the preparation of his Third Quarterly Status Report (Dkt No. 150);
4 (7) continued to monitor and participate in all pending state court litigation matters
5 affecting or relating to the Receivership Entities and maintained the status quo in
6 each matter; and (8) continued to communicate with investors (and counsel for
7 investors) in the Receivership Entities regarding the status of the receivership, issues
8 relating to investor immigration petitions, and registration for updates and
9 information via the Receiver's website.

10 Given the amount and nature of the work completed by Allen Matkins in
11 furtherance of the Receiver's duties, Allen Matkins and the Receiver respectfully
12 submit that the fees and expenses incurred during the Application Period are
13 appropriate. Allen Matkins and the Receiver therefore request that the Court
14 approve Allen Matkins' fees in the amount of \$79,274.70, and expenses in the
15 amount of \$1,884.60. Again, as an accommodation to the Estate, while Allen
16 Matkins requests approval of all fees and expenses incurred during the Application
17 Period, it requests that the Court enter an order authorizing payment of only 80% of
18 its fees (in the amount of \$63,419.76) and 100% of its expenses (in the amount of
19 \$1,884.60), on an interim basis, at this time.

20 **III. SERVICES PERFORMED BY ALLEN MATKINS DURING THE**
21 **APPLICATION PERIOD.**

22 The order approving the Receiver's engagement of Allen Matkins was entered
23 on March 8, 2016¹ (See Dkt. No. 46.). The Receiver selected Allen Matkins as his
24 general counsel because of the firm's extensive experience and expertise in federal
25 equity receiverships, as well as bankruptcy and litigation matters. Allen Matkins
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27 ¹ The Appointment Order, entered December 11, 2015, had previously authorized
28 the Receiver to engage counsel. Allen Matkins was engaged at that time, but was
formally approved as the Receiver's counsel on March 8, 2016 pursuant to the
Court's Order in Aid of Receivership.

1 has served as counsel to federal equity receivers in dozens of cases, has represented
2 a variety of entities in bankruptcy matters, and has significant substantive
3 experience in related areas such as corporate and securities laws, real estate, and
4 other matters.

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

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

- 16 1. General Receivership;
- 17 2. Asset Recovery and Administration;
- 18 3. Investigation/Reporting;
- 19 4. Investor Communications;
- 20 5. Sale of Assets/Disposition;
- 21 6. Pending Litigation; and
- 22 7. Claims.

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27 ² While every effort is made to be consistent and accurate in the allocation of
28 **Exhibit A** reflects the actual time spent on any given activity and contains an
accurate description of the services provided.

1 1. General Receivership.

2 Services in the "General Receivership" category relate to assisting the
3 Receiver with the administration of the Estate. During the Application Period, Allen
4 Matkins attorneys assisted the Receiver in reviewing administrative filings, orders,
5 and deadlines, and advising the Receiver relating to these and other administrative
6 issues. Allen Matkins also assisted the Receiver in preparing a comprehensive case
7 administration outline for 2017. Finally, Allen Matkins communicated extensively
8 with counsel for Defendants and other interested parties regarding the administration
9 of the receivership case and related matters. The following Allen Matkins attorneys
10 and staff billed time to this matter during the Application Period:

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<u>Name</u>	<u>Title</u>	<u>Rate</u>	<u>Hours</u>	<u>Fees</u>
J. del Castillo	Partner	\$495.00	15.0	\$7,425.00
TOTAL:			15.0	\$7,425.00
Average Hourly Rate		\$495.00		
Total Expenses				\$386.66

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18 2. Asset Recovery and Administration.

19 Services in the "Asset Recovery and Administration" category relate directly
20 to the Receiver's efforts to identify, secure, and recover assets of the receivership
21 ("Receivership Assets" or "Assets"). During the Application Period, these efforts
22 focused primarily on aiding the Receiver with substantive settlement negotiations
23 with the MWD. With the assistance of Allen Matkins, the Receiver confirmed that
24 the Entities released \$250,000 to the MWD in connection with a failed, off the
25 books, real estate purchase transaction, which transfer was characterized as the
26 payment of liquidated damages to the MWD. Allen Matkins, on behalf of the
27 Receiver, made demands upon the MWD for the return of these funds, which the
28 Receiver maintained included Receivership Assets fraudulently transferred to the

1 MWD and subject to disgorgement in accordance with the requirements of the
2 Appointment Order. Allen Matkins and the MWD engaged in detailed negotiations
3 and arrived at a proposed settlement whereby the MWD agreed to return to the
4 Receiver the amount of \$124,999.00 for the benefit of the Estate. On March 16,
5 2017, on motion by the Receiver, the Court entered an order approving the
6 settlement and the funds have since been returned to the Receiver (Dkt. No. 170).

7 Additionally, Allen Matkins assisted the Receiver in his continuing
8 investigation of the conduct of the Receivership Entities' finder, Mason Investments,
9 LLC ("Mason") and its China-based affiliate, and the funds paid to Mason from
10 investor principal, in the form of commissions undisclosed to investors and
11 administrative fees. While the Receiver had initially been led to believe that all of
12 these funds had been expended or otherwise rendered unrecoverable, he recently
13 confirmed, through Allen Matkins, that as much as \$1 million of these funds
14 remains in the United States, and has been treated as frozen, in accordance with the
15 terms of the Appointment Order. Allen Matkins, on behalf of the Receiver, has
16 made a demand for the turnover of these funds, and expects to work with all
17 interested parties to recover any available funds for the benefit of Entity investors.

18 Allen Matkins also made several demands upon individual entity insiders in
19 connection with Receivership Assets that may have been fraudulently transferred,
20 and continued to work with the Receiver on issues associated with funds previously
21 turned over and pending a later determination of the Receiver's rights. The
22 following Allen Matkins attorneys billed time to this matter during the Application
23 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	0.6	\$402.30
J. del Castillo	Partner	\$495.00	28.3	\$14,008.50
K. Harbison	Sr. Associate	\$445.50	0.3	\$133.65
A. Engstrom	Associate	\$283.50	14.3	\$4,054.05
TOTAL:			43.5	\$18,598.50
Average Hourly Rate		\$427.55		
Total Expenses				\$363.24

3. Investigation/Reporting.

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

During the Application Period, Allen Matkins spent significant time working with the Receiver to compile, prepare, and file the Third Quarterly Status Report, as well as consulting with the Securities and Exchange Commission (the "Commission") and other interested parties,, and Receiver with regard to the report.

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

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<u>Name</u>	<u>Title</u>	<u>Rate</u>	<u>Hours</u>	<u>Fees</u>
J. del Castillo	Partner	\$495.00	6.6	\$3,267.00
M. Zonne	Associate	\$306.00	8.2	\$2,509.20
TOTAL:			14.8	\$5,776.20
Average Hourly Rate		\$390.28		
Total Expenses				\$172.00

4. Investor Communications.

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

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	11.9	\$5,890.50
M. Zonne	Associate	\$306.00	0.1	\$30.60
TOTAL:			12.0	\$5,921.10
Average Hourly Rate		\$493.43		

5. Sale of Assets/Disposition.

This category consists of expenses incurred in connection with the analysis of issues relating to the potential and actual disposition of Receivership Assets, with particular attention to the potential sale of three individual real estate properties,

1 specifically, a property in Lynwood, California (the "Lynwood Property"), a
 2 property in Mentone California (the "Mentone Property"), along with the sale by a
 3 Relief Defendant of a property located in San Bernardino (the "Vanderbilt
 4 Property").

5 Allen Matkins assisted the Receiver with the drafting and review of PSAs and
 6 letters of intent ("LOIs"), marketing and sale efforts, and attending to other asset
 7 disposition matters in connection with the Lynwood and Mentone Properties. Allen
 8 Matkins worked closely with the Receiver in connection with his marketing and sale
 9 efforts, including in consulting on letters of intent, draft purchase terms, and
 10 providing real estate disposition advice. As of the date of this Application, the
 11 Lynwood Property is under contract for sale and the Receiver anticipates submitting
 12 a request for Court approval soon.

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>
D. Zaro	Partner	\$670.50	3.3	\$2,212.65
J. del Castillo	Partner	\$495.00	31.8	\$15,741.00
K. Pollock	Sr. Associate	\$481.50	8.6	\$4,140.90
TOTAL:			43.7	\$22,094.55
Average Hourly Rate		\$505.60		
Total Expenses				0

23 6. Pending Litigation.

24 Services provided in the "Pending Litigation" category during the Application
 25 Period include the detailed analysis and management of all pre-receivership actions
 26 pending against the Receivership Entities, attendance at hearings and status
 27 conferences in connection with each of those actions, and the preparation of
 28

1 materials necessary to provide status updates when requested by the individual state
2 courts.

3 The following Allen Matkins attorneys and staff billed time to this matter
4 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	8.9	\$4,405.50
M. Zonne	Associate	\$306.00	9.7	\$2,968.20
TOTAL:			18.6	\$7,373.70
Average Hourly Rate		\$396.44		
Total Expenses				\$962.70

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12 7. Claims.

13 Services provided in the "Claims" category during the Application period
14 reflect Allen Matkins' assistance to the Receiver in connection with developing his
15 anticipated claims and distribution process, moving for an order establishing
16 summary claims procedures, setting a claims bar date, and approving the Receiver's
17 proposed claim form, whereby investors and other creditors of the Entities will be
18 able to register their claims for repayment against the Receivership Entities, and
19 have those claims processed by the Receiver and his staff, resulting in a
20 recommendation by the Receiver to the Court for the treatment of each claim. Allen
21 Matkins, on behalf of the Receiver filed a motion to approve the Receiver's
22 proposed claims process on November 29, 2016 (Dkt. No. 148). The Court granted
23 this motion on December 22, 2016, in its entirety (Dkt. No. 149). On or around
24 January 13, 2017, and in accordance with the Court-approved process, the Receiver
25 published notice of the claims process and set a claims bar date for March 15, 2017
26 (Dkt. No. 158).

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

<u>Name</u>	<u>Title</u>	<u>Rate</u>	<u>Hours</u>	<u>Fees</u>
D. Zaro	Partner	\$670.50	13.3	\$8,917.65
J. del Castillo	Partner	\$495.00	6.4	\$3,168.00
TOTAL:			19.7	\$12,085.65
Average Hourly Rate		\$613.48		
Total Expenses				\$0

IV. THE FEES AND EXPENSES ARE REASONABLE AND SHOULD BE ALLOWED.

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

Specifically, the billing rates of Allen Matkins personnel are comparable to those charged in the community on similarly complex matters. Further, the billing statements of Allen Matkins were submitted to the Commission for review prior to the filing of this Application. The Commission has indicated it will not oppose the Application. Moreover, and as noted above, Allen Matkins seeks payment of \$63,419.76 in fees, or 80% of the fees incurred during the Application Period, in recognition of the fact that its work in assisting the Receiver is ongoing. Payment of the remaining 20% of its fees will be deferred to the submission of the Receiver's and his professionals' final fee applications, and Allen Matkins will request payment of the 20% holdback at the conclusion of the receivership.

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1 **V. CONCLUSION.**

2 Accordingly, Allen Matkins respectfully requests that the Court approve
3 Allen Matkins' fees of \$79,274.70, its expenses in the amount of \$1,884.60, and
4 authorize the Receiver to pay Allen Matkins, on an interim basis, 80% of its fees
5 incurred (\$63,419.76) and 100% of its expenses, totaling \$1,884.60.

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Dated: June 7, 2017

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

By: /s/ Joshua A. del Castillo

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