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15 UNITED STATES DISTRICT COURT
 16 CENTRAL DISTRICT OF CALIFORNIA

17 SECURITIES AND EXCHANGE
 18 COMMISSION,
 19 Plaintiff,
 20 v.
 21 ROBERT YANG, et al.,
 22 Defendants,
 23 YANROB'S MEDICAL, INC., et al.,
 24 Relief Defendants.

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

**SECOND QUARTERLY STATUS
 REPORT OF RECEIVER,
 STEPHEN J. DONELL**

[Notice of Filing submitted concurrently
 herewith]

Ctrm: 6
 Judge: Hon. Stephen V. Wilson

25 **TO ALL PARTIES, THEIR COUNSEL OF RECORD, AND THIS
 26 HONORABLE COURT:**

27 In accordance with this Court's December 11, 2015 Preliminary Injunction,
 28 Order Appointing Receiver, Freezing Assets, and Providing for Other Ancillary
 Relief (the "Appointment Order") and Local Rules 66-7(c) & (d) and 6-1, Stephen
 J. Donell, the Court-appointed Receiver ("Receiver") for Defendants Suncor
 Fontana, LLC, Suncor Hesperia, LLC, Suncor Care Lynwood, LLC, and their
 respective subsidiaries and affiliates (collectively, the "Receivership Entities" or

1 "Entities") hereby submits the following Second Quarterly Status Report (the
2 "Report"):

3 **I. PRELIMINARY STATEMENT.**

4 As previously detailed in the Receiver's Initial Report Re: Marshaling and
5 Preservation of Receivership Assets, and Petition for Further Instructions, filed on
6 December 23, 2015 (the "Initial Report") and April 18, 2016 First Quarterly Status
7 Report (the "First Status Report"), and as further detailed below, the Receiver has
8 made substantial progress in his efforts to identify, marshal, and administer the
9 available assets of the Receivership Entities ("Receivership Assets" or "Assets"),
10 and has completed his analysis of the business and financial activities of the
11 Receivership Entities, culminating in the submission of his May 20, 2016 Amended
12 Forensic Accounting Report. While the Receiver's work is ongoing, the status of his
13 efforts and the preliminary conclusions¹ developed from his review and analysis of
14 materials recovered to date are appropriate for presentation in this Report.

15 By way of summary, since the submission of his First Status Report in April
16 2016, the Receiver has:

- 17 • Continued to administer the estates of the Receivership Entities
18 (collectively, the "Estate") funded via approximately \$2.4 million, in
19 cash, previously recovered by the Receiver for the administration and
20 benefit of the Receivership Entities;
- 21 • Confirmed the amount and location of another \$2.75 million in cash
22 Assets potentially available for recovery and subject to the turn-over
23 requirements of the Appointment Order, in the form of \$2.5 million in
24 funds deposited with two banks (\$2 million of which has been turned
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26 _____
27 ¹ Due to the volume and nature of the information recovered, the nature and
28 complexity of the matters and transactions to which they relate, and the
Receiver's need to complete his work, the Receiver's conclusions are presented
herein are preliminary. The Receiver may modify such conclusions after further
investigation and analysis.

1 over, pending further proceedings) and \$250,000 transferred to the
2 Metropolitan Water District of Southern California without any
3 reasonably equivalent value received in exchange;

- 4 • Secured the turn-over of \$2 million of the above-referenced cash Assets
5 from Celtic Bank Corporation ("Celtic Bank"), which funds the
6 Receiver is holding in a separate account pending a Court
7 determination of his and Celtic Bank's respective rights in these funds;
- 8 • Developed and undertaken a marketing and disposition plan in
9 connection with each of the real properties implicated in this matter,
10 including via the engagement of real property brokers and the
11 commencement of marketing efforts for all saleable properties;
- 12 • Coordinated with Celtic Bank and GBC International Bank ("GBC
13 Bank") regarding the potential abandonment of two of the real
14 properties implicated in this matter;
- 15 • Identified two real properties² subject to immediate abandonment and
16 filed a motion for authority to complete an abandonment of that
17 property;
- 18 • Identified a pre-receivership purchase and sale agreement ("PSA") for
19 another real property which the Receiver, which PSA the Receiver
20 believes should be abandoned, and filed a motion for authority to
21 undertake such abandonment;
- 22 • Completed the preparation of his Amended Forensic Accounting
23 Report, reflecting what he believes to be his final forensic accounting
24 summary, and submitted the document to the Court;
- 25 • Continued to monitor and participate in all pending state court litigation
26 matters affecting or relating to the Receivership Entities, and
27

28 ² The properties are commonly known as the Hesperia Project and the Fontana
Project, as detailed further below.

- 1 maintained the status quo in such matters; and
- 2 • Communicated with a number of investors (and counsel for investors)
 - 3 in the Receivership Entities regarding the status of the receivership,
 - 4 issues relating to investor immigration petitions, and registration via the
 - 5 Receiver's website.

6 As reflected in the Appointment Order, the Receiver is vested with exclusive
7 authority and control over the Receivership Entities and all Receivership Assets, and
8 has been authorized, empowered and directed to, among other things: (1) take
9 control of the Receivership Entities and of their Assets and Records; (2) conduct
10 such investigation and discovery as necessary to identify and locate outstanding
11 Receivership Assets; (3) preserve and prevent the dissipation of Receivership
12 Assets, and manage such Assets for the benefit of the estate of the Receivership
13 Entities; and (4) provide an accounting to the Court and the parties regarding the
14 business and financial activities of the Receivership Entities. The Receiver and his
15 counsel of record, Allen Matkins Leck Gamble Mallory & Natsis LLP ("Allen
16 Matkins"), have diligently pursued these goals since the inception of the
17 receivership, and the Receiver's efforts, analysis, supplemental preliminary
18 conclusions, and recommendations are summarized below.³

19 **II. RELEVANT PROCEDURAL HISTORY.**

20 The Receiver invites the Court and all interested parties to review the
21 following documents for a general summary of the relevant facts underlying the
22 above-captioned case, the facts relevant to the instant receivership, and the
23 Receiver's appointment:

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27 ³ Please note that the fact that this Report does not address any particular fact or
28 issue addressed in the Receiver's Initial Report does not reflect a determination
by the Receiver that such facts or issues are no longer pertinent or that any
previously presented conclusions have been modified or rescinded.

- 1 • The Plaintiff Securities and Exchange Commission's (the
- 2 "Commission") Complaint, filed on November 19, 2015 (Docket No.
- 3 1);
- 4 • The Commission's Ex Parte Application for Temporary Restraining
- 5 Order, filed on November 19, 2015 (Docket Nos. 4, 5);
- 6 • Temporary Restraining Order, entered by the Court on November 25,
- 7 2015 (Docket No. 14)
- 8 • Stipulation Regarding Emergency Entry of Preliminary Injunction,
- 9 Order Appointing Receiver, Freezing Assets, and Providing for Other
- 10 Ancillary Relief, filed on December 11, 2015 (Docket No. 17);
- 11 • Appointment Order, entered by the Court on December 11, 2015
- 12 (Docket No. 18);
- 13 • Receiver's Initial Report, filed on December 23, 2015 (Docket No. 20);
- 14 • Receiver's Motion for Order in Aid of Receivership (Docket No. 30);
- 15 • Order in Aid of Receivership, entered March 8, 2016 (Docket No. 46);
- 16 • Receiver's Ex Parte Application for Order to Show Cause why Celtic
- 17 Bank Should not be Held in Civil Contempt (Docket Nos. 48-50);
- 18 • Receiver's First Status Report, filed on April 18, 2016 (Docket No. 53);
- 19 • Receiver's Motion for Authority to Abandon Contract, filed on May 27,
- 20 2016 (Docket Nos. 72-75);
- 21 • Minute Order instructing Celtic Bank to turn over funds to Receiver,
- 22 entered on June 6, 2016 (Docket No. 83);
- 23 • Order Granting Stipulation to Amend Court's June 6, 2016 Minute
- 24 Order, entered on June 22, 2016 (Docket No. 94);
- 25 • Receiver's Motion for Order Authorizing Receiver to Abandon Real
- 26 Property Located at 17577 & 17579 Sultana Street, Hesperia,
- 27 California 92345 (the "Hesperia Abandonment Motion") (Docket Nos.
- 28 109-111); and

- Receiver's Motion for Order Authorizing Receiver to Abandon Real Property Located at 7227 Oleander Avenue, Fontana California 92336 (the "Fontana Abandonment Motion") (Docket Nos. 115-117).

III. SUMMARY OF RECEIVER'S ACTIVITIES AND EFFORTS SINCE SUBMISSION OF THE FIRST STATUS REPORT.

A. Marshaling and Preserving Receivership Assets.

1. Recovery of Cash Assets.

As of this Report, the Receiver has recovered just over \$2.4 million,⁴ less disbursements, for the administration and benefit of the Entities, as detailed below:

<u>Source</u>	<u>Amount</u>
Citizens Business Bank / Suncor Fontana LLC	\$568.69
Bank of America / Suncor Fontana LLC	\$400.55
Citizens Business Bank / Suncor Hesperia LLC	\$7,910.06
Bank of America / Suncor Lynwood, LLC	\$40,177.93
Bank of America / Yanrob – PR Account	\$7,816.18
Suncor Hesperia LLC Property Tax Refund	\$1,335.58
Park Place Escrow / Suncor Lynwood LLC	\$750,210.00
Park Place Escrow / Mentone	\$1,152.02
Orange Community Escrow / Suncor Hesperia LLC	\$1,416,030.00
Suncor Hesperia LLC Property Tax Refund	\$112.77
Law Office of Daniel Deng / Suncor Lynwood LLC	\$16,550.16
Law Office of Daniel Deng / Suncor Lynwood LLC	\$5,000.00
Pacific Premier Bank / Yanrob	\$165,931.51
TOTAL:	\$2,413,195.45⁵

⁴ The table includes cash recovered from Relief Defendant Yanrob's Medical, Inc. ("Yanrob"). The Receiver claims these funds as a Receivership Asset because, as detailed in his Forensic Accounting Report and Amended Forensic Accounting Report, substantial funds were transferred from the Entities to Yanrob, and are subject to turn-over to the receivership estate.

⁵ This amount does not include an additional \$2 million recently turned over by
 SECOND QUARTERLY STATUS REPORT OF
 RECEIVER STEPHEN J. DONELL

1 In accordance with Section V(O)(5)(c) of the Appointment Order, a schedule
2 of the Receiver's aggregate receipts and disbursements from the time period from
3 the Receiver's appointment through the end of the second quarter 2016 is attached
4 as **Exhibit 1**.⁶ A preliminary Standardized Fund Accounting Report, ending June
5 30, 2016, showing the Receiver's recent receipts and disbursements is attached as
6 **Exhibit 2**.

7 2. Additional cash Assets identified and Recovered by the
8 Receiver.

9 As noted in the Receiver's prior submissions to the Court, the Receiver has
10 identified additional cash, which he believes are Receivership Assets subject to the
11 turn-over requirements of the Appointment Order. As addressed below, Celtic Bank
12 has turned the identified funds over the Receiver, pending a further determination of
13 the parties' respective interests, and the Receiver continues to coordinate with GBC
14 Bank in the hopes of securing a near-turn turn-over and release of the funds it is
15 presently holding, as further discussed below:

16 (a) *Funds in Deposit Accounts at Celtic Bank.*

17 The Receiver has confirmed that just over \$2 million in cash Assets derived
18 from Entity investors and directly attributable to the Receivership Entities was
19 deposited in two (2) deposit accounts at Celtic Bank in the pre-receivership period,
20 in the name of Relief Defendant HealthPro Capital Partners, LLC ("HealthPro").⁷
21 The Receiver subsequently petitioned for the Court to order Celtic Bank to turn over
22 these funds. The Receiver's petition was objected to by Celtic Bank, largely on the
23

24
25 Celtic Bank, which funds are held in a separate account pending a determination
of rights, in accordance with the Court's recent orders.

26 ⁶ While the Receiver has determined that the Entities were treated as a unitary
enterprise, and recommends treating the Estate as a common asset pool, the
Receiver has, to date, maintained an Entity-specific accounting of receipts and
27 disbursements.

28 ⁷ HealthPro has been determined by the Receiver to be an affiliate of the
Receivership Entities and, consequently and in accordance with the provisions of
the Appointment Order, a Receivership Entity itself.

1 ground that Celtic Bank claims a security interest in some or all of these funds. The
2 Court recently instructed Celtic Bank to turn the subject \$2 million over to the
3 Receiver, but has instructed the Receiver to maintain the funds in a separate
4 accounting pending a later determination of the parties' respective rights. Celtic
5 Bank has completed the turn-over, and the funds are presently being held,
6 separately, by the Receiver and in accordance with the Court's instructions.

7 *(b) Funds in Deposit Account at GBC Bank.*

8 In addition to the \$2 million recently turned over by Celtic Bank, the Receiver
9 has confirmed that another \$500,000 in Receivership Assets are currently on deposit
10 with GBC Bank, in a deposit account in Yanrob's name. The Receiver has
11 confirmed that Suncor Hesperia, LLC investor funds are the sole and exclusive
12 source of these funds, which were funneled through Yanrob before being deposited
13 with GBC Bank.

14 The Receiver has requested that GBC Bank return these funds to the
15 Receiver. GBC Bank has declined, citing a document entitled "Assignment of
16 Deposit Account," pursuant to which Defendant Yang, purportedly on behalf of
17 Yanrob, assigned these funds, or purported to assign them, to GBC Bank in
18 connection with a series of GBC Bank loans to Yanrob. GBC Bank maintains that
19 Yanrob's "assignment" of these funds places them outside of the ambit of the
20 receivership. The Receiver does not share GBC Bank's view, and believes the so-
21 called assignment to reflect a fraudulent transfer of investor funds. However, in the
22 interest of minimizing costs to the Estate, the Receiver is presently in negotiations
23 with GBC Bank regarding a potential disposition of real property owned by Yanrob
24 and in which GBC Bank has a senior security interest which, if successful, should
25 result in the return of, at least, a substantial portion of these funds. Should the
26 negotiations fail, the Receiver will bring an action against GBC Bank to recover the
27 subject funds.

28

1 (c) *Funds Transferred to the Metropolitan Water District of*
2 *Southern California.*

3 Recent analysis of Entity transactions strongly suggests that, in addition to the
4 diversion of approximately \$2.5 million in Entity investor funds to Celtic Bank and
5 GBC Bank, as discussed above, the Entities transferred at least another \$250,000 to
6 the Metropolitan Water District in connection with an aborted real property
7 development. Should the Receiver conclude that this transfer was made without the
8 receipt of reasonably equivalent value in exchange, he will likely deem these funds a
9 Receivership Asset, and reserves the right to pursue their turn-over in accordance
10 with the requirements of the Appointment Order.

11 **B. Real Property Asset Administration And Disposition Plans.**

12 The Estate is comprised in substantial part of the real properties commonly
13 known as the Hesperia Project, the Fontana Project, and the Lynwood Project
14 (collectively, the "Projects"), along with another property in Mentone, California
15 (the "Mentone Property"), purchased with Entity investor funds. Receivership
16 Assets are directly implicated in the purchase, development, and/or management of
17 the Projects and the Mentone Property. In addition, Receivership Assets are
18 implicated in, at least, the improvement of the real property used by Defendant
19 Yang as the location of his medical practice, and owned by Yanrob (the "Vanderbilt
20 Property"). As addressed in prior submissions to the Court, the Receiver has
21 endeavored, since the inception of the receivership, to manage and preserve these
22 properties for the benefit of the Estate. However, as discussed below, after the
23 Receiver obtained brokers' opinions of value ("BOVs") for each of the Projects, and
24 completed an analysis of the value of and all secured and other claims against the
25 Projects, the Mentone Property, and the Vanderbilt Property, he concluded that
26 some Projects were subject to abandonment in accordance with the terms of the
27 Court's Order in Aid of Receivership. The status of his disposition efforts is as
28 follows:

1 1. The Hesperia Project.

2 The Hesperia Project consists of the real property located at 17577-17579
3 Sultana Street, in Hesperia, California. As reflected in the Hesperia Abandonment
4 Motion, the Hesperia Project is currently undeveloped land, apparently intended by
5 the Defendants to be developed as a sub-acute care / skilled nursing facility. While
6 the Receiver has confirmed that development and construction plans for the
7 Hesperia Project were prepared in the pre-receivership period, and that the grading
8 and excavation at the site seems to have been undertaken in accordance with those
9 plans, it remains unclear whether the Project was properly entitled and/or obtained
10 all requisite permits. Unfortunately, the Project appears to be substantially
11 underwater; that is, worth less than the amount of secured (and securable) claims
12 against it, and is presently under threat of foreclosure.⁸ The Receiver has moved for
13 authority to abandon the Project, which, if granted, should substantially simplify the
14 Receiver's administration of the Estate, as well as decreasing monthly carrying
15 costs.

16 2. The Fontana Project.

17 The Fontana Project consists of the real property and partially completed
18 construction located at 7227 Oleander Avenue, Fontana, California. Like the
19 Hesperia Project, the Fontana Project appears to have been intended to be developed
20 as a sub-acute or skilled nursing facility.⁹ While the Receiver's BOV for the Project
21 suggests that it has a present value of approximately \$2.4 million, the Receiver has
22 confirmed that the amount owing (and secured by the Project) in connection with
23

24 ⁸ Specifically, the aggregate of confirmed secured and unsecured debt on the
25 Project, coupled with the fact that the Receiver's real property broker has not
26 generated even a single purchase offer for the Project, has led the Receiver to
conclude that the Project is "underwater."

27 ⁹ While construction at the Fontana Project has ceased, at the Receiver's direction
and because the construction lender for the Project has suspended funding, the
Receiver has secured insurance for the Project and has been providing 24/7
28 security at the Project in order to preserve the existing improvements, the cost of
which has been substantial.

1 the Celtic Loans alone is at least \$3 million. In addition, the Project is the subject of
2 a number of lawsuits brought by contractors in state court, and likely subject to
3 mechanics' lien claims in the high six- or even seven-figures. Accordingly, and like
4 the Hesperia Project, the Receiver has filed the Fontana Abandonment Motion in
5 order to secure formal Court approval of the Project's abandonment.

6 The prospective abandonment of the Fontana Project is complicated
7 somewhat by Celtic Bank's claimed security interest in the \$2 million in cash
8 recently turned over to the Receiver. As the Court may recall, the Receiver has
9 successfully traced all of these funds to their origin with Receivership Entity
10 investors. That said, the Receiver and Celtic Bank expect to address their respective
11 or competing rights in these funds via later submissions to the Court, and the
12 Receiver's abandonment of the Fontana Project in the near term may actually enable
13 the parties to reach an agreement or adjudication regarding the \$2 million sooner
14 than otherwise possible.

15 3. The Lynwood Project.

16 The Lynwood Project consists of the real property and improvements located
17 at 3598 Martin Luther King, Jr. Boulevard, Lynwood, California. The Project is
18 currently a vacant structure previously used as a skilled nursing facility and
19 apparently intended to be re-developed as a sub-acute care / skilled nursing facility
20 by the Defendants. The Receiver's BOV suggests that the Project is worth at least as
21 much as \$1.5 million, and perhaps more than \$2 million. As of the date of this
22 Report, the Receiver's real property brokers have received a number of arms-length
23 offers to purchase the Lynwood Project, the best of which would net the Estate
24 approximately \$2 million. Accordingly, the Receiver anticipates finalizing a
25 Purchase and Sale Agreement ("PSA") for the Project soon, and then petitioning the
26 Court for authorization to conclude a sale.¹⁰

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28 ¹⁰ The Receiver's contemplated PSA is expected to include an over bidder
provision, and the Receiver will actively solicit overbids, meaning the

1 4. The Mentone Property.

2 As the Receiver previously reported, he has confirmed that at least \$500,000
3 in funds raised from investors in the Lynwood Project were diverted for the
4 purchase of the Mentone Property. The Mentone Property is presently comprised of
5 unproductive orchard land, but sits at the center of a series of parcels of real
6 property immediately adjacent to the City of Redlands, which parcels are apparently
7 intended to be developed as single-family housing. Based on the materials reviewed
8 and recovered to date, including a pre-receivership PSA for the Mentone Property,
9 the Receiver believes that the Defendants intended to redevelop (including securing
10 permits and entitlements) the Mentone Property as a site for 27 single-family homes,
11 at which point the property would be sold.

12 As reflected in the Receiver's recently submitted motion to abandon the PSA
13 for the Mentone Property, the pre-receivership PSA would subject the Receiver to a
14 number of onerous requirements, which could cost \$500,000 or more, with no
15 guarantee of a sale even in the event that such costs were incurred. Accordingly, the
16 Receiver has petitioned for an order from the Court authorizing him to abandon the
17 pre-receivership PSA and commence marketing and sale efforts anew. To that end,
18 the Receiver remains in discussions with the contemplated pre-receivership
19 purchaser of the Mentone Property, and is advised by his real estate professionals
20 may be sold for a minimum of \$1 million and perhaps more than \$2 million, in its
21 present condition, and without imposing substantial additional costs on the Estate.¹¹

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25 contemplated sale of the Lynwood Project will satisfy the Receiver's statutory
26 ¹¹ requirement to conclude a "public sale" of the Project out of receivership. The pre-receivership, anticipated buyer of the Mentone Property advanced
27 \$150,000 to the Entities, secured by deed of trust. As reflected in the Receiver's Forensic Accounting and Amended Forensic Accounting Reports, these funds do
28 not appear to have been expended in the manner promised, and the Receiver believes the deed of trust will have to be satisfied concurrently with the sale of
the Mentone Property, whenever achieved.

1 5. The Vanderbilt Property.

2 The real property located at 406 Vanderbilt Way, San Bernardino, California
3 (the "Vanderbilt Property") is the principal place of business of Relief Defendant
4 Yanrob and the location of Defendant Yang's medical practice. As reflected in the
5 Receiver's Forensic Accounting Report (appended hereto, and addressed in greater
6 detail, below), Yanrob received more than \$1,000,000 in funds raised from
7 Receivership Entity investors, some of which the Receiver understands was used to
8 make tenant improvements at the Vanderbilt Property.

9 The Receiver has determined that the value of the Vanderbilt Property is
10 roughly equal to that of an outstanding debt owed to GBC Bank and secured by the
11 Vanderbilt Property, or approximately \$1.5 million. GBC Bank has tentatively
12 agreed to release all or a substantial portion of the Receivership Assets it is holding,
13 in cash, should the Vanderbilt Property be sold and its outstanding debt satisfied.
14 To that end, and because there is little, if any equity in the Vanderbilt Property that
15 would inure to the benefit of the Receivership Entities, the Receiver is working with
16 GBC Bank, Yanrob, and others in the hopes of arranging at a stipulated disposition
17 of the Vanderbilt Property which results in a release of all or a substantial portion of
18 the funds on deposit with GBC Bank to the Receiver.

19 6. Preventing Recordation of Improper Liens.

20 As previously noted, a number of the Projects are, and are expected to be, the
21 subjects of trade creditor claims, including from contractors and other vendors who
22 may have provided services in connection with the Projects. The Appointment
23 Order bars trade creditors from creating or enforcing liens against Receivership
24 Assets and the Receiver has diligently monitored each of the Projects in order to
25 guard against the improper recordation of liens. As of the date of this Report, the
26 Receiver has successfully caused mechanics' liens recorded against the Hesperia and
27 Fontana Projects after the Appointment Order was entered to be released and
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1 continues to monitor title on each of the relevant real properties to ensure that no
2 improper liens are recorded.

3 **C. Completion of Forensic Accounting Report.**

4 As was previously reported to the Court in connection with the Receiver's
5 submission of his Forensic Accounting Report, the Receiver has completed his
6 review and analysis of the materials obtained that relate to the business and financial
7 activities of the Receivership Entities, including the amount of investor funds raised,
8 the method by which they were raised, and their eventual disposition. The
9 Receiver's analysis was presented in his Forensic Accounting Report, and later his
10 Amended Forensic Accounting Report, which corrected a handful of calculations
11 and provided updated exhibits. The Amended Forensic Accounting Report did not
12 alter the Receiver's substantive conclusions as presented in the original Forensic
13 Accounting Report, including that:

- 14 • The Receivership Entities engaged in systematic commingling of funds
15 raised from investors sufficient to establish that they were operated as a
16 unitary enterprise;
- 17 • Funds raised in connection with one Project were used to satisfy the
18 financial obligations of other Projects;
- 19 • Investor funds were used to purchase the Mentone Property, a speculative
20 development unrelated to the Entities' stated business purpose;
- 21 • Funds raised from investors were used to make substantial payments to
22 Mason and/or its affiliates; and
- 23 • Funds raised from investors were used to pay the personal financial
24 obligations of Defendant Yang and transferred to third parties, including
25 Defendants Yang and Kano.

26 Most notably, the results of the Receiver's forensic investigation and analysis
27 confirm, to him, that the three (3) principal Receivership Entities, Suncor Fontana,
28 LLC, Suncor Hesperia, LLC, Suncor Care Lynwood, LLC, respectively, were

1 operated, from inception, as a unitary enterprise. Specifically, the nature, frequency,
2 and amount of commingling of Assets among and between the Receivership
3 Entities, as well as the fact that substantial Assets raised from investors in
4 connection with one Entity were used for the satisfaction of other Entities' financial
5 obligations, strongly suggests that the Entities were treated and operated as a unitary
6 enterprise.

7 For this reason, the Receiver strongly recommends that the Court and the
8 parties adopt his conclusion that the Receivership Entities were treated and operated
9 as a unitary enterprise in the pre-receivership period, for the limited purpose of
10 administering the Receivership in an appropriate and equitable manner.

11 Accordingly, the Receiver strongly recommends that the Court and the parties adopt
12 the view that there should be a single (unitary) receivership estate in this matter. In
13 fact, the Receiver anticipates developing and proposing a claims and distribution for
14 Court approval in the near future. It is more likely than not that the claims process
15 will be predicated upon the Receiver's finding of a unitary enterprise, enabling
16 investors and creditors with allowed claims to be paid from a single asset pool.

17 **D. Litigation Monitoring And Participation.**

18 As reflected in the Receiver's Initial Report, there are presently at least five
19 (5) actions pending in the San Bernardino Superior Court that directly implicate the
20 Receivership Entities (including actions where the Entities are parties) or
21 Receivership Assets. Each of these actions is stayed in accordance with Section V(J)
22 of the Appointment Order. There Receiver has filed and served Notices of Pending
23 Receivership in each of these matters, in order to advise presiding courts of the stay,
24 and continues to monitor each of these matters and participate in status and other
25 conferences in order to ensure that the stay required by the Appointment Order
26 remains in place.

27

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1 **E. Communications With Investors.**

2 As the Court may recall, investment in the Receivership Entities was solicited
3 in connection with the United States Citizenship and Immigration Services
4 ("USCIS") EB-5 investment program, which provides a means for foreign nationals
5 and their families to secure U.S. residency if they invest a qualifying amount (in this
6 case \$500,000) in a U.S.-based investment that generates a specific number of local
7 jobs.

8 The Receiver and his counsel continue to receive inquiries from investors and
9 their authorized agents, ranging from general inquiries about the status of the
10 receivership, to notifications of denials of immigration applications by USCIS, to
11 requests for refunds of investments. In accordance with the Order in Aid of
12 Receivership, the Receiver has provided investors, via his website, with a simplified
13 Mandarin summary of the receivership, instructions for how to register on the
14 Receiver's website, and other relevant updates.

15 As reflected in prior submissions, the Receiver's analysis, including in
16 connection with his Forensic Accounting Report and Amended Forensic Accounting
17 Report, suggests that none of the investments made by foreign investors in the
18 Receivership Entities qualified for the EB-5 program and, accordingly, that all
19 investors may ultimately receive denials from USCIS. The reasons for this are
20 twofold:

21 First, USCIS requires that an investor's entire \$500,000 be released for
22 investment. Here, and as alleged by the Commission, and largely confirmed in the
23 Forensic Accounting Report, the Entities' subscription agent Mason Investments,
24 LLC or its China-based affiliate received substantial transfers paid directly from
25 investor balances, meaning no single investor's actual investment ever reached the
26 \$500,000 threshold.

27 Second, and as reflected in a handful of the USCIS denial letters provided to
28 the Receiver by investors, USCIS further requires that an investor's investment

1 actually be "at risk"; that is, at risk of substantial or complete depletion. Here,
2 USCIS has taken the position that at least some of the offering documents associated
3 with the Receivership Entities contain language that purports to protect investments
4 from risk, including rights of redemption and refund options. While the Receiver
5 cannot confirm the legal conclusion reached by USCIS, it is his understanding that
6 USCIS may deny investor immigration applications on the basis that, contractually,
7 their investments were not sufficiently "at risk."

8 **IV. ADDITIONAL ADMINISTRATIVE CONSIDERATIONS.**

9 As reflected in prior submissions, the Receiver has encountered a number of
10 complications in connection with the Entities' real property and cash Assets.

11 Among other things:

- 12 • Real property assets described by the individual Defendants at the
13 outset of the receivership as "owned free and clear," or otherwise
14 unencumbered, proved to be the subject of security interests or other
15 recorded obligations, limiting – and sometimes eliminating – the
16 Receiver's disposition options;
- 17 • Receivership Assets on deposit identified by the individual Defendants
18 as available for immediate recovery by the Receiver were challenged as
19 "assigned" or "collateral" by the banks with whom the funds were
20 deposited, and have not been unconditionally turned over or released to
21 the Receiver; and
- 22 • Despite months of effort by the Receiver¹², and the Commission's
23 agreement to do so with respect to certain real property Receivership
24

25 ¹² The Receiver's efforts have included providing Defendants Yang and Kano with
26 a summary of offers received for, at least, the Lynwood Project, along with a
27 detailed description of his marketing efforts and the steps taken by his real
28 property broker to ensure that appropriate prospective purchasers in the skilled
nursing / sub-acute care space were targeted, resulting in market price offers. In
addition, the Receiver has repeatedly had to reassure the Defendants that, their
baseless contentions to the contrary, neither the Receiver nor any members of his
family stand to realize any financial gains from the sale of any Receivership

1 Assets, the individual Defendants have consistently refused to stipulate
2 to a waiver of 28 U.S.C. § 2001, *et seq.* in connection with the
3 Receiver's Asset disposition plans, increasing the cost of and delaying
4 the disposition of Assets which the Receiver believes, in his reasonable
5 business judgment, would result in millions of dollars in recoveries for
6 the Estate.

7 Accordingly, and as reflected above, the Receiver's Asset disposition plan
8 going forward will be guided by two key principles: (1) abandon Assets that are
9 actually liabilities to the Estate; and (2) sell, at the best price possible and in
10 accordance with all Court-imposed and statutory requirements, any Assets that will
11 result in a net recovery for the benefit of the Estate and its creditors. To that end,
12 the Receiver will seek Court authority, through motions or stipulations, to abandon
13 any Assets that he deems reflect a net liability to the Estate, in accordance with his
14 existing authority under the Order in Aid of Receivership, and will seek Court
15 approval of sales of those Assets he reasonably believes will yield a net benefit to
16 the Estate.

17 In the immediate term, the Receiver has proposed to abandon the Hesperia
18 and Fontana Projects, and the Mentone PSA. In the near term, he further anticipates
19 filing motions for approval of proposed sales of the Lynwood Project and the
20 Mentone Property, which sales he believes should yield a net benefit of at least
21 \$3 million – and perhaps substantially more – to the Estate.

22 **V. CONCLUSION AND PETITION FOR FURTHER INSTRUCTIONS.**

23 Based on the information presented above, the Receiver respectfully requests
24 that this Court enter an Order:

- 25 1. Accepting the instant Report, including the recommendations and
26 conclusions presented therein;

27
28

Assets.

1 2. Authorizing the Receiver to continue to administer the Receivership
2 Entities and their estate in accordance with the terms of the Appointment Order and
3 the Receiver's recommendations in the Initial Report, First Status Report, and the
4 instant Report; and

5 3. Providing such other and further relief as the Court deems necessary
6 and appropriate.

7
8 Dated: August 15, 2016

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

9
10
11 By: /s/ Joshua A. del Castillo

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

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VERIFICATION

I have read the foregoing SECOND QUARTERLY STATUS REPORT AND PETITION FOR INSTRUCTIONS OF RECEIVER, STEPHEN J. DONELL, and know its contents.

I am the Receiver appointed in the above-entitled action. I believe the matters stated in the foregoing document are true, to the best of my current knowledge.

Executed on August 15, 2016, at Los Angeles, California.

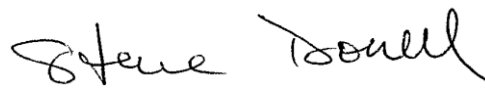

Stephen J. Donell, Receiver

EXHIBIT 1



**Receiver's Monthly Interim Report
Suncor - Master Interim Report**

Stephen J. Donell, Receiver
12121 Wilshire Boulevard, Suite 1120
Los Angeles, CA 90025

Case Number: 5:15-cv-02387-SVW (KKx)
Case Name: Security and Exchange Commission vs.
Robert Yang, Claudia Kano, Suncor Fontana, LLC
Suncor Hesperia LLC, and Suncor Care Lynwood, LLC
Cumulative Period: December 11, 2015 - June 30, 2016

Description	Prior Period 12/11/15-5/31/16	Current Period 6/1/16-6/30/16	Cumulative 12/11/15-6/30/16
CASH RECEIPTS:			
Suncor General Account	28,968.20	-	28,968.20
Suncor Fontana	225,224.24	2,000,000.00	2,225,224.24
Suncor Hesperia	1,425,801.32	135.59	1,425,936.91
Suncor Lynwood	811,981.25	10.28	811,991.53
Suncor Yanrob's Medical, Inc.	172,264.52	-	172,264.52
Total receipts	<u>2,664,239.53</u>	<u>2,000,145.87</u>	<u>4,664,385.40</u>
CASH DISBURSEMENTS:			
Suncor General Account	\$ 13,071.62	128.71	13,200.33
Suncor Fontana	189,370.13	1,192.81	190,562.94
Suncor Hesperia	13,230.18	20.00	13,250.18
Suncor Lynwood	289,293.10	428.36	289,721.46
Suncor Yanrob's Medical, Inc.	26,309.28	-	26,309.28
Total disbursements	<u>531,274.31</u>	<u>1,769.88</u>	<u>533,044.19</u>
(Decrease)/Increase in Cash	2,132,965.22	1,998,375.99	4,131,341.21
Cash-Beginning of period	-	2,132,965.22	-
Cash-End of period	<u>2,132,965.22</u>	<u>4,131,341.21</u>	<u>4,131,341.21</u>

EXHIBIT 2

Fund Accounting:			
	Detail	Subtotal	Grand Total
Beginning Balance (as of 5/31/2016):			2,132,965.22
Increases in Fund Balance:			
Business Income	-		
Cash and Securities			
Interest/Dividend Income	145.87		
Business Asset Liquidation	-		
Personal Asset Liquidation			
Third-Party Litigation Income			
Miscellaneous- Funds Turned Over by Celtic Bank	2,000,000.00		
Total Funds Available:			4,133,111.09
Decreases in Fund Balance:			
Disbursements to Investors			-
Disbursements for Receivership Operations			
<i>Disbursements to Receiver or Other Professionals</i>	-		
<i>Business Asset Expenses</i>	1,689.88		
<i>Personal Asset Expenses</i>			
<i>Investment Expenses</i>	80.00		
<i>Third-Party Litigation Expenses</i>			
1. Attorney Fees	-		
2. Litigation Expenses	-		
<i>Total Third-Party Litigation Expenses</i>		-	
<i>Tax Administrator Fees and Bonds</i>	-		
<i>Federal and State Tax Payments</i>	-		
Total Disbursements for Receivership Operations			1,769.88
Disbursements for Distribution Expenses Paid by the Fund:			
<i>Distribution Plan Development Expenses:</i>			
1. Fees:			
Fund Administrator.....	-		
Independent Distribution Consultant (IDC).....	-		
Distribution Agent.....	-		
Consultants.....	-		
Legal Advisers.....	-		
Tax Advisers.....	-		
2. Administrative Expenses	-		
3. Miscellaneous	-		
<i>Total Plan Development Expenses</i>		-	
<i>Distribution Plan Implementation Expenses:</i>			
1. Fees:			
Fund Administrator.....	-		
Independent Distribution Consultant (IDC).....	-		
Distribution Agent.....	-		
Consultants.....	-		
Legal Advisers.....	-		
Tax Advisers.....	-		
2. Administrative Expenses	-		
3. Investor Identification:			
Notice/Publishing Approved Plan.....	-		
Claimant Identification.....	-		
Claims Processing.....	-		
Web Site Maintenance/Call Center.....	-		
4. Fund Administrator Bond	-		
5. Miscellaneous	-		
6. Federal Account for Investor Restitution (FAIR) Reporting Expenses	-		
<i>Total Plan Implementation Expenses</i>		-	
Total Disbursements for Distribution Expenses Paid by the Fund			-
Disbursements to Court/Other:			
<i>Investment Expenses/Court Registry Investment System (CRIS) Fees</i>	-		
<i>Federal Tax Payments</i>	-		
Total Disbursements to Court/Other:			-
Total Funds Disbursed:			1,769.88
Ending Balance (As of 6/30/2016):			4,131,341.21

Receiver:
 By: _____
 (Signature)
 Stephen J. Donell
 (Printed Name)
 Date: _____

PROOF OF SERVICE

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

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action. My business address is 865 S. Figueroa Street, Suite 2800, Los Angeles, California 90017-2543.

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

**SECOND QUARTERLY STATUS REPORT OF
RECEIVER, STEPHEN J. DONELL**

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

- **Zachary T. Carlyle**
carlylez@sec.gov,kasperg@sec.gov,karpeli@sec.gov,
blomgrene@sec.gov,pinkstonm@sec.gov,NesvigN@sec.gov
- **Stephen J. Donell**
jdelcastillo@allenmatkins.com
- **Mark T. Hiraide**
mth@msk.com,kjue@phlcorplaw.com,
hitabashi@phlcorplaw.com,eganous@phlcorplaw.com
- **Leslie J. Hughes**
hughesLJ@sec.gov,kasperg@sec.gov,pinkstonm@sec.gov,
nesvign@sec.gov
- **George D. Straggas**
George.straggas@straggasdean.com;sarah.borghese@straggasdean.com,
eric.dean@straggasdean.com
- **David J. Van Havermaat**
vanhavermaatd@sec.gov,larofiling@sec.gov,berryj@sec.vog,
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- **Joshua Andrew del Castillo**
jdelcastillo@allenmatkins.com

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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. Or, I deposited in a box or other facility regularly maintained by FedEx, or delivered to a courier or driver authorized by said express service carrier to receive documents, a true copy of the foregoing document(s) in sealed envelopes or packages designated by the express service carrier, addressed as indicated above on the above-mentioned date, with fees for overnight delivery paid or provided for.

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 **August 15, 2016** at Los Angeles, California.

s/ Martha Diaz

Martha Diaz