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9  
10 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
11 **COUNTY OF RIVERSIDE**  
12

13 MI TANG derivatively on behalf of LEGEND )  
INTERNATIONAL INVESTMENT, LP, )

14 )  
15 Plaintiff, )

16 vs. )

17 AMERICAN EVERGLOW REGIONAL )  
18 CENTER, LLC; LEGEND INVESTMENT )  
MANAGEMENT, LLC; GLORY )  
19 INVESTMENT INTERNATIONAL INC.; )  
HUA GUO; STEVEN ZHI QIN, )  
20 )

21 Defendants, )

22 and )

23 LEGEND INTERNATIONAL INVESTMENT, )  
LP, )  
24 )

25 Nominal Defendant.  
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Case No.: **CVRI 2104400**

**VERIFIED DERIVATIVE COMPLAINT**

**JURY TRIAL DEMANDED**

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1 Pursuant to Cal. Corp. Code § 15910.02, Plaintiff Mi Tang, by her undersigned attorneys,  
2 derivatively and on behalf of Nominal Defendant Legend International Investment, LP (“Legend  
3 International” or the “Partnership”), files this Verified Derivative Complaint against Defendants  
4 American Everglow Regional Center, LLC (“AERC”), Legend Investment Management, LLC  
5 (“LIM”) (together with AERC, the “General Partners”), Glory Investment International Inc.  
6 (“Glory”), Hua Guo (“Guo”), and Steven Zhi Qin (“Qin”). Plaintiff makes the following allegations  
7 based upon personal knowledge as to herself and her own acts, and upon information and belief as to  
8 all other matters, based on the investigation conducted by her counsel. This investigation included,  
9 among other things, a review of documents produced by the Partnership in response to Plaintiff’s  
10 books and records demands under Cal. Corp. Code § 15903.04; the Partnership’s financial statements;  
11 and other communications disseminated by Defendants to investors in the Partnership.

12 **NATURE AND SUMMARY OF THE ACTION**

13 1. This action concerns the looting by the General Partners of the Partnership.

14 2. In approximately 2016, under the federal EB-5 Immigrant Investor Program, thirty-  
15 three foreign investors invested \$16.5 million into the Partnership, which in turn would deploy the  
16 funds in developing a commercial real estate project located in Riverside County. In return for its  
17 investment, each investor acquired an ownership interest as a Limited Partner of the Partnership.

18 3. The project was to be developed and managed by Defendants AERC and LIM, as the  
19 General Partners of the Partnership. However, in violation of their contractual and fiduciary  
20 obligations, the General Partners have paid themselves numerous fees and expenses that are not  
21 authorized under the relevant Partnership agreement. In addition, the General Partners have  
22 extended loans to themselves using the Partnership’s funds, for purposes that are unrelated to the  
23 purposes of the project.

24 4. In this action, asserted derivatively on behalf of the Partnership, Plaintiff seeks to  
25 recover for the losses suffered by the Limited Partners in the Partnership.

1 **PARTIES**

2 5. Plaintiff Mi Tang is one of the Limited Partners in the Partnership. Plaintiff Tang  
3 invested in the Partnership on or about August 26, 2016 and has been a Limited Partner continuously  
4 since that date through the present.

5 6. Defendant AERC is one of the two General Partners of the Partnership. AERC is a  
6 limited liability company incorporated under the laws of California. AERC's principal place of  
7 business is currently located at 6280 Mission Blvd, Suite 204, Jurupa Valley, California 92509.

8 7. Defendant Guo is an individual and is the managing member of AERC. Upon  
9 information and belief, Defendant Guo is a resident of California.

10 8. Defendant LIM is the other General Partner of the Partnership. LIM is a limited  
11 liability company incorporated under the laws of California. LIM's principal place of business is  
12 also currently located at 6280 Mission Blvd, Suite 204, Jurupa Valley, California 92509.

13 9. Defendant Qin is an individual and is the managing member of Defendant LIM.  
14 Upon information and belief, Defendant Qin is a resident of California.

15 10. Defendant Glory is affiliated with Defendant Guo, and shares the same principal  
16 place of business as Defendant AERC at 6280 Mission Boulevard, Suite 204, Jurupa Valley,  
17 California 92509.

18 11. Nominal Defendant Legend International is a California limited partnership with its  
19 principal place of business currently located at 6280 Mission Blvd, Suite 204, Jurupa Valley,  
20 California 92509.

21 **JURISDICTION AND VENUE**

22 12. This Court has original jurisdiction over all causes of action asserted herein pursuant  
23 to the California Constitution, Article VI, § 10, because the causes of action are not given by statute  
24 to other trial courts, as this derivative action is brought pursuant to Cal. Corp. Code § 15910.02 to  
25 remedy Defendants' violations of law. In addition, the amount in controversy exceeds the minimum  
26 jurisdictional amount of this Court's unlimited jurisdiction.

27 13. This Court has general jurisdiction over each named Defendant under Code of Civil  
28 Procedure § 410.10 because each named Defendant is a resident of California.



1 conditions on residency), as long as investors maintained their original investments for the two-year  
2 period following their receipt of their conditional residencies.

## 3 **II. THE PARTNERSHIP**

4 19. Legend International was organized on June 5, 2013 by Defendant AERC. Defendant  
5 AERC is one of the regional centers approved by the USCIS to develop projects within its approved  
6 geographic area, including Riverside County.

7 20. Legend International was formed for the purpose of developing, constructing and  
8 operating a brand new commercial retail center known as Legend Business Center, located at 6240  
9 Mission Boulevard, Riverside, California (the “Project”). The Project would consist of 55,500  
10 square feet of space in three separate buildings, located on 5 acres of land in Riverside, California.  
11 Through subsidiaries, Legend International would operate several businesses, including restaurants,  
12 food service establishments and other complementary retail businesses.

13 21. According to the Partnership’s Comprehensive Business Plan, dated March 2014 (the  
14 “Business Plan”), the objective of the Project is to create jobs, and generate profits for the  
15 Partnership and its investors. The Project was expected to cost approximately \$30.3 million.  
16 Business Plan § 1.7.1.

17 22. Approximately \$16,500,000 of the Project’s cost was to be funded by the Limited  
18 Partners’ investment in the Partnership. *Id.* § 1.7.2. Therefore, thirty-three (33) limited partnership  
19 units were initially offered in the Partnership, priced at \$500,000 per unit, for a total of \$16,500,000.  
20 Upon information and belief, this offering was fully subscribed. Plaintiff Tang was one of the 33  
21 Limited Partner investors.

22 23. In addition to the \$500,000 investment to purchase a partnership unit, each investor  
23 paid a \$50,000 processing fee to the General Partners. Separately, the investors paid legal fees to  
24 retain the services of an immigration attorney approved by the General Partners to process the  
25 investors’ immigration petitions.

26 24. In return for their \$500,000 per unit investment, each Limited Partner acquired a one  
27 percent (1%) ownership interest in the Partnership, and each Limited Partner would participate in  
28 the net profits or net losses of the Partnership at the rate of one percent (1%).

1           25.     In other words, the Limited Partners collectively invested more than 50% of the  
2 Project’s expected costs of development, but acquired only a 33% ownership interest in the  
3 Partnership. Defendants AERC and LIM, who are the General Partners in the Partnership, were  
4 allocated an equity interest of 67%. This allocation of a larger equity interest to the General Partners  
5 for a smaller investment was in contemplation of the fact that the General Partners would expend  
6 efforts in developing the project (sweat equity).

7           26.     The relationship between the General Partners and the Limited Partners in the  
8 Partnership is governed by the Limited Partnership Agreement, entered into on or about August 26,  
9 2016 (the “Partnership Agreement”).

10          27.     Because the General Partners are allocated a greater ownership interest in return for  
11 a smaller investment, the Partnership Agreement does not provide for any payments to the General  
12 Partners for their work or services in developing the Project, except in very limited circumstances  
13 for “administrative services.” Specifically, Article 10 (“Compensation for Administration  
14 Services”) provides that Defendant “AERC or such entity or person designated by the General  
15 Partners, shall have the right to receive reasonable annual compensation for *administrative services*  
16 rendered in connection with the operation of the Partnership in such amount as may be determined  
17 from time to time by agreement by the General Partners and the Partnership.” Partnership  
18 Agreement, § 10.1 (emphasis added). Section 10.1 provides for a further limitation on compensation  
19 for “administrative services,” and states that no compensation for regional center administration  
20 shall be paid from any capital investment made by any Limited Partner. *Id.*

21 **III.   THE GENERAL PARTNERS HAVE PAID FEES AND OTHER EXPENSES TO**  
22 **THEMSELVES IN BREACH OF THE PARTNERSHIP AGREEMENT**

23          28.     As the General Partners, Defendants AERC and LIM have all the rights and powers  
24 of a general partner in a partnership formed under the California Limited Partnership Act, including  
25 the direction and control of the business, affairs and funds of the Partnership.

26          29.     According to unaudited profit and loss statements produced by the General Partners  
27 on June 1, 2021 to Plaintiff, the General Partners have paid themselves from the Partnership’s funds  
28 numerous fees and other expenses in breach of the Partnership Agreement.

1           30.     In 2017, 2018, 2019, and 2020, the Partnership paid Defendants and/or their affiliated  
2 entities “management fees” in the amounts of \$692,000 (2017), \$676,000 (2018), \$160,000 (2019)  
3 and \$80,000 (2020). The Partnership Agreement does not authorize the payment of such  
4 “management fees,” and such “management” services do not constitute the type of “administrative  
5 services” for which expenses are payable under Section 10.1 of the Partnership Agreement.

6           31.     In addition, in 2017, 2018, 2019, and 2020, the Partnership paid Defendants and/or  
7 their affiliated entities “consulting fees” in the amounts of \$228,000 (2017), \$231,000 (2018),  
8 \$228,000 (2019), and \$10,000 (2020). The Partnership Agreement does not authorize the payment  
9 of such “consulting fees,” and such “consulting” services do not constitute the type of  
10 “administrative services” for which expenses are payable under Section 10.1 of the Partnership  
11 Agreement.

12           32.     Defendants AERC and LIM, as the General Partners, therefore breached the  
13 Partnership Agreement. In addition, Defendants AERC and LIM breached their fiduciary duties to  
14 the Partnership and to the Limited Partners.

15           33.     Defendants Guo and Qin, as the managing members of Defendants AERC and LIM,  
16 knew of, approved and directed the making of the payments of the amounts described above, and  
17 therefore aided and abetted the breaches of fiduciary duty by Defendants AERC and LIM.

18 **IV.    THE GENERAL PARTNERS HAVE OBTAINED LOANS FROM THE**  
19 **PARTNERSHIP, IN BREACH OF THE PARTNERSHIP AGREEMENT**

20           34.     In breach of the Partnership Agreement, Defendants have also caused the Partnership  
21 to extend loans to the General Partners or their affiliated entity for purposes unrelated to the Project.

22           35.     According to the unaudited 2019 and 2020 balance sheets of the Partnership, the  
23 Partnership has made two short-term loans to Defendants or their affiliated entity.

24           36.     Specifically, the Partnership has made a short-term loan in the amount of \$515,000  
25 to Defendant Glory, an affiliate of the first General Partner, AERC, and its managing member,  
26 Defendant Guo. According to a March 11, 2021 “Corporation – Statement of Information” form  
27 filed by Glory with the California Secretary of State, Glory shares the same business address as  
28 Defendant AERC at 6280 Mission Boulevard, Suite 204, Jurupa Valley, California 92509.



1 Defendant Guo, who is the managing member of AERC, is also the chief executive officer,  
2 secretary, chief financial officer and the sole board director of Glory.

3 37. In addition, the Partnership has made a short-term loan in the amount of \$494,000 to  
4 the other General Partner, LIM.

5 38. Both of these short-term loans were made in breach of the Partnership Agreement.  
6 Under Section 9.11 of the Limited Partnership Agreement (“Contracts With Affiliates”), “[t]he  
7 General Partners are authorized to enter into agreements on behalf of the Partnership with other  
8 persons or entities affiliated with the General Partners, provided any such agreement is made *in*  
9 *good faith* and on terms that the General Partners deem *reasonable and in the best interests of the*  
10 *Partnership.*” (emphasis added).

11 39. Here, the short-term loans were not made for any purpose related to the Project.  
12 Indeed, if the funds were intended for any purposes or expenses of the Partnership, the Partnership  
13 would have paid the expenses directly, rather than first making a short-term loan to the General  
14 Partners or their affiliated entity so that they could expend these monies on the Project. Accordingly,  
15 the short-term loans were not made in good faith, were not reasonable and were not in the best  
16 interests of the Partnership.

17 40. By causing the Partnership to make the short-term loans, Defendants AERC and  
18 LIM, as the General Partners, breached the Partnership Agreement. In addition, Defendants AERC  
19 and LIM breached their fiduciary duties to the Partnership and to the Limited Partners.

20 41. Defendants Guo and Qin, as the managing members of Defendants AERC and LIM,  
21 knew of, approved and directed the making of the short-term loans, and therefore aided and abetted  
22 the breaches of fiduciary duty by Defendants AERC and LIM.

23 **DERIVATIVE ALLEGATIONS**

24 42. Plaintiff brings this action derivatively pursuant to Cal. Corp. Code § 15910.02 to  
25 redress injuries suffered by the Partnership and its Limited Partners as a result of the breaches of  
26 contract, breaches of fiduciary duty and other breaches by Defendants.

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1 43. Pursuant to Cal. Corp. Code § 15910.03, Plaintiff has been a Limited Partner at all  
2 relevant times since the commencement of operations of the Partnership, including at the time of  
3 the breaches and other misconduct alleged against Defendants in this action.

4 44. As the General Partners, Defendants AERC and LIM possess the exclusive authority  
5 to manage the Partnership’s affairs, including the decision whether to pursue litigation. Before  
6 commencing this action, Plaintiff did not first make a demand on the General Partners, Defendants  
7 AERC and LIM, to cause the Partnership to bring an action to assert the claims alleged herein.

8 45. Here, a demand on the General Partners to commence this litigation would have been  
9 futile because, as the recipients of the improper fees/expenses and the improper short-term loans,  
10 the General Partners are interested in the transactions that are being challenged. The General  
11 Partners also face a substantial likelihood of liability in this litigation because Plaintiffs assert claims  
12 against the General Partners themselves for breaches of the Partnership Agreement and for breaches  
13 of fiduciary duty. The General Partners therefore cannot impartially consider a demand to bring this  
14 litigation.

15 46. The General Partners also lack independence of each other, because of their close  
16 business collaboration in conceiving the Project and in effecting the improper payments and short-  
17 term loans to themselves or their affiliated entity, such that they cannot impartially consider bringing  
18 any claims against each other.

19 47. For these reasons, the General Partners would not have caused the Partnership to take  
20 any steps to pursue any litigation against themselves.

21 48. Plaintiff will fairly and adequately represent the interests of all the Limited Partners  
22 of the Partnership who are similarly situated, in enforcing and prosecuting the Partnership’s rights.

23 **CAUSES OF ACTION**

24 **FIRST CAUSE OF ACTION**  
25 **(Breach of the Partnership Agreement, Asserted Against Defendants AERC And LIM)**

26 49. Plaintiff repeats and realleges all of the preceding allegations as if fully set forth  
27 herein.  
28

1           50.    The General Partners, the Limited Partners and the Partnership are parties to the  
2 Partnership Agreement.

3           51.    The General Partners breached the Partnership Agreement, including but not limited  
4 to Section 10.1, by paying themselves expenses and fees, including “management fees” and  
5 “consulting fees.” These fees and expenses were not authorized under the Partnership Agreement.

6           52.    The General Partners also breached the Partnership Agreement, including but not  
7 limited to Section 9.11, by extending to themselves and their affiliated entity two short-term loans  
8 (with current values of \$494,000 and \$515,000) using the funds of the Partnership, for purposes that  
9 are completely unrelated to the business purposes of the Project.

10          53.    As a result of the General Partners’ breaches of contract, the Partnership and its  
11 Limited Partners have suffered significant damages, as alleged herein.

12                                **SECOND CAUSE OF ACTION**  
13                                **(Breach of Fiduciary Duty, Asserted Against Defendants AERC And LIM)**

14          54.    Plaintiff repeats and realleges all of the preceding allegations as if fully set forth  
15 herein.

16          55.    As the General Partners of the Partnership, Defendants AERC and LIM owe the  
17 Partnership and each of the Limited Partners the highest obligation of loyalty, good faith, due care,  
18 oversight and candor.

19          56.    In conscious and careless disregard of their fiduciary duties and responsibilities, the  
20 General Partners paid themselves fees and expenses, including “management fees” and “consulting  
21 fees,” to which the General Partners were not entitled.

22          57.    In conscious and careless disregard of their fiduciary duties and responsibilities, the  
23 General Partners caused the Partnership to extend to the General Partners/their affiliated entity two  
24 short-term loans (with current values of \$494,000 and \$515,000) using the funds of the Partnership  
25 and for purposes unrelated to the business purposes of the Project. The short-terms loans are clearly  
26 an instance of self-dealing, conflict of interest, violation of the duty of loyalty and care, and abuse  
27 of the General Partners’ authority under the Partnership Agreement.

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1 58. As a result of the General Partners' breaches of fiduciary duty, the Partnership and  
2 its Limited Partners have suffered significant damages, as alleged herein.

3 **THIRD CAUSE OF ACTION**  
4 **(Aiding and Abetting, Asserted Against Defendants Guo And Qin)**

5 59. Plaintiff repeats and realleges all of the preceding allegations as if fully set forth  
6 herein.

7 60. As the General Partners of the Partnership, Defendants AERC and LIM owed and  
8 owe the Partnership and each of the Limited Partners the highest obligation of loyalty, good faith,  
9 due care, oversight and candor.

10 61. In conscious and careless disregard of their duties and responsibilities, the General  
11 Partners breached their fiduciary duties, as alleged under Count Two.

12 62. Defendants Guo and Qin aided and abetted, and rendered substantial assistance in,  
13 the General Partners' breaches of fiduciary duty to the Partnership and the Limited Partners. As  
14 stated in the Partnership Agreement, Defendant Guo is the "Managing Member" of Defendant  
15 AERC, and Defendant Qin is the "Managing Member" of Defendant LIM. Guo and Qin conducted  
16 all of the affairs of the General Partners AERC and LIM, and through these entities, all the affairs  
17 of the Partnership. Accordingly, Defendants Guo and Qin knew of the wrongdoing alleged herein.  
18 Guo and Qin enabled and substantially assisted the wrongdoing alleged herein.

19 63. As a result of Defendants Guo's and Qin's aiding and abetting of the General  
20 Partners' breaches of fiduciary duty, the Partnership and its Limited Partners have suffered  
21 significant damages, as alleged herein.

22 **FOURTH CAUSE OF ACTION**  
23 **(Unjust Enrichment, Asserted Against Defendants AERC, LIM And Glory)**

24 64. Plaintiff repeats and realleges all of the preceding allegations as if fully set forth  
25 herein.

26 65. In breach of the Partnership Agreement and in violation of their fiduciary duties,  
27 Defendants AERC and LIM paid themselves fees and expenses, and extended loans to themselves  
28 and an affiliated entity, Glory, using Partnership funds.

66. The receipt of these monies from the Partnership was unjust under the circumstances.

1 67. The General Partners and Glory should be ordered to disgorge all the fees and  
2 expenses that they have improperly made to themselves, and/or all monies they obtained under the  
3 short-term loans from the Partnership.

4 **JURY TRIAL DEMANDED**

5 68. Plaintiff demands a trial by jury.

6 **REQUEST FOR RELIEF**

7 WHEREFORE, Plaintiff requests the following relief:

- 8 A. An order declaring that Plaintiff may maintain this action derivatively on behalf of  
9 the Partnership under Cal. Corp. Code § 15910.02, and that Plaintiff is a fair and  
10 adequate representative of the Partnership;
  - 11 B. An order declaring that Defendants AERC and LIM have breached the Partnership  
12 Agreement;
  - 13 C. An order declaring that Defendants AERC and LIM have breached their fiduciary  
14 duties to the Partnership;
  - 15 D. An order declaring that Defendants Guo and Qin aided and abetted Defendants  
16 AERC's and LIM's breaches of fiduciary duty;
  - 17 E. An order declaring that Defendants AERC, LIM and Glory were unjustly enriched;
  - 18 F. An order determining and awarding to the Partnership and/or the Limited Partners  
19 the damages sustained as a result of the violations by Defendants set forth above,  
20 together with pre-judgment and post-judgment interest thereon;
  - 21 G. An order requiring the General Partners to provide an accounting;
  - 22 H. An order awarding Plaintiff her attorneys' fees, costs and disbursements for this  
23 action; and
  - 24 I. An order granting such other relief as this Court deems just and appropriate.
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1 DATED: September 24, 2021

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**HGT LAW**

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/s/ Hung G. Ta

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*Attorneys for Plaintiff*

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**VERIFICATION**

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I, MI TANG, declare:

I am the Plaintiff in this action. I am currently a Limited Partner of Nominal Defendant, Legend International Investment, LP, and have been a Limited Partner continuously during the relevant time period and through the present. I declare under penalty of perjury that I have read and reviewed the Verified Derivative Complaint, and that the contents of that pleading are true to the extent they are based on my personal knowledge, and as to all other matters which are therein stated to be based on information or belief, I also believe them to be true. I have authorized the filing of the Verified Derivative Complaint.

Dated: September 23rd 2021

By:   
MI TANG