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UNITED STATES OF AMERICA

UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,

Plaintiff,

v.

ALL FUNDS CONSTITUTING  
ARBITRATION AWARD IN  
PETROSAUDI V. PDVSA UNCITRAL  
ARBITRATION,

Defendant.

No. 2:20-cv-8466 DSF (BFMx)

GOVERNMENT'S MOTION FOR STAY  
OR, IN THE ALTERNATIVE, FOR  
PROTECTIVE ORDER

Date: May 20, 2025  
Time: 10:00 a.m.  
Ctm: 780  
Before the Honorable Magistrate  
Judge Brianna Fuller Mircheff

**GOVERNMENT'S NOTICE OF MOTION**

On March 31, 2025, Judge Fischer provisionally denied the Government's motion to stay this civil forfeiture case under 18 U.S.C. § 981(g)(1), a motion the Government made to protect its pending criminal investigation. Judge Fischer held that "while this case and the other case(s)/investigation(s) may share one or more components, they also significantly diverge. Because of this, the Court finds that the more appropriate route is to use a protective order or orders to limit discovery into shared issues while allowing discovery to move forward on largely unrelated, non-overlapping ones." ECF No. 187 at 2. Judge Fischer further ordered as follows: "The government is to file a motion for a protective order with the Magistrate Judge no later than April 14, 2025. If the Magistrate Judge finds that no reasonable protective order can be entered that both (1) protects the

1  
2 government's interest in pursuing its cases/investigations and (2) allows the parties to  
3 engage in meaningful discovery in a fair manner, she is to file a Report and  
4 Recommendation recommending that the Court revisit this order and stay the case." *Id.*

5 Pursuant to Judge Fischer's order, the Government respectfully brings this motion  
6 for entry of a stay or, in the alternative, a Protective Order. The Government's motion is  
7 based on this Notice of Motion, the attached Memorandum of Points and Authorities and  
8 Exhibits hereto, the *ex parte* Declaration of Jonathan Baum submitted today via email to  
9 Judge Mircheff's chambers ("Second Baum Decl."), the *ex parte* Declaration of Jonathan  
10 Baum submitted to Judge Fischer's chambers on March 2, 2025 ("First Baum Decl."),  
11 the docket entries in this case, and such other matters of which the Court may take  
12 judicial notice.

13  
14 Dated: April 14, 2025

Respectfully submitted,

15 MARGARET A. MOESER  
16 Chief, MLARS

17 /s/Joshua L. Sohn

18 JONATHAN BAUM  
19 Senior Trial Attorney, MLARS  
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24 Attorneys for Plaintiff  
25 UNITED STATES OF AMERICA  
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## **MEMORANDUM OF POINTS AND AUTHORITIES**

### **I. Background**

This civil forfeiture case arises out of the massive fraud against 1Malaysia Development Berhad (“1MDB”), one of the largest frauds of all time. Between approximately 2009 and 2015, a group of co-conspirators misappropriated at least \$5 billion from 1MDB, a strategic investment development company wholly owned by the Malaysian government, and spent this money on a dizzying array of assets, including luxury real estate, private jets, jewelry, yachts, artwork, and investments in companies or other businesses. The Government’s 1MDB theft investigation has spawned multiple criminal prosecutions and forty-four civil forfeiture cases, all but one of which was filed in this District before Judge Fischer. The Government is also still pursuing other criminal investigations arising out of 1MDB fraud, as detailed in the *ex parte* Baum Declaration that the Government tendered to Judge Fischer’s chambers on March 2, 2025 and the second *ex parte* Baum Declaration that the Government is tendering to this Court in support of this motion. *See* 18 U.S.C. § 981(g)(5) (authorizing the Government to submit *ex parte* evidence to support Section 981(g) motions).

To appreciate how the Government’s criminal investigation overlaps with—and diverges from—this civil forfeiture case, it is important to understand certain facts underpinning this case, the criminal investigation, and the broader 1MDB fraud. This explains and justifies the scope of the Protective Order that the Government seeks.

As alleged in the Third Amended Complaint in this case (“TAC”) (ECF No. 90), there were four phases of fraud against 1MDB. These are known as the Good Star phase, Aabar-BVI phase, Tanore phase, and Options Buyback phase. *See* TAC ¶¶ 8-12. This case arises out of the Good Star phase. *See* Executive Summary at TAC ¶¶ 43-45.

The Good Star phase began in 2009 when a small family of oil companies, known as the PetroSaudi companies, entered into a joint venture with 1MDB to jointly pursue energy projects. Under the terms of the joint venture, PetroSaudi committed to contribute energy assets (*i.e.* drilling rights) in Turkmenistan and Argentina to the new joint venture company, while 1MDB would contribute \$1 billion cash. The co-owner and controlling

1 member of PetroSaudi was a Saudi-Swiss businessman named Tarek Obaid, who  
2 warranted that PetroSaudi owned these energy assets and that they were worth \$2.7  
3 billion. However, this was a lie—the assets were not worth anything near \$2.7 billion  
4 and were not even owned by PetroSaudi. By making these false representations about the  
5 value and ownership of these assets, Obaid and others fraudulently induced 1MDB to  
6 contribute the aforementioned \$1 billion to the joint venture. *See* TAC ¶¶ 1070-1080. As  
7 alleged in the TAC, 1MDB saw no return on its \$1 billion investment. *Id.* ¶ 1078.

8 Instead, \$300 million of the \$1 billion was diverted to Obaid’s control and the  
9 other \$700 million was diverted to the control of Malaysian co-conspirator Low Taek  
10 Jho (“Low”). As to the \$300 million portion, Obaid sent this \$300 million to PetroSaudi  
11 bank accounts, through U.S. correspondent accounts, and ultimately used most of it to  
12 fund a drilling venture in Venezuela with the Venezuelan oil company PDVSA. That  
13 PetroSaudi-PDVSA drilling venture collapsed into arbitration and PetroSaudi was  
14 awarded a \$380 million arbitration award (plus interest) as compensation for the drilling  
15 services it performed for PDVSA. The Government filed this civil forfeiture case over  
16 the arbitration award, alleging it is forfeitable because it is proceeds of a business  
17 venture (the PetroSaudi-PDVSA venture) that was funded with money stolen from  
18 1MDB. *See* TAC ¶¶ 1081-1108. Thus, this civil forfeiture case focuses on Obaid’s initial  
19 fraud against 1MDB to unlock the \$1 billion and Obaid’s subsequent use of \$300 million  
20 of that \$1 billion to fund the PetroSaudi-PDVSA drilling venture in Venezuela.

21 Through various lies by Obaid and Low, the other \$700 million of the \$1 billion  
22 fraud was diverted to an opaque bank account at RBS Coutts bank in Singapore, known  
23 as the Good Star account. *See* TAC ¶¶ 43-88. This account is what gives the Good Star  
24 phase its name, though the Good Star phase covers the \$700 million sent to the Good  
25 Star account, the \$300 million sent to PetroSaudi, and the initial \$1 billion fraud that  
26 generated both streams of money. Low controlled the Good Star account and distributed  
27 the \$700 million to various downstream accounts for the benefit of himself, Obaid, and  
28 other co-conspirators, including significant investments in Los Angeles real estate, a  
boutique hotel, and a motion pictures production company. *See, e.g., id.* ¶¶ 110-128.

1 Later on, between about May and September 2011, an additional \$330 million in 1MDB  
2 funds (distinct from the original \$1 billion) was also embezzled by Low and Obaid into  
3 the Good Star account. *See id.* ¶¶ 99-109. Obaid himself received at least \$153 million  
4 from the Good Star account. *Id.* ¶¶ 751-753. And Obaid and Low convinced 1MDB  
5 officials to convert 1MDB's equity interest in the PetroSaudi-1MDB joint venture into  
6 opaque interests in worthless debt instruments. *Id.* ¶¶ 139-148.

7 As detailed in pages 10-18 of the Second Baum Declaration, the Government is  
8 pursuing a criminal investigation that involves portions of the funds in the Good Star  
9 account and downstream accounts fed from the Good Star account. Conversely, the  
10 Good Star account has only limited relevance to this civil forfeiture case, because this  
11 forfeiture case focuses on the \$300 million (out of the original \$1 billion) that was *not*  
12 sent to the Good Star account. To be sure, the Good Star account is not irrelevant to this  
13 case, because Obaid's wrongful acts in connection with the Good Star account and his  
14 receipt of money from the Good Star account further show his participation in the overall  
15 fraud scheme. However, Obaid's malfeasance regarding the Good Star account is not  
16 *necessary* for the Government to prove this civil forfeiture case. The core conduct  
17 animating this civil forfeiture case is summarized in Paragraphs 1070-1108 of the TAC,  
18 which address the initial \$1 billion fraud on 1MDB and subsequent uses of the \$300  
19 million sent to PetroSaudi—as opposed to the \$700 million sent to the Good Star  
20 account.

21 Turning to the later phases of the 1MDB fraud (the Aabar-BVI phase, Tanore  
22 phase, and Options Buyback phase), none are relevant to this civil forfeiture case.  
23 Beginning in July 2016, the Government alleged the entire 1MDB conspiracy in each  
24 1MDB civil forfeiture complaint, but each complaint was brought against different  
25 assets. The Government chose this strategy to be able to move quickly to file complaints  
26 which would provide a sufficient factual and legal basis for restraining and seizure  
27 orders, given the huge volume of assets involved in the whole conspiracy. However, to  
28 avoid any doubt about whether those later phases are implicated in this case (and thereby  
clarify the scope of discovery), the Government is willing to file an amended Complaint

1 removing those phases. As shown in the Second Baum Declaration, at least two of those  
2 later phases—the Aabar-BVI and Tanore phases—*are* implicated in the Government’s  
3 pending criminal investigation. *See, e.g.*, Second Baum Decl. ¶¶ 11-12, 21. But those  
4 later phases are not relevant to this civil forfeiture case.

5 The Government’s criminal investigation is expected to conclude with charges  
6 expected to be filed roughly six months from now, or slightly later than that.

## 7 **II. Argument**

8 Based on the foregoing, the Government believes a six-month stay of discovery is  
9 the best path forward to fully protect the Government’s criminal investigation. The  
10 Government specifically refers the Court to Paragraph 8 and footnote 1 of the First  
11 Baum Declaration, and Paragraph 2 of the Second Baum Declaration, to explain why  
12 allowing any discovery over the next six months would pose a concrete danger to the  
13 Government’s investigative efforts. However, as a next-best option if the Court does not  
14 grant a stay, the Government respectfully requests a Protective Order with the following  
15 components:

16 **For the first six months of discovery, no discovery should be permitted**  
17 **regarding the Good Star account or accounts fed through the Good Star account.**  
18 As stated above and supported by the Baum Declarations, the Government’s ongoing  
19 criminal investigation focuses heavily on criminal proceeds routed through the Good  
20 Star account and downstream accounts fed through the Good Star account. Allowing  
21 discovery broadly into the Good Star account and its downstream accounts would greatly  
22 intrude on the Government’s criminal investigation. A six-month stay of discovery into  
23 these accounts will allow the Government’s criminal investigation to conclude.  
24 Conversely, a six-month stay of discovery into this area will not prejudice Claimant,  
25 particularly since the Good Star account has only limited relevance to this case. This  
26 case primarily concerns the \$300 million that did *not* go to the Good Star account, and  
27 dealings with the Good Star account are only relevant to emphasize Obaid’s role as a  
28 central payer in the overall fraud and misappropriation scheme and the unlawful benefits  
he received. Finally, given the significant volume of documents the Government would

1 produce in the first six months,<sup>1</sup> deferring discovery into the Good Star account for six  
2 months would still allow the parties to engage in robust discovery during the initial six-  
3 month period.

4       **The first six months of discovery should be limited to document discovery**  
5 **only (no interrogatories, depositions, or requests for admission).** This limitation will  
6 help protect the foregoing subject-matter limitation, because document discovery is more  
7 easily circumscribed than interrogatories, RFAs, or depositions—particularly  
8 depositions, which can lurch from topic to topic unpredictably. Also, some witnesses  
9 may be relevant to the core conduct in this case (*e.g.*, the initial \$1B fraud on 1MDB) as  
10 well as transactions involving the Good Star account. Thus, if depositions were  
11 permitted while the Good Star account is off-limits for discovery, these witnesses might  
12 need to be deposed twice. For the sake of efficiency, it would be preferable to defer  
13 depositions until six months have passed and the subject-matter restrictions for discovery  
14 have ended. Deferring depositions for six months would not prejudice any party because,  
15 even without formal phased discovery, the usual best practice is to defer depositions  
16 until document discovery is complete or near-complete. Finally, two of the core  
17 witnesses that the Government wishes to depose—Obaid and his business partner Patrick  
18 Mahony—will probably be unavailable for deposition in the next six months anyway, as  
19 they have been convicted of various offenses in Switzerland and we are advised that  
20 Switzerland is unlikely to allow their depositions while their appeal is pending. ECF No.  
21 185-2 at ¶ 2; ECF No. 185-1; [www.bstger.ch/uploads/2024-08-](http://www.bstger.ch/uploads/2024-08-27_Press_Release_SK.2023.24.pdf)  
22 [27\\_Press\\_Release\\_SK.2023.24.pdf](http://www.bstger.ch/uploads/2024-08-27_Press_Release_SK.2023.24.pdf) (Swiss gov’t press release summarizing the  
23 convictions). It would be unfair for Claimant to take depositions while the Government’s  
24 top two critically-important depositions are effectively off the table.<sup>2</sup>

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26       <sup>1</sup> Again, the core allegations giving rise to this case—pled in Paragraphs 1070-  
27 1108 of the TAC—would be subject to documentary discovery from the outset.

28       <sup>2</sup> Obaid and Mahony were convicted in Switzerland of the same allegations giving  
rise to this forfeiture case. We plan to assert that these allegations are deemed proven  
under collateral estoppel. In any case, the Swiss prosecution gave Claimant a detailed

(footnote cont’d on next page)



1       **The phases of the 1MDB conspiracy occurring *after* the Good Star phase are**  
2 **not relevant and should not be the subject of discovery.** Discovery in civil cases is  
3 limited to relevant matters, Fed. R. Civ. P. 26(b)(1), and the later phases of the 1MDB  
4 fraud are not relevant to this case. This case arises from a portion of the Good Star  
5 phase—namely, the initial \$1 billion fraud on 1MDB and the downstream uses of \$300  
6 million from that \$1 billion. The Government does not contend that Obaid played a role  
7 in the later-occurring phases of the 1MDB fraud (the Aabar-BVI, Tanore, and Options  
8 Buyback phases), and those phases are not relevant to the forfeiture in this case.  
9 However, the Government’s criminal investigation *does* involve at least the Aabar-BVI  
10 and Tanore phases, so allowing discovery into those phases would be irrelevant to this  
11 case *and* would jeopardize the Government’s criminal investigation. Needless to say, this  
12 should not be allowed.

13       In a letter responding to the Government’s Protective Order proposal, Claimant  
14 did not even try to articulate why the later phases of the 1MDB fraud are relevant to this  
15 case. Instead, Claimant said that discovery must be allowed into these later phases  
16 simply because the Government pled them. As to the Government’s offer to amend its  
17 Complaint to formally remove these phases, Claimant stated: “The government filed its  
18 initial complaint in September 2020, has had three opportunities to amend the operative  
19 complaint in this case, and filed the TAC more than three years ago.<sup>3</sup> Seeking to amend  
20 the complaint at this stage of the proceedings - after repeated failures to cure any  
21 deficiencies, after a responsive pleading has been filed, after discovery requests have  
22 \_\_\_\_\_  
23 preview of the main evidence at issue in this case, such that Claimant can largely prepare  
24 its defense even before discovery in this case.

25       <sup>3</sup> While the Government did file the TAC more than three years ago, the time  
26 since that filing has been occupied with Claimant’s unsuccessful motion to dismiss the  
27 TAC, followed by Claimant’s unsuccessful interlocutory appeal, followed by Claimant’s  
28 requests to stay this litigation to pursue a resolution in Malaysia of similar allegations  
after reaching an “agreement in principle” to resolve this case—an agreement that  
collapsed when Malaysia would not give Claimant the assurances Claimant sought. *See*  
ECF No. 158 at 2:15; ECF No. 162; ECF No. 185 at 6:24-7:3.



1 been served, and after the government’s motion to stay the proceedings has been denied  
2 so as to avoid its discovery obligations - can only be characterized as bad faith.” *See* Ex.  
3 A hereto. This argument is frivolous. The Government did not “fail” to cure prior  
4 deficiencies, as Judge Fischer sustained the TAC against Claimant’s motion to dismiss.  
5 Discovery has not yet commenced, except for a single set of Claimant RFPs that Judge  
6 Fischer ordered stayed pending resolution of this motion. Claimant can claim no  
7 prejudice from an amendment that *limits* the Complaint to those facts that are actually  
8 relevant. Prior motion practice and amendments concerned the facts now pled in  
9 Paragraphs 1070-1108 of the TAC—*i.e.*, the core facts giving rise to this case. The later  
10 phases of the 1MDB fraud have never been at issue. For Claimant to object to removal of  
11 those later phases suggests a desire on Claimant’s part to make discovery as broad as  
12 possible simply to drive up discovery burden and costs. This does not comport with Rule  
13 26(b)(1) or the liberal amendment standards of Fed. R. Civ. P. 15(a). It also does not  
14 comport with Fed. R. Civ. P. 1, which stresses the need for “the just, speedy, and  
15 inexpensive determination of every action and proceeding.”

16 Notably, Claimant’s first set of RFPs contained 304 RFPs, amounting to blanket  
17 requests on every fact mentioned in the TAC. *See* Ex. B hereto. This is wildly above the  
18 number of RFPs typically allowed in civil litigation.<sup>4</sup> It appears Claimant is resisting a  
19 narrowing of this case simply to try to burden the Government with this huge number of  
20

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21 <sup>4</sup> *See, e.g., Baldwin v. United States*, No. 11-CV-02033, 2012 WL 1836097, at \*1 (D.  
22 Colo. May 21, 2012) (allowing 25 RFPs); *Goings v. Jones*, No. 16-CV-00833, 2018 WL  
23 2099877, at \*8 (S.D. Ill. May 7, 2018) (15 RFPs); *Hardison v. Biomet, Inc.*, No. 5:19-  
24 CV-00069, 2020 WL 1146702, at \*1 (M.D. Ga. Mar. 9, 2020) (10 RFPs); *Design Basics,*  
25 *LLC v. Carhart Lumber Co.*, No. 8:13-CV-125, 2014 WL 6669844, at \*6 (D. Neb. Nov.  
26 24, 2014) (15 RFPs); *LaBudde v. Phoenix Ins. Co.*, No. 7:21-CV-197, 2025 WL 52010,  
27 at \*2 (E.D.N.C. Jan. 8, 2025) (25 RFPs); *Kervin v. Supreme Serv. & Specialty Co., Inc.*,  
28 No. CV 15-01172, 2016 WL 8257256, at \*6 (E.D. La. May 24, 2016) (20 RFPs); *Pinto-*  
*Rios v. Brown*, No. 1:20-CV-3698, 2023 WL 129692, at \*1 (D. Colo. Jan. 9, 2023) (25  
RFPs); *Verrett v. Pelican Waste & Debris, LLC*, No. CV 20-1035, 2020 WL 12893291,  
at \*4 (E.D. La. Aug. 5, 2020) (25 RFPs); *Breslin v. Dickinson Twp.*, No. 1:09-CV-1396,  
2011 WL 3292924, at \*7 (M.D. Pa. Aug. 1, 2011) (25 RFPs).

RFPs, even though the vast majority of them relate to phases after the Good Star phase and hence are not relevant. The Court should not countenance this tactic. Discovery should be limited to the Good Star phase as described, and—should the Court deem it necessary—the Court should grant the Government leave to amend the Complaint to cover the Good Star phase only.

### III. CONCLUSION

For the foregoing reasons, the Government respectfully requests that the Court stay this case or, in the alternative, enter the proposed Protective Order attached hereto.<sup>5</sup>

Dated: April 14, 2025

Respectfully submitted,

MARGARET A. MOESER  
Chief, MLARS

/s/ Joshua L. Sohn

JONATHAN BAUM  
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BARBARA LEVY  
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<sup>5</sup> This motion responds to Judge Fischer's March 31 order and is without prejudice to the parties meeting and conferring over a standard Stipulated Protective Order addressing things like confidential or attorneys-eyes-only treatment of documents, etc. If and when discovery moves forward, the Government plans to meet and confer with Claimant over these standard provisions in the hopes of presenting a Stipulated Protective Order for this Court's approval.

## CERTIFICATE OF CONFERENCE

I hereby certify that I conferred with counsel for Claimant PetroSaudi Oil Services (Venezuela) Ltd. prior to the filing of this motion. Claimant opposes this motion, and a letter summarizing their opposition is attached hereto.

/s/ Joshua L. Sohn  
JOSHUA L. SOHN

Attorney for Plaintiff  
UNITED STATES OF AMERICA

## CERTIFICATE OF SERVICE

I hereby certify that I electronically filed a copy of this document (and all attachments) via CM/ECF, which will cause a copy to be served on all counsel of record.

/s/ Joshua L. Sohn  
JOSHUA L. SOHN

Attorney for Plaintiff  
UNITED STATES OF AMERICA