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12 KRISTA FREITAG

13 UNITED STATES DISTRICT COURT  
14 CENTRAL DISTRICT OF CALIFORNIA  
15

16 SECURITIES AND EXCHANGE  
17 COMMISSION,

18 Plaintiff,

19 vs.

20 INTEGRATED NATIONAL  
RESOURCES, INC. d/b/a  
21 WEEDGENICS, et al.,

22 Defendants,

23 WEST COAST DEVELOPMENT LLC,  
et al.,

24 Relief Defendants.  
25

Case No. 8:23-cv-00855-JWH-KES

**MEMORANDUM OF POINTS AND  
AUTHORITIES IN SUPPORT OF  
RECEIVER'S MOTION AND  
MOTION FOR ORDER IN AID OF  
RECEIVERSHIP**

Date: August 4, 2023

Time: 9:00 a.m.

Ctrm: 9D

Judge: Hon. John W. Holcomb

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## TABLE OF CONTENTS

		<u>Page</u>
1		
2		
3	I. INTRODUCTION.....	5
4	A. Employment of Allen Matkins as Legal Counsel.....	5
5	B. Quarterly Reports to the Court.....	6
6	C. Website Communications and Notice to Investors and Creditors.....	6
7	II. PROCEDURAL HISTORY AND RELEVANT FACTS .....	8
8	III. LEGAL AUTHORITY.....	9
9	A. The Court's Power to Administer the Instant Receivership Extends to the Relief Requested Here .....	9
10	B. The Receiver's Experience and Business Judgment .....	10
11	IV. RELIEF REQUESTED .....	11
12	A. Employment of Allen Matkins.....	11
13	1. Selection of Allen Matkins as Counsel.....	12
14	2. Anticipated Principal Receivership Team .....	12
15	B. Submission Of Interim Reports .....	14
16	C. Use of Receiver's Website for Communications, and Establishment Of Notice Procedures To Conserve Receivership Assets .....	14
17	V. CONCLUSION .....	16
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		

## TABLE OF AUTHORITIES

### Page(s)

### Cases

<i>Bennett v. Williams</i> , 892 F.2d 822 (9th Cir. 1989).....	10
<i>CFTC v. Topworth Int'l, Ltd.</i> , 205 F.3d 1107 (9th Cir. 1999).....	10
<i>In re Gen. Am. Life Ins. Co. Sales Practices Litig.</i> , 375 F.3d 800 (8th Cir. 2004).....	15
<i>In re Int'l Telemedia Assocs., Inc.</i> , 245 B.R. 719 (Bankr. N.D. Ga. 2000).....	16
<i>In re Thinking Machs. Corp.</i> , 182 B.R. 365 (D. Mass. 1995) , <i>rev'd on other grounds</i> , 67 F.3d 1021 (1st Cir. 1995).....	10
<i>Matthews v. Eldridge</i> , 424 U.S. 319 (1976) .....	15
<i>Mullane v. Cent. Hanover Bank &amp; Trust Co.</i> , 339 U.S. 306 (1950) .....	16
<i>SEC v. Basic Energy &amp; Affiliated Res., Inc.</i> , 273 F.3d 657 (6th Cir. 2001).....	9
<i>SEC v. Cap. Consultants, LLC</i> , 397 F.3d 733 (9th Cir. 2005).....	10
<i>SEC v. Elliot</i> , 953 F.2d 1560 (11th Cir. 1992).....	9
<i>SEC v. Forex Asset Mgmt., LLC</i> , 242 F.3d 325 (5th Cir. 2001).....	9
<i>SEC v. Hardy</i> , 803 F.2d 1034 (9th Cir. 1986).....	9
<i>SEC v. TLC Invs. &amp; Trade Co.</i> , 147 F. Supp. 2d 1031 (C.D. Cal. 2001).....	15
<i>SEC v. Wang</i> , 944 F.2d 80 (2d Cir. 1991).....	9
<i>SEC v. Wencke</i> , 622 F.2d 1363 (9th Cir. 1980).....	9
<i>Sw. Media, Inc. v. Rau</i> , 708 F.2d 419 (9th Cir. 1983).....	10

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**Page(s)**

*Yahoo!, Inc. v. Yahooautos.com and 1865 Other Domain Names*,  
2006 U.S. Dist. LEXIS 54902 (E.D. Va. Aug. 8, 2006) ..... 16

**Rules**

Local Rule 66-6.1 ..... 6, 14  
Local Rule 66-7 ..... 7, 14, 17

**MEMORANDUM OF POINTS AND AUTHORITIES**

**I. INTRODUCTION.**

Pursuant to this Court's June 2, 2023 *Preliminary Injunction Order With Respect to Certain Defendants and Relief Defendants and Orders: (1) Freezing Assets; (2) Appointing a Permanent Receiver; (3) Requiring Accountings; and (4) Prohibiting the Destruction of Documents*, ECF No. 33, as well as the similar preliminary injunction orders entered on June 9 and 29, 2023, ECF Nos. 48, 49, 95, (collectively, the "Appointment Orders"), Krista L. Freitag (the "Receiver"), the Court-appointed permanent receiver for Defendant Integrated National Resources, Inc. d/b/a WeedGenics ("INR"), and Relief Defendants West Coast Development LLC, INR Consulting LLC (Wyoming entity), Oceans 19 Inc., Autobahn Performance LLC, One Click General Media Inc., Opus Collective, INR Consulting LLC (California entity), Hidden Springs Holdings Group LLC, Total Solution Construction LLC, Bagpipe Holdings LLC, Bagpipe Multimedia LLC, and INR-CA Investment Holdings, LLC, and their subsidiaries and affiliates (collectively, the "Receivership Entities") hereby requests an order from this Court authorizing and approving her engagement of Allen Matkins Leck Gamble Mallory & Natsis LLP ("Allen Matkins") as her general receivership counsel and providing for the administrative and procedural relief requested herein, which relief the Receiver believes is necessary and appropriate for the efficient and cost-effective administration of the estate of the Receivership Entities (the "Estate"). Specifically, the Receiver proposes the following:

**A. Employment of Allen Matkins as Legal Counsel.**

The first of the Appointment Orders expressly authorizes the Receiver to engage counsel and other professional personnel. *See* ECF No. 33, at 13:9–12. The Receiver does not have in-house counsel. In the Receiver's reasonable business judgment, the business and financial activities of the Receivership Entities, including the transactions they engaged in with their investors and third parties,

1 along with the complex legal issues the Receivership Entities are currently facing  
2 and are expected to face, support the employment and compensation of well-  
3 qualified legal counsel in order to assist the Receiver in administering the  
4 Receivership Entities and their Estate, and satisfying her duties and obligations as  
5 defined in the Appointment Orders. Consistent with the Appointment Orders, the  
6 Receiver further proposes submitting applications for herself and her professionals  
7 for payment of fees and reimbursement of expenses to this Court on a quarterly  
8 basis.

9 Accordingly, the Receiver requests that the Court authorize and approve  
10 Allen Matkins' engagement. As detailed herein, Allen Matkins is highly  
11 experienced in federal equity receivership matters and well-qualified to assist the  
12 Receiver in this matter, as well as to provide legal advice and assistance in other  
13 applicable areas of law, as necessary, including real estate, litigation, corporate, and  
14 tax matters.

15 **B. Quarterly Reports to the Court.**

16 While the Appointment Orders do not specifically require the Receiver to  
17 provide the Court or interested parties with updates regarding her efforts and  
18 administration of the Receivership Entities, Local Rule 66-6.1 provides that, within  
19 six months of appointment, and at least semi-annually thereafter, the Receiver must  
20 make reports to the Court. The Receiver believes that interim reports filed with the  
21 Court will be beneficial in this matter and will provide the Court and interested  
22 parties with regular updates on the Receiver's administration of the Receivership  
23 Entities and their Estate, as well as permit the Receiver to highlight important issues  
24 and progress. Accordingly, the Receiver proposes preparing and filing interim  
25 reports with the Court on a quarterly basis.

26 **C. Website Communications and Notice to Investors and Creditors.**

27 The Receiver has established a receivership-specific website,  
28 [www.inreceivership.com](http://www.inreceivership.com), and proposes that the website continue to be used, along

1 with electronic mail, to provide information about the receivership and her  
2 activities, along with copies of relevant materials she files with the Court. The  
3 website will be updated regularly with relevant updates, filed materials, notices to  
4 investors, and related information. The website also states the Receiver's contact  
5 information, including the phone number and email address established specifically  
6 for use in connection with this receivership.

7       Local Rule 66-7 requires the Receiver to provide notice, by mail, to all known  
8 creditors (including investors), relating to certain petitions, reports, and applications.  
9 Consistent with the requirements of due process, and as detailed below, after  
10 mailing a letter to known investors and creditors advising them of and directing  
11 them to the receivership website, the Receiver proposes to provide notice to  
12 interested parties of all petitions, reports, and applications under Local Rule 66-7 via  
13 the posting of such notices on the receivership website. Email notices will be sent to  
14 all known investors and creditors, as well as interested parties who have requested  
15 such notices by registering on the receivership website. The Receiver requests that  
16 such notice be deemed sufficient under the circumstances and that the receivership  
17 otherwise be relieved from the requirements of Local Rule 66-7.

18       While the Receiver has not been provided with books and records of any of  
19 the entities which identify investors and creditors of the Receivership Entities, the  
20 Receiver's team has worked diligently to identify physical mailing addresses for  
21 investors through banking records and to otherwise identify investors through a  
22 subpoena to DocuSign — the platform used by investors to sign subscription  
23 agreements. Freitag Decl. ¶ 10. As a result of these efforts, the Receiver has been  
24 able to send the aforementioned physical letter — attached hereto as **Exhibit A** —  
25 to all known investors for whom addresses were attainable. *See id.* ¶ 12. While  
26 approximately 350 investors with addresses have been identified, approximately 300  
27 letters have been sent, as some investors, such as spouses, share addresses and thus  
28 are sent a single letter. *See id.* ¶¶ 11–12. Given the DocuSign production, the

1 Receiver also believes she should have email addresses used by all investors who  
2 signed subscription agreements. *See id.* ¶ 10.

3       Regarding other creditors, the Receiver continues to work to identify any and  
4 all prospective creditors of the Receivership Entities through a manual vendor  
5 identification process (i.e., through banking record review). This process is  
6 ongoing, and the Receiver will work to provide a communication to the creditors  
7 believed to exist.

## 8 **II. PROCEDURAL HISTORY AND RELEVANT FACTS.**

9       The above-captioned action was commenced on May 16, 2023, when the  
10 Securities and Exchange Commission (the "Commission") filed its complaint. ECF  
11 No. 1. Shortly thereafter, on May 19, 2023, the Receiver was appointed as  
12 temporary receiver over the Receivership Entities. ECF No. 17. On June 2, 2023,  
13 following a hearing before this Court, the receivership over the certain entity  
14 defendants and relief defendants was made permanent, with additional entity relief  
15 defendants added to the permanent receivership by orders entered on June 9 and 29,  
16 2023. ECF Nos. 33, 36, 48, 49, 95.

17       Pursuant to the terms of the Appointment Orders, the Receiver is vested with  
18 exclusive authority and control over the Receivership Entities, and authorized or  
19 instructed to, among other things: (a) take possession of the assets of the  
20 Receivership Entities (the "Receivership Assets"); (b) undertake investigation and  
21 discovery to locate and account for available Receivership Assets; (c) engage  
22 counsel and other professionals necessary to the performance of her duties under the  
23 Appointment Orders;<sup>1</sup> (d) complete and present an accounting to the Court of the  
24 business and financial activities of the Receivership Entities; and (e) prosecute such  
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27 <sup>1</sup> In addition to engaging Allen Matkins as her general receivership counsel, the  
28 Receiver has engaged and anticipates engaging several other professionals to  
assist her with discrete tasks, but the fees and costs associated with those  
engagements are anticipated to be relatively small and/or cost-effective, and will  
be laid out in the Receiver's interim fee applications.



claims of the Receivership Entities as she deems appropriate. *See* ECF No. 33, at 11:25–14:11. The Receiver immediately commenced the performance of her duties upon entry of the temporary restraining order on May 19, 2023, and has determined, in her reasonable business judgment, that the relief requested herein is appropriate to facilitate her administration of the Receivership Entities and their Estate.

**III. LEGAL AUTHORITY.**

**A. The Court's Power to Administer the Instant Receivership Extends to the Relief Requested Here.**

A district court's power to administer an equity receivership is extremely broad. *SEC v. Hardy*, 803 F.2d 1034, 1037 (9th Cir. 1986); *SEC v. Forex Asset Mgmt., LLC*, 242 F.3d 325, 331 (5th Cir. 2001); *SEC v. Basic Energy & Affiliated Res., Inc.*, 273 F.3d 657, 668 (6th Cir. 2001); *SEC v. Elliot*, 953 F.2d 1560, 1566 (11th Cir. 1992); *SEC v. Wang*, 944 F.2d 80, 85 (2d Cir. 1991).

"The power of a district court to impose a receivership or grant other forms of ancillary relief does not in the first instance depend on a statutory grant of power from the securities laws. Rather, the authority derives from the inherent power of a court of equity to fashion effective relief." *SEC v. Wencke*, 622 F.2d 1363, 1369 (9th Cir. 1980). The "primary purpose of equity receiverships is to promote orderly and efficient administration of the estate by the district court for the benefit of creditors." *Hardy*, 803 F.2d at 1038. As the appointment of a receiver is authorized by the broad equitable powers of the court, any distribution of assets must also be done equitably and fairly. *See Elliot*, 953 F.2d at 1569. The Ninth Circuit has explained,

A district court's power to supervise an equity receivership and to determine the appropriate action to be taken in the administration of the receivership is extremely broad. The district court has broad powers and wide discretion to determine the appropriate relief in an equity receivership. The basis for this broad deference to the district court's supervisory role in equity receiverships arises out of the fact that most receiverships involve multiple parties and complex transactions.

1 *SEC v. Cap. Consultants, LLC*, 397 F.3d 733, 738 (9th Cir. 2005) (citations  
2 omitted); *see also CFTC v. Topworth Int'l, Ltd.*, 205 F.3d 1107, 1115 (9th Cir. 1999)  
3 ("This court affords 'broad deference' to the court's supervisory role, and 'we  
4 generally uphold reasonable procedures instituted by the district court that serve  
5 th[e] purpose' of orderly and efficient administration of the receivership for the  
6 benefit of creditors"). Accordingly, this Court has broad equitable powers and  
7 discretion in formulating procedures, schedules and guidelines for administration of  
8 the Estate.

9 **B. The Receiver's Experience and Business Judgment.**

10 In the estate-administration context, courts are deferential to the business  
11 judgment of bankruptcy trustees, receivers, and other court-appointed fiduciaries.  
12 *See, e.g., Bennett v. Williams*, 892 F.2d 822, 824 (9th Cir. 1989) ("[W]e are  
13 deferential to the business management decisions of a bankruptcy trustee."); *Sw.*  
14 *Media, Inc. v. Rau*, 708 F.2d 419, 425 (9th Cir. 1983) ("The decision concerning the  
15 form of ... [estate administration] ... rested with the business judgment of the  
16 trustee"); *In re Thinking Machs. Corp.*, 182 B.R. 365, 368 (D. Mass. 1995) ("The  
17 application of the business judgment rule ... and the high degree of deference  
18 usually afforded purely economic decisions of trustees, makes court refusal  
19 unlikely"), *rev'd on other grounds*, 67 F.3d 1021 (1st Cir. 1995).

20 Here, the Receiver is very experienced and has handled numerous complex  
21 receivership matters, including large federal equity receivership matters arising from  
22 Ponzi schemes and other fraudulent schemes. The Receiver makes the  
23 recommendations and requests herein based on her extensive experience in  
24 efficiently and effectively managing complex receiverships and her business  
25 judgment based on the facts and circumstances of this receivership.

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1 **IV. RELIEF REQUESTED.**

2 **A. Employment of Allen Matkins.**

3 Pursuant to Section 12 of the Appointment Order, the Receiver is authorized  
4 to and desires to employ Allen Matkins to advise and assist her with legal issues  
5 facing the Receivership Entities and the Estate. The Receiver does not have in-  
6 house receivership counsel. Freitag Decl. ¶ 6. In the Receiver's reasonable business  
7 judgment, the relationships between and among the Receivership Entities, the  
8 business and financial transactions in which they engaged with their investors and  
9 third parties, along with the numerous challenges already faced in the absence of  
10 global cooperation and access to books and records (requiring nearly all information  
11 obtained to date to result from subpoena efforts) and the and the numerous legal  
12 issues facing the Receivership Entities, all militate in favor of the employment and  
13 compensation of well-qualified legal counsel, to assist the Receiver in, among other  
14 things: (a) identifying, recovering, preserving, managing, and appropriately  
15 disposing of Receivership Assets; (b) addressing legal issues related to the  
16 administration of the Receivership Entities and their business; (c) providing legal  
17 advice relating to the Receiver's investigation of the Receivership Entities' financial  
18 activities, investments, and potential causes of action against third parties, including  
19 undertaking the discovery authorized by the Appointment Orders and evaluating the  
20 strengths and weaknesses of potential claims against parties in possession of  
21 Receivership Assets; (d) pursuing claims and causes of action, including, where  
22 appropriate, through litigation; (e) providing legal advice relating to investor and  
23 creditor claims against the Estate; (f) providing assistance in formulating and  
24 presenting to the Court a plan for the administration of investor and creditor claims  
25 and distribution of assets of the Estate, if any; and (g) preparing and submitting  
26 interim reports and any other materials to this Court and other courts presiding over  
27 litigation involving or relating to the Receivership Entities. *Id.* ¶ 5.

28

1 The Receiver respectfully requests that the Court specifically authorizes and  
2 approves the employment of Allen Matkins as the Receiver's general receivership  
3 counsel, pursuant to the terms described below.

4 **1. Selection of Allen Matkins as Counsel.**

5 The Receiver selected Allen Matkins because the firm is highly qualified to  
6 represent her in connection with this complex receivership, given its substantial  
7 experience and expertise in federal equity receiverships, real estate, litigation,  
8 corporate, and tax matters. Allen Matkins has represented Ms. Freitag and other  
9 federal equity receivers appointed in numerous cases initiated by the Commission  
10 and other federal agencies.

11 For example, Allen Matkins, led by attorney Edward (Ted) Fates, represented,  
12 and continues to represent Ms. Freitag in her capacity as the Court-appointed  
13 receiver in the matter of *SEC v. Champion-Cain*, Case No. 3:19-cv-01628-LAB-  
14 AHG (S.D. Cal.), a large and highly complex Ponzi scheme case in which investors  
15 have recovered over 90% of their net losses, and recently oversaw an interim  
16 distribution of more than \$20 million to approximately 450 investors and creditors  
17 with allowed claims. Freitag Decl. ¶ 7. In connection with that case, Allen Matkins  
18 has prosecuted and continues to prosecute a variety of fraudulent-transfer and other  
19 claims and has represented the receivership in numerous successful pre-litigation  
20 settlements. The Receiver believes Allen Matkins is best-suited to assist her in  
21 handling the complex legal issues facing the Receivership Entities, and that approval  
22 of the firm's employment is in the best interests of the Estate. *Id.* ¶ 8.

23 **2. Anticipated Principal Receivership Team.**

24 At present, the Receiver anticipates that the Allen Matkins attorneys  
25 principally staffed on this matter will be Edward (Ted) Fates, Matthew Pham, and  
26 James Robichaud, and that senior partner David Zaro will be available to consult  
27 from time to time, as the need arises. In the interest of minimizing cost to the  
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Estate, paralegals and other support staff will be utilized to the extent possible, including paralegal Michelle Pendleton.

Mr. Fates is a bankruptcy and creditors' rights partner at Allen Matkins, with almost two decades of experience representing receivers and other fiduciaries appointed at the request of various federal agencies, including the Commission. Mr. Pham is likewise a bankruptcy and creditors' rights attorney at Allen Matkins, with approximately 12 years of bankruptcy, receivership, and litigation experience. Mr. Robichaud is a junior bankruptcy and creditors' rights attorney at Allen Matkins, with experience representing receivers appointed on behalf of the Commission, FTC, and California state agencies. Mr. Zaro is a senior partner and chair of the bankruptcy and creditors' rights department at Allen Matkins, with multiple decades of experience representing receivers appointed at the behest of the Commission and other federal agencies. Attached hereto collectively as **Exhibit B** are the biographies of attorneys Fates, Pham, Robichaud, and Zaro.

The discounted rates Allen Matkins proposes to charge for the aforementioned attorneys are as follows:

<u>Attorney / Paralegal</u>	<u>Position</u>	<u>CA Bar Number</u>	<u>Discounted Hourly Billing Rate</u>
Edward (Ted) G. Fates	Partner	227809	\$688.50
Matthew D. Pham	Associate	287704	\$481.50
James C. Robichaud	Associate	344945	\$346.50
Michelle Pendleton	Paralegal	N/A	\$337.50
David R. Zaro	Senior Partner	124334	\$895.50

The above-described staffing arrangement is expected to maximize efficiency and minimize costs to the Estate, and reflects an effective utilization of available resources. Moreover, the rates identified above are comparable to or less than those charged by other attorneys in Southern California with similar levels of experience in receivership matters, and are consistent with rates approved by courts in the

1 Central District of California and Southern District of California for attorneys  
2 representing receivers in similarly complex receivership matters.

3 The Receiver therefore respectfully requests that the Court authorize and  
4 approve the employment of Allen Matkins as the Receiver's legal counsel in  
5 accordance with the terms described herein.

6 **B. Submission Of Interim Reports.**

7 As noted above, Local Rule 66-6.1 requires the Receiver to provide the Court  
8 with reports addressing: (a) the receipts and expenditures of the receivership; and  
9 (b) the acts and transactions undertaken by the Receiver. The Receiver recognizes  
10 the importance of her reporting obligations and strongly recommends that she be  
11 authorized to file interim reports on a quarterly basis, on essentially the same  
12 schedule as that proposed herein for the Receiver's and her professionals' interim  
13 applications for fees and reimbursement of expenses.

14 In the Receiver's experience, interim reports enable the Court and all  
15 interested parties to remain abreast of material developments in the Receiver's  
16 administration of the Receivership Entities and their Estate. Additionally, quarterly  
17 interim reports enable interested parties to track the administration of the Estate and  
18 provides the Receiver with a means of drawing the attention of interested parties to  
19 important issues.

20 **C. Use of Receiver's Website for Communications, and Establishment**  
21 **Of Notice Procedures To Conserve Receivership Assets.**

22 Local Rule 66-7 requires the Receiver to provide notice, by mail, to all known  
23 creditors (including investors), relating to certain petitions, reports, and applications.  
24 Here, the Receiver anticipates there will be no fewer than 350 investors and  
25 creditors. Freitag Decl. ¶ 11. Mailing notices to all investors and creditors on an  
26 ongoing basis, as required by Local Rule 66-7 would impose significant copying  
27 and postage costs on the Estate that would further reduce the funds ultimately  
28 available for distribution. *Id.* Notice costs would be significantly reduced by

1 providing electronic notice via the receivership website and email. *Id.* This  
2 streamlining of service will conserve the assets of the Estate by reducing  
3 unnecessary expense, while still satisfying the principles of due process.

4 Accordingly, as an alternative to the mailing requirement set forth in Local  
5 Rule 66-7, the Receiver proposes: (1) to use her website, [www.inreceivership.com](http://www.inreceivership.com),  
6 to keep investors and creditors apprised of developments in the case, by posting  
7 informational updates along with copies of all materials she files with the Court; and  
8 (2) to send electronic notice, via email, each time a future motion or filing under  
9 Local Rule 66-7 is made and added to the website. Freitag Decl. ¶¶ 9, 11. The  
10 Receiver has mailed identified investors a letter directing them to the website and  
11 will continue to do so if and when additional investors and creditors are identified.  
12 *Id.* ¶ 12. A sample of the letter is attached hereto as **Exhibit A**. Should any investor  
13 or creditor instead wish to receive notice of such filings by mail, they may request,  
14 in writing, such notice from the Receiver's office. *Id.* ¶ 13.

15 The Receiver's recommendation finds strong support in the law. Although  
16 investors and creditors of the Receivership Entities are not parties to the receivership  
17 case, they must be afforded adequate notice. *SEC v. TLC Invs. & Trade Co.*, 147 F.  
18 Supp. 2d 1031, 1034–35 (C.D. Cal. 2001); *see also In re Gen. Am. Life Ins. Co.*  
19 *Sales Practices Litig.*, 375 F.3d 800, 804 (8th Cir. 2004) (addressing the importance  
20 of notice in class actions, which employ a higher standard for the adequacy of  
21 notice.). Naturally, the requirements of due process vary with the rights at issue.  
22 *Matthews v. Eldridge*, 424 U.S. 319, 334 (1976) (noting that due process as a  
23 "flexible" standard that "calls for such procedural protections as the particular  
24 situation demands"). While no specific standards exist regarding providing notices  
25 to investors or other creditors in this context, it is undisputed that adequate notice is  
26 required. Notice is adequate, and meets due process requirements, where it is  
27 reasonably calculated to apprise interested parties of the pendency of an action and  
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1 provide them an opportunity, if appropriate, to be heard. *Mullane v. Cent. Hanover*  
2 *Bank & Trust Co.*, 339 U.S. 306, 413 (1950).

3 Notice by electronic means has been permitted where it is reasonably  
4 calculated to apprise the recipients of the pendency of the action and provide them  
5 with the opportunity to be heard. *In re Int'l Telemedia Assocs., Inc.*, 245 B.R. 719,  
6 721 (Bankr. N.D. Ga. 2000) (approving notice via electronic mail in heightened due  
7 process context of criminal proceeding); *Yahoo!, Inc. v. Yahooautos.com and 1865*  
8 *Other Domain Names*, 2006 U.S. Dist. LEXIS 54902, at \*10 (E.D. Va. Aug. 8,  
9 2006) (approving notice via electronic mail in context of *in rem* civil action).  
10 Furthermore, "communication by ... electronic mail [has] become commonplace in  
11 our increasingly global society ... [and] [t]he federal courts are not required to turn a  
12 blind eye to society's embracement of such technological advances." *Telemedia*,  
13 245 B.R. at 721.

14 In accordance with such authorities, the Receiver proposes, based on her  
15 reasonable business judgment (supported by the DocuSign production and receipt of  
16 emails for all investors who signed subscription agreements through such platform)  
17 and efforts to conserve Estate resources, to limit service to investors and other  
18 creditors to the posting of notices on the Receiver's website and by the opportunity  
19 for investors to subscribe to receive emails. If an investor or creditor does not wish  
20 to use electronic mail, he or she can contact the Receiver's office in writing and  
21 request a copy of pleadings by mail. The Receiver respectfully submits that these  
22 recommended notice procedures comport with the requirements of due process,  
23 while conserving Estate assets.

24 **V. CONCLUSION.**

25 For the foregoing reasons, the Receiver respectfully requests that the Court  
26 enter an Order in Aid of Receivership:

27 1. Authorizing the Receiver to employ Allen Matkins, as her general  
28 receivership counsel, in accordance with the terms described herein;



10 || Dated: July 6, 2023

By: */s/ Matthew D. Pham*

# **EXHIBIT A**



June 30, 2023

**Re: Notice of Appointment of Krista L. Freitag as Permanent and Temporary Receiver in the matter of Securities and Exchange Commission, Plaintiff, v. Integrated National Resources, Inc., dba Weedgenics, Rolf Max Hirschmann aka "Max Bergmann", Patrick Earl Williams, Defendants, and West Coast Development LLC, INR Consulting LLC (Wyoming Entity), Oceans 19 Inc., Autobahn Performance LLC, One Click General Media Inc., Opus Collective, John Eric Francom, INR-CA Investment Holdings, LLC, Michael Delgado, Total Solution Construction LLC, Bagpipe Holdings LLC, Bagpipe Multimedia LLC, Tyler Campbell, INR Consulting LLC (California Entity), Hidden Springs Holdings Group LLC, and Alexandria Porter Bovee aka "Aia Montgomery", Relief Defendants, United States District Court, Central District of California, Southern Division, Case No. 8:23-cv-00855-JWH-KES**

Dear Investor:

As you may know, on May 19, 2023, I was appointed as Temporary Receiver in the above-referenced matter, whereby the SEC filed a civil enforcement action against the individuals and entities listed above for alleged violations of the federal securities laws. The Court, at the SEC's request, determined that appointment of a receiver over the entities listed above, along with their subsidiaries and affiliates ("Receivership Entities") is necessary to protect investors from potential further harm.

Subsequently, the Court has entered several additional orders, converting the temporary receivership to a permanent receivership for all but one of the entities and extending the temporary receivership through June 30, 2023 for one entity.

- Specifically, on June 2, 2023, the receivership became permanent as to Defendant Integrated National Resources Inc. dba WeedGenics ("INR"), and various Relief Defendants, including West Coast Development LLC ("WCD"), INR Consulting LLC (Wyoming Entity) ("INR Consulting/Williams"), Oceans 19 Inc. ("Oceans 19"),



Autobahn Performance LLC (“Autobahn”), One Click General Media Inc. (“One Click”), and Opus Collective (“Opus”).

- On June 9, the receivership became permanent as to Relief Defendants Total Solution Construction LLC (“TSC”), Bagpipe Holdings LLC (“Bagpipe Holdings”), Bagpipe Multimedia LLC (“Bagpipe MM”), INR Consulting LLC (California Entity) (“INRC-CA”), and Hidden Springs Holdings Group LLC (“Hidden Springs”).
- On June 9, 2023, the temporary receivership was extended to June 30, 2023 as to Relief Defendant INR-CA Investment Holdings, LLC (“INR-CA”).

There are several important things for investors and creditors to understand about the receivership. First, individuals named in the Complaint no longer have any authority over the entities in receivership and are prohibited from speaking for or acting on their behalf. The Receivership Entities and their assets are now under my exclusive management and control. My job as receiver is to preserve and protect the value of the Receivership Entities’ assets for the benefit of investors and creditors. Thus, my primary focus throughout the receivership will be to identify (through the court-ordered forensic accounting), recover and maximize the value of the Receivership Entities’ assets and return as much money as possible to those who have suffered losses.

Second, investors and creditors will eventually have the opportunity to submit their claims for losses suffered from their dealings with the Receivership Entities and, in the event of a dispute, have their claims decided by the Court. Once a claims process has been established, notices will be sent out and posted on the receivership website. It may take some time before we are ready to commence the claims process. We appreciate your patience.

Third, in order to conserve the assets of the receivership and maximize the funds available for distribution, investors and creditors, unless they first obtain permission from the Court, are not permitted to sue the Receivership Entities. Instead, as noted above, investors and creditors may



submit their claims at the appropriate time and have them decided through the claims process in the receivership.

Fourth, since my appointment, in the absence of access to an investor database, my team and I have worked diligently to locate you through various means – from banking records to DocuSign (from whom you may have received a notice). If you know an investor or creditor who did not receive this letter, please have them provide their contact information to me by email to [inr@ethreadvisors.com](mailto:inr@ethreadvisors.com). In addition, if your contact information changes at any point during the receivership, it is very important that you let my office know by sending an email to [inr@ethreadvisors.com](mailto:inr@ethreadvisors.com).

Your patience is appreciated during this very early stage in the receivership. Complex receivership matters like this do take time – particularly when a receiver does not have access to books and records of the Receivership Entities. That said, we are working very hard to identify and to recover assets (and will continue to do so) and to complete the forensic accounting ordered by the Court.

The website - [www.INRreceivership.com](http://www.INRreceivership.com) - (the "Receivership Website") is dedicated to this case. Information about the receivership, including copies of the Complaint and various Orders discussed above, is available on the Receivership Website and you are encouraged to visit the website periodically to review the information and documents that will be posted throughout the receivership. We also strongly encourage you to enter your name and contact information on the website and subscribe to receive updates about the receivership. This is a very good way for you to stay informed about the receivership.



Please also send all inquiries and correspondence about the receivership to [inr@ethreadvisors.com](mailto:inr@ethreadvisors.com) or call (619) 326-4334. I or a member of my staff will attempt to respond to all inquiries, but please be patient if you do not receive a response right away.

Your patience, cooperation, and assistance are appreciated.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Krista Freitag'.

Krista Freitag, Receiver

# **EXHIBIT B**



## DAVID R. ZARO

PARTNER | LOS ANGELES

### EDUCATION

J.D., UC Hastings College of the Law  
B.A., Stanford University

### SERVICES

Litigation & Counseling  
Restructuring, Insolvency & Bankruptcy  
Construction Litigation  
Receiverships, Lenders & Special Creditor Remedies

### INDUSTRIES

Financial Services  
Construction

T (213) 955-5518  
E dzaro@allenmatkins.com

With decades of experience breaking down complicated problems in large and complex creditors' rights, bankruptcy, and state and federal receivership matters, David brings a unique ability to cut through the background noise and deliver practical advice that leads to successful outcomes for his clients.

David frequently represents lenders in workouts, foreclosures, bankruptcy actions, and related litigation. He also structures loan modifications, or sales of financial instruments both in and out of bankruptcy. Clients value David's experience, knowledge and proactive counsel, as well as his commitment to accessibility and responsiveness.

### CREDITORS' RIGHTS AND BANKRUPTCY LITIGATION

An astute strategist, David is called on by a wide range of clients, including banks and other institutional lenders, developers, landlords, receivers, examiners, secured and unsecured creditors, and other business enterprises, to represent them in creditors' rights and bankruptcy negotiations or litigation in federal and state courts throughout California and in other key jurisdictions.

In distressed or failed real estate and construction projects, hotels, apartment buildings, condos, and multi-building office parks and towers, David's extensive experience with construction litigation allows him to provide clients with insight and strategies to maximize recoveries, as well as practically assessing the collateral and the borrower's ability to repay the debt. After completing an analysis of the lender's potential risks, he adeptly develops a sound strategy for realizing on the collateral and recovering the debt.



For commercial lenders and others, he advises on all aspects of commercial law, with a particular focus on commercial mortgage litigation, bank regulatory disputes, and collection actions.

In addition to David's experienced counsel, clients also benefit from his seamless access to top-notch appraisers, forensic accountants, and technology investigators, as well as his Allen Matkins colleagues who address related areas, such as real estate transactions, construction contracts, tax matters, employment laws, and court trials.

## RECEIVERSHIPS

In receivership cases, David has represented receivers in assuming control over enterprises where hundreds of millions of dollars are at issue. He has advised receivers on the legal issues involved in all aspects of the receivership and his knowledge and experience with large receivership matters allows him to advise his clients as to the appropriate frameworks and creative strategies for recovering diverted assets.

Among David's receivership cases are the representation of court-appointed receivers in a \$1.2 billion fraud action brought by the Securities and Exchange Commission in connection with a 180 assisted living facilities and a \$750 million Ponzi-like scheme involving the purchase of medical related receivables and lending transactions.

David is a sought-after lecturer on matters of commercial mortgage litigation and workouts, creditors' rights, and other real property remedies.

## ACCOLADES

- Awarded Turnaround Management Association's Transaction of the Year- Large Turnaround Award (2011)

## BAR ADMISSIONS

- California

## COURT ADMISSIONS

- U.S. District Court, Central District of California
- U.S. District Court, Northern District of California
- U.S. District Court, Eastern District of California
- U.S. District Court, Southern District of California
- U.S. District Court, District of Arizona
- California Supreme Court
- U.S. Court of Appeals for the Ninth Circuit
- U.S. Supreme Court

## MATTERS

- **SEC Receiver.** Securities fraud case in connection with the raising of \$120 million via the EB-5 program for the development of two large properties in Seattle and neighboring Everett. Prosecuted claims to recover investor funds from a third-party borrower.
- **Residential and Commercial Bank.** Achieved a favorable published decision by the Ninth Circuit in a chapter 12 bankruptcy case. The appeal involved an attempt by a debtor in bankruptcy, a self-described family farmer, to leverage a discharge of personal debt in a prior chapter 7 bankruptcy case into subsequent eligibility under chapter 12 of the Bankruptcy Code, which could have enabled her to avoid foreclosure or strip down the value of the bank's security in the subject property. The Ninth Circuit did not agree with the debtor. The debtor sought an en banc review of the Ninth Circuit's decision which was subsequently denied.
- **Residential and Commercial Bank.** Defended against several thousand lawsuits throughout California and managed local counsel in 20 other states. The lawsuits concern allegations of mortgage fraud, wrongful foreclosure, violations of TILA, RESPA, HOSPA, and other statutory and regulatory issues.
- **Commercial Lender.** Workout and collection of a portfolio of commercial loans exceeding \$1 billion.
- **Residential and Commercial Lender.** Workouts and collections of a portfolio of construction loans. The loans involved both completed and in-progress projects.
- **SEC Receiver.** Securities fraud case involving losses to investors of over \$40 million.



## TED G. FATES

PARTNER | SAN DIEGO

### EDUCATION

J.D., *magna cum laude*,  
University of San Diego School  
of Law, Order of the Coif  
B.A., Emory University

### SERVICES

Restructuring, Insolvency &  
Bankruptcy  
Commercial Finance  
Real Estate Finance  
Receiverships, Lenders &  
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### INDUSTRIES

Financial Services

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When it comes to complex matters of receivership, creditors' rights, and bankruptcy, Ted's clients—creditors, receivers, and trustees—rely on his depth of experience, ability to efficiently solve difficult problems, and responsiveness to their needs.

### CREDITORS' RIGHTS

In a wide variety of cases, Ted is a trusted strategic advisor. He frequently represents real property owners and landlords in tenant and guarantor bankruptcies involving leases and other real property disputes, including assumptions and assignments of commercial real property leases to the buyers of debtors' assets. His work extends to loan defaults and restructures and other commercial litigation related to bankruptcies and receiverships, such as fraudulent transfers, mortgage foreclosures, and outstanding business loans. Ted possesses a deep understanding of the markets, the courts, and the range of obstacles that arise in bankruptcy and receivership matters.

### FEDERAL EQUITY RECEIVERSHIPS

Ted has extensive experience in handling all aspects of equity receiverships initiated by federal regulatory agencies and pursuing litigation against professionals, financial institutions, and recipients of profits from fraudulent schemes. His clients include equity receivers appointed for various securities trading and investment firms, real estate and healthcare industry lenders, internet-based investment programs, and Ponzi schemes. Collectively, these entities raised more than \$2.5 billion from their participants. His clients also include state court receivers appointed to manage or sell real estate and other business assets.

In equity receiverships, Ted's work often involves selling unique and complex assets—from movie rights, intellectual property, and luxury real estate, yachts, and cars to non-

traditional manufacturing facilities and business operations. Along with the Allen Matkins transactional team, he handles negotiations, documents deals, and obtains court approval of such transactions and advises on related contracts and insurance coverage.

Where equity receiverships involve victims of fraud, Ted has handled cases involving tens of thousands of claims, establishing an orderly, efficient process for validating claims and resolving claim disputes, as well as obtaining court approval of distribution plans tailored to the unique equities of the case.

## MEMBERSHIPS

- Federal Bar Association, San Diego Chapter, Past President (2010)
- National Association of Federal Equity Receivers
- California Receivers Forum
- San Diego Bankruptcy Forum
- San Diego County Bar Association

## ACCOLADES

- *The Best Lawyers in America*; Bankruptcy and Creditor Debtor Rights/Insolvency and Reorganization Law
- *Super Lawyers*
- *Super Lawyers' San Diego Rising Stars*
- *The Daily Transcript's* Top Young Attorneys in San Diego

## CLERKSHIPS

- Honorable John E. Ryan (Ret.), U.S. Bankruptcy Court
- Central District of California and Ninth Circuit Bankruptcy Appellate Panel

## BAR ADMISSIONS

- California

## COURT ADMISSIONS

- U.S. District Court, Northern District of California
- U.S. District Court, Southern District of California
- U.S. District Court, Eastern District of California
- U.S. District Court, Central District of California
- U.S. Court of Appeals for the Ninth Circuit

## MATTERS

- ***SEC v. Medical Capital Holdings, Inc., et al.*** Representation of equity receiver in SEC action arising out of accounts receivable factoring business that raised approximately \$1.7 billion from investors.

- ***In re NexPrise, Inc.*** Representation of lender in connection with section 363 sale of bankruptcy debtor's assets and dispute over amount and priority of lender's claim.
- ***SEC v. Tuco Trading, LLC, et al.*** Representation of equity receiver in SEC action arising out of day trading enterprise with approximately \$10 million held in investor trading accounts.
- ***SEC v. Lincoln Funds International, Inc., et al.*** Representation of equity receiver in SEC action arising out of biotech-oriented hedge fund that raised approximately \$25 million from investors.
- ***In re Blockbuster, Inc.*** Representation of landlord in connection with bankruptcy debtor's assumption and assignment of commercial real property lease to buyer of debtor's assets.
- ***SEC v. 12 Daily Pro, et al.*** Representation of equity receiver in SEC action arising out of Internet-based investment scheme that raised approximately \$550 million from investors located throughout the world.
- ***U.S. Bank v. Ralph Burni, et al.*** Representation of rents and profits receiver in connection with management and sale of shopping center property.
- ***SEC v. Learn Waterhouse, Inc., et al.*** Representation of equity receiver in SEC action arising out of investment scheme that raised approximately \$90 million from investors.



## MATTHEW D. PHAM

ASSOCIATE | LOS ANGELES

### EDUCATION

J.D., *cum laude*, UC Hastings  
College of the Law  
B.S.C., *summa cum laude*, Santa  
Clara University

### SERVICES

Receiverships, Lenders &  
Special Creditor Remedies  
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Matthew is an associate in the Los Angeles office where he is a member of the Receiverships, Lenders & Special Creditor Remedies and the Restructuring, Insolvency & Bankruptcy practice.

Across a range of bankruptcy and insolvency-related proceedings, such as chapter 11 cases, receiverships, assignments for the benefit of creditors, and out-of-court workouts, Matt has represented a variety of constituents, including operating debtors, creditors' committees, secured and unsecured creditors, shopping center landlords, utility companies, and defendants in avoidance actions.

Following law school, Matt served in two clerkships. From 2011 to 2014, he was a rotating law clerk to the Honorable Fredrick E. Clement, W. Richard Lee (retired), and Whitney Rimel (retired) of the U.S. Bankruptcy Court, Eastern District of California. Then, from 2014 to 2015, he clerked for the Honorable Scott H. Yun of the U.S. Bankruptcy Court, Central District of California. Prior to joining Allen Matkins, Matt was in private practice at two mid-sized firms in Southern California.

### MEMBERSHIPS

- California Lawyers Association's Business Law Section, Insolvency Law Committee (current chair of the Constituency, Outreach, and Website Subcommittee)
- Financial Lawyers Conference
- American Bankruptcy Institute

### BAR ADMISSIONS

- California

### COURT ADMISSIONS

- U.S. District Court, Central District of California

- U.S. District Court, Eastern District of California
- U.S. District Court, Northern District of California
- U.S. District Court, Southern District of California



## JAMES ROBICHAUD

ASSOCIATE | LOS ANGELES

### EDUCATION

J.D., USC Gould School of Law  
B.S., *magna cum laude*,  
Susquehanna University

### SERVICES

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James is a bankruptcy associate in the Los Angeles office.

### BAR ADMISSIONS

- California