

1 DAVID R. ZARO (BAR NO. 124334)
E-Mail: dzaro@allenmatkins.com
2 MATTHEW D. PHAM (BAR NO. 287704)
E-Mail: mpham@allenmatkins.com
3 ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
4 865 South Figueroa Street, Suite 2800
Los Angeles, California 90017-2543
5 Phone: (213) 622-5555
Fax: (213) 620-8816

6 EDWARD G. FATES (BAR NO. 227809)
E-Mail: tfates@allenmatkins.com
7 ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
8 One America Plaza
9 600 West Broadway, 27th Floor
San Diego, California 92101-0903
10 Phone: (619) 233-1155
Fax: (619) 233-1158

11 Attorneys for Court-Appointed Receiver
12 KRISTA L. 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. dba
21 WEEDGENICS, ROLF MAX
HIRSCHMANN aka "MAX
22 BERGMANN," PATRICK EARL
WILLIAMS,

23 Defendants, and,

24 WEST COAST DEVELOPMENT LLC,
25 INR CONSULTING LLC (WYOMING
ENTITY), OCEANS 19 INC.,
26 AUTOBAHN PERFORMANCE LLC,
ONE CLICK GENERAL MEDIA INC.,
27 OPUS COLLECTIVE, JOHN ERIC
FRANCOM, INR-CA INVESTMENT
28 HOLDINGS, LLC, MICHAEL
DELGADO. TOTAL SOLUTION

Case No. 8:23-cv-00855-JWH (KES)
**RECEIVER'S SECOND INTERIM
REPORT AND
RECOMMENDATIONS**

1 CONSTRUCTION LLC, BAGPIPE
2 HOLDINGS LLC, BAGPIPE
3 MULTIMEDIA LLC, TYLER
4 CAMPBELL, INR CONSULTING LLC
5 (CALIFORNIA ENTITY), HIDDEN
6 SPRINGS HOLDINGS GROUP LLC,
7 and ALEXANDRIA PORTER BOVEE
8 aka "AIA MONTGOMERY",

Relief Defendants.

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

TABLE OF CONTENTS

		<u>Page</u>
1		
2		
3	I. BACKGROUND.....	5
4	II. EXECUTIVE SUMMARY	7
5	III. SUMMARY OF RECEIVER'S ACTIVITIES	9
6	1. Business Operations.....	9
7	2. Funds Recovered to Date	9
8	3. Real Property Assets Identified and Recovered to Date.....	10
9	4. Personal Property Assets Identified and Recovered to Date	11
10	5. Real and Personal Property Insurance	12
11	6. Other Investments and Loans.....	13
12	7. Affiliated Entities	14
13	8. Digital Records	14
14	9. Territorial Jurisdiction Over Receivership Assets	16
15	10. Receipts and Disbursements	16
16	11. Investor Communications	17
17	12. Forensic Accounting	18
18	IV. PRELIMINARY RECOMMENDATIONS.....	18
19	1. Document Recovery Efforts	18
20	2. Receivership Asset Recovery Efforts and Investigation	19
21	3. Accounting.....	19
22	V. CONCLUSION	19
23		
24		
25		
26		
27		
28		

TABLE OF AUTHORITIES

Page(s)

Cases

Haile v. Henderson Nat'l Bank,
657 Fed. 2d 816 (6th Cir. 1981) 16

Statutes

28 U.S.C. § 754..... 16

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1 Krista Freitag ("Receiver"), the Court-appointed permanent receiver for
2 Defendant INTEGRATED NATIONAL RESOURCES, INC., DBA
3 WEEDGENICS, And Relief Defendants, WEST COAST DEVELOPMENT LLC,
4 INR CONSULTING LLC (WYOMING ENTITY), OCEANS 19 INC.,
5 AUTOBAHN PERFORMANCE LLC, ONE CLICK GENERAL MEDIA INC.,
6 OPUS COLLECTIVE, INR-CA INVESTMENT HOLDINGS, LLC, TOTAL
7 SOLUTION CONSTRUCTION LLC, BAGPIPE HOLDINGS LLC, BAGPIPE
8 MULTIMEDIA LLC, INR CONSULTING LLC (CALIFORNIA ENTITY), AND
9 HIDDEN SPRINGS HOLDINGS GROUP LLC, and their subsidiaries and affiliates
10 (collectively the "Receivership Entities" or individually, a "Receivership Entity")
11 hereby submits this Second Interim Report and Recommendations ("Second Interim
12 Report").

13 **I. BACKGROUND**

14 On May 19, 2023, this Court entered the Temporary Restraining Order and
15 Orders: (1) Freezing Assets; (2) Appointing a Temporary Receiver; (3) Requiring
16 Accountings; (4) Prohibiting the Destruction of Documents; and (5) Granting
17 Expedited Discovery; and Order to Show Cause why a Preliminary Injunction
18 should not be Granted and a Permanent Receiver should not be Appointed. (the
19 "Temporary Restraining Order" or "TRO"). (Dkt. 17).

20 Subsequently, the Court entered Preliminary Injunction Orders as follows:

21 1. June 2, 2023 - as to Defendants Integrated National Resources Inc. dba
22 WeedGenics ("INR"), Rolf Max Hirschmann aka "Max Bergmann" ("Hirschmann"),
23 and Patrick Earl Williams ("Williams") (collectively, "Defendants"), and various
24 Relief Defendants, including West Coast Development LLC ("WCD"), INR
25 Consulting LLC (Wyoming Entity) ("INR Consulting/Williams"), Oceans 19 Inc.
26 ("Oceans 19"), Autobahn Performance LLC ("Autobahn"), One Click General
27 Media Inc. ("One Click"), and Opus Collective ("Opus"). Dkt. 33. This order made
28 the receivership permanent as to the listed entities.

1 2. June 9, 2023 – as to Relief Defendants Michael Delgado, Total
2 Solution Construction LLC ("TSC"), Bagpipe Holdings LLC ("Bagpipe Holdings")
3 and Bagpipe Multimedia LLC ("Bagpipe MM"). Dkt. 48. This order made the
4 receivership permanent as to TSC, Bagpipe Holdings, and Bagpipe MM.

5 3. June 9, 2023 – as to Relief Defendants Tyler Campbell, INR
6 Consulting LLC (California Entity) ("INRC"), and Hidden Springs Holdings Group
7 LLC ("Hidden Springs"). (Dkt. 49). This order made the receivership permanent as
8 to INRC and Hidden Springs.

9 4. June 29, 2023 - as to Relief Defendants John Eric Francom and INR-
10 CA Investment Holdings, LLC's ("INR-CA") Joint Stipulated Request for a
11 Preliminary Injunction Order and Orders: (1) Freezing Assets; (2) Appointing a
12 Permanent Receiver; and (3) Prohibiting the Destruction of Documents. (Dkt. 95).
13 This order made the receivership permanent as to INR-CA.

14 5. July 13, 2023 – as to Relief Defendant Alexandria Porter Bovee AKA
15 "Aia Montgomery."

16 On June 29, 2023, the Court issued an Order Approving Stipulation
17 Regarding Limited Modification to Preliminary Injunction Order with Respect to
18 Certain Defendants and Relief Defendants and Orders: (1) Freezing Assets; (2)
19 Appointing A Permanent Receiver; (3) Requiring Accountings; And (4) Prohibiting
20 The Destruction Of Documents ("Hirschmann Stipulation") (Dkt 93). The
21 stipulation allows Defendant Hirschmann to remain in possession of two residential
22 properties located in Boise, Idaho occupied by Hirschmann, his wife, and his father,
23 as well as two vehicles owned by Autobahn. The properties must be vacated and the
24 vehicles turned over to the Receiver no later than September 20, 2023.

25 On July 6, 2023, the Receiver filed her Motion for Order in Aid of
26 Receivership (Dkt. 107), and on July 28, 2023, the Court granted this motion (Dkt.
27 125), which among other things authorizes the Receiver to engage the law firm of
28 Allen Matkins Leck Gamble Mallory & Natsis LLP as her general counsel, to

1 prepare and file interim reports with the Court on a quarterly basis, to provide notice
2 to all investors, creditors and other interested parties via electronic mail and the
3 receivership-specific website – www.INRreceivership.com and grants relief from
4 Local Rule 66-7.

5 This quarterly report covers the Receiver's activities during the second quarter
6 of 2023 (from inception of the receivership on May 19, 2023 through June 30,
7 2023), and also reflects the status of certain assets as of the date of this report, if
8 material activity has occurred between June 30, 2023 and the date of this report.

9 **II. EXECUTIVE SUMMARY**

10 In its Complaint, the Commission alleges that from June 2019 to April 2023,
11 defendants Williams and Hirschman, along with INR have raised approximately
12 \$61.7 million – including over \$22.4 million from November 2022 to April 2023 –
13 from approximately 350 investors nationwide. The Complaint alleges Defendants
14 lied about the existence of, revenue from, and permits associated with INR facilities
15 that supposedly cultivated cannabis in Adelanto, California and Las Vegas, Nevada.
16 The Complaint further alleges that Defendants fraudulently used investor funds to
17 enrich themselves rather than to fund their purported business. To date, no evidence
18 of such cannabis business operations has been located other than virtual offices
19 (e.g., mailbox locations).

20 As previously reported, upon entry of the TRO, the Receiver and her team
21 worked to review as much of the Complaint and evidence submitted by the
22 Commission as possible. Despite repeated requests for meetings and demands for
23 turnover of assets, books and records,¹ the cooperation of the Defendants and Relief
24 Defendants has been very limited. Most of what is known about the Receivership
25 Entities' assets and operations has come from gathering and reviewing records from
26

27 _____
28 ¹ The Receiver, through counsel, sent detailed demands for records, turnover of
assets, etc. to each of the individual defendants and relief defendants' counsel
(numerous times).

1 third parties (including through the issuance of more than a hundred subpoenas). In
2 fact, nearly all information, assets, books and records the Receiver has recovered or
3 obtained in this case is a result of her and her team's subpoena efforts and very
4 specific inquiries (resulting from the Receiver's review of third-party
5 documentation) that she, through counsel, has posed to Defendants and Relief
6 Defendants. In other words, unless the Receiver has identified them first and then
7 demanded turnover thereof, assets have not been voluntarily disclosed and/or turned
8 over to the Receiver. Furthermore, the Receiver has received no responses at all
9 from Defendant Williams or Relief Defendant Delgado. As it relates to digital
10 records and assets (e.g., websites, emails, company phones/computers, and financial
11 books and records), Defendants and Relief Defendants have provided minimal
12 information. Through her own efforts, the Receiver has been able to obtain control
13 over Receivership Entity websites, email accounts (many of which were empty) and
14 limited financial information. The data available from these sources is, for the most
15 part, incomplete, deleted/destroyed or otherwise non-existent.²

16 With limited cooperation and little to no data turned over, the Receiver,
17 through her counsel, has been forced to issue over 135 subpoenas requesting
18 information from third parties related to the Receivership Entities and their
19 investors; this process involves significant time preparing the subpoenas, following
20 up with subpoena recipients to secure document productions and reviewing the
21 productions received. These efforts have not only provided the Receiver with
22 contact information for hundreds of investors, but also have confirmed the existence
23 of and to date, provided for the Receiver's recovery of the following assets:

- 24 • Approximately \$8 million in cash (see Receipts and
25 Disbursements below),

26
27 ² Notably, after the TRO was entered, the smart phone used by Hirschmann was
28 allegedly turned over to a person associated with INR who he allegedly does not
know and the smart phone used by Montgomery was allegedly turned into a
Verizon store and cannot be located.

- 1 • Twelve (12) mostly exotic and luxury vehicles,
- 2 • Six (6) real properties, and
- 3 • Numerous pieces of jewelry and artwork.

4 **III. SUMMARY OF RECEIVER'S ACTIVITIES**

5 **1. Business Operations**

6 Although virtual addresses associated with the Receivership Entities have
7 been identified, no physical cannabis operations or premises operated or owned by
8 the Receivership Entities have been located to date. Moreover, no revenue
9 generated from any cannabis operations has been identified to date. And while the
10 Receiver's work on the Court-ordered forensic accounting has begun, it is very early
11 in the process.

12 As noted in the Receiver's initial report, where possible, change of addresses
13 for the Receivership Entities' virtual addresses have been completed with the United
14 States Postal Service (the USPS does not allow change of addresses for commercial
15 mail receiving agencies – e.g., a UPS Store) to ensure all Entity related mail is
16 forwarded to the Receiver.

17 The Receiver, through counsel, has issued subpoenas on various electronic
18 and accounting related software companies in an attempt to recover organic
19 company related data; however, some of these responses remain pending.

20 **2. Funds Recovered to Date**

21 The Receiver promptly notified each bank and known financial institution
22 identified as having an account associated with the Receivership Entities. Through
23 June 30, 2023, the Receiver recovered over \$6.54 million from bank accounts
24 previously controlled by the defendants. Additionally, the Receiver recovered
25 \$200,000 previously paid by Defendant Williams as a legal retainer and \$30,000
26 previously paid as a deposit by Autobahn for a contemplated vehicle purchase.
27 Various other recovery efforts are ongoing, and the Receiver anticipates continued
28 recoveries in the short term. Notably, since June 30, 2023, approximately \$1.3

1 million of additional cash has been recovered, which includes \$170,000 recovered
2 from Hirschmann's post-TRO sale of a Maserati owned by Autobahn Performance
3 (which funds were transferred to prospective legal counsel for Hirschmann by the
4 buyer before being recovered by the Receiver) and \$1.09 million of funds recovered
5 from Hirschmann after the Receiver discovered that he withdrew the funds after
6 entry of the TRO in the form of cashier's checks drawn from company accounts
7 previously unknown to the Commission.

8 The Receiver, through her counsel, has also subpoenaed all known financial
9 institutions for all account records, which records are necessary for the Receiver to
10 complete an accounting, as ordered by the Court. The Receiver's ongoing
11 accounting work is discussed below.

12 **3. Real Property Assets Identified and Recovered to Date**

13 Upon entry of the TRO, the Receiver promptly began diligent efforts to
14 identify, take possession of and protect the physical assets of the Receivership
15 Entities. The Receiver has confirmed that six (6) real properties (all are residential
16 except for one (1) commercial storage unit, and each property is a part of a
17 homeowner's association) are owned by Autobahn. These properties are in Boise,
18 Idaho, Las Vegas, Nevada, and Fort Lauderdale, Florida.

19 The Receiver has taken possession of three (3) of the real properties, two (2)
20 are subject to the Hirschmann Stipulation noted above and one (1) is purportedly
21 subject to a lease to Loretta Cruz, a woman described by a Hirschmann as a family
22 friend.

23 The three (3) properties of which the Receiver is in possession include a Fort
24 Lauderdale condo,³ a commercial storage unit ("Summersweet") and a townhome
25

26 _____
27 ³ Two computers, along with clothing items and toiletries were noted at this
28 property. The hard drives of both computers were recovered from the machines.
Both hard drives were examined by forensic IT specialists, however it was noted
that one drive was encrypted. The Receiver requested the encryption key for the
drive from Hirschmann.

1 ("Riverpark"), both located in Boise, Idaho. At the time of appointment, renovation
2 of the Riverpark property was nearing completion, and while the Receiver stopped
3 the work upon takeover, upon completing an assessment of the entire contract and
4 the remaining (punchwork) items, she subsequently authorized the construction
5 company to complete the work.

6 In accordance with the Hirschman Stipulation (defined below), two of the
7 Boise properties are currently occupied by Hirschmann ("Hacienda") and his father
8 ("Sultana") until September 20, 2023. According to the construction company that
9 was working on Riverpark, the Hacienda property was also undergoing an extensive
10 remodel. That work has been suspended pending Hirschmann's exit from the
11 property. Through counsel, Hirschmann recently advised the Receiver of an alleged
12 Homeowner's Association ("HOA") violation at the Hacienda property.

13 The property located in Las Vegas ("Gracemoor") is currently occupied by a
14 tenant, as noted above. Hirschmann provided a copy of a purported lease, however
15 it contains various highly unusual and non-market terms. The Receiver is working
16 with counsel to determine next steps to recover possession of the property. The
17 tenant, a woman named Loretta Cruz, has engaged counsel. Additionally, the HOA
18 has notified the Receiver of an alleged violation of the HOA rules related to
19 renovations to the property and the Receiver is currently working with the HOA to
20 gather documentation to gain an understanding of the alleged violation.

21 The Receiver anticipates submitting to the Court a proposed process for the
22 sale of these real properties in the near term. Once the process has been approved,
23 the Receiver will engage brokers, market the properties, and seek Court approval of
24 each proposed sale.

25 **4. Personal Property Assets Identified and Recovered to Date**

26 In addition to the real property, the Receiver noted dozens of vehicle
27 purchases by Receivership Entities or with funds raised from investors. To date, the
28 Receiver has identified 12 vehicles owned by Autobahn, 10 of which have been

1 turned over by Mr. Hirschman and two (2) of which are subject to the Hirschman
2 Stipulation and are anticipated to be recovered on or before September 20, 2023.

3 The Receiver is also aware of numerous vehicles owned by Defendants or
4 Relief Defendants and is investigating the source of funds used to purchase those
5 vehicles. Relief Defendant Campbell has turned over two (2) vehicles to date. The
6 Receiver has also identified and made demand on three (3) luxury SUV's, which
7 were purchased by Autobahn and gifted by Hirschmann to three (3) women located
8 throughout the country.

9 Based on the best information available at this time, the Receiver identified
10 hundreds of thousands of dollars of jewelry purchases. Approximately 13 pieces
11 have been recovered and secured in a safe deposit box to date and efforts to locate
12 and recover additional pieces are ongoing.

13 As part of the Receiver's upcoming motion regarding the proposed real
14 property sale process, she will also present a proposed process for the sale of
15 personal property assets.

16 **5. Real and Personal Property Insurance**

17 As the Receiver quickly identified valuable real and personal properties
18 owned by the Receivership Entities or purchased with investor funds, she quickly
19 sought quotes to provide coverage for the assets in the absence of any insurance
20 information. After reviewing information provided by insurers identified through
21 bank records, the Receiver determined existing policies adequately covered the
22 Hacienda, Summersweet, Riverpark and Gracemoor properties. As the Fort
23 Lauderdale property had recently been purchased prior to the Receiver's
24 appointment, that property was only covered by the condo association's master
25 policy. In the event of a loss, that policy would only cover the rebuild of the
26 exterior structure of the property and would not cover any of the interior. The
27 Receiver bound a policy to cover the interior of the home, it's related personal
28 property and general liability. Further, it was determined that the Sultana property

1 was under-insured as the policy in place was only a renter's policy. The Receiver
2 therefore placed a landlord's policy to cover the property and general liability.

3 After several requests, Defendant Hirschmann provided policy information to
4 show that many of the Autobahn vehicles were insured by State Farm. When the
5 Receiver received notice that some of the policies had an amount due, those
6 amounts were promptly paid to keep the insurance in place. As State Farm was
7 unwilling to provide policy information in a timely manner, the Receiver did place
8 coverage for certain of the uninsured vehicles with Hagerty Insurance. The
9 Receiver also secured a jewelry policy.

10 **6. Other Investments and Loans**

11 After reviewing the banking records and then documents and information
12 produced by the web hosting company in response to her subpoena, the Receiver
13 discovered an operating business owned by Raw Sports, LLC (a Hirschmann
14 controlled entity), which had recently purchased Rari Nutrition ("Rari"). Rari was a
15 nutritional supplements company largely sold through the Amazon.com website, but
16 also through its own website at rarinutrition.com.⁴ Through various subpoenas, the
17 Receiver confirmed that Raw Sports, LLC dba Rari is an existing operating business
18 that Hirschmann purchased through Raw Sports, LLC, just prior to the Receiver's
19 appointment with what appears to be investor funds. After the Receiver obtained
20 this information, Hirschmann agreed to turn control of the company and its
21 operations over to the Receiver. An experienced Amazon.com operations team was
22 operating the virtual storefront, along with existing product. The Receiver is
23 working with the operations team and continues to gather information regarding the
24 business to support its operations (from manufacturing of product inventory to
25 warehouse inventory to insurance) until a path forward to maximize recovery is
26 determined.

27

28 ⁴ No known sales have occurred through the website and the Receiver disabled the
capability for sales on it.

1 While information is limited at this time as to the nature, status and
2 collectability thereof, the Receiver, with the assistance of counsel is working to
3 pursue information on material transfers made to numerous individuals and
4 companies from receivership entities and investor funds, including an alleged
5 cannabis related operation located in Oklahoma.

6 **7. Affiliated Entities**

7 While a dozen or more entities with ties to the Defendants and Relief
8 Defendants have been identified thus far, the Receiver believes the following
9 additional entities should be considered affiliates of the Receivership Entities, and
10 therefore included in the receivership under the PI Orders:

- 11 1. Construction Consulting, LLC
- 12 2. INR Consulting 2023, LLC
- 13 3. INR Media Group, LLC
- 14 4. Luxevale Inc.
- 15 5. Raw Sports LLC
- 16 6. Deutsche Mann Holdings, LLC (an entity used to initially put the
17 condominium located in Fort Lauderdale under contract)

18 Several bank accounts associated with these affiliated entities were secured
19 and funds recovered.

20 **8. Digital Records**

21 Without a physical operation and with very limited cooperation from the
22 Defendants and Relief Defendants, the Receiver has also been working diligently to
23 identify any payments to any companies associated with the Receivership Entities.
24 As part of her effort to identify, obtain, control and preserve the business records
25 associated with the Receivership Entities, with the assistance of counsel, the
26 Receiver has also served various vendors, and other third parties (including the
27 internet service provider, website hosting companies, and other key vendors
28 believed to service the Receivership Entities) with subpoenas and has made a

1 demand that they each preserve all electronic and other documents in their
2 possession, custody or control.

3 Through this process, the Receiver has taken control of six (6) primary
4 domains (ocgm.com, weedgenics.com, inr.green, wcdev.us, xjus.com,
5 rarinutrition.com), nine (9) add-on domains and if applicable, their related email
6 accounts. Control over these accounts allows the Receiver to make a static copy of
7 the websites for archival purposes and re-direct any website traffic to the Receiver's
8 website at www.INRreceivership.com. In addition to website traffic, the domains
9 are also capable of having associated email accounts, e.g. user@inr.green or
10 user@ocgm.com. Thus far, the Receiver noted various instances of the Defendants
11 using those email accounts (e.g. max@ocgm.com, max.bergmann@inr.green,
12 max@xjus.com or aia.montgomery@inr.green), however upon taking control of
13 those domains, the Receiver noted that almost no emails existed in the accounts.
14 Furthermore, the Receiver has discovered that certain of the receivership entity
15 accounts were deleted.

16 The Receiver continues to pursue various avenues for recovering email (e.g.,
17 a subpoena issued to Google). Through discussions with the available Defendants
18 and Relief Defendants, it has been noted that email users were instructed to create a
19 Gmail account to access these email accounts. Once those Gmail accounts were
20 created, the accounts were set up to retrieve the email from the relevant account
21 receivership account. At least one user has claimed that someone deleted all the
22 email from their Gmail account, so they are unable to provide any further detail.

23 Thus far, the Receiver has obtained access to one company social media
24 account and continues to work with the relevant personnel to gain access to others.
25 Additionally, the Receiver has or will issue subpoenas if necessary to take control
26 over those accounts. Once in control, the Receiver will post notices on those
27 accounts directing investors to the Receivership website.

28

9. Territorial Jurisdiction Over Receivership Assets

By filing the Complaint and the TRO with other federal district courts in the United States, the territorial jurisdiction of the Court over receivership assets is extended to such districts. 28 U.S.C. § 754, *see also Haile v. Henderson Nat'l Bank*, 657 Fed. 2d 816, 822 (6th Cir. 1981). Based on information obtained to date, the Receiver has filed the Complaint and TRO in the Eastern District of California, District of Colorado, Southern District of Florida, District of Idaho, District of Nevada, District of South Carolina, Northern District of Texas, and District of Wyoming. As additional information becomes available, the Receiver will file and record the Complaint and the appointment order in applicable districts and counties in conformity with Section 754 and federal law.

10. Receipts and Disbursements

The following reflects the cash activity of the receivership estate for the period from May 19, 2023, through June 30, 2023. A summary of the receipts and disbursements is as follows:

Total Bank Account Balances at takeover	\$6,541,700
Interest Income	\$5,032
Raw Sports Net Operating Revenue	\$17,198
Legal Retainer and Other Funds Returned	\$230,000
TOTAL RECEIPTS	\$6,793,931
Raw Sports Operating Expenses	(\$6,500)
Real Property Related Expenses (e.g., HOA monthly dues, insurance, etc.)	(\$7,253)
Vehicle Expenses (e.g., repossession, transportation, security, insurance)	(\$30,240)
General Receivership Expenses (includes asset search related expenses)	(\$19,480)
TOTAL DISBURSEMENTS	(\$63,473)
CASH BALANCE AT JUNE 30, 2023	\$6,730,458

1 Since June 30, 2023, the Receiver has recovered an additional \$1.3 million in
2 cash, has identified additional opportunities for further recoveries, and will continue
3 to pursue same.

4 **11. Investor Communications**

5 Upon entry of the TRO, the Receiver promptly established a dedicated web
6 page with a link to same on the Receiver's company's website which will be used to
7 provide case information, regular updates, and answers to frequently asked
8 questions to investors. The Internet address for the webpage is
9 www.INRreceivership.com. In addition, the Receiver is maintaining a dedicated e-
10 mail address and telephone line for all inquiries.

11 As previously discussed, a complete investor database was not turned over to
12 the Receiver. As a result, the Receiver promptly posted an initial communication
13 with investors on the receivership website and proceeded to work diligently to
14 identify physical mailing addresses for investors through banking records and to
15 otherwise identify investors through a subpoena to DocuSign – the platform used by
16 investors to sign subscription agreements. As a result of these efforts, the Receiver
17 has now been able to send a physical letter to all known investors for whom
18 addresses were attainable and given the DocuSign production, the Receiver also
19 believes she should have email addresses used by all investors who signed
20 subscription agreements. However, even with this list of investors, until the
21 Receiver completes a forensic accounting and a claims process, it is possible that the
22 complete list of investors (and creditors) will remain unknown.

23 The Receiver has also been working to identify any payments to accounting
24 software, customer relationship manager (CRM) entities, or similar types of
25 programs. To date, only one such vendor has been identified and a subpoena for
26 records was issued, response to which has not yet been received.

27
28

1 **12. Forensic Accounting**

2 While the Receiver's work on the Court-ordered forensic accounting has
3 begun, it is very early in the process. To date, the Receiver has not seen any
4 material transactions incurred by the Receivership Entities which are associated with
5 revenue generating cannabis operations, but has seen *material* amounts of credit
6 card payments, payments to numerous (unexplained) non-investor individuals and
7 entities (mentioned above), payments to investors, cash withdrawals, real and
8 personal property purchases (discussed above), real property
9 renovation/improvement related expenses, and other personal affect-type
10 transactions.

11 Given that no accounting system or data for the companies has been located
12 or turned over by any of the Defendants or Relief Defendants, the Receiver, through
13 her counsel, has issued numerous subpoenas to gather banking records (as discussed
14 above) and is using a project-specific and cost-effective AI software to upload the
15 tens of thousands of banking transactions into a database. This software will save
16 considerable time and expense and shorten the period of time required to complete
17 the accounting, which in some complex cases can take many months or even years
18 (depending on the number of bank accounts and volume of transactions).

19 **IV. PRELIMINARY RECOMMENDATIONS**

20 The Receiver's efforts to marshal and recover assets and relevant
21 Receivership Entity documents and records are in their early stages and are ongoing.
22 In the near term, the Receiver and her professionals make the following
23 recommendations.

24 **1. Document Recovery Efforts**

25 The Receiver will continue to obtain records from all available sources
26 identified and associated with the Receivership Entities, including all financial
27 institutions where the Receivership Entities maintained accounts, as well as from
28 attorneys and accountants engaged by the Receivership Entities.

1 **2. Receivership Asset Recovery Efforts and Investigation**

2 The Receiver will seek to locate any presently unaccounted for receivership
3 assets that may exist. As part of her investigation, the Receiver will evaluate claims
4 to pursue recovery of assets of the Receivership Entities from third parties. The
5 Receiver will seek Court approval before pursuing any such claims.

6 **3. Accounting**

7 The Receiver will proceed with an accounting to establish, among other
8 things, identification of all assets not already identified, the identification of
9 investors and the money in-money out account balances associated with the
10 investors identified.

11 **V. CONCLUSION**

12 Based upon the Receiver's preliminary investigation and findings, the
13 Receiver recommends and requests that the Court order the Receiver to continue her
14 work pursuant to the orders issued by the Court. The Receiver also requests the
15 Court authorize her continuing investigation and approve this second report and
16 recommendations.

17
18 Dated: August 23, 2023

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

By: /s/Edward G. Fates

EDWARD G. FATES
Attorneys for Court-Appointed
Receiver KRISTA L. FREITAG