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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  
COMMISSION,

17 Plaintiff,

18 vs.

19 INTEGRATED NATIONAL  
20 RESOURCES, INC. dba  
WEEDGENICS, ROLF MAX  
21 HIRSCHMANN aka "MAX  
BERGMANN," PATRICK EARL  
22 WILLIAMS,

23 Defendants, and

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

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

**MEMORANDUM OF POINTS AND  
AUTHORITIES IN SUPPORT OF  
RECEIVER'S MOTION FOR  
(A) APPROVAL OF SALE OF REAL  
PROPERTY LOCATED AT 9641  
W. SULTANA DRIVE, GARDEN  
CITY, IDAHO; (B) AUTHORITY TO  
PAY BROKER'S COMMISSION**

Date: August 30, 2024  
Time: 9:00 a.m.  
Ctrm: 9D  
Judge: Hon. John W. Holcomb

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

5 Relief Defendants.

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1 Krista L. Freitag (“Receiver”), the Court-appointed permanent receiver for  
2 Defendant Integrated National Resources, Inc., dba Weedgenics, and Relief  
3 Defendants West Coast Development LLC, INR Consulting LLC (Wyoming  
4 Entity), Oceans 19 Inc., Autobahn Performance LLC, One Click General Media  
5 Inc., Opus Collective, INR-CA Investment Holdings, LLC, Total Solution  
6 Construction LLC, Bagpipe Holdings LLC, Bagpipe Multimedia LLC, INR  
7 Consulting LLC (California Entity), and Hidden Springs Holdings Group LLC, and  
8 their subsidiaries and affiliates (collectively the “Receivership Entities”), submits  
9 this Memorandum of Points and Authorities in Support of her concurrently-filed  
10 Motion for (A) Approval of Sale of Real Property Located at 9641 W. Sultana  
11 Drive, Garden City, Idaho; and (B) Authority to Pay Broker’s Commission  
12 (“Motion”).

13 **I. BACKGROUND FACTS**

14 As reflected on Exhibit A to the Receiver’s Fifth Interim Report and  
15 Recommendations (Dkt. 233), the receivership estate includes six real properties.  
16 The properties include a townhome/condominium located at 9641 W. Sultana Drive,  
17 Garden City, Idaho (“Sultana Property”). The Sultana Property has two bedrooms  
18 and two bathrooms, and was purchased by Receivership Entity Autobahn  
19 Performance LLC (“Autobahn”). The Sultana Property was purchased in July 2022  
20 by Autobahn for \$725,000. Freitag Decl., ¶ 2.

21 Upon her appointment, the Receiver and her staff performed an analysis of  
22 the value of the Sultana Property, including a review of automated valuation scores  
23 for the property and commissioned an appraisal of the property. The appraised  
24 value of the property as of May 17, 2024 was \$710,000. The Receiver and her staff  
25 also consulted with multiple licensed brokers about the value of the property and  
26 terms of a potential listing agreement. Ultimately, the Receiver selected eXp  
27 Realty, LLC (“Broker”) and had the Sultana Property listed for sale at \$724,900 on  
28 June 4, 2024. Freitag Decl., ¶ 3.

1 The Sultana Property was listed on the local MLS, which syndicates  
2 information on all major real estate platforms including Zillow, Redfin, and  
3 Realtor.com. Following the listing, Broker advised there were a few showings, but  
4 no offers. A full price offer was then received on July 5, 2024. The Receiver,  
5 through Broker, sent a counteroffer to clarify receivership specific terms, including  
6 the as-is nature of the sale, and the overbid/auction process. The Receiver  
7 ultimately finalized an offer from Bonita K. McGonagill (“Buyer”) in the amount of  
8 \$725,000. Through Broker, the prospective purchasers who showed interest in the  
9 property have been invited to participate in the overbid/auction process discussed  
10 below. The MLS listing has also been updated to seek overbidders. Freitag Decl.,  
11 ¶ 4.

## 12 II. PROPOSED SALE

13 The key terms of the proposed RE-21 Real Estate Purchase and Sale  
14 Agreement, including Addendum thereto (“Agreement”), a copy of which is  
15 attached to the Freitag Declaration as Exhibit A, are summarized as follows:

16 **Overbid and Court Approval.** The sale is subject to qualified overbids  
17 pursuant to the public sale process laid out below.

18 **Purchase Price.** The purchase price is \$725,000, which is being paid in cash.

19 **Deposit.** Buyer has deposited \$7,250 into escrow.

20 **Closing Date.** Closing shall occur within 10 days of entry of the Court order  
21 approving the sale.

22 **Broker’s Commission.** Pursuant to the listing agreement, Broker is to be  
23 paid a commission of 4% of the gross sales price, which is to be split evenly with  
24 Buyer’s broker. In the proposed sale, the total commission would be \$29,000.

## 25 III. LEGAL STANDARD

26 “The power of a district court to impose a receivership or grant other forms of  
27 ancillary relief does not in the first instance depend on a statutory grant of power  
28 from the securities laws. Rather, the authority derives from the inherent power of a

1 court of equity to fashion effective relief.” *SEC v. Wencke*, 622 F.2d 1363, 1369  
2 (9th Cir. 1980). The “primary purpose of equity receiverships is to promote orderly  
3 and efficient administration of the estate by the district court for the benefit of  
4 creditors.” *SEC v. Hardy*, 803 F.2d 1034, 1038 (9th Cir 1986). As the appointment  
5 of a receiver is authorized by the broad equitable powers of the court, any  
6 distribution of assets must also be done equitably and fairly. *See SEC v. Elliot*,  
7 953 F.2d 1560, 1569 (11th Cir. 1992).

8 District courts have the broad power of a court of equity to determine the  
9 appropriate action in the administration and supervision of an equity receivership.  
10 *See SEC v. Capital Consultants, LLC*, 397 F.3d 733, 738 (9th Cir. 2005). The Ninth  
11 Circuit explained:

12 A district court’s power to supervise an equity  
13 receivership and to determine the appropriate action to be  
14 taken in the administration of the receivership is extremely  
15 broad. The district court has broad powers and wide  
16 discretion to determine the appropriate relief in an equity  
17 receivership. The basis for this broad deference to the  
18 district court’s supervisory role in equity receiverships  
19 arises out of the fact that most receiverships involve  
20 multiple parties and complex transactions. A district  
21 court’s decision concerning the supervision of an equitable  
22 receivership is reviewed for abuse of discretion.

18 *Id.* (citations omitted); *see also CFTC. v. Topworth Int’l, Ltd.*, 205 F.3d 1107, 1115  
19 (9th Cir. 1999) (“This court affords ‘broad deference’ to the court’s supervisory  
20 role, and ‘we generally uphold reasonable procedures instituted by the district court  
21 that serve th[e] purpose’ of orderly and efficient administration of the receivership  
22 for the benefit of creditors.”). Accordingly, the Court has broad discretion in the  
23 administration of the receivership estate and the disposition of receivership assets.

24 **A. The Court’s Authority to Approve Sale**

25 It is widely accepted that a court of equity having custody and control of  
26 property has power to order a sale of the same in its discretion. *See, e.g., SEC v.*  
27 *Elliott*, 953 F.2d 1560, 1566 (11th Cir. 1992) (the District Court has broad powers  
28 and wide discretion to determine relief in an equity receivership). “The power of

1 sale necessarily follows the power to take possession and control of and to preserve  
2 property.” See *SEC v. American Capital Invest., Inc.*, 98 F.3d 1133, 1144 (9th Cir.  
3 1996), *cert. denied* 520 U.S. 1185 (decision abrogated on other grounds) (*citing*  
4 2 Ralph Ewing Clark, Treatise on Law & Practice of Receivers § 482 (3d ed. 1992)  
5 (*citing* *First Nat’l Bank v. Shedd*, 121 U.S. 74, 87 (1887)). “When a court of equity  
6 orders property in its custody to be sold, the court itself as vendor confirms the title  
7 in the purchaser.” 2 Ralph Ewing Clark, Treatise on Law & Practice of  
8 Receivers § 487 (3d ed. 1992).

9 “A court of equity, under proper circumstances, has the power to order a  
10 receiver to sell property free and clear of all encumbrances.” *Miners’ Bank of*  
11 *Wilkes-Barre v. Acker*, 66 F.2d 850, 853 (2d Cir. 1933). See also, 2 Ralph Ewing  
12 Clark, Treatise on Law & Practice of Receivers § 500 (3d ed. 1992). To that end, a  
13 federal court is not limited or deprived of any of its equity powers by state statute.  
14 *Beet Growers Sugar Co. v. Columbia Trust Co.*, 3 F.2d 755, 757 (9th Cir. 1925)  
15 (state statute allowing time to redeem property after a foreclosure sale not applicable  
16 in a receivership sale).

17 Generally, when a court-appointed receiver is involved, the receiver, as agent  
18 for the court, should conduct the sale of the receivership property. *Blakely Airport*  
19 *Joint Venture II v. Federal Sav. and Loan Ins. Corp.*, 678 F. Supp. 154, 156  
20 (N.D. Tex. 1988). The receiver’s sale conveys “good” equitable title enforced by an  
21 injunction against the owner and against parties to the suit. See 2 Ralph Ewing  
22 Clark, Treatise on Law & Practice of Receivers §§ 342, 344, 482(a), 487, 489, 491  
23 (3d ed. 1992). “In authorizing the sale of property by receivers, courts of equity are  
24 vested with broad discretion as to price and terms.” *Gockstetter v. Williams*, 9 F.2d  
25 354, 357 (9th Cir. 1925).

26 **B. 28 U.S.C. § 2001**

27 Specific requirements are imposed by 28 U.S.C. § 2001 for public sales of  
28 real property under subsection (a) and specific requirements for private sales of real

1 property under subsection (b). Although both involve significant cost and delay, the  
2 cost and delay of a public sale are significantly less than those for a private sale.  
3 *SEC v. Goldfarb*, 2013 U.S. Dist. LEXIS 118942, at \*5 (N.D. Cal. 2013)  
4 (“Section 2001 sets out two possible courses of action: (1) property may be sold in  
5 public sale; or (2) property may be sold in a private sale, provided that three separate  
6 appraisals have been conducted, the terms are published in a circulated newspaper  
7 ten days prior to sale, and the sale price is no less than two-thirds of the valued  
8 price.”). Therefore, by proceeding under Section 2001(a), the receivership estate  
9 can avoid the significant costs and delay of (a) the Court having to appoint three  
10 disinterested appraisers, and (b) obtaining three appraisals from such appraisers.

11 The requirements of a public sale under Section 2001(a) are that notice of the  
12 sale be published as proscribed by Section 2002 and a public auction be held at the  
13 courthouse “as the court directs.” 28 U.S.C. § 2001(a); *SEC v. Capital Cove*  
14 *Bancorp LLC*, 2015 U.S. Dist. LEXIS 174856, at \*13 (C.D. Cal. 2015); *SEC v.*  
15 *Kirkland*, 2007 U.S. Dist. LEXIS 45353, at \*5 (M.D. Fla. 2007). In terms of  
16 publication of notice, Section 2002 provides:

17 A public sale of realty or interest therein under any order,  
18 judgment or decree of any court of the United States shall  
19 not be made without notice published once a week for at  
20 least four weeks prior to the sale in at least one newspaper  
regularly issued and of general circulation in the county,  
state, or judicial district of the United States wherein the  
realty is situated.

21 If such realty is situated in more than one county, state,  
22 district or circuit, such notice shall be published in one or  
23 more of the counties, states, or districts wherein it is  
24 situated, as the court directs. The notice shall be  
25 substantially in such form and contain such description of  
the property by reference or otherwise as the court  
approves. The court may direct that the publication be  
made in other newspapers.

26 This section shall not apply to sales and proceedings under  
27 Title 11 or by receivers or conservators of banks appointed  
28 by the Comptroller of the Currency.

1 The notice of sale is sufficient if it describes the property and the time, place,  
2 and terms of sale. *Breeding Motor Freight Lines, Inc. v. Reconstruction Finance*  
3 *Corp.*, 172 F.2d 416, 422 (10th Cir. 1949). The Court may limit the auction to  
4 qualified bidders, who “(i) submit to the Receiver . . . in writing a bona fide and  
5 binding offer to purchase the [property]; and (ii) demonstrate . . ., to the satisfaction  
6 of the Receiver, that it has the current ability to consummate the purchase of the  
7 [property] per the agreed terms.” *Regions Bank v. Egyptian Concrete Co.*,  
8 2009 U.S. Dist. LEXIS 111381, at \*8 (E.D. Mo. 2009).

9 **IV. DISCUSSION**

10 The Receiver believes the proposed sale to Buyer pursuant to the Agreement  
11 is in the best interests of the estate. The Sultana Property was listed on the MLS  
12 with a licensed broker and shown to all interested parties. The property was on the  
13 market for a little over a month, an offer was received, terms negotiated, and the  
14 Agreement signed. The Receiver has found no evidence that the proposed sale is  
15 anything other than an ordinary arm’s length transaction. The purchase price is fair  
16 and reasonable, it exceeds the automated values, broker opinions of value and the  
17 appraisal commissioned, and matches what the property was purchased for in 2022.  
18 Freitag Decl., ¶ 5.

19 Moreover, the proposed sale is subject to overbid to further ensure the highest  
20 and best price is obtained. The Receiver proposes to conduct a public auction  
21 consistent with the requirements of Section 2001(a). Specifically, the Receiver will  
22 publish the following notice of the sale once a week for four weeks in the Idaho  
23 Statesman, a newspaper of general circulation in Ada County:

24 In the action pending in U.S. District Court for the Central  
25 District of California, Case No. 23-CV-00855-JWH  
(KES), *Securities and Exchange Commission v. Integrated*  
26 *National Resources, Inc. dba Weedgenics, et al.*, notice is  
27 hereby given that the court-appointed receiver will  
28 conduct a public auction for the real property located at  
9641 W. Sultana Drive in Ada County, Idaho. Sale is  
subject to Court confirmation after the auction is held.  
Minimum bid price is at least \$735,000. The auction will  
take place on August 16, 2024, at 1:30 p.m. To be



1 allowed to participate in the auction, prospective  
2 purchasers must meet certain bid qualification  
3 requirements, including submitting a signed purchase and  
4 sale agreement, an earnest money deposit of \$7,500, and  
5 proof of funds. All bidders must be qualified by 5:00 p.m.  
6 pacific time on August 12, 2024, by submitting the  
7 required materials to the receiver at 501 West Broadway,  
8 Suite 290, San Diego, California, 92101. If interested in  
9 qualifying as a bidder, please contact Geno Rodriguez at  
10 (619) 567-7223 ext. 102 or  
11 [grodriguez@ethreadvisors.com](mailto:grodriguez@ethreadvisors.com).

12 In order to conduct an orderly auction and provide sufficient time for the  
13 publication of notices discussed above, the Receiver will require bidders to complete  
14 the above steps by August 12, 2024 (“Bid Qualification Deadline”) and conduct the  
15 live public auction on August 16, 2024.

16 The Receiver, through Broker, will inform all interested persons of the  
17 opportunity to overbid at the public auction, provided they qualify themselves to bid  
18 by the Bid Qualification Deadline by (a) signing a purchase and sale agreement for  
19 the properties on the same terms and conditions as Buyer, but with a purchase price  
20 of at least \$735,000, (b) providing the Receiver with an earnest money deposit of  
21 \$7,500, and (c) providing proof of funds necessary to close the sale transaction in  
22 the form of a current bank statement, cashier’s check delivered to the Receiver, or  
23 other evidence deemed sufficient by the Receiver.

24 In the event one or more prospective purchasers qualify themselves to bid, the  
25 auction will be conducted by the Receiver as noted above and bids will be allowed  
26 in increments of at least \$1,000. The Receiver will then file a notice advising the  
27 Court of the result of the auction (*i.e.*, the highest bid) and seek entry of an order  
28 confirming the sale. Earnest money deposits provided by bidders who are not the  
highest or second highest bidder will be promptly returned to them. In the event no  
prospective purchasers qualify themselves to bid by the Bid Qualification Deadline,  
the Receiver will notify the Court and seek entry of an order approving the sale to  
Buyer.

1 With respect to Broker’s commission, Broker appears to have broadly  
2 marketed the Sultana Property for sale, to include its posting on the MLS and its  
3 own website. The listing agreement is standard for the local area and the  
4 commission offered is consistent with the lower range of industry standards for  
5 commissions paid to brokers for sales of residential properties. In negotiating the  
6 commission rate, the Receiver considered a recently announced settlement that the  
7 National Association of Realtors entered with the Department of Justice to resolve  
8 ongoing litigation. This agreement is not expected to go into effect until  
9 August 2024; however, the settlement helped the Receiver negotiate a commission  
10 on the lower range of industry standards. Accordingly, the Receiver requests  
11 authorization to pay Broker the commission amount in accordance with the listing  
12 agreement. Freitag Decl., ¶ 6.

13 **V. CONCLUSION**

14 For the reasons discussed above, the Receiver requests (a) approval of the sale  
15 of the Sultana Property to Buyer pursuant to the Agreement attached to the Freitag  
16 Declaration as Exhibit A, and (b) authority to take all steps necessary to close the  
17 sale, and (c) authority to pay Broker’s commission as described above.

18  
19 Dated: July 25, 2024

ALLEN MATKINS LECK GAMBLE  
MALLORY & NATSIS LLP

By:           /s/Edward G. Fates          

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

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