

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
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 2158 E.
SUMMERSWEET, BUILDING 3,
UNIT 101, BOISE, IDAHO;
(B) AUTHORITY TO PAY
BROKER'S COMMISSION**

Date: February 14, 2025
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 2158 E. Summersweet,
11 Building 3, Unit 101, Boise, Idaho; and (B) Authority to Pay Broker’s Commission
12 (“Motion”).

13 **I. BACKGROUND FACTS**

14 The receivership estate real properties include a condominium storage unit
15 located at 2158 E. Summersweet, Building 3, Unit 101, Boise, Idaho
16 (“Summersweet Property”). The Summersweet Property was purchased in February
17 2023 by Autobahn Performance LLC for \$240,000. Shortly after her appointment, a
18 member of the Receiver’s staff visited the Summersweet Property and located a
19 McLaren 620R luxury automobile, as well as a full-size metal car sculpture stored at
20 the Summersweet Property. Both items have since been removed and subsequently
21 sold. Freitag Decl., ¶ 2.

22 The Summersweet Property is somewhat rare in that it is zoned as a
23 commercial property for storage but is not used for a business of any kind. The
24 Receiver’s team spoke to several brokers in Boise who sell residential property, but
25 they were unwilling to take on the listing because of the commercial zoning. The
26 Receiver ultimately engaged TOK Commercial, a well-regarded, licensed broker of
27 commercial property in Idaho (“Broker”). The property was listed for sale on Crexi
28 (a widely used listing service for commercial property) and on Broker’s website in

1 May 2024 with a list price of \$250,000. To encourage offers, the listing price was
2 periodically reduced to match local market pricing, as recommended by the listing
3 broker. Freitag Decl., ¶ 3.

4 The Summersweet Property was shown to several interested parties and two
5 written offers were received. The Receiver was unable to agree on a purchase price
6 with the first offer, however, the Receiver, through Broker, negotiated terms and
7 signed a Real Estate Purchase Agreement with buyer Bryan Warnock (“Buyer”).
8 The proposed purchase price of \$205,000 is consistent with comparable sales in the
9 area, which sales data was provided by Broker. Buyer is concerned about the length
10 of time associated with a Court-approved sale and insisted on an outside date for
11 Court approval of April 1, 2025. If Court approval has not been obtained by that
12 date, Buyer will have the option to terminate the sale without penalty. Freitag
13 Decl., ¶ 4.

14 Through Broker, the prospective purchasers who showed interest in the
15 property have been invited to participate in the overbid/auction process discussed
16 below. The Crexi listing has also been updated to seek overbidders. Freitag
17 Decl., ¶ 5.

18 **II. PROPOSED SALE**

19 The key terms of the proposed Real Estate Purchase Agreement, including
20 Counter Offer #1, First Amendment to Purchase and Sale Agreement, Second
21 Amendment to Purchase and Sale Agreement and the Addendum to Real Estate
22 Purchase Agreement (collectively, the “Agreement”), a copy of which is attached to
23 the Freitag Declaration as Exhibit A, are summarized as follows:

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

26 **Purchase Price.** The purchase price is \$205,000, which amount will be paid
27 in cash.

28

1 *Id.* (citations omitted); *see also* *CFTC. v. Topworth Int’l, Ltd.*, 205 F.3d 1107, 1115
2 (9th Cir. 1999) (“This court affords ‘broad deference’ to the court’s supervisory
3 role, and ‘we generally uphold reasonable procedures instituted by the district court
4 that serve th[e] purpose’ of orderly and efficient administration of the receivership
5 for the benefit of creditors.”). Accordingly, the Court has broad discretion in the
6 administration of the receivership estate and the disposition of receivership assets.

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

8 It is widely accepted that a court of equity having custody and control of
9 property has power to order a sale of the same in its discretion. *See, e.g., SEC v.*
10 *Elliott*, 953 F.2d 1560, 1566 (11th Cir. 1992) (the District Court has broad powers
11 and wide discretion to determine relief in an equity receivership). “The power of
12 sale necessarily follows the power to take possession and control of and to preserve
13 property.” *See SEC v. American Capital Invest., Inc.*, 98 F.3d 1133, 1144 (9th Cir.
14 1996), *cert. denied* 520 U.S. 1185 (decision abrogated on other grounds) (*citing*
15 2 Ralph Ewing Clark, Treatise on Law & Practice of Receivers § 482 (3d ed. 1992)
16 (*citing First Nat’l Bank v. Shedd*, 121 U.S. 74, 87 (1887)). “When a court of equity
17 orders property in its custody to be sold, the court itself as vendor confirms the title
18 in the purchaser.” 2 Ralph Ewing Clark, Treatise on Law & Practice of
19 Receivers § 487 (3d ed. 1992).

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

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1 Generally, when a court-appointed receiver is involved, the receiver, as agent
2 for the court, should conduct the sale of the receivership property. *Blakely Airport*
3 *Joint Venture II v. Federal Sav. and Loan Ins. Corp.*, 678 F. Supp. 154, 156
4 (N.D. Tex. 1988). The receiver’s sale conveys “good” equitable title enforced by an
5 injunction against the owner and against parties to the suit. *See* 2 Ralph Ewing
6 Clark, Treatise on Law & Practice of Receivers §§ 342, 344, 482(a), 487, 489, 491
7 (3d ed. 1992). “In authorizing the sale of property by receivers, courts of equity are
8 vested with broad discretion as to price and terms.” *Gockstetter v. Williams*, 9 F.2d
9 354, 357 (9th Cir. 1925).

10 **B. 28 U.S.C. § 2001**

11 Specific requirements are imposed by 28 U.S.C. § 2001 for public sales of
12 real property under subsection (a) and specific requirements for private sales of real
13 property under subsection (b). Although both involve significant cost and delay, the
14 cost and delay of a public sale are significantly less than those for a private sale.
15 *SEC v. Goldfarb*, 2013 U.S. Dist. LEXIS 118942, at *5 (N.D. Cal. 2013)
16 (“Section 2001 sets out two possible courses of action: (1) property may be sold in
17 public sale; or (2) property may be sold in a private sale, provided that three separate
18 appraisals have been conducted, the terms are published in a circulated newspaper
19 ten days prior to sale, and the sale price is no less than two-thirds of the valued
20 price.”). Therefore, by proceeding under Section 2001(a), the receivership estate
21 can avoid the significant costs and delay of (a) the Court having to appoint three
22 disinterested appraisers, and (b) obtaining three appraisals from such appraisers.

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

1 A public sale of realty or interest therein under any order,
2 judgment or decree of any court of the United States shall
3 not be made without notice published once a week for at
4 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.

5 If such realty is situated in more than one county, state,
6 district or circuit, such notice shall be published in one or
7 more of the counties, states, or districts wherein it is
8 situated, as the court directs. The notice shall be
9 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.

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

12 The notice of sale is sufficient if it describes the property and the time, place,
13 and terms of sale. *Breeding Motor Freight Lines, Inc. v. Reconstruction Finance*
14 *Corp.*, 172 F.2d 416, 422 (10th Cir. 1949). The Court may limit the auction to
15 qualified bidders, who “(i) submit to the Receiver . . . in writing a bona fide and
16 binding offer to purchase the [property]; and (ii) demonstrate . . ., to the satisfaction
17 of the Receiver, that it has the current ability to consummate the purchase of the
18 [property] per the agreed terms.” *Regions Bank v. Egyptian Concrete Co.*,
19 2009 U.S. Dist. LEXIS 111381, at *8 (E.D. Mo. 2009).

20 **IV. DISCUSSION**

21 The Receiver believes the proposed sale to Buyer pursuant to the Agreement
22 is in the best interests of the estate. The Summersweet Property was listed on Crexi
23 with a licensed broker and shown to all interested parties. The property was on the
24 market for seven months, the price was periodically dropped, two offers were
25 received, terms negotiated, and the Agreement signed. The Receiver has found no
26 evidence that the proposed sale is anything other than an ordinary arm’s length
27 transaction. The purchase price is fair and reasonable, and consistent with recent
28 comparable sales in the area. Freitag Decl., ¶ 6.

1 Moreover, the proposed sale is subject to overbid to further ensure the highest
2 and best price is obtained. The Receiver proposes to conduct a public auction
3 consistent with the requirements of Sections 2001(a) and 2002. Specifically, the
4 Receiver will publish the following notice of the sale once a week for four weeks in
5 the Idaho Statesman, a newspaper of general circulation in Ada County:

6 In the action pending in U.S. District Court for the Central
7 District of California, Case No. 23-CV-00855-JWH
8 (KES), *Securities and Exchange Commission v. Integrated*
9 *National Resources, Inc. dba Weedgenics, et al.*, notice is
10 hereby given that the court-appointed receiver will
11 conduct a public auction for the real property located at
12 2158 E. Summersweet, Building 3, Unit 101 in Ada
13 County, Idaho. Sale is subject to Court confirmation after
14 the auction is held. Minimum bid price is at least
15 \$210,000. The auction will take place on February 7,
16 2025, at 1:30 p.m. pacific time. To be allowed to
17 participate in the auction, prospective purchasers must
18 meet certain bid qualification requirements, including
19 submitting a signed purchase and sale agreement, an
20 earnest money deposit of \$5,500, and proof of funds. All
21 bidders must be qualified by 5:00 p.m. pacific time on
22 February 3, 2025, by submitting the required materials to
23 the receiver at 501 West Broadway, Suite 290, San Diego,
24 California, 92101. If interested in qualifying as a bidder,
25 please contact Geno Rodriguez at (619) 567-7223 ext. 102
26 or grodriguez@ethreadvisors.com.

17 In order to conduct an orderly auction and provide sufficient time for the
18 publication of notices discussed above, the Receiver will require bidders to complete
19 the above steps by February 3, 2025, (“Bid Qualification Deadline”) and conduct the
20 live public auction on February 7, 2025.

21 The Receiver, through Broker, is and will continue to inform all interested
22 persons of the opportunity to overbid at the public auction, provided they qualify
23 themselves to bid by the Bid Qualification Deadline by (a) signing a purchase and
24 sale agreement for the properties on the same terms and conditions as Buyer, but
25 with a purchase price of at least \$210,000, (b) providing the Receiver with an
26 earnest money deposit of \$5,500, and (c) providing proof of funds necessary to close
27 the sale transaction in the form of a current bank statement, cashier’s check
28 delivered to the Receiver, or other evidence deemed sufficient by the Receiver.

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

10 With respect to Broker’s commission, Broker appears to have broadly
11 marketed the Summersweet Property for sale, to include its posting on Crexi and its
12 own website. The listing agreement is standard for the local area and the
13 commission offered is consistent with industry standards for commissions paid to
14 brokers for sales of commercial properties. Accordingly, the Receiver requests
15 authorization to pay Broker the commission amount in accordance with the listing
16 agreement. Freitag Decl., ¶ 7.

17 **V. CONCLUSION**

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

22
23 Dated: January 10, 2025

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

24
25 By: /s/Edward G. Fates
26 EDWARD G. FATES
27 Attorneys for Court-Appointed
28 Receiver, KRISTA L. FREITAG