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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 21 ISLE
 OF VENICE DRIVE, #402, FORT
 LAUDERDALE, FLORIDA;
 (B) AUTHORITY TO PAY
 BROKER'S COMMISSION**

Date: March 21, 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 Entity),
4 Oceans 19 Inc., Autobahn Performance LLC, One Click General Media Inc., Opus
5 Collective, INR-CA Investment Holdings, LLC, Total Solution Construction LLC,
6 Bagpipe Holdings LLC, Bagpipe Multimedia LLC, INR Consulting LLC (California
7 Entity), and Hidden Springs Holdings Group LLC, and their subsidiaries and
8 affiliates (collectively the “Receivership Entities”), submits this Memorandum of
9 Points and Authorities in Support of her concurrently-filed Motion for (A) Approval
10 of Sale of Real Property Located at 21 Isle of Venice Drive, #402, Fort Lauderdale,
11 Florida; and (B) Authority to Pay Broker’s Commission (“Motion”).

12 **I. BACKGROUND FACTS**

13 The receivership estate includes a luxury condominium located at 21 Isle of
14 Venice Drive, #402, Fort Lauderdale, Florida (“Isle of Venice Property”). The Isle
15 of Venice Property is approximately 2,531 square feet, has three bedrooms and three
16 bathrooms, is fully furnished, and comes with two reserved parking spaces and a boat
17 slip. The property was purchased in May 2023 by Autobahn Performance LLC for
18 \$2,500,000.¹ Freitag Decl., ¶ 2.

19 The building in which the Isle of Venice Property is located is involved in a
20 homeowner’s association (HOA) construction defect lawsuit that has resulted in two
21 special assessments to the owners. The HOA fees (not including the aforementioned
22 special assessments which pro rata share has been paid in full by Autobahn) are
23 approximately \$2,500 per month. The appraised value of the property as of August
24 2024 was \$2,400,000. Freitag Decl., ¶ 3.

25 The Receiver and her staff consulted with multiple licensed brokers about the
26 value of the property and terms of a potential listing agreement. All suggested a
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28 ¹ The personal property included in the original purchase reflected \$100,000 of the purchase price.

1 listing price generally near the August 2024 appraised valued, however, some of the
2 brokers interviewed for the listing were unwilling to negotiate their commission.
3 Ultimately, the Receiver selected Les Waites of Keyes Company (“Broker”) and had
4 the Isle of Venice Property listed for sale at \$2,495,000 in May 2024. The property
5 was listed on the local MLS, which syndicates information on all major real estate
6 platforms including Zillow, Redfin, and Realtor.com, and Broker also held at least
7 four open houses. Initial interest in the property was limited and, in consultation
8 with Broker, the Receiver periodically lowered the price. Freitag Decl., ¶ 4.

9 In December 2024, the Receiver was notified by Broker that a very similar
10 property in the same building sold for \$1,875,000. An offer for the Isle of Venice
11 Property was then received at \$2,050,000 from Scott Reich (“Buyer”), and the
12 Receiver was able to negotiate the price up to \$2,100,000. The Receiver, through
13 Broker, sent a counteroffer to clarify receivership specific terms, and the
14 overbid/auction process, which the Buyer accepted. Through Broker, the prospective
15 purchasers who showed interest in the property have been invited to participate in the
16 overbid/auction process discussed below. The MLS listing has also been updated to
17 seek overbidders. Freitag Decl., ¶ 5.

18 II. PROPOSED SALE

19 The key terms of the proposed Residential Contract for Sale and Purchase,
20 including Addendum thereto (“Agreement”), a copy of which is attached to the
21 Freitag Declaration as Exhibit A, are summarized as follows:

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

24 **Purchase Price.** The purchase price is \$2,100,000, which amount will be paid
25 in cash.

26 **Deposit.** Buyer has deposited \$210,000 into escrow and such funds have been
27 released to the Receiver.

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

3 **Broker's Commission.** Pursuant to the listing agreement, Broker is to be paid
4 a commission of 4% of the gross sales price, which is to be split evenly with Buyer's
5 broker. In the proposed sale, the total commission would be \$84,000.

6 **III. LEGAL STANDARD**

7 "The power of a district court to impose a receivership or grant other forms of
8 ancillary relief does not in the first instance depend on a statutory grant of power
9 from the securities laws. Rather, the authority derives from the inherent power of a
10 court of equity to fashion effective relief." *SEC v. Wencke*, 622 F.2d 1363, 1369
11 (9th Cir. 1980). The "primary purpose of equity receiverships is to promote orderly
12 and efficient administration of the estate by the district court for the benefit of
13 creditors." *SEC v. Hardy*, 803 F.2d 1034, 1038 (9th Cir 1986). As the appointment
14 of a receiver is authorized by the broad equitable powers of the court, any
15 distribution of assets must also be done equitably and fairly. *See SEC v. Elliot*,
16 953 F.2d 1560, 1569 (11th Cir. 1992).

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

21 A district court's power to supervise an equity receivership
22 and to determine the appropriate action to be taken in the
23 administration of the receivership is extremely broad. The
24 district court has broad powers and wide discretion to
25 determine the appropriate relief in an equity receivership.
26 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. A district court's decision
concerning the supervision of an equitable receivership is
reviewed for abuse of discretion.

27 *Id.* (citations omitted); *see also CFTC. v. Topworth Int'l, Ltd.*, 205 F.3d 1107, 1115
28 (9th Cir. 1999) ("This court affords 'broad deference' to the court's supervisory role,

1 and ‘we generally uphold reasonable procedures instituted by the district court that
2 serve th[e] purpose’ of orderly and efficient administration of the receivership for the
3 benefit of creditors.”). Accordingly, the Court has broad discretion in the
4 administration of the receivership estate and the disposition of receivership assets.

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

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

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

26 Generally, when a court-appointed receiver is involved, the receiver, as agent
27 for the court, should conduct the sale of the receivership property. *Blakely Airport*
28 *Joint Venture II v. Federal Sav. and Loan Ins. Corp.*, 678 F. Supp. 154, 156

1 (N.D. Tex. 1988). The receiver’s sale conveys “good” equitable title enforced by an
2 injunction against the owner and against parties to the suit. *See* 2 Ralph Ewing
3 Clark, Treatise on Law & Practice of Receivers §§ 342, 344, 482(a), 487, 489, 491
4 (3d ed. 1992). “In authorizing the sale of property by receivers, courts of equity are
5 vested with broad discretion as to price and terms.” *Gockstetter v. Williams*, 9 F.2d
6 354, 357 (9th Cir. 1925).

7 **B. 28 U.S.C. § 2001**

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

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

26 A public sale of realty or interest therein under any order,
27 judgment or decree of any court of the United States shall
28 not be made without notice published once a week for at
least four weeks prior to the sale in at least one newspaper
regularly issued and of general circulation in the county,

1 state, or judicial district of the United States wherein the
2 realty is situated.

3 If such realty is situated in more than one county, state,
4 district or circuit, such notice shall be published in one or
5 more of the counties, states, or districts wherein it is
6 situated, as the court directs. The notice shall be
7 substantially in such form and contain such description of
8 the property by reference or otherwise as the court
9 approves. The court may direct that the publication be
10 made in other newspapers.

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

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

22 **IV. DISCUSSION**

23 The Receiver believes the proposed sale to Buyer pursuant to the Agreement is
24 in the best interests of the estate. The Isle of Venice Property was listed on the MLS
25 with a licensed broker, at least four open houses were held, and the property was
26 shown to all interested parties. The property was on the market for approximately
27 nine months. During that time, three offers were received, including the current
28 offer. For each offer, terms were negotiated, however, only the current offer resulted
in a completed Agreement. The Receiver has found no evidence that the proposed
sale is anything other than an ordinary arm’s length transaction. The purchase price
is fair and reasonable and substantially exceeds the recent purchase price for a very
similar unit in the same building. 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 Section 2001(a). Specifically, the Receiver will
4 publish the following notice of the sale once a week for four weeks in the Sun
5 Sentinel, a newspaper of general circulation in Broward County:

6 In the action pending in U.S. District Court for the Central
7 District of California, Case No. 23-CV-00855-JWH (KES),
8 *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 conduct
11 a public auction for the real property located at 21 Isle of
12 Venice Drive, #402 in Broward in Broward County,
13 Florida. Sale is subject to Court confirmation after the
14 auction is held. Minimum bid price is at least \$2,110,000.
15 The auction will take place on March 21, 2025, at 1:30 p.m.
16 pacific time. To be allowed to participate in the auction,
17 prospective purchasers must meet certain bid qualification
18 requirements, including submitting a signed purchase and
19 sale agreement, an earnest money deposit of \$215,000, and
20 proof of funds. All bidders must be qualified by 5:00 p.m.
21 pacific time on March 17, 2025, by submitting the required
22 materials to the receiver at 501 West Broadway, Suite 290,
23 San Diego, California, 92101. If interested in qualifying as
24 a bidder, please contact Geno Rodriguez at (619) 567-7223
25 ext. 102 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 March 17, 2025 (“Bid Qualification Deadline”) and conduct the
20 live public auction on March 21, 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 \$2,110,000, (b) providing the Receiver with an
26 earnest money deposit of \$215,000, and (c) providing proof of funds necessary to
27 close 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 in
3 increments of at least \$1,000. The Receiver will then file a notice advising the Court
4 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 Isle of Venice Property for sale, to include its posting on the MLS and
12 its own website. The listing agreement is typical for the local area and the
13 commission offered is consistent with the lower range of industry standards for
14 commissions paid to brokers for sales of residential properties. In negotiating the
15 commission rate, the Receiver considered a recently enacted settlement that the
16 National Association of Realtors entered with the Department of Justice.
17 Accordingly, the Receiver requests authorization to pay Broker the commission
18 amount in accordance with the listing agreement. Freitag Decl., ¶ 7.

19 **V. CONCLUSION**

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

24
25 Dated: February 20, 2025

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By: /s/Edward G. Fates

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Receiver, KRISTA L. FREITAG