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KRISTA L. FREITAG

UNITED STATE DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

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| SECURITIES AND EXCHANGE COMMISSION,<br><br>Plaintiff,<br><br>vs.<br><br>INTEGRATED NATIONAL RESOURCES, INC. dba WEEDGENICS, ROLF MAX HIRSCHMANN aka "MAX BERGMANN," PATRICK EARL WILLIAMS,<br><br>Defendants, and<br><br>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 | Case No. 8:23-cv-00855-JWH-KES<br><br>**MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF MOTION FOR APPROVAL OF SETTLEMENT WITH MYSTIC ENTITIES AND MIGUEL ROACHO**<br><br>Date: July 10, 2026<br>Time: 9:00 a.m.<br>Ctrm: 9D<br>Judge: Hon. John W. Holcomb |

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.

Krista Freitag (the "Receiver"), receiver for Integrated National Resources, Inc. and related entities ("INR" or the "Receivership Entities"), submits this Memorandum of Points and Authorities in support of her concurrently-filed Motion for Approval of Settlement with Mystic Entities and Miguel Roacho (the "Motion").

## I. INTRODUCTION

The Receiver has reached a settlement of the receivership estate's action against Mystic Holdings, Inc. ("Mystic"), Qualcan LLC ("Qualcan"), New Division LLC ("New Division"), and Jade Sky Pointe LLC ("Jade Sky") (collectively, the "Mystic Entities") and Miguel Roacho ("Roacho") (collectively, the "Parties") that will generate $127,500 for the receivership estate. The settlement amount is far less than the Receiver had hoped to recover. This is due to the fact that the Nevada state court verbally granted summary judgment in favor of the Mystic Entities and Roacho at the first hearing held in the case. The unusually early and surprising grant of summary judgment was as to all claims and all defendants in the case, and was issued despite detailed and compelling evidence submitted by the Receiver from two INR investors who had been on tours of Qualcan's facility in Las Vegas and who were told that the facility was owned and operated by INR.

The Nevada state court's surprising ruling not only put the receivership estate's claims in jeopardy of being permanently barred (absent a successful motion for reconsideration or appeal), but also exposed the receivership estate to a potential award of attorneys' fees in favor of the Mystic Entities and Roacho. For these reasons, although the settlement amount is well less than what was hoped for, the Receiver believes the settlement is in the best interests of the receivership estate.

## II. BACKGROUND FACTS

The Receiver filed a motion seeking authority to pursue certain claims against the Mystic Entities and Roacho on behalf of the receivership estate (the "Motion for Authority"). Dkt. No. 389. The Motion for Authority was granted on

October 20, 2025. Dkt. No. 391. On November 11, 2025, the Receiver filed a Complaint (the "Receiver Complaint") in the Nevada District Court for Clark County (the "Nevada Court") against the Mystic Entities and Roacho.[1] Fates Decl., ¶ 2.

In response to the Receiver Complaint, the Mystic Entities filed a motion for summary judgment, or in the alternative, to dismiss the Receiver Complaint, and a motion for Rule 11 sanctions. Roacho joined both motions. Due to certain scheduling conflicts, the parties stipulated to extend the Receiver's deadline to oppose both motions. Despite the stipulation, the Nevada Court promptly granted the Mystic Entities' motion for summary judgment before the Receiver's opposition was due. The Nevada Court subsequently vacated that order and the Receiver filed oppositions to both motions. Fates Decl., ¶ 3.

On February 3 and February 10, 2026, the Mystic Entities and Roacho made statutory offers of judgment in the amount of $150,000 and $5,000, respectively. The effect of these offers of judgment is to expose the receivership estate to a potential award of attorneys' fees in favor of the Mystic Entities and Roacho if the Receiver declined the offers and failed to secure a judgment in the case in excess of the amounts offered. Fates Decl., ¶ 4. For the reasons laid out in her Motion for Authority (and the Receiver Complaint itself), the Receiver believed the case was likely to result in a judgment or settlement substantially larger than $155,000, and therefore did not accept the statutory offers. Freitag Decl., ¶ 2.

On March 24, 2026, the Nevada Court held a hearing on the Mystic Entities' two motions. During the hearing, the Nevada Court seemed to view the evidence submitted by the Receiver with skepticism. As an example, one of the declarations from an INR investor explained that when the investor arrived at Qualcan's

[1] The Receiver would have filed the Receiver Complaint in this Court were it not for the fact that the Mystic Entities and Roacho would very likely not be subject to personal jurisdiction in California.

cannabis facility (the "Qualcan Facility") with INR principal Rolf Hirschmann, Roacho came out to greet them and Hirschmann introduced Roacho to the investor as Mike Garcia (the fictional CEO of INR). Per the INR investor, Roacho said nothing to correct Hirschmann; in other words, by his actions, Roacho agreed to play the role of the fictional CEO of INR. The Nevada Court's reaction to this evidence was to ask if Roacho had another last name that sounded like Garcia, apparently searching for an innocent explanation for Roacho's conduct. Fates Decl., ¶ 5.

In contrast, when it came to facts that would tend to undercut the receivership estate's claims, the Nevada Court seemed ready to accept such facts, even without supporting evidence. As an example, during the hearing, the Nevada Court asked counsel for the Mystic Entities if his clients displayed their cannabis licenses (held in the name of Qualcan) inside the Qualcan Facility. Counsel stated that they did. The Nevada Court then asked if the font size of the licenses was such that someone walking by them could read them (and therefore know the licenses were held by Qualcan and not INR). Counsel stated that the font size could be read by someone walking by. Although there was no evidence in the record relating to the font size of cannabis licenses displayed within the facility, the Nevada Court apparently accepted counsel's representations and asked no further questions on this subject. Fates Decl., ¶ 6.

Included in the Receiver Complaint were two claims alleging that Qualcan fraudulently transferred its assets – cannabis licenses, cannabis production equipment, and related assets – to other Mystic-affiliated entities (New Division and Jade Sky) for no consideration because Qualcan was facing liability to the receivership estate (essentially making Qualcan judgment-proof). Despite the Mystic Entities acknowledging that these transfers took place but disputing the fraudulent intent behind them, the Nevada Court summarily disregarded these claims on the grounds that New Division and Jade Sky did not receive any money from the receivership entities, which has nothing to do with the fraudulent transfer claims in the Receiver Complaint. Fates Decl., ¶ 7.

At the conclusion of the hearing, the Nevada Court stated that it was "not seeing enough" evidence and would grant summary judgment in favor of the Mystic Entities and Roacho on all claims in the Receiver Complaint, but would do so without prejudice.[2] The Nevada Court also stated that it would deny the motion for Rule 11 sanctions as moot. Fates Decl., ¶ 8.

Although the Receiver strongly disagrees with the Nevada Court's ruling and believes it is erroneous, the options for correcting it – a motion for reconsideration or an appeal – would be time consuming and expensive. And the reality facing the Receiver is that a successful appeal would simply mean that the matter would be remanded back to the same Nevada Court. Moreover, the further the Receiver proceeds with the litigation, the greater the receivership estate's exposure would be to an award of attorneys' fees in favor of the Mystic Entities and Roacho if the Nevada Court's ruling in their favor is affirmed. Fates Decl., ¶ 9.

Accordingly, the Receiver, through counsel, revisited the subject of settlement with the Mystic Entities and Roacho. Subject to Court approval, the Receiver, Mystic Entities, and Roacho have entered into a Settlement Agreement, pursuant to which the Mystic Entities and Roacho shall pay $127,500 to the receivership estate. Fates Decl., ¶ 10. A true and correct of the Settlement Agreement is attached to the Fates Decl. as Exhibit A.

### A. <u>Summary of Settlement Terms</u>

The proposed settlement is subject to and conditioned on approval by the District Court. Within five (5) business days of approval, the Mystic Entities and

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[2] It remains unclear to the Receiver how an award of summary judgment can be *without prejudice*; granting judgment in one party's favor is inherently *with prejudice* to their ability to further pursue those same claims. If not, it is necessarily less than a final judgment.

Roacho shall pay a total of $127,500 to the receivership estate in a single, lump sum payment. The Mystic Entities and Roacho shall be jointly and severally liable for the full $127,500 amount. The settlement includes a standard, full, mutual release of all claims between the parties.

Once Court approval has been obtained and full payment has been made, counsel for the Parties shall execute and the Mystic Entities shall file the Order Granting Motion for Summary Judgment or, Alternatively, to Dismiss and Denying Motion for Rule 11 Sanctions attached to the Settlement Agreement as Exhibit A in the Nevada Court, which fully resolves and closes the Nevada case.

## III. DISCUSSION

### A. Settlement Approval

A federal equity receiver's power to compromise claims is subject to court approval. As noted by the Ninth Circuit Court of Appeals in *SEC v. Hardy*, 803 F.2d 1034, 1037 (9th Cir. 1986), "[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." With regard to settlements entered into by a federal equity receiver, the Court's supervisory role includes reviewing and approving those settlements in light of federal court policy to promote settlements before trial. *See* Fed. R. Civ. P. 16(c), Advisory Committee Notes.

Federal courts of equity may look to bankruptcy law for guidance in the administration of receivership estates. *See SEC v. Capital Consultants, LLC*, 397 F.3d 733, 745 (9th Cir. 2005); *SEC v. Am. Capital Invs., Inc.*, 98 F.3d 1133, 1140 (9th Cir. 1996); *SEC v. Basic Energy & Affiliated Res.*, 273 F.3d 657, 665 (6th Cir. 2001). A bankruptcy court may approve a compromise of claims asserted by or against the estate if the compromise is "fair and equitable." *Woodson v. Fireman's Fund Ins. Co. (In re Woodson)*, 839 F.2d 610, 620 (9th Cir. 1988). The approval of a proposed compromise negotiated by a court-appointed fiduciary "is an exercise of discretion that should not be overturned except in cases of abuse leading to a result that is neither in the best interest of the estate nor fair and equitable for the creditors." *In re MGS Mktg.*, 111 B.R. 264, 266–67 (B.A.P. 9th Cir. 1990).

The Court has great latitude in approving compromises. In passing on the proposed compromise, the Court should consider the following:

a. The probability of success in litigation;

b. The difficulties, if any, to be encountered in the matter of collection;

c. The complexity of the litigation involved and the expense, inconvenience, and delay necessarily attending; and

d. The paramount interest of the creditors and a proper deference to their reasonable views in the premises.

*In re Woodson*, 839 F.2d at 620.

Here, the Receiver continues to believe the receivership estate's claims against the Mystic Entities and Roacho are strong. However, the Nevada Court's surprising adverse ruling granting summary judgment makes the path forward on those claims very challenging and risky. Not only is the likelihood of overcoming the ruling very limited (reconsideration is rarely granted and civil appeals are successful only about 10% to 20% of the time), but the receivership estate would also be exposed to a potential award of attorneys' fees and costs (which amount would continue to grow) incurred by the Mystic Entities and Roacho (in addition to the fees and costs for the Receiver and her counsel) if the ruling is affirmed. Considering all the above, the Receiver believes the settlement, although well less than what was hoped for, is in the best interests of the receivership estate. Freitag Decl., ¶ 3.

## IV. CONCLUSION

For the foregoing reasons, the Receiver requests entry of the proposed order granting the Motion and approving the Settlement Agreement.

Dated: June 9, 2026

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