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**UNITED STATES DISTRICT COURT FOR THE DISTRICT OF UTAH
CENTRAL DIVISION**

UNITED STATES OF AMERICA,

Plaintiff,

v.

RAPOWER-3, LLC; INTERNATIONAL
AUTOMATED SYSTEMS, INC.; LTB1,
LLC; R. GREGORY SHEPARD; NELDON
JOHNSON; and ROGER FREEBORN,

Defendants.

**RECEIVER'S MOTION SEEKING
AUTHORIZATION TO SELL
NEWHALL, CALIFORNIA
CONDOMINIUM FREE AND CLEAR
OF PURPORTED INTERESTS**

Civil No. 2:15-cv-00828-DN-DAO

District Judge David Nuffer

Magistrate Judge Daphne A. Oberg

Pursuant to 28 U.S.C. §§ 2001(b) and the *Corrected Receivership Order* (“Receivership Order”),¹ Court-Appointed Receiver R. Wayne Klein (the “Receiver”) hereby files this motion (the “Motion”) requesting that the Court authorize him to sell by private sale certain real property of the Receivership Estate. A proposed order (“Sale Order”) is submitted herewith and attached hereto as Exhibit A.

¹[Docket No. 491](#), filed November 1, 2018.

I. FACTUAL BACKGROUND

1. On October 31, 2018, the Receivership Estate was created with the entry of the Receivership Order.² Pursuant to the Receivership Order, the Receiver was appointed, and all of the Receivership Defendants' assets were placed in the Receiver's control.³

2. The Court has directed and authorized the Receiver to do, among other things, the following:

- “[D]etermine the nature, location and value of all property interests of each of the Receivership Defendants”⁴
- “To take custody, control and possession of all Receivership Property and records. . . .”⁵
- “To manage, control, operate, and maintain the Receivership Property and hold in his possession, custody, and control all Receivership Property, pending further order of this Court.”⁶
- “[T]o take immediate possession of all real property of the Receivership Defendants”⁷
- “[L]ocate, list for sale or lease, engage a broker to sell or lease, cause the sale or lease, and take all necessary and reasonable actions to cause the sale or lease of all real property in the receivership estate, either at public or private sale, on terms and in the manner the Receiver deems most beneficial to the receivership estate and with due regard to the realization of the true and proper value of such real property.”⁸

²[Docket No. 490](#). The Corrected Receivership Order was filed on November 1, 2018. *See* [Docket No. 491](#).

³*See generally, id.* On May 3, 2019, the Receivership Estate was expanded to include 13 affiliated entities. *See* [Docket No. 636](#).

⁴[Docket No.491](#) at ¶ 13(a).

⁵*Id.* at ¶ 13(b).

⁶*Id.* at ¶ 13(c).

⁷*Id.* at ¶ 20.

⁸*Id.* at ¶ 55.

- “[S]ell and transfer clear title to all real property in the receivership estate,” upon order of the Court “in accordance with such procedures as may be required by this Court and additional authority, such as 28 U.S.C. §§ 2001 and 2002.”⁹

II. REAL PROPERTY TO BE SOLD

Description of Property

3. The Receivership Order identifies and makes numerous real properties owned by Receivership Defendants part of the Receivership Estate.¹⁰

4. Relevant to this Motion is a condominium in Newhall, California (“Property”) recently turned over to the Receivership Estate by Glenda Johnson as a result of the Turnover Order.¹¹ The Property has an address of 18850 Vista Del Canon, Unit G, Newhall, CA 91321, with parcel number 2842-027-174, and also described as follows:

TR=44328 Lot 9 Condo Unit 305.¹²

Appraising the Property

5. On May 13, 2020, the Receiver filed a motion seeking to appoint three appraisers for the Property.¹³ The Court granted the motion and approved the appointments of Anthony Barrett (“Barrett”) of SCV Appraisal Service, Jose Cubas, of JP Cubas Appraisal Services (“Cubas”), and Paul Biddle (“Biddle”) (collectively, “Appraisers”).¹⁴

6. The Appraisers completed and submitted their appraisals of the Property. Barrett appraised the Property at \$375,000 (the “Barrett Appraisal”), attached hereto as Exhibit B, Cubas

⁹*Id.* at ¶ 56.

¹⁰*Id.* at ¶ 20.

¹¹Docket No. 1007, filed September 15, 2020.

¹²*Id.* at ¶ 20(aa). The Receiver has a complete legal description that he can provide to the Court upon request.

¹³Docket No. 922, filed May 13, 2020.

¹⁴Docket No. 963, filed July 13, 2020.

appraised the Property at \$370,000 (the “Cubas Appraisal”), attached hereto as Exhibit C, and Biddle appraised the property at \$380,000 (the “Biddle Appraisal”), attached hereto as Exhibit D. The average of the three appraisals is \$375,000.

Purchase Agreement

7. As part of his diligence into a potential sale of the Property, the Receiver contacted a local real estate broker about the Property.

8. On or about December 2, 2020, the Receiver entered into a listing agreement with eXp Realty of California, Inc. (the “Broker”) to assist with the marketing and sale of the Property. The Property was listed for sale at \$380,000.

9. In consultation with the Broker, the Receiver made repairs to the Property. Significant repairs included interior repainting, replacing the carpet and flooring, replacing a window treatment, and appliance repairs.

10. As a result of marketing efforts by the Broker, the Receiver received an offer to purchase the Property from Elijah Wells (the “Buyer”) for \$381,000. The Receiver made a counteroffer that accepted the purchase amount but changed certain conditions of the sale. The Receiver’s counteroffer was accepted (“Purchase Agreement”). A copy of the Purchase Agreement is attached as Exhibit E.

Material Terms of the Sale

11. The Receiver has conditionally agreed to sell the Property to the Buyer for \$381,000. An earnest money deposit of \$7,620.00 has been made by the Buyer, with an agreement to deposit an additional \$3,810.00 in earnest money.

12. The Purchase Agreement is subject to a due diligence condition, an appraisal condition, and a financing condition (through FHA).

Sales Costs and Net Sale Proceeds

13. The Receiver anticipates paying at the time of the Property's closing all outstanding property taxes and the ordinary costs of sale, including market-rate closing costs and a below-market 5.0% real estate commission to the Broker. The gross sale proceeds, less the costs of sale and taxes are referred to herein as the "Net Sale Proceeds."

Free and Clear Sale

14. The Receiver proposes to sell the Property free and clear of all interests therein, with any interests that may exist attaching to the Net Sale Proceeds. In so doing, the Receiver is not in any way waiving any rights, claims, interests or defenses to any claims or interests made against the Property or the Net Sale Proceeds.

15. Any other financial interests against the Property, other than property taxes and closing costs, will not be paid at the time of closing. Rather, any such interests (to the extent they exist and without any waiver of the Receiver's or the Receivership Estate's right and defenses related thereto) will survive the sale and will attach to the Net Sale Proceeds.

16. The Receiver will separately account to the Court for the Net Sale Proceeds pending resolution of any disputes related to interests that may exist against the Property.

17. A copy of this Motion is being served on the relevant taxing authority.

Publication Notice

18. Contemporaneously herewith the Receiver filed *Receiver's Ex Parte Motion for Order Approving Method and Form of Publication Notice of Sale of Real Property*, seeking the Court's approval of the method and form of proposed publication notice.¹⁵

19. Upon entry of an order granting the Publication Motion, the Receiver will publish notice of the proposed sale in *The Signal*, a newspaper published in Los Angeles County, California (in the area of Newhall), using the method and form of notice approved by the Court.

20. The Receiver asks the Court to set a hearing date approximately three weeks after issuance of an order approving the Publication Motion, which hearing is required by 28 U.S.C. § 2001 (b).

Best Interests

21. The Receiver believes that the sale of the Property at private sale is beneficial for and in the best interests of the Receivership Estate based on the appraised values of the Property and the amount of the Purchase Agreement, which was obtained through good faith and arms' length negotiations.

22. The purchase price is above the listing price, higher than all three appraisals , and higher than the \$375,000 average of the three appraisals. The Receiver recognizes that the fact that the purchase price is above these appraisals may cause the buyer to have difficulty getting FHA financing. That effect will be determined by the appraisal value assigned by the FHA lender and the buyer's willingness to pay additional funds beyond what the FHA lender will provide.

¹⁵Docket No. 1063, filed January 13, 2021.

23. Notice of the proposed sale will be published in a newspaper in Los Angeles County, California, posted on the Receiver's website, provided to Defendants via the Court's electronic filing system, and sent by the Broker and the Receiver to persons who have been identified as potentially having an interest in the Property.

24. Upon completion of the sale, the Receiver will file with the Court a "Notice of Sale Results," stating whether higher offers were received and reporting on the Net Sale Proceeds of the sale. This Notice of Sale Results will be served on any parties asserting an interest in the Property.

III. APPLICABLE LAW

25. The Corrected Receivership Order provides that the Court may require that the proposed sale of real property satisfy 28 U.S.C. § 2001.¹⁶ Subsection (b) of § 2001 permits, with Court approval, a private sale of receivership property as proposed herein, but it conditions such sale on (1) obtaining a purchase price that is no less than two-thirds of the appraised value of the property; (2) appointing "three disinterested persons to appraise such property or different groups of three appraisers each to appraise properties of different classes or situated in different localities[;]" (3) publication notice of the sale "at least ten days before confirmation[;]" and (4) cancellation of the sale "if a bona fide offer is made, under conditions prescribed by the court, which guarantees at least a 10 per centum increase over the price offered in the private sale."¹⁷ Here, the Receiver has complied with each of these factors, to the extent that they exist.

¹⁶Corrected Receivership Order ¶ 56.

¹⁷28 U.S.C. § 2001(b).

26. Specifically, factor (1) is met in this case inasmuch as the purchase price for the Property is over 100% of the average appraised value, and therefore far exceeds the 2/3 requirement.

27. Factor (2) is met because the Court has appointed the Appraisers. Based on three appraisals made by the Appraisers, the Purchase Agreement does not propose a sale that is at a price less than two-thirds of the appraised value.

28. Factor (3) has been met as the Receiver will publish notice of the proposed sale immediately upon the Court's entry of an Order approving the method and form of such notice.

29. Factor (4) also has been met, inasmuch as the Receiver understands that the sale will not be approved if he receives a higher and better offer that is in compliance with § 2001(b) as quoted above and the sale is conditioned on this factor.

IV. REQUESTED RELIEF

30. The Receiver requests that the Court grant the Motion, thus authorizing the sale of the Newhall, California condominium pursuant to the Purchase Agreement, free and clear of any purported interests.

31. Counsel for the United States has informed the Receiver that it does not oppose the Receiver's plans to sell this Property at private sale.

DATED this 28th day of January 2021.

PARR BROWN GEE & LOVELESS

/s/ Jeffery A. Balls

Jonathan O. Hafen

Jeffery A. Balls

Michael S. Lehr

Attorneys for Receiver

CERTIFICATE OF SERVICE

IT IS HEREBY CERTIFIED that service of the foregoing was electronically filed with the Clerk of the Court through the CM/ECF system on January 28th, 2021, which sent notice of the electronic filing to all counsel of record.

IT IS FURTHER CERTIFIED that, on the same date, by U.S. Mail, first-class, postage pre-paid, I caused to be served the same documents upon the following:

Los Angeles County Treasurer
225 North Hill Street, First Floor
Los Angeles, CA 90012

/s/ Wendy V. Tuckett