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9 **UNITED STATES DISTRICT COURT**
 10 **DISTRICT OF NEVADA**

11 SECURITIES AND EXCHANGE
 12 COMMISSION;

13 Plaintiff,

14 vs.

15 CAPSOURCE, INC., et al.

16 Defendants.
 17

CASE NO. 2:20-CV-02303-RFB-DJA

**STIPULATION AND
 ORDER AUTHORIZING THE SALE
 OF INTEREST IN PROMISSORY
 NOTES WITH MEADOWS 78 AND
 KING 261**

18 The following Stipulation and [Proposed] Order (the “Stipulation”) regarding the sale of
 19 CapSource Inc.’s interest in Promissory Notes with Meadows 78, LLC, a Delaware Limited
 20 Liability Company (“Meadows 78”) and King 261, LLC, a Delaware Limited Liability Company
 21 (“King 261”) as further described below, is entered into by and between Geoff Winkler, the
 22 Court-appointed receiver in the above-entitled action (the “Receiver”), and the plaintiff Securities
 23 and Exchange Commission (the “SEC”), by and through their respective representatives, and with
 24 respect to the following facts:

25 1. On or around March 14, 2017, CapSource entered into a Promissory Note with
 26 Meadows 78, LLC, a Delaware Limited Liability Company (“Meadows 78”) evidencing a loan
 27 from Seller to Meadows 78 in the principal amount of TWO MILLION NINE HUNDRED
 28 EIGHTY FIVE THOUSAND and 00/100 Dollars (\$2,985,000.00) (the “Meadows 78 Promissory

1 Note”). The Meadows 78 Promissory Note is secured by a Deed of Trust (the “Meadows 78 Deed
2 of Trust”), recorded in the Office of the County Clerk, County of Midland, Texas on or around
3 March 31, 2017 as Document Number: 2017-9245.

4 2. On or around May 10, 2017, CapSource entered into a Promissory Note with King
5 261, LLC, a Delaware Limited Liability Company (“King 261”) evidencing a loan from Seller to
6 King 261 in the principal amount of ONE MILLION THIRTY FOUR THOUSAND and 00/100
7 Dollars (\$1,034,000.00) (the “King 261 Promissory Note”). The King 261 Promissory Note is
8 secured by a Deed of Trust (the “King 261 Deed to Trust”), recorded in the Office of the County
9 Clerk, County of Midland, Texas on or around May 23, 2017 as Document Number: 2017-15067.

10 3. On August 26, 2022, the Court issued its Order Appointing Receiver, in which the
11 Court appointed Geoff Winkler as receiver of Defendant CapSource, Inc. *See* ECF No. 17
12 (“Appointment Order”).

13 4. Among other things, the Appointment Order requires the Receiver to take custody,
14 control and possession of all Receivership Property which includes the Meadows 78 Promissory
15 Note and the King 261 Promissory Note. (Collectively, the Meadows 78 Promissory Note and
16 the King 261 Promissory Note are referred to herein as the “Midland Property Interest”).

17 5. CapSource arranged loans to support the development of the Midland Property
18 Interest which was intended to be a residential development project. The project required
19 obtaining approvals for development including approvals for water, sewer, utilities, zoning, and
20 mapping. The original sponsor failed to obtain the requisite approvals and defaulted prior to the
21 Receivership. After the default, CapSource brought in a new partner, Intrepid Texas Holdings,
22 LLC (“Intrepid”) who, by and through its Manager, Trevor Hill, has experience and expertise in
23 permitting and developing similar projects. Mr. Hill rectified the development issues after
24 injecting millions in new capital into the project. Additionally, Mr. Hill began making payments
25 on the CapSource loans and overtime has paid the original CapSource loans on King 261 by over
26 ninety percent (90%). Similarly, Mr. Hill began making payments relating to Meadows 78 and
27 has paid down the original CapSource loans by over sixty percent (60%).

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1 6. The outstanding principle balance on the combined Meadows 78 Promissory Note
2 and the King 261 Promissory Note is SIX HUNDRED NINETY FIVE THOUSAND NINE
3 HUNDRED NINETY EIGHT and 88/100 DOLLARS (\$695,998.88) (the “Outstanding
4 Balance”) and the Receiver has reached an agreement by which the full Outstanding Balance will
5 be paid to the Receivership Estate.

6 7. As referenced above, Intrepid is also a sponsor of the Midland Property Interest.
7 Additionally, Intrepid is the Manager of Meadows 78, LLC and King 261, LLC. Intrepid’s
8 interest in the Midland Property arises from, among other things its relationship with CapSource
9 prior to the Receivership and millions of dollars invested into the project to obtain the required
10 approvals for development including approvals for water, sewer, utilities, zoning, and mapping.
11 Because of Intrepid’s interest in the Midland Properties, the Receiver does not fully own either
12 Meadows 78 or King 261 and therefore a traditional sale of the same is not practical.

13 8. Meadows 78 LLC and King 261 by and through their manager Intrepid (“Buyer”)
14 desire to recapitalize the interest of Meadows 78 and King 261 along with other properties in
15 which Intrepid has an interest and in so doing, will obtain funds to pay off the Outstanding
16 Balance and will thereafter continue development of the properties and assume all risk associated
17 with the same.

18 9. Accordingly, Buyer desires to purchase from the Receiver (“Seller”) and Seller
19 desires to sell to Buyer the liens, rights, titles, interests, assignments and security interests held
20 by Seller in regard to the Midland Property Interest for a purchase price of SIX HUNDRED
21 NINETY FIVE THOUSAND NINE HUNDRED NINETY EIGHT (\$695,988.88), pursuant to
22 the terms and conditions set forth in the Purchase and Sale Agreement (“Purchase Agreement”)
23 attached hereto as **Exhibit A**, subject to final approval by the Receivership Court.

24 10. In furtherance of the same, Buyer has placed with an Escrow Agent the sum of
25 ONE MILLION EIGHT HUNDRED FORTY TWO THOUSAND FIVE HUNDRED and 00/100
26 Dollars (\$1,842,500.00) pending Court approval of the Purchase Agreement as security and in
27 exchange for the same the Receiver has agreed, to release liens on the Midland Property Interest
28 on behalf of CapSource.

1 11. Upon approval of the Purchase Agreement by this Court, the sum of \$695,988.88
2 will be released to the Receiver.

3 12. In addition to the payment to the Receiver referenced above and in consideration
4 of the Buyer's desire to recapitalize the properties at issue, the Buyer has agreed to pay all escrow
5 or closing charge of the Title Company relating to the recapitalization including; (i) the cost of
6 recording any documents related to the release of the Meadows 78 Deed of Trust and the
7 King 261 Deed of Trust including, without limitation, any recording charges imposed by the
8 applicable governmental authority by reason of the transfer of the Property and any real property
9 transfer, conveyance or recording taxes imposed by the applicable governmental authority by
10 reason of the transfer of the Property ("Transfer Tax"); (ii) all expenses relating to its inspection
11 of the Property including, but not limited to, engineering, environmental and property surveys
12 and the Survey whether or not Buyer closes title to the Property; (iii) the cost of coverage under
13 the Owner's Title Insurance Policy and endorsements thereto (other than those which Seller elects
14 to obtain to cure any objection); (iv) any cost incurred in connection with any financing obtained
15 by Buyer including, without limitation, mortgage recording tax and mortgagee title insurance
16 premiums; and (v) any sales tax payable on the sale of any personal property to Buyer.

17 13. The Receiver believes that the offer represents fair market value for the Midland
18 Property Interest held by the Receiver. This is the only offer that has been received for the
19 Midland Property Interest and given Intrepid's interest in the assets at issue, it is unlikely that a
20 third-party would be willing to purchase the same.

21 14. It is anticipated that the sale will close within five (5) days of the District Court's
22 approval of this Stipulation and will provide value to the Receivership Estate in the amount of
23 \$695,988.88 which equates to the principal amount owed on both Meadows 78 Promissory Note
24 and the King 261. And although the individual investors will not re-coup past due interest, the
25 full principal amount of their investment will be recovered for subsequent distribution as set forth
26 in this Court's Order Granting Receiver's Motion for Approval of: (1) Interim Distribution Plan,
27 and (2) Procedures for Disposition of the Estates Interests in Certain Real Property ("Distribution
28 & Disposition Order") (ECF No. 61).

1 15. The Receiver is seeking to close the sale via this Stipulation in lieu of soliciting
2 overbids and filing a separate sale motion as contemplated by the Distribution & Disposition
3 Order because of the unique aspects of the Midland Property Interest. Indeed, the Midland
4 Property Interest held by the Receiver is not of a nature that it falls squarely within the parameters
5 of 28 U.S.C. § 2002. Further, Intrepid’s investment and interest in the property, the time that
6 has expired since the Promissory Notes were entered, the expected lack of any overbidders given
7 the nature of the Receiver’s interest, expenses associated with soliciting potential bidders, and
8 concerns that further delay will impact the recovery of the sales proceeds for the benefit of the
9 receivership estate.

10 16. Accordingly, in light of the unique facts and circumstances surrounding the
11 Midland Property Interest as set forth herein, the undersigned parties believe this Stipulation is
12 necessary, and in the best interest of all parties and the receivership estate and request the Court’s
13 approval to proceed with the sale as contemplated by the Purchase Agreement.

14 Dated this 28th day of February, 2024

Dated this 28th day of February, 2024

15 **GREENBERG TRAUIG, LLP**

**SECURITIES & EXCHANGE
COMMISSION**

17 */s/ Kara B. Hendricks*

/s/ Terry Miller

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*Attorneys for Plaintiffs Securities and
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22 *Attorneys for Receiver Geoff Winkler*

24 **IT IS SO ORDERED.**

25 **DATED: May 2, 2024**

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RICHARD F. BOULWARE, II
U.S. DISTRICT JUDGE