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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

AMERICAN NATIONAL
INVESTMENTS, INC.,

Defendants.

AMERICAN NATIONAL
INVESTMENTS, INC.,

Relief Defendants.

Case No.: 19-cv-1628-LAB-AHG

**ORDER GRANTING MOTION
FOR APPROVAL OF
SETTLEMENT AGREEMENTS
WITH:**

- 1) MERIT FINANCIAL, INC.
AND ILLAND AWERBUCH; and**

- 2) RANDOLPH C. HOUTS, THE
LAW OFFICES OF RANDOLPH
C. HOUTS, AND POWER
PROCESS INC. [Dkt. 879]**

Krista Freitag ("Receiver"), the Court-appointed permanent receiver for Defendant ANI Development, LLC, Relief Defendant American National Investments, Inc., and their subsidiaries and affiliates ("Receivership Entities") moved for an order approving the Settlement Agreements reached with: 1) Merit Financial, Inc. and Ilan Awerbuch ("Merit Parties"); and 2) Randolph C. Houts, The Law Offices of Randolph C. Houts, and Power Process Inc ("Houts Parties"). (Dkt. 879). For the reasons discussed below, the Court **GRANTS** the motion and **APPROVES** the Settlement Agreements.

1 The Court may enter bar orders to protect a receivership’s settlements with
2 third parties when those settlements are conditioned on the entry of a bar order
3 protecting the third parties. *See, e.g., SEC v. Aequitas Mgmt., LLC*, 2020 WL
4 7318305, at *1 (D. Or. Nov. 10, 2020) (“Where creditors of a receivership estate
5 may have claims against third parties, . . . numerous district courts in receivership
6 actions have barred certain further claims against those [third parties] in
7 conjunction with authorizing settlements of certain other claims against the [third
8 parties.]”) *report and recommendation adopted*, 2020 WL 7318129, at *1 (D. Or.
9 Dec. 11, 2020); *Zacarias v. Stanford Int’l Bank, Ltd.*, 945 F.3d 883, 902 (5th Cir.
10 2019) (entering bar order in favor of third-party to secure receivership settlement);
11 *see also SEC v. DeYoung*, 850 F.3d 1172, 1183 n.5 (10th Cir. 2017) (collecting
12 cases where district courts entered bar orders in favor of third parties to secure
13 settlements). Before issuing a bar order affecting the rights of non-parties, the
14 Court should “afford[] [objectors] all the process due: notice and opportunity to be
15 heard on the proposed settlement and bar orders.” *Rotstain v. Mendez*, 986 F.3d
16 931, 904 (5th Cir. 2021). Notice must be “reasonably calculated, under all the
17 circumstances, to apprise interested parties of the pendency of the action and
18 afford them an opportunity to present their objections . . . and it must afford a
19 reasonable time for those interested to make their appearance.” *Mullane v. Cent.*
20 *Hanover Bank & Tr. Co.*, 339 U.S. 306, 314 (1950).

21 Here, the Settlement Agreements are contingent on the entry of bar orders
22 in favor of the Merit Parties and Houts Parties. The Receiver provided notice of
23 the proposed Settlement Agreements and associated bar orders by serving
24 counsel for non-parties known to be interested in the settlements with the motion
25 and supporting papers, (Dkt. 880), posting hyperlinks to the same materials on
26 the longstanding receivership website, (Dkt. 890), and emailing a hyperlink to the
27 same materials to all known investor email addresses, (*Id.*; *see also* Dkt. 887
28 (Order approving manner of notice)). The Court set a sixty-day schedule for filing

1 objections to the Settlement Agreements and holding a hearing. (Dkt. 887 at 3).
2 Oppositions to the motion were due on October 11, 2022. None was filed and the
3 hearing was vacated. (Dkt. 924).

4 Having considered the motion and noting the lack of opposition, and good
5 cause appearing therefor, the Court orders as follows:

6 1. The motion is **GRANTED**.

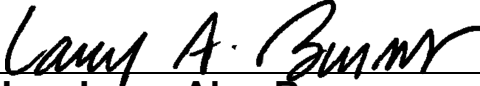
7 2. The Settlement Agreements between the Receiver and Merit Parties,
8 and between the Receiver and Houts Parties, copies of which are attached as
9 Exhibits 1 and 2 to the Declaration of Krista Freitag in support of the motion,
10 (Dkt. 879-2), are **APPROVED**.

11 3. All persons and entities whatsoever, including but not limited to the
12 investors who have asserted claims against Merit Financial, Inc. and Ilan
13 Awerbuch in state court, the Receiver and the Receivership Entities, and any and
14 all persons or entities who have submitted investor claim forms with the Receiver,
15 or anyone else whomsoever that has a claim arising from the fraudulent liquor
16 license loan program that is the subject of this action, are permanently barred and
17 enjoined from commencing, instituting, prosecuting, maintaining, or continuing,
18 directly or indirectly, any lawsuit, action, cause of action, claim, cross-claim,
19 third-party claim, demand, controversy, claim over, appeal (except for an appeal
20 from this Order) or other action, of whatsoever nature at common law, statutory,
21 legal, or equitable, or otherwise, including but not limited to any claim seeking
22 damages, indemnity, contribution, or otherwise, in any forum against Merit
23 Financial, Inc. and Ilan Awerbuch related to or arising from, directly or indirectly
24 any damages, injuries, or losses allegedly sustained by, or related directly or
25 indirectly, to the subject matter of this action and the investor action against Merit
26 Financial, Inc. and Ilan Awerbuch pending in state court, and any and all such
27 actions are immediately enjoined to the extent those actions bring claims against
28 Merit Parties.

1 4. All persons and entities whatsoever, including but not limited to the
2 Receiver and the Receivership Entities, and any and all persons or entities who
3 have submitted investor claim forms with the Receiver, or anyone else
4 whomsoever that has a claim arising from the fraudulent liquor license loan
5 program that is the subject of this action, are permanently barred and enjoined
6 from commencing, instituting, prosecuting, maintaining, or continuing, directly or
7 indirectly, any lawsuit, action, cause of action, claim, cross-claim, third-party
8 claim, demand, controversy, claim over, appeal (except for an appeal from this
9 Order) or other action, of whatsoever nature at common law, statutory, legal, or
10 equitable, or otherwise, including but not limited to any claim seeking damages,
11 indemnity, contribution, or otherwise, in any forum against Randolph C. Houts,
12 The Law Offices of Randolph C. Houts, and Power Process Inc. related to or
13 arising from, directly or indirectly any damages, injuries, or losses allegedly
14 sustained by, or related directly or indirectly, to the subject matter of this action,
15 and any and all such actions are immediately enjoined to the extent those actions
16 bring claims against the Houts Parties.

17 **IT IS SO ORDERED.**

18 Dated: November 16, 2022

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20 **Hon. Larry Alan Burns**
21 United States District Judge
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