

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No. ED CV 20-1056 PA (SHKx) Date June 12, 2020

Title Securities and Exchange Commission v. Paul Horton Smith, et al.

Present: The Honorable PERCY ANDERSON, UNITED STATES DISTRICT JUDGE

T. Jackson

Not Reported

Deputy Clerk

Court Reporter / Recorder

Attorneys Present for Plaintiffs:

Attorneys Present for Defendants:

None

None

Proceedings: ORDER RE PERMANENT RECEIVER

The Court has reviewed the Wind-down Proposal for the Entity Defendants filed by Temporary Receiver Krista Freitag, and the Supplemental Brief filed by the Securities and Exchange Commission (“SEC”). (Dkts. 27, 28.) The Court hereby orders the following:

The Court prohibits Defendant Paul Smith from communicating with his clients, or contacting them in any way, without first obtaining approval from this Court. Failure to comply with this order will result, without further warning, in the imposition of sanctions.

The Court appoints Krista Freitag as Permanent Receiver in this action. As Permanent Receiver, Freitag shall serve the narrow purpose of assisting Defendants’ clients with transferring their accounts currently held by Entity Defendants to other financial institutions of their choice. The Court authorizes the Permanent Receiver to continue to maintain control of Entity Defendants’ bank accounts and empowers the Permanent Receiver to execute all necessary documents to facilitate the transfer of clients’ accounts. This will ensure that clients are not obligated to seek assistance from Defendant Paul Smith regarding the transfer of their accounts. **The Court orders the Permanent Receiver to file a proposal, no later than June 18, 2020, estimating the costs she will incur to perform these duties.**

The Permanent Receiver shall continue to exercise full control of Defendants Northstar, Planning Services, and eGate and their subsidiaries and affiliates. The Permanent Receiver shall continue to have control of, and serve as the sole authorized signatory for, all accounts of entities in receivership, including all accounts at any bank, title company, escrow agent, financial institution or brokerage firm (including any futures commission merchant) which has possession, custody, or control of any Assets, or which maintains accounts over which Defendants Northstar, Planning Services, and eGate and their subsidiaries and affiliates, and/or any of its employees or agents have signatory authority. In addition, the Permanent Receiver shall continue to maintain the login information for the Receivership Entities’ Customer Relationship Management database, and the login information for the Receivership Entities’ website domain and e-mail host sites and service providers, including a Google account.

The Court declines to grant the Permanent Receiver any other authorities or power at this point in time. The Permanent Receiver shall not, without prior approval from the Court, conduct any investigations or discovery to locate additional assets, or hire legal counsel to assist with her duties. Nor

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shall the Permanent Receiver research alternative avenues for recovery for Defendants' clients (e.g., potential E&O policy coverage). The Court orders the Permanent Receiver to turn over to Defendant Paul Smith (1) the keys to the premises, 3637 Arlington Ave., Suite A, Riverside, California and all contents therein, and (2) the keys to the two storage facilities identified in Freitag's proposal, and all contents therein.

The Court orders the SEC to update the proposed notice (Exhibit A of the Receiver's proposal) to reflect this order and the current status of this litigation. The proposed notice shall include contact information for the Permanent Receiver and SEC counsel. The proposed notice shall also include language informing Defendants' clients that they may wish to seek legal advice as to how this action will affect them. **The SEC shall submit a revised proposed notice for the Court's approval no later than June 18, 2020.**

The Court prohibits Defendants from pursuing any claims in any other court against the receivership and/or receivership assets.

IT IS SO ORDERED.