

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

**UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,**

Plaintiff,

V.

NORTHRIDGE HOLDINGS, LTD., ET AL.,

Defendants.

Civil Action No. 19-cv-05957

Hon. John Z. Lee

Magistrate Judge Susan E. Cox

**RECEIVER'S COMBINED (A) SECOND INTERIM FEE APPLICATION AND
MOTION FOR COURT APPROVAL OF PAYMENT OF FEES AND EXPENSES OF
COUNSEL FOR THE RECEIVER; (B) FIRST INTERIM FEE APPLICATION AND
MOTION FOR COURT APPROVAL OF PAYMENT OF FEES AND EXPENSES OF
RECEIVER'S NON-ATTORNEY PROFESSIONALS**

N. Neville Reid, not individually, but solely as the Court-appointed receiver (the “Receiver”) for the Estate of Defendant Northridge Holdings, Ltd. and its related entities and affiliates as more particularly set forth in the Receivership Order (as defined herein) (collectively, the “Receivership Defendants,” and their assets as more particularly identified therein, the “Receivership Assets,” and such estate, the “Receivership Estate,” and such administration, the “Receivership”), and pursuant to the powers vested in him by the *Order Appointing Receiver* entered by the Court on September 12, 2019 [Dkt. No. 22] (the “Receivership Order”),¹ respectfully submits this combined (a) *Second Interim Application* for counsel for the Receiver – Fox Swibel Levin & Carroll, LLP (“Fox Swibel”) and (b) *First Interim Application* for the Receiver’s non-attorney professionals — Kutchins, Robbins & Diamond Ltd. (“KRD”), AlixPartners, LLP (“AlixPartners”), and Plante Moran, PLLC (“PM”) (collectively, the

¹ Capitalized terms not defined herein shall be given the same meaning ascribed to such terms in the Receivership Order.

“Application”) and hereby respectfully moves the Court (the “Motion”) for an order approving payment of the fees and expenses of Fox Swibel, KRD, AlixPartners and PM. In support of the Application and Motion, the Receiver states as follows:

I. INTRODUCTION

1. The Application covers the period from November 1, 2019 to and including December 31, 2019 (the “Application Period”).

2. Fees and expenses (i) previously requested, approved, paid, or (ii) presently requested, are summarized as follows:

Previously Approved/Paid:

Professional	Month/Year	Fees & Costs Requested	Fees & Costs Approved	Fees & Costs Paid
Fox Swibel	September & October 2019	\$114,779.88	\$114,779.88	\$114,779.88
<u>Grand Total</u>		\$114,779.88	\$114,779.88	\$114,779.88

Fees and costs requested in this Application for the Application Period:

Professional	Month/Year	Fees & Costs Requested
Fox Swibel	November & December 2019	\$68,045.66
KRD	October 2019 – December 2019	\$3,767.50
AlixPartners	November 2019 – December 2019	\$143,130.16
PM	November & December 2019	\$5,487.50
<u>Grand Total</u>		<u>\$220,430.82</u>

3. In summary, the total amount of money requested in the instant Application is \$220,430.82, which is broken down by professional as follows: (A) Fox Swibel: \$68,045.66; (B) KRD: \$3,767.50; (C) AlixPartners: \$143,130.16; and (D) PM: \$5,487.50.

II. BACKGROUND

4. On September 5, 2019, the United States Securities and Exchange Commission (the “SEC”) filed (a) a *Complaint* [Dkt. No. 1] (the “Complaint”) against the defendants as identified therein (collectively, the “Defendants”)² alleging violations of federal securities laws, and (b) *Plaintiff’s Emergency Motion for a Temporary Restraining Order to Prevent Violations of the Federal Securities Laws, to Appoint Receiver, and to Provide for Other Ancillary Relief* [Dkt. No. 3] (the “TRO and Receivership Motion”), requesting a temporary restraining order to prevent violations of federal securities laws, to appoint a receiver and to provide for other ancillary relief set forth therein.

5. In its Complaint, the SEC alleged that: (a) the Defendants violated (i) Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 (the “Securities Act”) [15 U.S.C. § 77e(a), (e)(c), and q(a)], and (ii) Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. § 78j(b)], Rule 10b-5(a) and (c) [17 C.F.R. § 240.10b-5(a), (c)]; and (b) Northridge Holdings, Ltd. (“Northridge”) and Glenn C. Mueller (“Mr. Mueller”) violated Rule 10b-5(b) [17 C.F.R. § 240.10b-5(a), (c)].

6. The Complaint further alleges that the Defendants operated a Ponzi scheme, raising at least \$41.6 million (between May 2014 through April 2019) from more than 300

² The following Defendants are identified in the Complaint: Northridge Holdings, Ltd., Southridge Holdings, Ltd., Eastridge Holdings, Ltd., Brookstone Investment Group, Ltd., Guardian Investment Group, Ltd., Unity Investment Group, Ltd., Amberwood Holdings L.P., and Glenn C. Mueller.

investors across 32 states by, among other things, fraudulently offering and selling promissory notes in unregistered transactions to investors, many of whom were unsophisticated and/or unaccredited and of retirement age. *See* Complaint, ¶¶ 1–8, 27–62, 63–76. Further, the Complaint alleges that Mr. Mueller and Northridge misled certain of such investors to believe certain of their promissory notes were secured or equivalently “backed” by properties owned by the Receivership Defendants when in fact they were not. *Id.* at ¶ 72.

7. On September 9, 2019, the Court held a hearing on the TRO and Receivership Motions. On September 12, 2019, the Court entered the Receivership Order.

8. Under the Receivership Order, the Receiver is authorized to engage and employ professionals (in his discretion) to assist him in carrying out the duties and responsibilities set forth therein. Receivership Order, ¶¶ 8K, 50. In accordance therewith, the Receiver engaged Fox Swibel as counsel for the Receiver.

9. On September 12, 2019, the Receiver filed the *Motion for Court Approval of the Rates to be Charged by Receiver’s Counsel* [Dkt. No. 29] (the “Fox Swibel Rate Motion”). On September 24, 2019, the Court entered a minute entry Order [Dkt. No. 43] granting the Fox Swibel Rate Motion.

10. On October 30, 2019, the Receiver filed the *Motion for Court Approval of the Rates to be Charged by Receiver’s Accountant* [Dkt. No. 58] (the “KRD Rate Motion”). On November 6, 2020, the Court entered a minute entry Order [Dkt. No. 66] granting the KRD Rate Motion.³

³ At the request of the Receiver, KRD began work on this matter on October 16, 2019. KRD’s work in October 2019 benefitted the Receivership, and KRD should therefore be paid for such work (the fees requested for October 2020 amounts to just \$1,457.50).

11. On October 30, 2019, the Receiver filed the *Motion for Court Approval of the Rates to be Charged by Receiver's Forensic Accountant* [Dkt. No. 67] (the "AlixPartners Rate Motion"). On December 10, 2019, the Court entered a minute entry Order [Dkt. No. 79] granting the AlixPartners Rate Motion.

12. On October 30, 2019, the Receiver filed the *Motion for Court Approval of the Rates to be Charged by Receiver's Accountant* [Dkt. No. 70] (the "PM Rate Motion"). On January 6, 2020, the Court entered a minute entry Order [Dkt. No. 92] granting the PM Rate Motion.

13. Pursuant to the Receivership Order, and subject to Court approval, the Receiver his professionals are entitled to "reasonable compensation and expense reimbursement" from the Receivership Estate, in compliance with the *Billing Instructions for Receivers in Civil Actions Commenced by the U.S. Securities and Exchange Commission* (the "Billing Instructions") promulgated by the SEC, which are binding upon the Receiver. *Id.* at ¶ 65.

III. FOX SWIBEL SECOND INTERIM APPLICATION

14. Pursuant to (and in accordance with) the Billing Instructions and the Receivership Order, the Receiver provides the following information regarding the Application.

15. **First**, the Application covers the period from November 1, 2019 to and including December 31, 2019.

16. **Second**, as set forth above, the Receiver retained Fox Swibel as counsel for the Receiver. On September 24, 2019, the Court entered an order granting the Fox Swibel Rate Motion.

17. **Third**, the *Certification of Fox Swibel in Support of the Application* is attached hereto as **Exhibit A** and incorporated herein by reference.

18. ***Fourth***, the names and hourly rates of all Fox Swibel professionals and paraprofessionals who billed time on this matter during the Application Period are attached hereto as **Exhibit B** and incorporated herein by reference.

19. ***Fifth***, the Application constitutes the Receiver's second interim application for compensation for the fees and expenses of Fox Swibel. The Receiver's first interim application for compensation for the fees and expenses of Fox Swibel sought compensation for fees and costs incurred from the inception of the Receivership through October 31, 2019 in the amount of \$114,779.88; all such fees and costs were approved by the Court and subsequently paid to Fox Swibel. [See Dkt. Nos. 76 and 93.]

IV. NON-ATTORNEY PROFESSIONALS' FIRST INTERIM APPLICATION

20. Pursuant to (and in accordance with) the Billing Instructions and the Receivership Order, the Receiver provides the following information regarding the Application as it relates to the non-attorney professionals.

A. **KRD**

21. ***First***, except as set forth above, the Application covers the period from November 1, 2019 to and including December 31, 2019. See FN 3, *supra*.

22. ***Second***, the Receiver retained KRD as accountant for the Receivership to provide accounting, tax, payroll and related services for the Receivership and the Receivership Defendants. During the Application Period, KRD worked to defend an audit and to prepare and file federal tax returns for certain of the Receivership Defendants and related entities for tax year 2018.

23. ***Third***, the *Certification of KRD in Support of the Application* is attached hereto as **Exhibit C** and incorporated herein by reference.

24. ***Fourth***, Lois West was the only KRD professional or paraprofessional who billed time on this matter during the Application Period and her hourly rate is \$275.00.

25. ***Fifth***, the Application constitutes the Receiver's first interim application for compensation for the fees and expenses of KRD. Accordingly, (a) no previous interim fee application(s) have been submitted or approved, (b) no amounts have been previously allowed or disallowed thereunder, and (c) no such amounts remain unpaid as of the date hereof.

B. AlixPartners

26. ***First***, the Application covers the period from November 1, 2019 to and including December 31, 2019.

27. ***Second***, the Receiver retained AlixPartners as forensic accountant for the Receivership to, among other things, determine the: (a) amount and validity of claims of the investors/creditors of the Receivership Defendants and (b) legal and equitable rights of such parties in respect of the funds marshalled in this case. Additionally, the Receiver engaged AlixPartners to perform, among other things, the following services: (a) tracing money in/ money out at the investor level; (b) tracing funds between the Receivership Defendants (i.e., intercompany), including determining the amount of intercompany receivables and/or whether or not the Receivership Defendants' finances are hopelessly commingled; (c) assisting with discovery; (d) identifying potential claw-back targets, fraudulent conveyances or transfers (e.g., undisclosed insider transfers, suspicious transactions generally, etc.), professional liability targets and breach of fiduciary duty claims; (e) assisting in the design and implementation of a claims process (for investors and general creditors), including verifying claim amounts and identifying potential objections; (f) modeling potential distribution plans based on different distribution

methods (e.g., pro rata, rising tide, etc.); and (g) supporting motions filed by the Receiver (e.g., motion(s) to approve a distribution plan).

28. *Third*, the *Certification of AlixPartners in Support of the Application* is attached hereto as **Exhibit D** and incorporated herein by reference.

29. *Fourth*, the names and hourly rates of all of AlixPartners's professionals and paraprofessionals who billed time on this matter during the Application Period are attached hereto as **Exhibit E** and incorporated herein by reference.

30. *Fifth*, the Application constitutes the Receiver's first interim application for compensation for the fees and expenses of AlixPartners. Accordingly, (a) no previous interim fee application(s) have been submitted or approved, (b) no amounts have been previously allowed or disallowed thereunder, and (c) no such amounts remain unpaid as of the date hereof.

C. **PM**

31. *First*, the Application covers the period from November 1, 2019 to and including December 31, 2019.

32. *Second*, the Receiver retained PM as accountant for the Receivership to among other things: (a) review and analyze prior tax returns filed by the Receivership Defendants in order to opine on: (i) whether or not any amendments to such returns are required, and (ii) whether or not any of the Receivership Defendants are entitled to any unclaimed tax refund(s); (b) provide advice related to minimizing the tax burden of the Receivership including, but not limited to, advice related to the sale of the Receivership Defendants' real estate assets; and (c) provide advice related to Section 468B of the Internal Revenue Code and related treasury regulations so that the Receiver can maintain the Receivership Estate's status as a "Settlement Fund" as required under the Receivership Order.

33. **Third**, the *Certification of Plante Moran in Support of the Application* is attached hereto as **Exhibit F** and incorporated herein by reference.

34. **Fourth**, the names and hourly rates of all PM professionals and paraprofessionals who billed time on this matter during the Application Period are attached hereto as **Exhibit G** and incorporated herein by reference.

35. **Fifth**, the Application constitutes the Receiver's first interim application for compensation for the fees and expenses of PM. Accordingly, (a) no previous interim fee application(s) have been submitted or approved, (b) no amounts have been previously allowed or disallowed thereunder, and (c) no such amounts remain unpaid as of the date hereof.

V. Case Status

36. Pursuant to the Billing Instructions, the Receiver must provide information regarding the services performed and activities undertaken by Fox Swibel, KRD, AlixPartners and PM during the Application Period. In support of the Application and Motion, the Receiver incorporates by reference Receiver's Report for the Period Ending December 31, 2019 (the "**Receiver Report**"), including the Liquidation Plan attached to the Receiver Report. [Dkt. No. 101.] The Receiver Report and Liquidation Plan contain a description of the work performed by Fox Swibel, KRD, AlixPartners and PM during the Application Period and attach the Receiver's Standardized Fund Accounting Report ("**SFAR**") – for the Application Period. Moreover, the Receiver Report sets forth the relevant balances of the Operating Accounts as of December 31, 2019. There has been no material change to the cash of the Receivership since the filing of the Receivership Report.

VI. BILLING ADDRESSED IN THIS APPLICATION

37. Pursuant to the Billing Instructions, the Receiver provides the following information regarding current billing:

a. Total Compensation and Expenses Requested.

38. In connection with the legal services provided to the Receiver by Fox Swibel, the Receiver respectfully requests compensation for services rendered, along with reimbursement of expenses, totaling \$68,045.66 for the Application Period. The fees requested during the Application Period total \$66,474.00 and the expenses for the Application Period total \$1,571.66. True and correct copies of Fox Swibel's invoices for the Application Period are attached hereto as **Exhibit H**. A summary of the requested expenses and true and correct copies of invoices and other documents substantiating the requested expenses are attached hereto as group **Exhibit I**.

39. In connection with the accounting services provided to the Receiver by KRD, the Receiver and KRD respectfully request compensation for services rendered, along with reimbursement of expenses, totaling \$3,767.50 for the Application Period. The fees requested during the Application Period total \$3,767.50 and the expenses for the Application Period total \$0.00. True and correct copies of KRD's invoices for the Application Period are attached hereto as **Exhibit J**. No expenses are requested.

40. In connection with the accounting services provided to the Receiver by AlixPartners, the Receiver and AlixPartners respectfully request compensation for services rendered, along with reimbursement of expenses, totaling \$143,130.16 for the Application Period. The fees requested during the Application Period total \$140,164.75 and the expenses for

the Application Period total \$2,965.41.⁴ True and correct copies of AlixPartners' invoices for the Application Period are attached hereto as **Exhibit K**.

41. In connection with the accounting services provided to the Receiver by PM, the Receiver and PM respectfully request compensation for services rendered, along with reimbursement of expenses, totaling \$5,487.50 for the Application Period. The fees requested during the Application Period total \$5,487.50 and the expenses for the Application Period total \$0.00. True and correct copies of PM's invoices for November and December 2019 are attached hereto as **Exhibit L**. No expenses are requested.

42. In total, the Receiver is requesting authority to pay a total of \$220,430.82 (\$215,893.75 in fees and \$4,537.07 in expenses) to Fox Swibel, KRD, AlixPartners and PM for services rendered and expenses incurred during the Application Period.

b. Source of Funds for Requested Compensation and Expenses. The Receiver requests payment of the foregoing fees and expenses from the Receiver's accounts at the Receiver's reasonable discretion. As of December 31, 2019, the cash on hand was in excess of \$4,349,771.60. *See* Receiver Report at 9. As noted above, the Receivership's cash on hand has not materially changed since the filing of the Receiver Report.

c. Previous Application for Payment of Professional Fees and Expenses. With respect to Fox Swibel, this is the second application for payment of professional fees and expenses. Previously, \$114,779.88 in fees and costs were sought, and \$114,779.88 in fees and costs were approved by the Court and such amount has since been paid to Fox Swibel. [*See* Dkt. Nos. 76 and 93.] With respect to KRD, AlixPartners and PM, this is the Receiver's first interim

⁴ The Receiver has reviewed and confirmed the validity of all expenses requested by AlixPartners for the Application Period.

fee application. No fees or expenses have been sought or previously awarded by the Court with respect to KRD, AlixPartners and PM.

d. Summary of Activity. A “Summary of Activity,” providing the total hours billed and the amount of billing for each person who billed time during the Application Period precedes each of the professionals’ invoices (*see Exhibits H, J, K, L*).

VII. NO OBJECTION BY THE SEC

43. Counsel for the SEC has indicated that the SEC has reviewed and approved the fees and costs requested herein.

WHEREFORE, for the foregoing reasons, the Receiver respectfully requests that the Court approve the Application as follows:

- a. finding the fees and expenses of counsel for the Receiver at Fox Swibel (as set forth in Exhibit H and Exhibit I) to be reasonable and necessary to the Receivership;
- b. finding the fees of KRD as accountant for the Receiver (as set forth in Exhibit J) to be reasonable and necessary to the Receivership;
- c. finding the fees and expenses of AlixPartners as forensic accountant for the Receiver (as set forth in Exhibit K and Exhibit L) to be reasonable and necessary to the Receivership;
- d. finding the fees of PM as accountant for the Receiver (as set forth in Exhibit M) to be reasonable and necessary to the Receivership; and
- e. granting all other or further relief that is just or proper.

Dated: March 6, 2020

N. Neville Reid, Receiver

By: /s/ Ryan T. Schultz

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