

**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 MOTION FOR ORDER (1) FIXING CLAIMS BAR DATE (2)
APPROVING CLAIMS PROCEDURES AND CLAIMS FORMS; (3) APPROVING
NOTICES; AND (4) APPROVING THE POOLING OF RECEIVERSHIP ENTITIES'
ASSETS FOR DISTRIBUTION PURPOSES**

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 or “Receivership Entities” and each a “Receiver Defendant” or “Receivership Entity” and the assets of such entities as more particularly set forth 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] as amended by the Order on Parties’ Agreed Motion to Modify Receivership Order to Add Receivership Defendants [Dkt. No. 108] (collectively the “Receivership Order”), hereby moves for entry of an order substantially in the form attached hereto as **Exhibit A**: (1) fixing a Claims Bar Date (as defined below); (2) approving Claims Procedures (defined below); (3) approving the following notices and forms: (a) Proposed Notice of Claims Bar Date and Procedures for Submitting a Proof of

Claim (**Exhibit B**); (b) Proposed Proof of Claim Form (**Exhibit C**); (c) Proposed Notice of Receiver's Initial Determination (**Exhibit D**); and (d) Proposed Notice of Claims Bar Date for Publication (**Exhibit E**); and (4) Approving the pooling of the Receivership Assets for distribution purposes. In support of the Motion, the Receiver relies on the Declaration of Denis O'Connor, Managing Director with AlixPartners attached hereto as **Exhibit F** (the "O'Connor Dec.") and hereby states as follows:

INTRODUCTION

1. In order to administer the Receivership Estate and distribute the Receivership Assets, the Receiver seeks approval of: (a) a process to determine the universe of allowed claims in this case and bar late or unfiled claims, consistent with constitutional due process (the "Claims Allowance Process"), and (b) the pooling of the assets of the respective Receivership Entities from which such allowed claims will be paid under a later Court-approved distribution plan (the "Pooling Proposal").

2. With respect to the Claims Allowance Process, the Receiver seeks

a. Approval of the calculation of the Investor (as defined below) claims on a "cash in/cash out" basis – that is, cash in to all Northridge Entities less cash out from all such entities -- as opposed to (i) using the values given on any of the statements issued by the Receivership Entities, many of which have been found to include fictitious profits or estimates, or (ii) correlating any particular claim to a specific Northridge Entity, in recognition of the Commingling History;¹

b. Fixing of a Claims Bar Date that is ninety (90) days after entry of the Bar Date Order;

¹ In the event the principal amount of all Investor and general creditor claims are paid in full, the Claims Allowance Process would permit the calculation and assertion of interest claims.

c. Approval of Claims Procedures (as set forth below); and

d. Approval of the manner of notice of the Claims Bar Date and Claims Procedures and associated exhibits and attachments, including the Proof of Claim Form.

3. With respect to the Pooling Proposal, once the Claims Process has identified the number and dollar amount, and holders of, allowed claims, the Receiver will submit for Court approval a distribution plan under which all allowed claims (including Investors' allowed claims) will be paid from the proceeds realized from the liquidation of all of the Northridge Entities' assets as a combined pool. The principal premise of the Pooling Proposal is that, based on the findings of the Receiver's professionals (see O'Connor Dec., Ex. F), pre-receivership the Receivership Entities were intertwined, commingled their funds, were utilized to perpetrate one fraud and/or the Investors (defined below) were all similarly situated with respect to the Receivership Defendants and the perpetrator(s) of the fraud (as more fully described below, the "Commingling History"). Therefore, pooling assets for payment to Investors and creditors is the most fair and equitable approach to making any distributions to them in this case. Since the pooling of assets is fundamental to the Receiver's claims process and any subsequent distribution plan, such issues are ripe for determination at this time.

DEFINITIONS

4. The Motion is made with reference to the following definitions:

a. **Administrative Claim.** A Claim based on: (i) the provision of goods or services for the benefit of the Receivership Estate or at the request of the Receiver beginning on or after September 12, 2019, which remain unpaid, (ii) any taxes arising from or attributable to tax periods beginning on or after September 12, 2019, including those that may be asserted by federal, state, local or other governmental entities or

authorities, which remain unpaid, or (iii) an uncashed check issued on or after September 12, 2019 for a refund on account of a healthcare account receivable overpayment or student loan account receivable overpayment or any other overpayment, (iv) unpaid wages or benefits incurred or accrued beginning on or after September 12, 2019, or (v) any current, future or contingent contractual obligations (including indemnification obligations arising from any contract entered into by or on behalf of the Receivership Estate).

b. **Administrative Claimant.** An individual or entity (including, without limitation, partnerships, corporations, joint ventures, estates, trusts, and governmental entities or authorities) asserting or who believe they are entitled to assert an Administrative Claim.

c. **Allowed Claim.** A Claim or a portion thereof that is allowed under the Claims Procedures.

d. **Allowed Claim Amount.** The amount of a Claim amount or a portion thereof that is allowed under the Claims Procedures (including by agreement pursuant to a Notice of Receiver's Initial Determination), but such Claim still remains subject to disallowance and/or offset.

e. **Bar Date Order.** The Court's order establishing the Claims Bar Date.

f. **Books and Records.** The financial and other data obtained from the Northridge Entities' books and records and the financial and other data, which was utilized and relied upon by the Receiver. The Receiver has not subjected the information obtained from Northridge to an audit in accordance with generally accepted auditing or attestation standards or the Statement on Standards for Prospective Financial Information

issued by the AICPA. Further, while analysis of this information has been performed by AlixPartners and the Receiver's other professionals, the Receiver cannot be expected to identify all errors, irregularities or illegal acts, including fraud or defalcations that may exist.

g. **Claim.** Any (i) potential or claimed right to payment, whether or not such right is based in equity or by statute, reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or (ii) a potential or claimed right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured. The definition of Claim includes an Administrative Claim.

h. **Claimant.** An individual or entity (including, without limitation, partnerships, corporations, joint ventures, estates, trusts, and governmental entities or authorities) asserting or who believe they are entitled to assert a Claim.

i. **Claims Agent.** AlixPartners, LLP ("AlixPartners"). AlixPartners is also the Receiver's Court-approved forensic accountant.

j. **Claims Bar Date.** The deadline for Claimants, including Administrative Claimants: (i) to submit a Proof of Claim Form, after which deadline any Proof of Claim Form which was not timely and properly submitted will be disallowed by Court order; and (ii) to return a Notice of Receiver's Initial Determination as "Agree" or "Disagree".

k. **Claims Procedures.** The procedures set forth in Paragraphs 21 to 64 below.

l. **Court.** The United States District Court for the Northern District of Illinois, Eastern Division, presiding over Case No. 19-cv-05957, titled *Securities and Exchange Commission v. Northridge Holdings, Ltd., et al.*

m. **Disallowed Claim.** A Claim or a portion thereof that has been disallowed pursuant to: (i) a Final Order, (ii) an agreement between the Receiver and the Claimant, or (iii) the terms of a Court-approved distribution plan.

n. **Final Order.** An order, judgment, ruling or decree of a court having jurisdiction as to which the opportunity to seek review, reconsideration, or rehearing of the order, judgment, ruling, or decree by this Court or a higher Court has lapsed or been waived in writing.

o. **Former Investor.** A person or entity that according to the Books and Records entered into an investment transaction with a Northridge Entity, but as of September 12, 2019, no longer had any funds invested in a Northridge Entity.

p. **General Creditor Claim.** A Claim against any Northridge Entity that is not an Investor Claim or an Administrative Claim.

q. **General Creditor Claimant.** An individual or entity (including, without limitation, partnerships, corporations, joint ventures, estates, trusts, and governmental entities or authorities) asserting a General Creditor Claim.

r. **Intercompany Receivership Claims.** Any Claim among and between Northridge Entities.

s. **Investor.** Any Claimant entitled to assert an Investor Claim.

t. **Investor Claim.** A Claim against any Northridge Entity based on an investment transaction in, with, or through a Northridge Entity, including but not limited

to transactions based on or related to: (i) promissory notes or other money loaned to a Northridge Entity, or (ii) investments (by subscription or otherwise) in a Northridge Entity.

u. **Limited Partner Investment Entities (and each a Limited Partner Investment Entity).** Certain Receivership Entities including, but not limited to, 610 Lincoln Limited Partnership; 5097 Elston Limited Partnership; 5528 Hyde Park Limited Partnership; 106 Surrey Limited Partnership; 561 Deere Park Circle Limited Partnership; 149 Mason Limited Partnership; 139 Austin Limited Partnership; Ridgeview Group I Limited Partnership; Timber Lake Apartments, LLC; Arbor Limited Partnership; Kings Circle Limited Partnership; Hawthorne Limited Partnership; Timber Lake Shared Appreciation Limited Partnership; and Timber Lake Shared Appreciation Illinois Limited Partnership, that sold to Investors limited partnership interests in various entities which purchased real estate assets and/or entities which were purportedly organized to allow investment in the appreciation of certain of the real estate assets.

v. **Limited Partner Investor.** An Investor that invested through one or more of the Limited Partner Investment Entities.

w. **Northridge Employees.** Individuals employed by a Northridge Entity during the twelve-month period prior to September 12, 2019 and during the pendency of the Receivership.

x. **Northridge Entities or Receivership Defendants (or individually a Northridge Entity or Receivership Defendant).** The following entities (or their predecessors in interest) are part of, and together comprise, the Receivership Estate: Northridge Holdings, Ltd. (“Northridge”); Amberwood Holdings, L.P.; Brookstone

Investment Group, Ltd., Eastridge Holdings, Ltd.; Guardian Investment Group, Ltd.; Southridge Holdings, Ltd.; Unity Investment Group, I Ltd.; and affiliates, including but not limited to 610 Lincoln Limited Partnership; 610 Lincoln Trust #13741; 5097 Elston Limited Partnership; 5528 Hyde Park Limited Partnership; 106 Surrey Limited Partnership; 106 Surrey Trust #14029; 561 Deere Park Circle Limited Partnership; 149 Mason Limited Partnership; 149 Mason Trust #12655; 139 Austin Limited Partnership; Azlan Group, LLC; Cornerstone II Limited Partnership; G&C Family Limited Partnership; Mueller Painting & Decorating Limited Partnership; Paragon Group Limited Partnership; Ridgeview Group I Limited Partnership; Timber Lake Apartments, LLC; Arbor Limited Partnership; Kings Circle Limited Partnership; Hawthorne Limited Partnership; Timber Lake Shared Appreciation Limited Partnership; Timber Lake Shared Appreciation Illinois Limited Partnership; Town Square Management I, Ltd.; Willow Creek Ventures Limited Partnership; Parkway Bank and Trust Company, Land Trust Number 14106; Harris Bank, N.A., Land Trust Number HTB1786; and Midtown Two Unit H1003 Partnership, LLC.

y. **Note Investment Entities (and each a Note Investment Entity).** Certain Receivership Entities including, but not limited to, Northridge Holdings, Ltd.; Amberwood Holdings, L.P.; Brookstone Investment Group, Ltd., Eastridge Holdings, Ltd.; Guardian Investment Group, Ltd.; Southridge Holdings, Ltd.; and Unity Investment Group, I Ltd., that sold promissory notes to Investors purportedly to purchase, maintain and/or improve real property assets.

z. **Note Investor.** An Investor that invested through one or more of the Note Investment Entities.

aa. **Notice of Claims Bar Date and Procedures for Submitting a Proof of Claim.** The Court-approved form of notice and procedures for submitting a Proof of Claim to be sent to Claimants and Administrative Claimants as specified herein, and to be (i) posted by the Receivership Website, and (ii) served and published as set forth herein and in the Bar Date Order.

bb. **Notice of Claims Bar Date for Publication.** The Court-approved form of notice for publication in newspapers to provide information about the Claims Bar Date and the procedures for submitting a Proof of Claim.

cc. **Notice of Receiver's Initial Determination.** To the extent the Receiver has determined, in his sole and absolute discretion, that a Claimant is entitled to an Allowed Claim Amount, the Receiver may send a notice with instructions and attachments to such Claimant setting forth the amount of such Allowed Claim Amount and information supporting same as more fully set forth in Paragraphs 38 to 44 below.

dd. **Professional Claim.** A Claim based on professional services provided and fees and costs incurred after September 12, 2019, by the Receiver and his professionals for the benefit of the Receivership Estate.

ee. **Professional Claimant.** An individual or entity (including, without limitation, partnerships, corporations, joint ventures, estates, trusts, and governmental entities or authorities) asserting or who believe they are entitled to assert a Professional Claim.

ff. **Proof of Claim.** A Claimant's assertion of a Claim timely and properly submitted in compliance with the Proof of Claim Form and in compliance with the provisions of the Notice of Claims Bar Date and Procedures for Submitting a Proof of

Claim.

gg. **Proof of Claim Form.** The Court-approved claim form to be completed by Claimants.

hh. **Receivership Estate.** The Receivership Estate is comprised collectively of the assets and liabilities of the Northridge Entities being administered by the Receiver.

ii. **Receivership Website.** The Receivership's official website for this case, which can be found at: northridgereceiver.alixpartners.com.

jj. **SEC.** The Securities and Exchange Commission.

kk. **SEC Enforcement Action.** The above-captioned action commenced by the SEC.

ll. **SEC Individual Defendants.** The non-entity defendant in the SEC Enforcement Action-specifically: Glen Mueller.

CLAIMS ALLOWANCE PROCESS

I. Legal Authority

5. This Court's "broad powers to determine what relief is appropriate in an equity receivership", *U.S. Commodity Futures Trading Comm'n v. Lake Shore Asset Mgmt. Ltd.*, No. 07 C 3598, 2011 WL 3664428, at *3 (N.D. Ill. Aug. 19, 2011), necessarily includes the power to approve a claims allowance process (including bar dates for filing claims) that enables the receiver to efficiently determine and administer claims against the estate. *See, e.g., SEC v. Alanar, Inc.*, 2009 WL 1664443, at *4 (S.D. Ind. June 12, 2009); *See, e.g., SEC v. Hardy*, 803 F. 2d 1034, 1039 (9th Cir. 1986) ("the district court's decision to establish deadlines for filing claims, and to bar untimely claims, is reasonable in light of the complexity of the receivership and the procedure employed to notify potential claimants"); *United States of America v. Cardinal*

Growth, L.P., No. 1:11-cv-04071, Dkt. 64, (N.D. Ill. July 3, 2012) (Castillo, J.) (entering “Order Approving the Form and Manner of Notice to Claimants and Establishing a Claims Bar Date”); *Sec. & Exch. Comm’n v. Path Am., LLC*, No. C15-1350JLR, 2016 WL 4528459, at *5 (W.D. Wash. Aug. 30, 2016) (establishing claims bar date); *Sec. & Exch. Comm’n v. Capital Cove Bancorp LLC*, No. SACV15980JLSJCX, 2015 WL 9701154, at *1 (C.D. Cal. Oct. 13, 2015) (establishing claims bar date).

6. A claims allowance process may be approved outside of the technical procedural regime of the Federal Rules of Civil Procedure, so long as it satisfies basic due process requirements. *See, e.g., Hardy*, 803 F.2d at 1040 (“the use of summary proceedings to determine appropriate relief in an equity receivership, as opposed to plenary proceedings under the Federal Rules, is within the jurisdictional authority of a district court.”); *SEC v. Wencke*, 783 F.2d 829, 837 n. 9 (9th Cir. 1986) (by “avoid[ing] formalities that would slow down the resolution of disputes,” the use of summary proceedings “promotes judicial efficiency and reduces litigation costs to the receivership.”). Due process requires that all claimants be given adequate notice of their right to file a claim and an opportunity to be heard, and that procedures be employed that are “reasonably calculated” to provide such notice. *Mullane v. Cent. Hanover Bank & Trust Co.*, 339 U.S. 306, 314 (1950); *SEC v. American Capital Invs.*, 98 F.3d 1133, 1146 (9th Cir. 1996).

7. The form of notice to which a claimant is entitled turns on whether that claimant is deemed known or unknown. Claimants whose claims are known or should be known to the party providing notice are entitled to receive actual, formal notice of the claims bar date. *See In re Maya Constr. Co.*, 78 F.3d 1395, 1399 (9th Cir. 1996). In contrast, an unknown claimant -- that is, a claimant whose “interests are either conjectural or future or, although they could be discovered upon investigation, do not in due course of business come to knowledge [of the

debtor]," *Mullane*, 339 U.S. at 317 -- has no such entitlement to actual notice. Instead, unknown claimants are entitled only to notice reasonably calculated under the circumstances to reach them. *Id.* at 314-18.

8. The means employed for notifying such unknown claimants of a deadline for the exercise of their rights must be either "reasonably certain" to reach them or, where such reasonable certainty is not feasible, "not substantially less likely" to reach them than other feasible alternatives. *Id.* at 315. For unknown claimants, notice by publication generally satisfies such claimants' due process rights. *See New York v. NY, N H & HR. Co.*, 344 U.S. 293, 296 (1953) ("when the names, interests and addresses of persons are unknown, plain necessity may cause a resort to publication"); *Chemetron Corp. v. Jones*, 72 F.3d 341, 348-49 (3d Cir. 1995) ("Publication in national newspapers is regularly deemed sufficient notice to unknown creditors, especially where supplemented, as here, with notice in papers of general circulation in locations where the debtor is conducting business.").

9. The Claims Allowance Process detailed below amply satisfies the foregoing legal standard for adequate notice to investors and creditors in receivership cases, insofar as it proposes to provide: (a) actual notice to known claimants based on all the information available to the Receiver and his professionals, and (b) publication notice for any unknown potential claimants.

II. Factual Background Related to "Net Loss" Calculation of Investor Claims

10. The vast majority of the number of Claims and amount of Claims (not including secured lender claims) against the Receivership are Claims of Investors.² O'Connor Declaration

² Based on the Books and Records, pre-Receivership, the Receivership Entities generally remained current on their obligations to employees and vendors. As a result, the Receiver currently expects there to be a limited number of non-Investor claims filed against the Receivership Estate.

¶ 8.

11. As of September 12, 2019³, the Northridge Entities owed approximately **\$55 million** collectively to Investors based on their account statements. O'Connor Declaration ¶ 8.

12. Based on a review of the Books and Records, AlixPartners was able to confirm the "Ponzi" nature of the Northridge Entities as alleged by the SEC. Specifically, the Northridge Entities commingled new investor promissory note proceeds with the other Northridge entities. These proceeds were used to pay obligations (including interest obligations) to prior investors (among other obligations). AlixPartners informed the Receiver of these findings and advised that in such situations, quantifying Investor claims on a cash-in/cash-out basis is equitable in that it does not impute any potentially fictitious profits to an Investor's claim. And, at the same time, in the event there are sufficient assets in the Receivership to pay all Investors' cash-in/cash-out claims, the Receiver can subsequently quantify such interest in a fair and equitable manner and distribute such remaining assets accordingly. As a result, the Receiver directed AlixPartners to quantify Investor's claims on a cash-in/cash-out basis. O'Connor Declaration ¶ 9.

13. AlixPartners then developed an investor data reconciliation process to quantify potential Investor claims based on the Books and Records. The process involved reconciling tens of thousands of investor investment, redemption and inter-Investor transfer activities documented by the Books and Records, including reconciling the Receivership's investor reporting platform (FileMaker) with bank statements and the Receivership's accounting platform (QuickBooks). O'Connor Declaration ¶ 7.

14. Through this process, for each Investor, the Receiver has determined the amount

³ Some reported amounts owed to certain Investors were entered into the Receivership Entities' "Filemaker" software after September 12, 2019. Therefore, the amount may only approximate the amount the Northridge Entities owed on the aforementioned date. However, the number of transactions and amounts of same had very little impact on the overall calculations.

of each Investor's net investment claim against the Receivership Estate (i.e., cash in *less* cash out as to all Receivership Entities collectively). This process is not complicated in some cases and in others, very complicated. By way of example:

a. Investor invested \$100,000 and received no amounts: \$100,000 Claim Amount (\$100,000 - \$0);

b. Investor invested \$100,000 and has \$50,000 in withdrawals, interest payments, etc.: \$50,000 Claim Amount (\$100,000 - \$50,000);

c. Investor A invested \$100,000, has a statement "balance" of \$150,000, and took \$50,000 in withdrawals, interest payments, etc., but passed away and transferred his statement balance of \$150,000 at the time of death to Investor B: Investor A only had \$50,000 in actual cash (i.e., cash in *less* cash out) to transfer to Investor B, so Investor B's balance is decreased by \$100,000.

There are far more complicated scenarios than the ones set forth above that were unraveled by the Receiver's forensic accountant. Put simply, all claims will be calculated on a cash-in/cash-out basis and, under such an approach, no Investor will gain an untoward advantage by virtue of inheriting or otherwise being the transferee of a balance from another Investor that included speculative or non-cash components such as fictitious profits (e.g. interest). O'Connor Declaration ¶¶ 9-10.

15. While the Receiver's analysis is still ongoing, the Receiver estimates the collective amount of non-insider Investor claims to be between \$40 and 43 million (on a cash in/cash out basis). O'Connor Declaration ¶ 11.

III. Approval of Claims Process Is Necessary and Appropriate In this Case

16. Establishing the Claims Bar Date and approving the Claims Procedures described

herein will assist the Receiver and the Court in identifying and assessing the nature and scope of the potential claims against, and liabilities of, the Receivership Estate. *See, e.g., SEC v. Path Am., LLC*, No. C15-1350JLR, 2016 U.S. Dist. LEXIS 117684, at *11, 21 (W.D. Wash. Aug. 30, 2016) (approving claims procedure sought by receiver to ensure "universe and magnitude of possible claims is known"). Such a determination is separate from a distribution plan, which will be proposed in the future, but necessary for the development of a successful distribution plan. *See id.* at *21 (finding the two are distinct). Furthermore, it is critically important to the efficient administration of the Receivership and the fair distribution of assets among claimants that proofs of claim be timely submitted for determination and that untimely proofs of claim be barred. *U.S. Commodity Futures Trading Comm'n v. Lake Shore Asset Mgmt. Ltd.*, 2010 WL 850177, at *6 (N.D. Ill. Mar. 5, 2010), *aff'd sub nom., Commodity Futures Trading Comm'n v. Lake Shore Asset Mgmt. Ltd.*, 646 F.3d 401 (7th Cir. 2011) ("In short, bar dates allow the court to administer a case and resolve disputes efficiently.").

17. Additionally, consideration of Investor claims on a "net investment" or cash-in/cash-out basis here is more than justified. Courts routinely approve claims procedures and distribution plans using this investor claim methodology. *See, e.g., S.E.C. v. Byers*, 637 F. Supp. 2d 166, 182 (S.D.N.Y. 2009) (approving receiver's distribution plan and stating that the court agrees "that the net investor method is the most equitable. It would provide the greatest number of investors with the greatest recovery possible without inequitably rewarding some investors at the expense of others."); *Commodity Futures Trading Comm'n v. Walsh*, 712 F.3d 735, 754 (2nd Cir. 2013) (affirming district court's approval of receiver's net investor distribution plan); *Commodity Futures Trading Comm'n v. Topworth Int'l, Ltd.*, 205 F.3d 1107, 1115-16 (9th Cir. 1999) (affirming district court's approval of receiver's net investment method of distribution

over investor objection); *S.E.C. v. Illarramendi*, No. 3:11CV78 JBA, 2013 WL 6385036, at *2, *4 (D. Conn. Dec. 6, 2013) (stating that “[t]he Second Circuit has repeatedly endorsed the Net Investment Method in Ponzi schemes” and holding that “the Net Investment Method is the superior method for distributing recovery to victims in this case, and the Receiver’s Plan will be approved and adopted.”); *S.E.C. v. Stinson*, No. CIV.A. 10-3130, 2015 WL 115495, at *4 (E.D. Pa. Jan. 8, 2015) (explaining that “[t]he net investment method is a well-accepted method of distributing receivership assets, and fulfills the important goal of equitably compensating all similarly situated investors” and adopting SEC’s net investment distribution plan over receiver’s tiered distribution plan); *U.S. Commodity Futures Trading Comm’n v. Barki, LLC*, No. 3:09 CV 106-MU, 2009 WL 3839389, at *1 (W.D.N.C. Nov. 12, 2009) (“This Court examined five distribution methods and has decided that the net investment method will provide for the most equitable distribution.”). Here, AlixPartners has confirmed the Ponzi nature of the Receivership Entities and, as a result, “net investment” or cash-in/cash-out claim basis is warranted and equitable. *See* Paras 10 to 15 *supra*. Finally, the Claims Procedures allow for consideration of interest and other Investor “profit” claims in the event that all Allowed Claims can be paid in full.

A. *Claims Bar Date.*

18. The Receiver moves the Court to fix a date certain as the Claims Bar Date. Doing so will help provide certainty and finality to this receivership proceeding by allowing for the ultimate implementation of a distribution plan. Without a bar date, distributions cannot commence until all statute of limitations have run, thus delaying the distribution on Allowed Claims and substantially increasing the costs of administering the Receivership, to the detriment of Investors and creditors.

19. The Receiver requests the Court to approve, in the Bar Date Order, a claims bar date approximately ninety (90) days from the entry of the Bar Date Order.

B. *Court Approval of Forms.*

20. The Receiver further requests that the Court approve the following documents, substantially in the form attached hereto, which relate to the Claims Procedures: (a) Notice of Claims Bar Date and Procedures for Submitting a Proof of Claim (**Exhibit B**); (b) Proof of Claim Form (**Exhibit C**); (c) Notice of Receiver's Initial Determination (together with the instructions and other attachments thereto) (**Exhibit D**); (d) Notice of Claims Bar Date for Publication (**Exhibit E**); and (e) Form of Order (1) Establishing Claims Bar Date; (2) Approving the Form and Manner of Notice; and (3) Approving Proof of Claim Form, Procedures and Other Related Relief.

C. *Claims Procedures for the Submission of a Proof of Claim.*

21. The Receiver moves this Court to approve the following procedures for the submission of claims (the "Claims Procedures"):

i. Who Must File a Proof of Claim.

22. Except as specifically set forth herein, all Claimants asserting or who believe they are entitled to assert a Claim or assert a right to distribution from the Receivership Estate, **MUST** timely and properly submit a Proof of Claim.

ii. Who Does Not Have to File a Proof of Claim.

23. Claimants who receive and agree with the contents of the Notice of Receiver's Initial Determination of their Allowed Claim Amount, are not required to submit a Proof of Claim and should not do so.

24. Professional Claimants are not required to submit a Proof of Claim. The Receiver

will continue to satisfy Professional Claims in the ordinary course of the Receivership and in accordance with SEC guidelines and prior or future Court orders, as appropriate to the claim or pursuant to a Court-approved distribution plan.

25. The Receiver's property manager, 33 Realty, is not required to submit a Proof of Claim. The Receiver will continue to pay 33 Realty for property management services in the ordinary course of business pursuant to prior order of the Court.

26. Northridge Entities' employees are not required to submit a Proof of Claim for **post-receivership amounts** (incurred on or after September 12, 2019) incurred in the ordinary course with respect to their employment. The same such amounts shall be paid in the ordinary course of business. Such employees must, however, file Proofs of Claim for any pre-receivership amounts alleged to be due and owing (including for any accrued vacation time), unless they receive and agree with the Notice of Receiver's Initial Determination of their Allowed Claim Amount.

27. Intercompany Receivership Claims among and between the Northridge Entities are preserved without the requirement of the filing of a Proof of Claim by the Receiver at this time. Any such Intercompany Receivership Claims as appropriate will be subject to a Court-approved distribution plan.

iii. Notice Process.

28. The Receiver proposes the following notice procedures in satisfaction of the due process interests of Claimants and Administrative Claimants:

29. **Notice by Mail.** The Receiver proposes that he provide notice by mail in the following manner, timing and substance:

a. **Timing of notice.** The Receiver proposes to serve notice within fifteen

(15) calendar days of entry of the Bar Date Order.

b. **Substance of notice.** The notice will include: (1) the Notice of Claims Bar Date (substantially in the form of **Exhibit B**), (2) the Proof of Claim Form (substantially in the form of **Exhibit C**), and (3) at the Receiver's sole and absolute discretion, the Notice of Receiver's Initial Determination (substantially in the form of **Exhibit D**).

c. **Individuals and entities to receive notice by mail.** At the direction of the Receiver, the Books and Records (including information obtained during the pendency of this receivership proceeding) have been examined and the Receiver proposes to provide notice by mail, on the following known individuals or entities (including, without limitation, partnerships, corporations, joint ventures, estates, trusts, and governmental entities or authorities): (1) All parties that have appeared in the SEC Enforcement Action; (2) all Investors and Former Investors at their last known address; (3) Northridge Employees; (4) known potential Administrative Claimants; (5) Federal, state, local or other governmental entities or authorities who may assert a Claim for taxes; (6) state security regulatory agencies where any Northridge Entity issued or sold securities; (7) the Receivership Estate's institutional lenders; and (8) potential Claimants that the Receiver has determined, upon reasonable review of the Books and Records, have or may assert a Claim against a Northridge Entity or have asserted claims against the Receivership Estate during the pendency of the SEC Enforcement Action.

d. **Means of serving notice.** The Receiver proposes to serve those Claimants and Administrative Claimants entitled to notice under subparagraph 34(c) above: (1) by United States first class mail (for those Claimants and Administrative Claimants with a last known address within the United States), and (2) for those

Claimants/Administrative Claimants without a last known address or with a last known address outside the United States, by any method the Receiver deems reasonable in his sole and absolute discretion, including email to such Claimant's/Administrative Claimant's last known email address. Upon return of any service item as undeliverable and without a useful forwarding address for re-service, the Receiver will perform a reasonable search of the Books and Records for a last known email address and attempt to provide a copy of the items in subparagraph (b) above to that Claimant or Administrative Claimant at that last known email address.

30. **Notice by Publication.** The Receiver proposes that notice by publication be provided in the following manner.

a. **Timing of notice.** The Receiver proposes to provide notice by publication within thirty (30) calendar days of entry of the Bar Date Order.

b. **Substance of notice.** The Notice of Claims Bar Date for Publication shall be substantially in the form of **Exhibit E**.

c. **Means of publishing notice.** The Receiver proposes to publish the Notice of Claims Bar Date for Publication in newspapers of general circulation in: (a) Illinois, Michigan, New Jersey, Massachusetts, (b) *The Wall Street Journal*, and (c) such other publications, if any, that in the Receiver's sole and absolute discretion are reasonably calculated to provide notice to potential unknown Claimants, on two days that are approximately two weeks apart. The Receiver has chosen newspapers of general circulation in the states listed above because they are reasonably likely to reach potential unknown Claimants.

31. **Notice by the Receiver's Website and Email.** Not later than five (5) calendar

days after entry of the Bar Date Order, the Receiver shall post the following for review and download on the Receivership Website: (a) Notice of Claims Bar Date, (b) the Bar Date Order; and (c) Proof of Claim Form. The Receiver shall also send an “email blast” to all Investors for whom the Receiver has an email address or who have otherwise signed up to receive email notice of filings on the Receivership Website. Such email will direct such Investors to the Receivership Website to obtain copies of the notice materials.

32. **Notice Upon Inquiry.** Copies of the Notice of Claims Bar Date and the Proof of Claim Form will be available after entry of the Bar Date Order and before the Claims Bar Date to any Claimant who makes a written request for such documents to the following mailing address: Northridge Holdings, 2807 Allen Street, Box 377, Dallas, Texas 75204.

33. **Notice to Counsel.** Where the Receiver has notice that a party, Claimant (including Administrative Claimant and Investor), or other individual or entity, who is entitled to notice, is represented by counsel, copies of the documents sent by the Receiver to that counsel's client(s) will also be sent by email to counsel who have not otherwise already received the documents.

34. **Notice to the Receiver of Current Address.** It is the responsibility of Claimants, and any other interested parties to keep the Receiver apprised with a current email and mailing address in order to receive notices or other communication from the Receiver or the Receivership Estate. A link to the Change of information Form will be found on the Receivership Website or can be made using the hotline phone number provided on the Receivership Website.

D. *Procedure for Submitting a Proof of Claim.*

35. Except as otherwise ordered by this Court or as specifically provided herein, each

Claimant required to file a Proof of Claim must properly complete and sign a Proof of Claim Form which, together with supporting documentation, must be timely submitted to the Receiver's Claims Agent by mail addressed to Northridge Holdings, 2807 Allen Street, Box 377, Dallas, Texas 75204.

36. A claim shall be considered timely filed if it is actually received on or before the Claims Bar Date or if mailed, postmarked before the Claims Bar Date. A Claimant should retain proof that their Proof of Claim was timely filed (e.g. proof of delivery).

37. Proofs of Claim should not be filed with the Court, or sent to the Receiver, his legal counsel, retained professionals, or otherwise delivered to a Receivership Entity. Any Proof of Claim so filed or sent will not be considered properly submitted and will be disallowed pursuant to the Bar Date Order.

E. Notice of Receiver's Initial Determination.

38. To the extent, and at the Receiver's sole discretion, the Receiver believes a Claimant (including the Investors) is entitled to an Allowed Claim Amount, the Receiver will send to such Claimant a Notice of Receiver's Initial Determination containing: (a) the proposed Allowed Claim Amount; and (b) attachment(s) containing information and/or setting forth the Receiver's calculation of the proposed Allowed Claim Amount. **Presently, the Receiver anticipates sending a Notice of Receiver's Initial Determination to all Investors.**

39. A Claimant who **AGREES** with the proposed Allowed Claim Amount set forth in the Notice of Receiver's Initial Determination shall check the "Agree" box on the Notice of Receiver's Initial Determination and submit it to the Receiver on or before the Claims Bar Date in the same manner Proofs of Claim are to be submitted. Such a claimant shall not be required to file a Proof of Claim and shall be entitled to an Allowed Claim Amount as proposed in the

Notice of Receiver's Initial Determination.

40. Additionally, an Investor checking the “Agree” box on the Notice of Receiver's Initial Determination and submitting the same to the Receiver, shall be deemed a representation by such Investor that: (a) the Proposed Claim Amount as set forth in the Notice of Receiver's Initial Determination is correct to the best of Investor’s knowledge; (b) none of the funds the Investor invested in the Receivership Entities and that Investor claims a right to recover originated from the Receivership Entities, Glenn Mueller or any of Mr. Mueller’s family or any entity owned or controlled by Mr. Mueller or any of Mr. Mueller’s family; (c) the distribution on account of Investor’s claim (if any) will not be shared in any way with Mr. Mueller, a member of Mr. Mueller’s family, an entity owned or controlled by Mr. Mueller or a member of his family or in any way for the benefit of Mr. Mueller or his family; and (d) the Proposed Claim Amount as set forth in the Notice of Receiver's Initial Determination represents the full extent of the Receivership Estate’s liability to the Claimant.

41. A Claimant who **DISAGREES** with the proposed amount of the Allowed Claim Amount set forth in the Notice of Receiver's Initial Determination may seek to review the disagreement with the Receiver and his professionals by contacting the same through the Receivership Website prior to responding to the Notice of Receiver’s Initial Determination. If the Receiver agrees that revisions to the Notice of Receiver’s Initial Determination should be made, the Receiver, at his sole discretion, may send an amended Notice of Receiver’s Initial Determination.

42. A Claimant who **DISAGREES** with the proposed amount of the Allowed Claim Amount set forth in the Notice of Receiver's Initial Determination shall check the “Disagree” box on the Notice of Receiver’s Initial Determination and submit it to the Receiver on or before

the Claims Bar Date in the same manner Proofs of Claim are to be submitted. **Such a claimant must timely file and properly submit a Proof of Claim (as set forth above).**

43. A Claimant who fails to respond to a Notice of Receiver's Initial Determination *and* fails to timely and properly submit a Proof of Claim shall be deemed to have accepted and consented to the proposed Allowed Claim Amount set forth in the Notice of Receiver's Initial Determination.

44. The Allowed Claim Amount is subject to further review (and potential objection) by the Receiver and the terms and conditions of a Court-approved distribution plan (e.g., if an Investor received amounts that may be offset against the Allowed Claim Amount such as finder's fees).

F. *Required Supporting Documentation for the Proof of Claim.*

45. Each submitted Proof of Claim shall include attached copies of all documents available that support such Proof of Claim. Such documentation may include, but is not limited to: copies of personal checks, cashier's checks, wire transfer advices, and other documents evidencing the investment of funds; copies of each signed investment contract; copies of all agreements, promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, evidence of perfection of lien; and other documents evidencing the amount and basis of the Claim.

46. As applicable, supporting documentation must also include a chronological accounting of any withdrawals made by or payments received from any Northridge Entity, whether such payments were denominated as the return of principal, interest, commissions, finder's fee, or otherwise, indicating the date and amount of each withdrawal or payment. Investors must include such information starting from the inception of their relationship through

September 12, 2019. If supporting documentation is not available, the Proof of Claim must include an attachment explaining why the documentation is unavailable.

47. Each Proof of Claim shall identify the Receivership Entity or Entities against which such claim is being filed against. A Claimant who is required to submit a Proof of Claim and who reasonably believes they hold or may hold a Claim against one or more Northridge Entity must identify each Northridge Entity against which the Proof of Claim is asserted. The failure to identify the correct entity(ies) on a Proof of Claim Form may be grounds for objection to, and disallowance of, such Proof of Claim.

48. **Claimants should include their name on every document submitted. DO NOT SEND ORIGINAL DOCUMENTS.**

49. Each Proof of Claim Form must satisfy certain minimum standards in order to establish a Claim and be eligible to receive a distribution pursuant to a Court-approved distribution plan. Accordingly, the more directly relevant information a Proof of Claim provides, the easier it will be for the Receiver and his professionals to validate the Proof of Claim.

G. *Materials That Should Not Be Submitted with a Proof of Claim.*

50. Proofs of Claim should not include the following types of materials unless requested by the Receiver or the Claims Agent: (a) marketing brochures and other marketing materials received from any Northridge Entity, (b) routine or form correspondence received from an Northridge Entity, (c) copies of pleadings on file in this case or other cases related to the Receivership or the Receivership Estate, and (d) other documents received from the Receivership Estate that do not reflect specific information concerning the existence or amount of a Claim.

H. *Effect of Failure to Submit a Proof of Claim Before the Claims Bar Date.*

51. Any Claimant who is required to submit a Proof of Claim, but nonetheless fails to

do so in a timely manner or in the proper form, shall: (a) be forever barred, estopped, and enjoined to the fullest extent allowed by applicable law from asserting, in any manner, any Claim against (i) any Northridge Entity, (ii) the Receivership Estate or its assets, and (b) shall not receive any distribution from or have standing to object to any distribution plan proposed by the Receiver. Further, the Receiver shall have no further obligation to provide any notices on account of such Claim and the Receivership Estate shall be discharged from any and all indebtedness or liability with respect to such Claim.

52. The proposed Claims Bar Date, the Notice of Claims Bar Date and Procedures for Submitting a Proof of Claim and the Proof of Claim Form are not unduly burdensome or uncommon in matters of this nature. It is important to the efficient and orderly administration of the receivership that Proofs of Claim are timely and properly submitted and that Proofs of Claim not timely or properly submitted be disallowed. Establishment of the Claims Bar Date is necessary in order for the Receiver and the court to determine which individuals and entities are entitled to share in distributions under a Court-approved plan.

I. *Request for Additional Information.*

53. If at any time after receiving a timely Proof of Claim, the Receiver determines that additional information is needed to assess and/or process a Claim, the Receiver or his Claims Agent may contact the Claimant (or counsel, if one is designated) by telephone, mail or email to request such additional information.

J. *Notice of Deficiency.*

54. Prior to filing an objection with the court seeking to disallow a Claim, the Receiver may in his sole and absolute discretion send to a Claimant (and to counsel, if one is designated), to such address or email address as provided in the Proof of Claim Form, a written

Notice of Deficiency that specifically identifies the information required to assess and process the Claim. Should the Receiver determine he needs additional information from anyone who was sent a Notice of Receiver's Initial Determination, the Receiver may send a Notice of Deficiency to that recipient. The Notice of Deficiency will further state that the Claim may be disallowed (in whole or in part) if the additional information is not timely provided to the Receiver.

K. *Attempt to Resolve Objection.*

55. The Claimant shall be directed to work in good faith with the Receiver and his professionals to resolve any disputes about the Claim before submitting them to the Court for determination.

56. All parties to this proceeding are directed to cooperate with the Receiver to the maximum extent possible to achieve swift resolution of disputes concerning claims without the need for a determination by the Court.

L. *Filing of Objection with Court.*

57. If the Receiver is unable to resolve any dispute(s) relating to a Claim, the Receiver shall file a written objection to the Claim with the Court. The objection shall include: (a) a detailed statement of the reasons for the Receiver's objection, and (b) copies of any document or other writing upon which the Receiver relies. Such objection shall be served on the Claimant using the contact information provided in Claimant's Proof of Claim.

58. The Claimant's response to the Receiver's claim objection shall be filed with the Court and with a copy served on the Receiver and his counsel, within thirty (30) calendar days of the date on which the Receiver filed his written objection to the Claim. The Receiver shall have thirty (30) calendar days to file and serve his reply.

M. *Limitation on Discovery and Motion Practice.*

59. Prior to the Receiver's filing of an objection to a Claim, no discovery, motion practice, or other claims litigation may be initiated by a Claimant unless the Claimant first seeks and obtains leave of Court, upon a showing of good cause and substantial need for such relief.

N. *Consent to Jurisdiction and Representation of Claimant*

60. Submission of a Proof of Claim in this case and any Claimant who agrees with the proposed Allowed Claim Amount set forth in the Notice of Receiver's Initial Determination, constitutes consent to the jurisdiction of the Court for all purposes related to the Claim and the Claimant's relationship with any Northridge Entity, and constitutes agreement to be bound by the Court's decisions, including, without limitation, a determination as to the extent, validity and amount of any Claim asserted against the Receivership Estate and the treatment of the Claim in a Court-approved distribution plan.

61. Additionally, with respect to Investors (as set forth in the Proof of Claim Form and the Notice of Receiver's Initial Determination), submission of a Proof of Claim in this case and any Investor who agrees with the proposed Allowed Claim Amount set forth in the Notice of Receiver's Initial Determination, shall be deemed a representation by such Investor that: (a) none of the funds Investor invested in the Receivership Entities and that Investor claims a right to recover originated from the Receivership Entities, Glenn Mueller or any of Mr. Mueller's family or any entity owned or controlled by Mr. Mueller or any of Mr. Mueller's family; (b) the distribution on account of Investor's claim (if any) will not be shared in any way with Mr. Mueller, a member of Mr. Mueller's family, an entity owned or controlled by Mr. Mueller or a member of his family or in any way for the benefit of Mr. Mueller or his family; and (c) the Proof of Claim represents the full extent of the Receivership Estate's liability to the Claimant.

O. *Authority to Compromise and Settle.*

62. The Receiver shall have the authority to compromise and settle any Claim or resolve any Notice of Deficiency, at any time, as appropriate, without further order of this Court. The Receiver, at his discretion, may file a motion seeking Court approval of any compromise or settlement of a Claim.

P. *Distribution Plan*

63. After the Claims Procedures have been substantially completed, the Receiver will promptly file a distribution plan setting forth: (a) any proposed priority of distribution; (b) methodology of distribution (i.e., pro-rate or rising tide); (c) the proposed amounts of any initial distributions for each Claimant; (d) any disputed claims reserve; and (e) any other information that the Receiver deems necessary to include. To the extent any Receivership Assets remain after payment non-Investor claims in full and Investor claims (on a net-loss basis) in full and payment of anticipated administrative costs of the Receivership Estate, the Receiver shall promptly propose a distribution plan and/or additional claims process to distribute such remaining assets to Investors.

Q. *Reservation of Rights.*

64. Nothing herein shall prejudice any right of the Receiver to dispute, or assert offsets or defenses as to the extent, validity, or priority, or otherwise against amounts asserted in any Proof of Claim or against the initial Allowed Claim Amount of any individual or entity who received a Notice of Receiver's Initial Determination, including but not limited to the manner in which accounts will be aggregated and Claims treated under a Court-approved distribution plan. Nothing contained herein is intended to preclude the Receiver from objecting to any Claim on any grounds. Subject to approval of the Court, the Receiver retains the sole and absolute right to

propose a plan of distribution.

POOLING OF RECEIVERSHIP ASSETS

I. Relevant Factual Background

65. The Receiver incorporates by reference the facts alleged in the following filings in this case:

- a. Plaintiff's Complaint. [Dkt. No. 1].
- b. Plaintiff's (SEC's) Emergency Motion for a Temporary Restraining Order to Prevent Violations of the Federal Securities Laws, To Appoint Receiver, and Provide For Other Ancillary Relief. [Dkt. No. 3].
- c. Plaintiff's (SEC's) Memorandum In Support of Emergency Motion for a Temporary Restraining Order to Prevent Violations of the Federal Securities Laws, To Appoint Receiver, and Provide For Other Ancillary Relief. [Dkt. No. 4].

66. In summary, as set forth in the above-referenced filings:

- a. The Limited Partner Investment Entities sold to Investors limited partnership interests in various entities which in turn purchased real estate assets and/or entities which were purportedly organized to allow investment in the appreciation of certain of the real estate assets.
- b. The Note Investment Entities sold promissory notes to Investors purportedly to purchase, maintain and/or improve real property.
- c. The vast majority (if not all) of Investor funds came into the Receivership Entities through either the Limited Partner Investment Entities or Note Investment Entities. As a result, investment in real estate, whether direct or indirect, was promised to all Investors.

d. Most of the real estate assets of the Receivership Entities were acquired over twelve years ago and the most recent acquisition was in 2012 (the Elston Office Building). As a result, other than \$542,000 used to purchase the Elston office building in 2012, no significant amount Investor funds were used to acquire new real property for at least twelve years.

e. The Receivership Entities primarily used the proceeds of the promissory notes to: (i) fund acquisitions, capital needs and operating expenses of the real property assets, (ii) repay other investor obligations and (iii) benefit the insiders.

67. Additionally, the Receiver's investigation has uncovered and/or confirmed the following facts which establish that: (i) the Receivership Entities (a) were intertwined and utilized to perpetrate one fraud, (b) did not generally respect corporate formalities and the financial integrity of each entity, and (c) commingled their funds; and/or (ii) the Investors were all similarly situated with respect to the Receivership Defendants and the perpetrator(s) of the fraud (i.e., the Commingling History):

a. From 1995 to 2019, the Receivership Entities made over 13,500 intercompany transfers. O'Connor Declaration ¶ 15.

b. While intercompany transfers were recorded, no interest on these intercompany loans was ever imputed or charged, nor was any equity interest assigned in cases where one entity's funds were used to acquire real property for the benefit of another entity. O'Connor Declaration ¶ 18.

c. When interviewing the Receivership Entities' controller, Carol Higgins, she described the pre-Receivership handling of funds as a "teapot", sending funds to where they were needed and at the direction of Mr. Mueller. Analysis of the Books and

Records confirms Ms. Higgins' description. O'Connor Declaration ¶ 19.

d. Generally, proceeds from promissory note sales were transferred from the Note Investment Entities to Northridge. While intercompany transfers were recorded, no interest on these intercompany loans was ever imputed or charged. It was from Northridge that funds were deployed in the "teapot" manner described by Ms. Higgins. O'Connor Declaration ¶ 20.

e. In examining the Books and Records, it is clear that (in addition to repaying investor obligations) the Northridge Entities used proceeds of promissory note sales to fund real estate acquisitions (when the Receivership Entities were still acquiring real property assets some time ago), refinance, operations and improvements without receiving any equity interest or loan interest. O'Connor Declaration ¶ 22.

f. For example, according to the Books and Records, with respect to the Northridge Entity relating to the largest real property asset commonly known as Timber Lake, Timber Lake Apartments, LLC:

- Northridge Holding, Ltd. transferred \$4.58 million on July 23, 2007 in connection with the acquisition of the Timber Lake property.⁴ While this transaction was recorded in the Books and Records, Northridge Holding, Ltd. never received any equity interest, interest or other compensation in exchange for these funds. O'Connor Declaration ¶ 24(a).
- The intercompany loan to Westwood from Northridge on Northridge's books and records increased by over \$4.2 million from 2008 to 2011. While the loan was recorded in the Books and Records, Northridge

⁴ Timber Lake apartments was formerly known as "Westwood Apartments" when it was purchased in 2007. This property was refinanced in 2011 as Timber Lake Apartments, LLC.

Holding, Ltd. never received any equity interest, interest or other compensation in exchange for these funds. O'Connor Declaration ¶ 24(b).

- The intercompany loan to Timber Lake from Northridge on Northridge's books and records increased by over \$300 thousand from 2011 to 2019. O'Connor Declaration ¶ 24(c).
- When the Timber Lake property was refinanced in 2011, funds were transferred to Northridge, which were then used to pay investors. O'Connor Declaration ¶ 25.
- As of the start of the receivership, the amount of the intercompany loans from Northridge to Timber Lake and Westwood were \$300,000.00 and \$9.4 million, respectively. While the loan was recorded in the Books and Records, Northridge Holding, Ltd. never received any equity interest, interest or other compensation in exchange for these funds. O'Connor Declaration ¶ 24(d).

g. By way of further example, according to the Books and Records, with respect to the Northridge Entity relating to the second largest real property asset commonly known as Bartlett Lakes, 561 Deere Park Circle Limited Partnership ("Deere Park") owes the following intercompany receivables:

- Northridge Holding, Ltd. transferred \$3.3 million on January 31, 2006 in connection with the acquisition of Deere Park. While this transaction was recorded in the Books and Records, Northridge Holding, Ltd. never received any equity interest, interest or other compensation in exchange for these funds. O'Connor Declaration ¶ 26(a).

- The intercompany loan to Deere Park from Northridge on Northridge's books and records increased by over \$885,000.00, primarily from Northridge's payment of Deere Park's wages, taxes and insurance during the period from 2007 to 2019. O'Connor Declaration ¶ 26(b).
- As of the start of the receivership, the amount of the intercompany loan receivable on Northridge's books and records from Deere Park was \$4.1 million. At no time was any interest ever imputed to this loan. Likewise, Northridge never received any equity interest in Deere Park in connection with these amounts. O'Connor Declaration ¶ 26(c).

II. Legal Authority

68. When entities administered in a receivership had an extensive history of commingling their affairs and/or perpetrating the subject fraud on the body of investors and creditors as an integrated group, pooling of such entities' assets for distribution purposes (as the Pooling Proposal seeks) is warranted, as a predicate to any particular distribution method. *See, e.g., SEC v. Amerifirst Funding, Inc.*, 2008 WL 919546 *2-4 (N.D. Tex. 2008) (approving pooling of funds of all entities involved in a unified scheme to defraud, where the entities were intertwined and their funds were commingled) (citing *SEC v. Forex Asset Mgmt., LLC*, 242 F.3d 325, 331-32 (5th Cir. 2001)). Here, pooling assets is warranted and equitable.

III. The Receivership Entities are Intertwined, Commingled Funds and Effected One Fraud.

69. As set forth above and in the O'Connor Declaration, the Commingling History⁵, justifies the Pooling Proposal as the most and equitable way to treat Investors and creditors who were collectively defrauded by the Receivership Entities. Specifically, the Receivership Entities, in fact, were intertwined and used by Defendants to perpetrate one fraudulent investment scheme because all of the Investors overlapped. The real estate assets were used to procure investments, either directly into equity interests or indirectly in the form of promissory notes. Regardless of the investment made, performance of the investment was dependent on the operations and performance of the underlying real estate assets and the scheme's ability to raise new funds using the real estate assets as bait.

70. Additionally, the funds and accounts of the Northridge Entities were massively commingled. Funds from the Note Investment Entities (proceeds of the promissory notes) were commingled amongst the Note Investment Entities and used for the benefit of the Limited Partner Investment Entities in the acquisition, refinance, operation, and capital improvement of the real property assets. But, at no time did Note Investment Entities receive any equity interest or loan interest payments on account of these transfers. As set forth above, pre-Receivership funds were handled as a "teapot" sending funds to where they were needed and at the direction of Mr. Mueller. O'Connor Declaration ¶ 19.

71. As a result, the Receiver's pooling of the assets recovered for all Investors and other Claimants as proposed herein is logical, equitable and more than justified under the instant circumstances. Due to the Northridge Entities' use and commingling of promissory note

⁵ The facts set forth herein supporting the Pooling Proposal are not meant to be exhaustive, but rather illustrative of facts supporting the Pooling Proposal. The Receiver reserves the right to supplement evidence of commingling and other evidence supporting the Pooling Proposal in the event there is an objection to the Pooling Proposal.

proceeds with its real estate acquisition and operation, it would simply be inequitable to distribute the net proceeds of the real property sales to the equity holders in such real property owning entities. That would elevate form over substance and not recognize that the promissory note issuing entities essentially received nothing for their investment and propping up of the real estate entities.

72. An additional rationale for the Pooling Proposal is that any proposal which seeks to tailor the calculation or treatment of a particular Claim to a specific Receivership Entity would require resolution of the following extremely complex and time-consuming issues: (a) structuring a claims allowance process that determines which Investor invested which amount in a particular Northridge Entity; (b) untangling the massively commingled finances of the Receivership Entities and determining intercompany receivables; (c) ascertaining the nature and extent to which many investors transferred their investments across different entities, which would make any cash in/cash out accounting of such investments extremely difficult to resolve (as opposed to cash in/cash out of the entire Northridge enterprise); (d) designing separate distribution plans for each Receivership Entity which must account for inter-company receivables/payables; and (e) accounting for prior investments for entities that are not active (i.e., for entities where real properties were sold prior to the Receivership, some transactions go back many years). These issues will be extremely expensive and would take a lot more time to resolve.

73. Accordingly, the Receiver submits that this Court should exercise its discretion to approve the proposed Claims Administration Process and Pooling Proposal as set forth hereinabove.

NO OBJECTION BY THE SEC

74. Counsel for the SEC has indicated that the SEC does not object to the relief requested herein.

WHEREFORE, the Receiver respectfully requests that the Court: (a) grant this Motion and enter the proposed order in a form substantially as attached hereto as **Exhibit A**, establishing the Claims Bar Date, approving the Claims Procedures and approving Receiver's Pooling Proposal; and (b) grant all other or further relief that is just and proper.

Dated: August 13, 2020

N. Neville Reid, Receiver

By: /s/ Ryan T. Schultz

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EXHIBIT A

[Proposed Order]

**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

**PROPOSED ORDER (1) FIXING CLAIMS BAR DATE, (2) APPROVING CLAIMS
PROCEDURES AND CLAIMS FORMS, (3) APPROVING NOTICES, AND (4)
APPROVING THE POOLING OF RECEIVERSHIP ENTITIES' ASSETS FOR
DISTRIBUTION PURPOSES**

Upon consideration of the Receiver's Motion for Entry of an Order (1) Fixing a Claims Bar Date, (2) Approving Claims Procedures,¹ (3) Approving Various Notices, and (4) Approving the pooling of the Receivership Assets for distribution purposes (the "Motion")², any responses or objections to the Motion, and any reply in support of the Motion, this Court finds that: the relief requested in the Motion is in the best interests of the Receivership Estate, potential Claimants, and all other parties; notice of the Motion was good and sufficient under the particular circumstances and that no other or further notice need be given; and based upon the record herein and after due deliberation it is hereby **ORDERED THAT:**

1. The Motion, together with the exhibits, instructions and other attachments thereto is GRANTED and approved in all aspects.

¹ Capitalized terms not defined herein shall have the meaning ascribed to them in the Motion.

² Dkt. # _____.

2. Objections Overruled. All objections not withdrawn or resolved by this Order are overruled in all respects.

3. Claims Bar Date. This Court hereby establishes 11:59 p.m. (prevailing Central Time) on _____, 2020 ("Claims Bar Date"), as the deadline for Claimants and Administrative Claimants to submit a completed and signed Proof of Claim Form under penalty of perjury, together with supporting documentation against one or more of the Northridge Entities.

4. Claims Procedures. The Claims Procedures, including the Notice of Claims Bar Date and Procedures for Submitting a Proof of Claim (the "Notice of Claims Bar Date"), Proof of Claim Form, Notice of Receiver's Initial Determination, Notice of Claims Bar Date for Publication (and associated attachments) are approved substantially in the form attached to the Motion.

5. Eligibility to Submit a Proof of Claim. Except as set forth in Paragraph 6 and as to Claimants who receive and agree with the contents of the Notice of Receiver's Initial Determination of their Allowed Claim, all other Claimants and Administrative Claimants asserting or who believe they are entitled to assert a Claim or assert a right to distribution from the Receivership Estate, regardless of whether the Claim is held with or through any individual or entity or based on a primary, secondary, direct, indirect, secured, unsecured, unliquidated or contingent liability MUST timely and properly submit a Proof of Claim.

6. Professional Claims, Employee Claims and Intercompany Receivership Claims. Holders of Professional Claims will not be required to submit a Proof of Claim. The Receiver will continue to satisfy Professional Claims in the ordinary course of the Receivership and in accordance with prior or future Court orders, as appropriate to the claim or pursuant to a Court

approved distribution plan. Intercompany Receivership Claims among and between the Northridge Entities are preserved without the requirement of the filing of a Proof of Claim by the Receiver at this time. Any such Intercompany Receivership Claims as appropriate will be subject to a Court approved distribution plan. Northridge Entities' employees are not required to submit a Proof of Claim for **post-receivership amounts** (incurred on or after September 12, 2019) incurred in the ordinary course with respect to their employment. The same such amounts shall be paid in the ordinary course of business.

7. Notice Process. The Receiver shall provide the following notice in satisfaction of the due process interests of Claimants and Administrative Claimants:

- a. Notice by Mail. The Receiver shall provide notice by mail in the following manner, timing and substance.
 - i. Timing of Notice. The Receiver shall provide notice within fifteen (15) calendar days of entry of this Bar Date Order.
 - ii. Substance of Notice. The notice shall include: a) the Notice of Claims Bar Date (substantially in the form of Exhibit 1), b) the Proof of Claim Form (substantially in the form of the Exhibit 2), and c) at the Receiver's sole and absolute discretion, the Notice of Receiver's Initial Determination (together with the instructions and other attachments substantially in the form of the Exhibit 3) (collectively, the "Notice").
 - iii. Means of Serving Notice. The Receiver shall serve those Claimants and Administrative Claimants entitled to notice under subparagraph 8(b) below: (a) by United States first class mail (for those Claimants with a last known address within the United States); and (b) by any

method the Receiver deems reasonable in his sole and absolute discretion (for those Claimants without a last known address or with a last known address outside the United States).

- b. Individuals and entities to receive Notice by mail. The Receiver shall provide Notice by mail, by the means provided in subparagraph 8(a) above, on the following known Claimants:
- i. All parties that have appeared in the SEC Enforcement Action;
 - ii. Investors and former Investors;
 - iii. Northridge Employees;
 - iv. Known potential Administrative Claimants;
 - v. Federal, state, local or other governmental entities or authorities who may assert a Claim for taxes;
 - vi. state security regulatory agencies where any Northridge Entity issued or sold securities;
 - vii. the Receivership Estate's institutional lenders; and
 - viii. potential Claimants that the Receiver has determined, upon reasonable review of the Books and Records, have or may assert a Claim against a Northridge Entity or have asserted claims against the Receivership Estate during the pendency of the SEC Enforcement Action.
- c. Notice by email for returned Notice by mail. Upon return of any service item that was undeliverable by mail and without a useful forwarding address for re-service, the Receiver will perform a reasonable search of the Books and Records for a last known e-mail address and attempt to provide Notice

to that Claimant or Administrative Claimant at that last known e-mail address, which shall satisfy the Receiver's notice requirements.

- d. Notice by email to Counsel. Where the Receiver has notice that a Claimant, party or other individual or entity, who is entitled to notice, is represented by counsel, copies of the documents sent by the Receiver to that counsel's client(s) will also be sent by email to counsel who have not otherwise already been sent the documents.
- e. Posting the Notice of Claims Bar Date and Proof of Claim Form. Not later than five (5) calendar days after entry of the Bar Date Order, copies of the Notice of Claims Bar Date and Proof of Claim Form will be available for downloading from the Claims Agent's website (www.northridgereceiver.alixpartners.com).
- f. Duty to keep the Receiver advised of current contact information. It is the responsibility of Claimants, Administrative Claimants and other interested parties to keep the Receiver apprised with a current email and mailing address in order to receive notices or other communication from the Receiver or the Receivership Estate. A link to the Change of Information Form will be found on the Claims Agent's website (www.northridgereceiver.alixpartners.com).
- g. Notice by Publication. The Receiver shall provide notice by publication in the following manner:
 - i. Timing of notice. The Receiver shall provide notice by publication within thirty (30) calendar days of entry of this Bar Date Order.

- ii. Substance of notice. The Notice of Claims Bar Date for Publication shall be substantially in the form of Exhibit 4.
- iii. Means of publishing notice. The Receiver proposes to publish the Notice of Claims Bar Date for Publication in newspapers of general circulation in: (a) Illinois, Michigan, New Jersey, Massachusetts, (b) *The Wall Street Journal*, and (c) such other publications, if any, that in the Receiver's sole and absolute discretion are reasonably calculated to provide notice to potential unknown Claimants and Administrative Claimants, on two days that are approximately two weeks apart. The publications and means chosen by the Receiver are reasonably likely to reach potential unknown Claimants and Administrative Claimants.
- h. Notice by Posting to the Receiver's Website and Email. The Receiver shall post for review and download on the Receiver's website (www.northridgereceiver.alixpartners.com), this Bar Date Order, the Notice of Claims Bar Date and the Proof of Claim Form, not later than five (5) calendar days after entry of the Bar Date Order. The Receiver shall also send an "email blast" to all Investors whom the Receiver has an email address or who have otherwise signed up to receive email notice of filings on the Claims Agent Website.
- i. Notice Upon Inquiry. Copies of the Notice of Claims Bar Date and the Proof of Claim Form will be available after entry of the Bar Date Order to any Claimant or Administrative Claimant who makes a written request for such documents to the

Claims Agent's mailing address: Northridge Holdings, 2807 Allen Street, Box 377, Dallas, Texas 75204

8. Procedure for Submitting a Proof of Claim. Except as otherwise provided by order of this Court or provided herein, each Claimant and Administrative Claimant must properly complete and sign a Proof of Claim which, together with supporting documentation must be timely submitted to the Receiver's Claims Agent by mail addressed to Northridge Holdings, 2807 Allen Street, Box 377, Dallas, Texas 75204, such that if sent by mail is postmarked no later than the Claims Bar Date.

It is recommended that Claimants submit their Proof of Claim by certified or registered mail and retain evidence that the Proof of Claim was postmarked no later than the Claims Bar Date. Proofs of Claim submitted with a valid email address will receive email confirmation of receipt by the Claims Agent of the Proof of Claim.

Proofs of Claim should not be filed with this Court, or sent to the Receiver, his legal counsel, or his retained professionals. Any Proof of Claim so filed or sent shall not be considered properly submitted and will be disallowed pursuant to this Bar Date Order.

9. Procedures related to the Notice of Receiver's Initial Determination. At the Receiver's sole discretion, if the Receiver believes a Claimant (including the Investors) is entitled to an Allowed Claim Amount, the Receiver will send to such Claimant a Notice of Receiver's Initial Determination containing: (a) the proposed Allowed Claim Amount; and (b) attachment(s) containing information and/or setting forth the Receiver's calculation of the proposed Allowed Claim Amount. A Claimant who **AGREES** with the information and amounts in the attachments to the Notice of Receiver's Initial Determination shall check the "Agree" box on the Notice of Receiver's Initial Determination and submit to the Receiver on or

before the Claims Bar Date in the same manner Proofs of Claim are to be submitted and does **NOT** need to submit a Proof of Claim.

10. A Claimant who **DISAGREES** with the proposed amount of the Allowed Claim Amount set forth in the Notice of Receiver's Initial Determination may seek to review the disagreement with the Receiver and his professionals by contacting the same through the Receivership Website (www.northridgereceiver.alixpartners.com) or telephone ((888) 369-8932) prior to responding to the Notice of Receiver's Initial Determination. If the Receiver agrees that revisions to the Notice of Receiver's Initial Determination should be made, the Receiver, at his sole discretion, may send an amended Notice of Receiver's Initial Determination.

11. A Claimant who **DISAGREES** with the proposed amount of the Allowed Claim Amount set forth in the Notice of Receiver's Initial Determination shall check the "Disagree" box on the Notice of Receiver's Initial Determination and submit to the Receiver on or before the Claims Bar Date in the same manner Proofs of Claim are to be submitted. Such a Claimant must timely file and properly submit a Proof of Claim. A Claimant who fails to respond to a Notice of Receiver's Initial Determination and fails to timely and properly submit a Proof of Claim shall be deemed to have accepted and consented to the proposed Allowed Claim Amount set forth in the Notice of Receiver's Initial Determination.

12. Supporting Documentation for Proof of Claim. Each submitted Proof of Claim shall include attached copies of all documents available that support such Proof of Claim. Such documentation may include, but is not limited to: copies of personal checks, cashier's checks, wire transfer advices, and other documents evidencing the investment of funds; copies of each signed investment contract; copies of all agreements, promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages,

security agreements, evidence of perfection of lien; and other documents evidencing the amount and basis of the Claim. As applicable, supporting documentation must also include a chronological accounting of any withdrawals made by or payments received from any Northridge Entity, whether such payments were denominated as the return of principal, interest, commissions, finder's fee, or otherwise, indicating the date and amount of each withdrawal or payment. If supporting documentation is not available, the Proof of Claim Form must include an attachment explaining why the documentation is unavailable.

13. Supporting Documentation That Should Not Be Submitted. Proofs of Claim should not include the following types of materials unless requested by the Receiver or the Claims Agent: (a) marketing brochures and other marketing materials received from a Northridge Entity, (b) routine or form correspondence received from an Northridge Entity, (c) copies of pleadings on file in this case or other cases related to the Receivership or the Receivership Estate, and (d) other documents received from the Receivership Estate that do not reflect specific information concerning the existence or amount of a Claim.

14. Proof of Claim May Identify Northridge Entity(ies). A Claimant who is required to submit a Proof of Claim and who reasonably believes they hold or may hold a Claim against one or more Northridge Entities may identify each Northridge Entity against which the Proof of Claim is asserted.

15. Effect of Failure to Submit Proof of Claim Before the Claims Bar Date. Any Claimant who is required to submit a Proof of Claim, but fails to do so in a timely manner or in the proper form, shall (a) be forever barred, estopped, and enjoined to the fullest extent allowed by applicable law from asserting, in any manner, any Claim against (i) any Northridge Entity, (ii) the Receivership Estate or its assets, and (b) not receive any distribution from the Receivership

Estate or have standing to object to any distribution plan proposed by the Receiver. Further, the Receiver shall have no further obligation to provide any notices on account of such Claim and the Receivership Estate shall be deemed discharged from any and all indebtedness or liability with respect to such Claim.

16. The proposed Claims Bar Date, the Notice of Claims Bar Date and Procedures for Submitting a Proof of Claim and the Proof of Claim Form are not unduly burdensome or uncommon in matters of this nature. It is important to the efficient and orderly administration of the receivership that Proofs of Claim are timely and properly submitted and that Proofs of Claim not timely or properly submitted be disallowed. Establishment of the Claims Bar Date is necessary in order for the Receiver and the court to determine which individuals and entities are entitled to share in any potential Court-approved distributions.

17. Proofs of Claim Processing and Verification, Compromise and Settlement. The Receiver is hereby authorized to employ any procedures he deems necessary, in his sole and absolute discretion to process and reconcile Proofs of Claim and to verify the Claims asserted in the Proofs of Claim. The Receiver shall have the authority to compromise and settle any Claim, or resolve any Notice of Deficiency, at any time, as appropriate, without further order of this Court. The Receiver, at his discretion, may file a motion seeking Court approval of any compromise or settlement of a Claim. All parties to this proceeding are directed to cooperate with the Receiver to the maximum extent possible to achieve swift resolution of disputes concerning claims without the need for a determination by the Court.

18. Request for Additional Information. If at any time after receiving a timely Proof of Claim, the Receiver determines that additional information is needed to assess and process a

Claim, the Receiver of his Claims Agent may contact the Claimant (or counsel, if one is designated) by telephone, mail or email to request such additional information.

19. Notice of Deficiency. Prior to filing an objection with the court seeking to disallow a Claim, the Receiver may in his sole and absolute discretion send to a Claimant (and to counsel, if one is designated), to such address or email address as provided in the Proof of Claim Form, a written Notice of Deficiency that specifically identifies the information required to assess and process the Claim. Should the Receiver determine he needs additional information from anyone who was sent a Notice of Receiver's Initial Determination, the Receiver may send a Notice of Deficiency to that recipient. The Notice of Deficiency shall provide that if the additional information is not timely provided to the Receiver, such failure shall provide a basis for an objection to the Claim.

20. Receiver's Claim Objection. Claimants are directed to work in good faith with the Receiver to resolve any disputes about a Claim. If the Receiver is unable to resolve disputes about a Claim, the Receiver may file a written objection to the Claim with the Court. The objection shall include: (a) a detailed statement of the reasons for the Receiver's objection, and (b) copies of any document or other writing upon which the Receiver relies. Unless otherwise ordered by this Court, the Claimant's response to the Receiver's claim objection shall be filed with the Court and a copy served on the Receiver and his counsel, within thirty (30) calendar days of the date on which the Receiver filed his written objection to the Claim. The Receiver shall have thirty (30) calendar days to file and serve his reply.

21. Limitation on Discovery and Motion Practice. Prior to the Receiver's filing of an objection to the Claim, no discovery, motion practice, or other claims litigation shall occur

unless the Claimant first seeks and obtains leave of Court, upon a showing of good cause and substantial need for such relief.

22. Consent to Jurisdiction. Submission of a Proof of Claim in this case constitutes consent to the jurisdiction of the Court for all purposes and constitutes agreement to be bound by its decisions, including, without limitation, a determination as to the extent, validity and amount of any Claim asserted against the Receivership Estate. The submission of a Proof of Claim shall constitute consent to be bound by the decisions of the Court as to the treatment of the Claim in a Court-approved distribution plan.

23. Investor Representations. With respect to Investors (as set forth in the Proof of Claim Form and the Notice of Receiver's Initial Determination), submission of a Proof of Claim in this case and any Investor who agrees with the proposed Allowed Claim Amount set forth in the Notice of Receiver's Initial Determination, shall be deemed a representation by such Investor that: (a) none of the funds Investor invested in the Receivership Entities and that Investor claims a right to recover originated from the Receivership Entities, Glenn Mueller or any of Mr. Mueller's family or any entity owned or controlled by Mr. Mueller or any of Mr. Mueller's family; (b) distribution on account of Investor's claim (if any) will not be shared in any way with Mr. Mueller, a member of Mr. Mueller's family, an entity owned or controlled by Mr. Mueller or a member of his family or in any way for the benefit of Mr. Mueller or his family; and (c) the Proof of Claim represents the full extent of the Receivership Estate's liability to the Claimant. Submission of an "Agree" response to a Notice of Initial Determination shall bind a Claimant to the similar representations contained in such "Agree" response.

24. Reservation of Rights. Nothing herein shall prejudice any right of the Receiver to dispute, or assert offsets or defenses as to the extent, validity, priority, or otherwise against

amounts asserted in any Proof of Claim or against the initial Allowed Claim Amount of any individual or entity who received a Notice of Receiver's Initial Determination, including but not limited to the manner in which accounts will be aggregated and Claims treated under a Court-approved distribution plan. Nothing contained herein is intended to preclude the Receiver from objecting to any Claim on any grounds. Subject to approval of the Court, the Receiver retains the sole and absolute right to propose a plan of distribution.

25. Distribution Plan. After the Claims Procedures have been substantially completed, the Receiver shall promptly file a distribution plan setting forth: (a) any proposed priority of distribution; (b) methodology of distribution (i.e., pro-rate or rising tide); (c) the proposed amounts of any initial distributions for each Claimant; (d) any disputed claims reserve; and (e) any other information that the Receiver deems necessary to include.

26. Investor Claim Calculation. The Receiver's calculation of Investor Claims on a cash-in/cash-out basis regardless of which Receivership Entity an Investor purported invested with or which Receivership Entity an Investor received a distribution from or has a claim against as proposed in the Motion, is equitable under the circumstances and hereby approved. Claims of Investors against the Receivership Entities will be allowed or disallowed on a cash-in/cash-out basis.

27. Pooling. The Claims Administration Process set forth in the Motion will provide a fair, equitable, and efficient method for distributing the proceeds of the Estate. The Receiver's pooling of the assets recovered to be distributed for the benefit of all Investors and other Claimants regardless of which Receivership Entity an Investor purportedly invested with and which a Claimant has a Claim against as proposed in the Motion is fair and equitable under the circumstances and hereby approved.

28. Preservation of Interest Claims. All claims of Investors and Claimants to interest on their Allowed Claims shall be fully preserved to the extent authorized herein. In the event the Receivership Estate has sufficient assets to pay all Investors' and Claimants' claims pursuant to a Court-approved distribution plan, the Receiver shall file a second distribution plan for Court approval which proposes a fair and equitable distribution of the remaining Receivership assets to Investors.

Dated this day of _____, 2020.
Chicago, Illinois

Honorable John Z. Lee

EXHIBIT B

[Notice of Claims Bar Date and Procedures for Filing a Proof of Claim]

**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

**NOTICE OF CLAIMS BAR DATE AND PROCEDURES FOR
SUBMITTING A PROOF OF CLAIM**

**TO: ALL CLAIMANTS AND ADMINISTRATIVE CLAIMANTS OF THE NORTHRIDGE
RECEIVERSHIP ENTITIES**

PLEASE TAKE NOTICE OF THE FOLLOWING¹:

On _____ the United States District Court for the Northern District of Illinois, Eastern Division (the “Court”) entered an order in the above-captioned case (the “Bar Date Order”)² establishing [_____] at 11:59 p.m. (Central Standard Time) as the deadline (the “Claims Bar Date”) for Claimants, including certain Administrative Claimants to submit a completed and signed Proof of Claim Form under penalty of perjury, together with supporting documentation (a “Proof of Claim”), against the Receivership Defendants in the above-captioned case and all the specified subsidiaries and/or majority owned affiliates they control.³

¹ Capitalized terms shall have the meaning as defined herein or if not defined herein, then as set forth in the claims motion (Dkt. # _____).

² Dkt. # _____.

³ The following Northridge Entities (or their predecessors in interest) are now part of and comprise the Receivership Estate: Northridge Holdings, Ltd.; Amberwood Holdings, L.P.; Brookstone Investment Group, Ltd., Eastridge Holdings, Ltd.; Guardian Investment Group, Ltd.; Southridge Holdings, Ltd.; Unity Investment Group, I Ltd.; and affiliates, including but not limited to 610 Lincoln Limited Partnership; 610 Lincoln Trust #13741; 5097 Elston Limited Partnership; 5528 Hyde Park Limited Partnership; 106 Surrey Limited Partnership; 106 Surrey Trust #14029; 561 Deere Park Circle Limited Partnership; 149 Mason Limited Partnership; 149 Mason Trust #12655; 139 Austin Limited Partnership; Azlan Group, LLC; Cornerstone II Limited Partnership; G&C Family Limited Partnership; Mueller Painting & Decorating Limited Partnership; Paragon Group Limited Partnership; Ridgeview Group I Limited Partnership; Timber Lake Apartments, LLC; Arbor Limited Partnership; Kings Circle Limited Partnership; Hawthorne Limited Partnership; Timber Lake Shared Appreciation Limited Partnership; Timber Lake Shared Appreciation Illinois Limited Partnership; Town Square Management I, Ltd.; Willow Creek Ventures Limited Partnership; Parkway Bank and Trust Company, Land Trust Number 14106; Harris Bank, N.A., Land Trust Number HTB1786; and Midtown Two Unit H1003 Partnership, LLC.

1. WHAT IS THE CLAIMS BAR DATE?

The Claims Bar Date is the date by which the individuals and entities described below must submit a Proof of Claim with the Receiver's Claims Agent in the manner indicated below. The Claims Bar Date is [____], at 11:59 p.m. (Central Standard Time), and all Proofs of Claim, together with supporting documentation, must be timely submitted to the Receiver's Claims Agent as set forth below.

Please note that any Proof of Claim not timely submitted or in the proper form will be subject to disallowance, which means you would not be eligible to receive any distribution from a Court-approved distribution plan.

2. WHO NEEDS TO SUBMIT A PROOF OF CLAIM?

Except as expressly set forth below in Sections 3 and 4, ALL individuals and entities (including, without limitation, partnerships, corporations, joint ventures, estates, trusts, and governmental units or authorities) that believe they possess a Claim (including an Investor Claim or an Administrative Claim), a potential or claimed right to payment, or a potential claim of any nature, against any of the Northridge Entities and believe that they are owed money by, or are entitled to a distribution from, the Receivership Estate, must submit a Proof of Claim (each a "Claimant" or "Administrative Claimant").

A Claim is any (a) potential or claimed right to payment, whether or not such right is based in equity or by statute, reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or (b) a potential or claimed right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

An Investor Claim is a Claim against any Northridge Entity based on an investment transaction in, with, or through a Northridge Entity, including but not limited to transactions based on or related to: (a) promissory notes or other money loaned to a Northridge Entity, or (b) investments (by subscription or otherwise) in a Northridge Entity.

A General Creditor Claim is a Claim against a Northridge Entity that is not an Investor Claim.

An Administrative Claim is a Claim based on: (a) the provision of goods or services for the benefit of the Receivership Estate or at the request of the Receiver beginning on or after September 12, 2019, which remains unpaid, (b) any taxes arising from or attributable to tax periods beginning on or after September 12, 2019, including those that may be asserted by federal, state, local or other governmental entities or authorities, which remain unpaid, (c) an uncashed check issued on or after September 12, 2019 for a refund on account of a healthcare account receivable overpayment or student loan account receivable overpayment or any other overpayment, or (d) any current, future or contingent contractual obligations (including indemnification obligations) arising from any contract entered into by or on behalf of the Receivership Estate.

This notice is being sent to many individuals and entities that have had some relationship or have done business with a Northridge Entity. The fact that you have received this notice does not necessarily mean that you are a Claimant or Administrative Claimant, that you have a valid Claim,

or that the Court or the Receiver believes you have a Claim against a Northridge Entity or the Receivership Estate.

3. WHO DOES NOT NEED TO SUBMIT A PROOF OF CLAIM?

The following additional Claimants do not need to submit a Proof of Claim Form: (a) Professional Claimants, (b) the Receiver's property manager, (c) Northridge Entities' employees for post-receivership amounts (incurred on or after September 12, 2019) incurred in the ordinary course with respect to their employment, and (d) Intercompany Receivership Claimants among and between the Northridge Entities.

4. NOTICE OF RECEIVER'S INITIAL DETERMINATION

The Notice of Receiver's Initial Determination is a separate notice, with instructions and attachments sent to certain Investor Claimants who the Receiver has determined, in his sole and absolute discretion, are entitled to an Allowed Claim Amount. The attachment[s] to each Notice of Receiver's Initial Determination includes additional instructions, information and amounts that together constitute the Receiver's initial determination of the Allowed Claim Amount. The Allowed Claim Amount remains subject to further review (and potential objection) by the Receiver and subject to the terms and conditions of a Court approved distribution plan. The Notice of Receiver's Initial Determination is included with this Notice of Claims Bar Date for those Claimants who the Receiver intends to receive it. If one is not included, it means the Receiver has chosen not to provide one to you.

5. DO YOU NEED TO SUBMIT A PROOF OF CLAIM FORM IF THE RECEIVER SENT A NOTICE OF RECEIVER'S INITIAL DETERMINATION TO YOU?

If you **AGREE** with the information and amounts in the attachments to the Notice of Receiver's Initial Determination, then NO you do not need to submit a Proof of Claim. Please check the "agree" box on the response form attached to the Notice of Receiver's Initial Determination and return to the Claims Agent as instructed in the Notice of Receiver's Initial Determination.

If you **DISAGREE** with the information or amounts in the attachments to the Notice of Receiver's Initial Determination please contact the Receiver's professionals (as set forth on Receiver's Website: northridgereceiver.alixpartners.com) or by calling (888) 369-8932) so that we may determine if any adjustment to the proposed Allowed Claim amount is warranted.

If you **DISAGREE** with the information or amounts in the attachments to the Notice of Receiver's Initial Determination and want to assert a Claim that is different, then you **MUST** timely and properly submit a Proof of Claim Form, including supporting documents as set forth in this Notice.

Carefully review the Notice of Receiver's Initial Determination, the instructions and attachments for further information.

If you are receiving this Notice and did not receive a Notice of Receiver's Initial Determination, you **MUST** timely and properly submit a Proof of Claim Form, including supporting documents as set forth in this Notice.

6. WHAT ARE THE CONSEQUENCES OF NOT TIMELY AND PROPERLY SUBMITTING A PROOF OF CLAIM?

ANY CLAIMANT (INCLUDING AN ADMINISTRATIVE CLAIMANT AND INVESTOR) WHO IS REQUIRED TO SUBMIT A PROOF OF CLAIM, BUT THAT FAILS TO DO SO IN A TIMELY MANNER OR IN THE PROPER FORM, SHALL (a) BE FOREVER BARRED, ESTOPPED, AND ENJOINED TO THE FULLEST EXTENT ALLOWED BY APPLICABLE LAW FROM ASSERTING, IN ANY MANNER, SUCH CLAIM AGAINST (i) ANY NORTHRIDGE ENTITY, (ii) THE RECEIVERSHIP ESTATE OR ITS ASSETS, AND (b) NOT RECEIVE ANY DISTRIBUTION FROM THE RECEIVERSHIP ESTATE OR HAVE STANDING TO OBJECT TO ANY DISTRIBUTION PLAN PROPOSED BY THE RECEIVER. FURTHER, THE RECEIVER SHALL HAVE NO FURTHER OBLIGATION TO PROVIDE ANY NOTICES TO YOU ON ACCOUNT OF SUCH CLAIM AND THE RECEIVERSHIP ESTATE IS DISCHARGED FROM ANY AND ALL INDEBTEDNESS OR LIABILITY WITH RESPECT TO SUCH CLAIM.

7. WHERE CAN I GET A COPY OF THE PROOF OF CLAIM FORM?

For your convenience, enclosed with this notice is a Proof of Claim Form. Copies of this Notice of Claims Bar Date and the Proof of Claim Form can also be obtained from the Receivership Website: (northridgereceiver.alixpartners.com).

8. HOW DO I SUBMIT MY PROOF OF CLAIM FORM?

A properly completed and signed Proof of Claim Form, together with supporting documentation, must be timely submitted to the Receiver's Claims Agent by mail or courier service addressed to mail addressed to Northridge Holdings, 2807 Allen Street, Box 377, Dallas, Texas 75204, such that if sent by courier service, it is delivered to the Claims Agent no later than the Claims Bar Date, or if sent by mail is postmarked no later than the Claims Bar Date.

It is recommended that you submit your Proof of Claim by certified or registered mail and retain evidence that the Proof of Claim was actually sent. **All Proofs of Claim must be received by the Claims Agent on or before the Claims Bar Date, or if mailed, postmarked by the Claims Bar Date, to be deemed timely.**

Proofs of Claim should not be filed with the Court, or sent to the Receiver, his legal counsel, retained professionals, or otherwise delivered to the Receivership Entity, and any Proof of Claim so filed or sent will not be considered properly submitted.

9. SUPPORTING DOCUMENTS

If you **AGREE** with the information and amounts in the attachments to the Notice of Receiver's Initial Determinations, then, in addition to not needing to submit a Proof of Claim, you do not need to provide any supporting documents.

Each submitted Proof of Claim shall include and attach documents that support the Proof of Claim. Such documentation may include, but is not limited to: copies of personal checks, cashier's checks, wire transfer advices, and other documents evidencing the investment of funds; copies of each signed investment contract; copies of all agreements, promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, evidence of perfection of lien; and other documents evidencing the amount and basis of the Claim.

As applicable, supporting documentation must also include a chronological accounting of any withdrawals made by or payments received from any Northridge Entity, whether such payments were denominated as the return of principal, interest, commissions, finder's fee, or otherwise, indicating the date and amount of each withdrawal or payment.

Please include your name on every document that you submit.

DO NOT SEND ORIGINAL DOCUMENTS.

It is the responsibility of Claimants and other interested parties to keep the Receiver apprised with a current email and mailing address in order to receive notices or other communication from the Receiver or the Receivership Estate. A link to the Change of Information Form can be found on the Receivership Website: (northridgereceiver.alixpartners.com) or you may call the hotline telephone number provided on the Website.

Each Proof of Claim will have to satisfy certain minimum standards in order to establish a Claim and be eligible to receive a distribution pursuant to a Court-approved distribution plan. Accordingly, the more directly relevant information a Proof of Claim provides, the easier it will be for the Receiver to validate the Proof of Claim.

If such supporting documentation is not available, in an addendum that is attached to your Proof of Claim Form, please explain why it is not available.

PLEASE **DO NOT** SUBMIT THE FOLLOWING TYPES OF DOCUMENTS WITH THE PROOF OF CLAIM FORM UNLESS REQUESTED BY THE RECEIVER OR THE CLAIMS AGENT: (a) marketing brochures and other marketing materials received from any Northridge Entity, (b) routine or form correspondence received from a Northridge Entity, (c) copies of pleadings on file in this case or other cases related to the Receivership or the Receivership Estate, and (d) other documents received from the Receivership Estate that do not reflect specific information concerning the existence or amount of a Claim.

10. REQUESTS FOR ADDITIONAL INFORMATION AND NOTICES OF DEFICIENCY

If after receiving a Proof of Claim the Receiver determines that he needs additional information to process a Claim, the Receiver or his Claims Agent may contact you by telephone, mail or email to request such additional information.

Prior to the filing of an objection with the Court seeking to disallow a Claim, the Receiver may in his sole and absolute discretion send to you, by email or mail to the physical address provided on your Proof of Claim Form, a written Notice of Deficiency that specifically identifies the information required to assess and process the Claim. Should the Receiver determine he needs additional information from anyone who was sent a Notice of Receiver's Initial Determination, the Receiver may send a Notice of Deficiency to that recipient. The Notice of Deficiency will further state that the Claim will be disallowed without the Receiver having to file an objection to the Claim if the additional information is not provided to the Receiver within **thirty** (30) calendar days of the date of the Notice of Deficiency.

11. COOPERATION

The Court has directed all parties to cooperate with the Receiver to the maximum extent possible to achieve swift resolution of disputes concerning Claims without the need for a determination by the Court.

12. CONSENT TO JURISDICTION

If you submit a Proof of Claim in this case or agree with the proposed Allowed Claim Amount set forth in the Notice of Receiver's Initial Determination, you consent to the jurisdiction of the Court for all purposes and agree to be bound by its decisions, including, without limitation, a determination as to the extent, validity, priority and amount of any Claim you assert against the Receivership Estate. In submitting a Proof of Claim, you agree to be bound by the decisions of the Court as to the treatment of your Claim in a Court-approved distribution plan.

Additionally, with respect to Investors (as set forth in the Proof of Claim Form and the Notice of Receiver's Initial Determination), submission of a Proof of Claim in this case and any Investor who agrees with the proposed Allowed Claim Amount set forth in the Notice of Receiver's Initial Determination, shall be deemed a representation by such Investor that: (a) none of the funds Investor invested in the Receivership Entities and that Investor claims a right to recover originated from the Receivership Entities, Glenn Mueller or any of Mr. Mueller's family or any entity owned or controlled by Mr. Mueller or any of Mr. Mueller's family; (b) the distribution on account of Investor's claim (if any) will not be shared in any way with Mr. Mueller, a member of Mr. Mueller's family, an entity owned or controlled by Mr. Mueller or a member of his family or in any way for the benefit of Mr. Mueller or his family; and (c) the Proof of Claim represents the full extent of the Receivership Estate's liability to the Claimant.

13. RESERVATION OF RIGHTS

The Receiver reserves the right to dispute, or assert offsets or defenses as to the extent, validity, priority, or otherwise against, any amounts asserted in any Proof of Claim or against the initial Allowed Claim Amount of any recipient of a Notice of Receiver's Initial Determination, including but not limited to the manner in which accounts will be aggregated and treated under a Court approved distribution plan. Nothing set forth in this notice, the Proof of Claim, or the Notice of Receiver's Initial Determination shall preclude the Receiver from objecting to any Proof of Claim, on any grounds. Subject to the approval of the Court, the Receiver retains the sole and absolute right to propose a plan of distribution.

EXHIBIT C

[Proof of Claim Form]

**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

PROOF OF CLAIM FORM

Please refer to the Notice of Claims Bar Date and Procedures for Submitting Proof of Claim for Instructions on how to submit a claim

CLAIMANT INFORMATION

Claimant ID No. *(Populated for mailed claims)*

Name

Street Address

City/State/Zip Code/Country

Telephone Number

Email Address

Last four digits of TAX. ID No or SSN

☐ Check this box if you are updating your address

☐ Check this box if you are representing the Claimant - Provide YOUR information below

Name

Name of Firm

Street Address

City/State/Zip Code/Country

Telephone Number

Email Address

CLAIM INFORMATION

☐ Check this box if this claim is an Investor Claim

An Investor Claim is a Claim against any Northridge Entity based on an investment transaction in, with, or through a Northridge Entity, including but not limited to transactions based on or related to: (a) promissory notes or other money loaned to a Northridge Entity, or (b) investments (by subscription or otherwise) in a Northridge Entity.

If you AGREE with the information and amounts in the attachments to the Notice of Receiver's Initial Determination, then you do not need to submit this form. Please check the "agree" box on the response form attached to the Notice of Receiver's Initial Determination and return to the Claims Agent as instructed in the Notice of Receiver's Initial Determination.

Name of entity your claim is against: _____

Investor Claim Amount \$ _____

☐ Check this box if this claim is a General Creditor Claim

A General Creditor Claim is a Claim against a Northridge Entity that is not an Investor Claim.

Name of entity your claim is against: _____

General Creditor Claim Amount \$ _____

☐ Check this box if this claim is an Administrative Claim

An Administrative Claim is a Claim based on: (a) the provision of goods or services for the benefit of the Receivership Estate or at the request of the Receiver beginning on or after September 12, 2019, which remain unpaid, (b) any taxes arising from or attributable to tax periods beginning on or after September 12, 2019, including those that may be asserted by federal, state, local or other governmental entities or authorities, which remain unpaid, (c) an uncashed check issued on or after September 12, 2019 for a refund on account of a healthcare account receivable overpayment or student loan account receivable overpayment or any other overpayment, or (d) any current, future or contingent contractual obligations (including indemnification obligations) arising from any contract entered into by or on behalf of the Receivership Estate.

Name of entity your claim is against: _____

Administrative Creditor Claim Amount \$ _____

SUPPORTING DOCUMENTS:

Investor Claimants: Please Review the NOTICE OF RECEIVER'S INITIAL DETERMINATION for instructions of supporting documents to attach to your Proof of Claim Form. DO NOT SEND ORIGINAL DOCUMENTS.

General Creditor Claimants and Administrative Claimants: Please review the NOTICE OF CLAIMS BAR DATE AND PROCEDURES FOR SUBMITTING A PROOF OF CLAIM for instructions of supporting documents to attach to your Proof of Claim. DO NOT SEND ORIGINAL DOCUMENTS.

SIGNATURE

Please read carefully: To the extent the Claimant submitting this Proof of Claim is an Investor, submission of a Proof of Claim is a representation that: (a) none of the funds Investor invested in the Receivership Entities and that Investor claims a right to recover originated from the Receivership Entities, Glenn Mueller or any of Mr. Mueller's family or any entity owned or controlled by Mr. Mueller or any of Mr. Mueller's family; (b) the distribution on account of Investor's claim (if any) will not be shared in any way with Mr. Mueller, a member of Mr. Mueller's family, an entity owned or controlled by Mr. Mueller or a member of his family or in any way for the benefit of Mr. Mueller or his family; and (c) the Proof of Claim represents the full extent of the Receivership Estate's liability to the Claimant.

I hereby certify under penalty of perjury that the information contained in this Proof of Claim is true and correct.

Signature: _____

Print Name: _____

Title (if any): _____

Dated: _____

THIS PROOF OF CLAIM FORM MUST BE TIMELY AND PROPERLY SUBMITTED TO THE RECEIVER'S CLAIMS AGENT WITH A POSTMARK DATED NO LATER THAN _____ (CLAIMS BAR DATE):

**Northridge Holdings
2807 Allen Street, Box 377
Dallas, Texas 75204**

ANY CLAIMANT (INCLUDING AN ADMINISTRATIVE CLAIMANT OR AN INVESTOR) WHO IS REQUIRED TO SUBMIT A PROOF OF CLAIM, BUT THAT FAILS TO DO SO IN A TIMELY MANNER OR IN THE PROPER FORM, SHALL (a) BE FOREVER BARRED, ESTOPPED, AND ENJOINED TO THE FULLEST EXTENT ALLOWED BY APPLICABLE LAW FROM ASSERTING, IN ANY MANNER, SUCH CLAIM AGAINST (i) ANY NORTHRIDGE ENTITY, (ii) THE RECEIVERSHIP ESTATE OR ITS ASSETS, AND (b) SHALL NOT RECEIVE ANY DISTRIBUTION FROM THE RECEIVERSHIP ESTATE OR HAVE STANDING TO OBJECT TO ANY DISTRIBUTION PLAN PROPOSED BY THE RECEIVER. FURTHER, THE RECEIVER SHALL HAVE NO FURTHER OBLIGATION TO PROVIDE ANY NOTICES TO YOU ON ACCOUNT OF SUCH CLAIM AND THE RECEIVERSHIP ESTATE SHALL BE DISCHARGED FROM ANY AND ALL INDEBTEDNESS OR LIABILITY WITH RESPECT TO SUCH CLAIM.

**For more information visit our website at <https://northridgereceiver.alixpartners.com>
To talk to our team please call our hotline at 888-369-8932.**

EXHIBIT D

[Notice of Receiver's Initial Determination]

**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

NOTICE OF INITIAL DETERMINATION OF YOUR CLAIM¹

[Name of Claimant][Address]

(Internal Reference #)

Dear (Name of Investor, General Creditor Claimant, or Administrative Claimant or other Claimant, as appropriate):

PLEASE READ THIS NOTICE CAREFULLY

The Court-appointed Receiver in the above-referenced matter, N. Neville Reid, has made the following initial determination regarding the information and amounts of your Allowed Claim Amount. The information in the attachment(s) to this notice was compiled from the Books and Records.²

**THE INSTRUCTIONS AND SCHEDULES ATTACHED TO THIS NOTICE
CONTAIN THE INFORMATION AND AMOUNTS WHICH TOGETHER
CONSTITUTE THE RECEIVER'S INITIAL DETERMINATION OF YOUR
ALLOWED CLAIM**

PLEASE TAKE NOTICE: Your Allowed Claim Amount is subject to further review (and potential objection) by the Receiver and subject to the terms and conditions of a Court approved distribution plan, including but not limited to the manner in which accounts will be aggregated and treated, as applicable.

¹ The Notice of Receiver's Initial Determination is without prejudice to the Receiver to dispute, or assert offsets or defenses as to the extent, validity, priority, or otherwise against amounts asserted in any Proof of Claim Form or against the initial Allowed Claim Amount of any individual or entity who received a Notice of Receiver's Initial Determination, including but not limited to the manner in which accounts will be aggregated and treated under a Court-approved distribution plan.

2 Capitalized terms shall have the meaning as defined herein or if not defined herein, then as set forth in the Claims
Motion. (Dkt. # _____).

PLEASE TAKE NOTICE: All related filings, including the Claims Motion, Notice of Claims Bar Date and related filings are available at the Receiver's Website: northridgereceiver.alixpartners.com.

N. Neville Reid, Receiver for the
Receivership Estate

In re NORTHRIDGE HOLDINGS, LTD. et al. (the "Receivership Entity")
Case No.: 19-cv-05957

INSTRUCTIONS FOR THE NOTICE OF RECEIVER'S INITIAL DETERMINATION
AND DEFINITION OF TERMS

INVESTORS

In furtherance of the Claims Process, the Receiver has determined that certain Claimants are entitled to an Allowed Claim Amount in this Receivership proceeding and has elected to provide a Notice of Receiver's Initial Determination (the "NOD") to them. The Notice, with attached Schedules (and these Instructions) (the "NOD Packet"), contain additional information and amounts which together constitute such proposed Allowed Claim Amount.

With respect to Investors, the NOD Packet has prepopulated forms which include account balances and detailed transaction histories for each investment account from account inception to September 12, 2019. As set forth in the attached materials, the Allowed Claim Amount is calculated on a cash in/cash out basis without any consideration as to the Northridge Entity an Investor believed they had invested in.

With respect to balances that were transferred from another investor (whether by transfer, as a beneficiary transfer or otherwise), that transferred amount may be less than an Investor has in their records. This may be because the transferee Investor transferred an account balance which included amounts that are not being recognized by the Receiver on a cash in/cash out analysis (such as interest or fictitious profits).

An Investor who **AGREES** with the amounts and other information contained in Schedule A of the NOD Packet, shall return the attached form with the Agree box checked and need **NOT** submit a Proof of Claim Form.

An Investor who **DISAGREES** with the information or amounts in the attachments may seek to review the disagreement with the Receiver and his professionals by contacting the same through the Receivership Website (northridgereceiver.alixpartners.com) or the Receivership Hotline telephone number ((888) 369-8932) prior to responding to the Notice of Receiver's Initial Determination. If the Receiver agrees that revisions to the Notice of Receiver's Initial Determination should be made, the Receiver, at his sole discretion, may send an amended Notice of Receiver's Initial Determination.

An Investor who **DISAGREES** with the information or amounts in the attachments and wants to assert a claim that is different, you have the right to and **MUST** submit a Proof of Claim. To exercise this right, you must properly complete and timely submit a Proof of Claim Form, including supporting documents as set forth in the Notice of Claims Bar Date and Procedures for Submitting a Proof of Claim.

Attachments to the NOD Packet:

- Schedule A - Investor Account Activity
- Response to NOD

Definition of terms¹:

- 1) "Investment Type": The characterization of the investment type of your claim reflects what is in the Books and Records (of Northridge or the applicable entity or what is inferred from such records, as the case may be). The Investment Type does not reflect the Receiver's determination of your claim or how the claim will be treated in a court approved distribution plan.

For each investment account or groups of accounts, the following three (3) fields track cash transactions:

- 2) "Cash Invested by Investor": This field identifies the total amount of cash received by the Receivership Entities from the account holder from the inception of the account through September 12, 2019 for the listed investment account(s). This field does not include non-cash transactions that may have involved transfers between various Northridge Entity investments, unless cash was received from the account holder in the course of such transaction.
- 3) "Cash Received by Investor": This field identifies the amount of cash paid to the account holder from the inception of the account through September 12, 2019 for the listed investment account(s). This field does not include non-cash transactions that may have involved transfers between various Northridge Entity investments, unless cash was sent from the account holder in the course of such transaction.

In addition to the fields listed above, to the extent you received an account transfer or made an account transfer which required adjustment so that only cash attributes were transferred, we include an accounting of such adjustments.

¹ Capitalized terms not defined herein have the meaning as set forth in the claims motion. (Dkt.#___).

**IN RE NORTHRIDGE HOLDINGS, LTD. ET AL.
UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

(Case No.: 1:19-cv-05957)

NOTICE OF RECEIVER'S INITIAL DETERMINATION

SCHEDULE A

**Summary of Investor Account Activity from
Account Inception Through September 12, 2019**

Investment Type:

Contact Name:

Investor ID:

Notice of Determination ID:

Transaction ID	Entry Date	Cash In/Out	Description	Amount	Running Balance
1	1/1/2015	Cash In	Cash Investment	\$15,000.00	\$15,000.00
2	7/1/2015	Cash In	Inter-Ledger Transfer	\$5,000.00	\$20,000.00
3	12/15/2015	Cash In	Cash Investment	\$10,000.00	\$30,000.00
4	1/15/2016	Cash Out	Inter-Ledger Transfer	(\$5,000.00)	\$25,000.00
5	3/1/2016	Cash Out	Withdrawal	(\$750.00)	\$24,250.00
6	4/1/2016	Cash Out	Withdrawal	(\$750.00)	\$23,500.00
7	5/1/2016	Cash Out	Withdrawal	(\$750.00)	\$22,750.00
8	6/1/2016	Cash Out	Withdrawal	(\$10,000.00)	\$12,750.00
9	7/1/2016	Cash Out	Withdrawal	(\$750.00)	\$12,000.00
10	8/1/2016	Cash Out	Withdrawal	(\$750.00)	\$11,250.00
11	9/1/2016	Cash Out	Withdrawal	(\$750.00)	\$10,500.00
12	10/1/2016	Cash Out	Withdrawal	\$750.00	\$50,250.00
13	2/1/2018	Cash In	Cash Investment	\$20,000.00	\$70,250.00
14	11/1/2018	Cash In	Cash Investment	\$7,500.00	\$77,750.00
			Total Cash In	\$57,500.00	
			Total Cash Out	(\$20,250.00)	
			Net Amount	\$37,250.00	

**IN RE NORTHRIDGE HOLDINGS, LTD. ET AL.
UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

(Case No.: 1:19-cv-05957)

NOTICE OF RECEIVER'S INITIAL DETERMINATION

RESPONSE FORM

Investor ID:

Please complete and send by U.S. Mail or Courier Service to:

- Northridge Holdings, 2807 Allen Street, Box 377, Dallas, Texas 75204

I, [Name of Claimant], have reviewed the Notice of Receiver's Initial Determination and:

- ☐ – Agree with the Claim Amount set forth in Schedule A
- ☐ – Disagree with the Claim Amount set forth in Schedule A

By checking the “Agree” box above I understand that I am representing that: (a) the Proposed Claim Amount as set forth in the Notice of Receiver's Initial Determination is correct to the best of Investor’s knowledge; (b) none of the funds Investor invested in the Receivership Entities and that Investor claims a right to recover originated from the Receivership Entities, Glenn Mueller or any of Mr. Mueller’s family or any entity owned or controlled by Mr. Mueller or any of Mr. Mueller’s family; (c) the distribution on account of Investor’s claim (if any) will not be shared in any way with Mr. Mueller, a member of Mr. Mueller’s family, an entity owned or controlled by Mr. Mueller or a member of his family or in any way for the benefit of Mr. Mueller or his family; and (d) the proposed Claim Amount as set forth in the Notice of Receiver's Initial Determination represents the full extent of the Receivership Estate’s liability to the Claimant.

Claimant Signature

Print Claimant Name

Date

EXHIBIT E

[Notice of Claims Bar Date for Publication]

**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

NOTICE OF LAST DAY TO SUBMIT A PROOF OF CLAIM

TO ANY CLAIMANTS OF THE NORTHRIDGE ENTITIES LISTED IN THE BOX BELOW

PLEASE TAKE NOTICE THAT the Northern District of Illinois, Eastern Division (the “Court”) entered an order in the above-captioned case (the “Bar Date Order”) establishing [] at 11:59 p.m. (Central Standard Time) as the deadline (the “Claims Bar Date”) as the last date for Claimants and Administrative Claimants, who assert a Claim or potential Claim against any of the Northridge Entities, to timely and properly submit a signed Proof of Claim Form, under penalty of perjury, together with supporting documentation.

Northridge Entities:

Northridge Holdings, Ltd.; Amberwood Holdings, L.P.; Brookstone Investment Group, Ltd.; Eastridge Holdings, Ltd.; Guardian Investment Group, Ltd.; Southridge Holdings, Ltd.; Unity Investment Group, I Ltd.; and affiliates, including but not limited to 610 Lincoln Limited Partnership; 610 Lincoln Trust #13741; 5097 Elston Limited Partnership; 5528 Hyde Park Limited Partnership; 106 Surrey Limited Partnership; 106 Surrey Trust #14029; 561 Deere Park Circle Limited Partnership; 149 Mason Limited Partnership; 149 Mason Trust #12655; 139 Austin Limited Partnership; Azlan Group, LLC; Cornerstone II Limited Partnership; G&C Family Limited Partnership; Mueller Painting & Decorating Limited Partnership; Paragon Group Limited Partnership; Ridgeview Group I Limited Partnership; Timber Lake Apartments, LLC; Arbor Limited Partnership; Kings Circle Limited Partnership; Hawthorne Limited Partnership; Timber Lake Shared Appreciation Limited Partnership; Timber Lake Shared Appreciation Illinois Limited Partnership; Town Square Management I, Ltd.; and Willow Creek Ventures Limited Partnership; and Parkway Bank and Trust Company, Land Trust Number 14106; Harris Bank, N.A., Land Trust Number HTB1786; and Midtown Two Unit H1003 Partnership, LLC.

WHO MUST SUBMIT A PROOF OF CLAIM

You **MUST** submit a Proof of Claim if you have a Claim, or a potential or claimed right to payment of any nature against any of the Northridge Entities, even if the Claim is not now fixed, liquidated, or certain. The only exceptions to the requirement to submit a claim are specifically set forth in the Notice of Claims Bar Date and Procedures for Submitting a Proof of Claim.

ADDITIONAL INFORMATION AND A PROOF OF CLAIM FORM ARE AVAILABLE ONLINE

The Claims Motion, Notice of Claims Bar Date and Procedures for Submitting a Proof of Claim and the Proof of Claim Form may be obtained by downloading them from Website: (northridgereceiver.alixpartners.com).

WHEN AND WHERE TO SUBMIT A PROOF OF CLAIM

A properly completed and signed Proof of Claim Form, together with supporting documentation, must be timely and properly submitted to the Receiver's Claims Agent on or the Claims Bar Date by mail or courier service addressed to mail addressed to Northridge Holdings, 2807 Allen Street, Box 377, Dallas, Texas 75204, such that if sent by courier service, it is delivered to the Claims Agent no later than the Claims Bar Date, or if sent by mail is postmarked no later than the Claims Bar Date.

Proof of Claim Forms should not be filed with the Court, or sent to the Receiver, his legal counsel, retained professionals, or otherwise delivered to any Northridge Entity or the Receivership Estate, and any Proof of Claim so filed or sent will not be considered properly submitted.

CONSEQUENCES OF FAILURE TO SUBMIT A PROPER AND TIMELY PROOF OF CLAIM BY THE CLAIMS BAR DATE

If you are required to submit a Proof of Claim but do not properly do so on or before the Claims Bar Date you shall (a) be forever barred, estopped, and enjoined to the fullest extent allowed by applicable law from asserting, in any manner, any Claim against i) any Northridge Entity, ii) the Receivership Estate or its assets, and (b) shall not receive any distribution from the Receivership Estate or have standing to object to any distribution plan proposed by the Receiver. Further, the Receiver shall have no further obligation to provide notices to you and the Receivership Estate is discharged from any and all indebtedness or liability with respect to such Claim.

Capitalized terms in this notice shall have the meaning as defined herein or if not defined herein, then as set forth in the Claims Motion, which can be found in this case at Docket Number ____.

You may wish to consult an attorney concerning this matter.

EXHIBIT F

[O'Connor Declaration]

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

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,)	
)	
Plaintiff,)	Civil Action No. 19-cv-05957
v.)	
)	
NORTHRIDGE HOLDINGS, LTD., ET AL.,)	Hon. John Z. Lee
)	
Defendants.)	Magistrate Judge Susan E. Cox
)	

SWORN DECLARATION

I, Denis O'Connor, Pursuant to 28 U.S.C. § 1746, hereby declare that the following is true to the best of my knowledge, information and belief:

1. I have personal knowledge of the facts contained herein and make this declaration on knowledge and swear to the truth of the matters stated herein.

2. I am currently employed by AlixPartners, LLP ("AlixPartners"), the court-approved forensic accountant to the court-appointed receiver in this case (the "Receiver").

3. I am a Managing Director with AlixPartners in the Financial Advisory Services practice. I joined AlixPartners on May 25, 2004. Prior to joining AlixPartners, I was a partner with PricewaterhouseCoopers LLP in the Financial Advisory Services practice and then a Senior Managing Director at FTI Consulting. I have approximately 40 years of experience as an accountant, auditor, and consultant in the areas of forensic accounting, cash tracing exercises, financial analysis, dispute analysis, corporate recovery, and interim management.

4. I have provided forensic accounting and expert witness services to a number of organizations. Select examples of these assignments include:

- a. Comverse Technology Inc. – provided forensic accounting services with respect to stock option backdating, earnings management, and cash tracing of foreign transfers suspected to violate FCPA regulations.
- b. Soros Fund Management – provided forensic accounting services with regard to tracing cash transfers and inter-company accounting for a large airline finance company.
- c. Phoenix Four – testified as an expert witness on behalf of Phoenix Four (off-shore investment fund that invested in real estate projects) with regard to inappropriate accounting for gain, asset recognition/appreciation, and auditing matters.
- d. Provided forensic accounting services to the United Kingdom Insolvency Administrators of Maxwell Communication Corp. with regard to cash transfers between public and private side entities.
- e. Providing consulting services to the court appointed S.I.P.A. Trustee of Bernard L. Madoff Investment Securities LLC. Services including analyzing customer accounts and cash transfers to and from customers' accounts.

5. I have been a panel speaker at conferences sponsored by the American Bar Association, American Bankruptcy Institute, New York State Society of CPAs, National Association of Credit Managers, The Center for Professional Education, and PricewaterhouseCoopers. I am a Certified Public Accountant, Certified Insolvency and Restructuring Advisor, and Certified in Financial Forensics. I am a member of the bars of the U.S. Supreme Court and New York State, and a member of the Association of the Bar of the City of New York. I am also a member of the National Association of Federal Equity Receivers. I received a Bachelor of Science in Accounting and a Master of Business Administration in

Finance from the University of Maryland as well as a Juris Doctorate in Law from Fordham University School of Law.

6. I make this declaration in support of the RECEIVER'S MOTION FOR ORDER (1) FIXING CLAIMS BAR DATE (2) APPROVING CLAIMS PROCEDURES AND CLAIMS FORMS; (3) APPROVING NOTICES; AND (4) APPROVING THE POOLING OF RECEIVERSHIP ENTITIES' ASSETS FOR DISTRIBUTION PURPOSES (the "Motion"). Capitalized terms not defined herein shall have the meanings ascribed in the Motion.

Summary of Forensic Investigation

7. Since AlixPartners' appointment in this case, AlixPartners has investigated and reconciled the critical assets in the Receivership Entities'¹ books and records. In summary, the Receivership Entities recorded financial transactions using QuickBooks software and also recorded Investor transactions in FileMaker software. Entities which are not part of the receivership but were formerly part of the "Northridge" family of entities also recorded transactions in QuickBooks software (e.g. entities which owned or operated real estate assets that were sold prior to the commencement of the Receivership). As part of AlixPartners'

¹ The following entities (or their predecessor in interest) Northridge Holdings, Ltd.; Amberwood Holdings, L.P.; Brookstone Investment Group, Ltd.; Eastridge Holdings, Ltd.; Guardian Investment Group, Ltd.; Southridge Holdings, Ltd.; Unity Investment Group, I Ltd.; and affiliates, including but not limited to 610 Lincoln Limited Partnership; 610 Lincoln Trust #13741; 5097 Elston Limited Partnership; 5528 Hyde Park Limited Partnership; 106 Surrey Limited Partnership; 106 Surrey Trust #14029; 561 Deere Park Circle Limited Partnership; 149 Mason Limited Partnership; 149 Mason Trust #12655; 139 Austin Limited Partnership; Azlan Group, LLC; Cornerstone II Limited Partnership; G&C Family Limited Partnership; Mueller Painting & Decorating Limited Partnership; Paragon Group Limited Partnership; Ridgeview Group I Limited Partnership; Timber Lake Apartments, LLC; Arbor Limited Partnership; Kings Circle Limited Partnership; Hawthorne Limited Partnership; Timber Lake Shared Appreciation Limited Partnership; Timber Lake Shared Appreciation Illinois Limited Partnership; Town Square Management I, Ltd.; and Willow Creek Ventures Limited Partnership; and Parkway Bank and Trust Company, Land Trust Number 14106; Harris Bank, N.A., Land Trust Number HTB1786; and Midtown Two Unit H1003 Partnership, LLC.

engagement, AlixPartners has generally reconciled all of the QuickBooks and FileMaker information with the Receivership Entities' bank records.²

8. The vast majority of the number of Claims and amount of Claims (not including secured lender claims) against the Receivership are Claims of Investors. As of September 12, 2019³, the Northridge Entities owed approximately **\$55 million** collectively to Investors based on their account statements.

9. I reviewed the SEC's complaint against Mr. Mueller et al. and the relating court filings seeking a temporary restraining order and appointment of a receiver. Based on a review of the Books and Records, AlixPartners was able to confirm the "Ponzi" nature of the Northridge Entities as alleged by the SEC. Specifically, the Northridge Entities commingled new investor promissory note proceeds with the other Northridge entities. These proceeds were used to pay obligations (including interest obligations) to prior investors (among other obligations). AlixPartners informed the Receiver of these findings and advised that in such situations, quantifying Investor claims on a cash-in/cash-out basis is equitable in that it does not impute any potentially fictitious profits to an Investor's claim. And, at the same time, in the event there are sufficient assets in the Receivership to pay all Investors' cash-in/cash-out claims, the Receiver can subsequently quantify such interest in a fair and equitable manner and distribute such remaining assets accordingly.

10. As a result, the Receiver directed AlixPartners to quantify Investor's claims on a cash-in/cash-out basis. Under such an approach, no Investor will gain an untoward advantage by

² Bank statements started in 2014.

³ Some reported amounts owed to certain Investors were from after September 12, 2019 due to a limitation of the software. Therefore, the amount only roughly approximates the amount the Northridge Entities owed on the aforementioned date.

virtue of inheriting or otherwise being the transferee of a balance from another Investor that included speculative or non-cash components such as fictitious profits (e.g. interest).

11. While the Receiver's analysis is still ongoing, AlixPartners estimates the collective amount of non-insider Investor claims to be between \$40 and 43 million (on a cash in/cash out basis).

Summary of Findings re: Commingling

12. As set forth below, generally, the Receivership Entities' finances were significantly comingled. For example, the Note Investment Entities⁴ were the entities that received cash from Investors for Certificate Notes. Much of this cash was transferred to Northridge Holdings, Ltd. ("Northridge") and other Receivership Entities. Finally, the Note Investment Entities comingled funds and transferred (back and forth) with the Limited Partner Entities⁵ (the entities that owned the real asset properties).

13. The Receivership Entities primarily used the proceeds of the promissory notes to fund: (a) repayment of investor obligations related to redemptions or otherwise; (b) acquisitions (when the Receivership Entities were still acquiring assets which was some time ago), (c) capital improvement needs of the real property assets; and (d) operating expenses of the real property assets.

Receivership Entities' Co-Mingling Generally

14. The vast majority (if not all) of Investor funds came into the Receivership Entities through either the Limited Partner Investment Entities or Note Investment Entities.

⁴ The following entities sold promissory notes to investors purportedly to purchase, maintain and/or improve real property assets: Northridge Holdings, Ltd.; Amberwood Holdings, L.P.; Brookstone Investment Group, Ltd., Eastridge Holdings, Ltd.; Guardian Investment Group, Ltd.; Southridge Holdings, Ltd.; and Unity Investment Group, I Ltd.

⁵ For example, Timber Lake Apartments, LLC and Deere Park Circle Limited Partnership.

15. From 1995 to 2019, the Receivership Entities made over 13,500 intercompany transfers. For purposes of intercompany transactions, I am counting the receipt and the disbursement as one transaction.

16. For example, Northridge's QuickBook entries recorded over 65,000 transactions, of which nearly 6,000 were to a related entity. The related entity transactions do not include individual related party transactions (e.g., Mr. Glenn Mueller).

17. An additional example, Amberwood's QuickBook entries recorded over 8,500 transactions, of which nearly 2,000 were to a related entity. The related entity transactions do not include individual related party transactions (e.g., Mr. Glenn Mueller),

18. While intercompany transfers and loans were recorded on the books and records of the Receivership Entities, no interest for these intercompany loans was ever imputed or charged, nor was any equity interest assigned in cases where one entity's funds were used to acquire or refinance real property for the benefit of another entity.

19. On November 19, 2019, I visited the Receivership Entities' main office and interviewed certain key employees, including Northridge's controller, Mrs. Carol Higgins. When interviewing Mrs. Higgins, she described the pre-Receivership handling of funds as a "teapot" sending funds to where they were needed. Analysis of the Receivership Entities books and records confirms Ms. Higgins' analogy to a "teapot".

Note Investment Entities' Commingling

20. Generally, proceeds from promissory note sales were transferred from the Note Investment Entities to Northridge (See Exhibit A for a summary of the transfers). While intercompany transfers were recorded, no interest on these intercompany loans was ever imputed or charged. Further, we have not been able to identify documentation of the terms of the

intercompany loans which businesses typically complete to assure payment of interest, payment of principal on a date certain, and to maintain the corporate identity, so it is not disregarded.

21. It was from Northridge that funds were deployed by the “teapot” in the manner described by Ms. Higgins.

Note Investment Entities’ Comingling with Limited Partner Investment Entities

22. In examining the books and records, it is clear that the Receivership Entities used proceeds of promissory note sales to: (a) repay investor obligations related to redemptions or otherwise; (b) acquire real property assets (when the Receivership Entities were still acquiring assets which was some time ago), (c) fund capital improvement needs of the real property assets; and (d) fund operating expenses of the real property assets. Put simply, the Note Investment Entities’ funds were significantly commingled with the Limited Partner Investment Entities’ funds.

23. While intercompany transfers were recorded, no interest to these intercompany loans was ever imputed or charged, nor did the Note Investment Entities receive any equity interest (in the cases where funds were transferred to fund acquisitions and/or refinancing).

24. By way of example, with respect to the Timber Lakes⁶ apartment complex (the Receivership Entities’ largest asset):

- a. Northridge transferred \$4,580,000.00 on July 23, 2007 in connection with the acquisition of the Timber Lake property. (See Exhibit B) While this transfer was recorded in the books and records of both Northridge and Westwood, Northridge never received any equity interest, interest on the intercompany loan, or other compensation in exchange for these funds.

⁶ Timber Lake Apartments was formerly known as “Westwood Apartments” when it was purchased in 2007. This property was refinanced in 2011 as Timber Lake Apartments, LLC.

- b. The intercompany loan to Westwood from Northridge on Northridge's books and records increased by over \$4.2 million from 2008 to 2011.
- c. The intercompany loan to Timber Lake from Northridge on Northridge's books and records increased by over \$300 thousand from 2011 to 2019.
- d. As of the start of the receivership, the amount of the intercompany loans from Northridge to Timber Lake and Westwood were \$300,000.00 and \$9.4 million, respectively. At no time was any interest ever imputed to this loan. Likewise, Northridge never received any equity interest in Timber Lake or Westwood in connection with these amounts.

25. In or around March 23, 2011 the Westwood property was refinanced. In connection with the refinancing transactions, Westwood transferred \$575,000.00 to Northridge. Then on the same day or the day after, Northridge transferred \$175,000.00 to Southridge, \$90,000.00 to Amberwood, \$45,000.00 to Unity, and \$5,000.00 to Guardian.

- a. On or about the same day, Southridge paid three investors \$160,873.70 in total.
- b. On or about the same day, Amberwood paid one investor \$80,000.00.
- c. On or about the same day, Unity paid one investor \$42,522.78.
- d. On or about the same day, Guardian paid one investor \$2,300.00.

26. By way of example, with respect to the Deere Park Circle LP ("Deere Park"), the owner of the Bartlett Lakes property (the Receivership Entities' second largest asset):

- a. Northridge transferred \$3.3 million on January 31, 2006 in connection with the acquisition of Deere Park, see Exhibit C. While this transfer was recorded in the books and records of both Northridge and Deere Park, Northridge never

received any equity interest, interest on the intercompany loan, or other compensation in exchange for these funds.

- b. The intercompany loan to Deere Park from Northridge on Northridge's books and records increased by over \$885,000.00, primarily from Northridge's payment of Deere Park's wages, taxes and insurance during the period from 2007 to 2019.
- c. As of the start of the receivership, the amount of the intercompany loan receivable on Northridge's books and records from Deere Park was \$4.1 million. At no time was any interest ever imputed to this loan. Likewise, Northridge never received any equity interest in Deere Park in connection with these amounts.

Other Commingling Activities – Mueller Painting

27. Mueller Painting & Decorating Limited Partnership ("Mueller Painting") was owned 100% by Mr. Glenn Mueller. Mueller Painting was used as a conduit for payments to vendors that performed maintenance and capital improvements for the real property asset operating properties.

28. The activity between Northridge, Mueller Painting and the real property entities such as Deere Park and Timber Lake demonstrates: (a) that money from promissory note investors was being used to pay operating and/or maintenance expenses of the real properties; and (b) that money was moving in both directions between different entities (i.e. commingling).

29. Mueller Painting disbursed over \$46 million during the period of 1995 to 2018 for repairs and improvements regarding the real asset operating entities. The top three vendors were Sherman Williams, Home Depot, and Menards (i.e. operating and/or maintenance expenses of the real properties).

30. With respect to the Northridge payments to Mueller Painting, such payments ultimately benefitted the real property assets (e.g., the Timber Lake and Bartlett Lakes properties). But at no time was any interest every imputed to these transfers from Northridge.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: August 13, 2020

By: /s/ Denis O'Connor
Denis O'Connor

Exhibit A

Funds from Investors to Note Investment Entities	Amount From 1995 to 2019
Unity Investments, net of redemptions	\$12,345,310
Eastridge Holdings, net of redemptions	\$10,507,893
Brookstone Investments, net of redemptions	\$8,878,784
Southridge Holding, net of redemptions	\$6,072,652
Guardian Investments, net of redemptions	\$3,353,144
Total	\$41,157,783

Northridge - Cash In	Amount From 1995 to 2019
Cash In from Unity Investment	\$8,721,937
Cash In Loan from Eastridge Holdings	\$7,676,287
Cash In Loan from Brookstone Investm	\$5,530,744
Cash In Loan from Southridge Holding	\$4,729,368
Loan from Mueller Painting	\$1,662,977
Individual Loans from Guardian Investment	\$1,140,051
Investors (approx. 258), net of redemptions	\$6,525,099
Related party	\$189,415
Cash In from 237 Washington LP	\$1,305,047
Cash In from 8802 Briar Trust	\$1,171,447
Cash In from 422 Taylor LP	\$791,474
Cash In from 1702 Rose Ave LP	\$551,997
Cash In from 5528 Hyde Park LP	\$541,573
Total	\$40,537,417

Northridge - Cash Out	Amount From 1995 to 2019
Cash Out to Amberwood Holdings	(\$12,336,096)
Cash Out to from Westwood Apts	(\$9,456,985)
Cash Out to from 561 Deere Park	(\$3,894,171)
Cash Out to from 106 Surrey Trust	(\$2,550,103)
Cash Out to from Paragon Group LP	(\$1,815,685)
Cash Out to from Ridgeview Group I	(\$1,142,766)
Cash Out to from Cornerstone LP	(\$552,003)
Cash Out to from Willow Creek LP	(\$480,245)
Immaterial	(\$630,676)
Other Related Properties	(\$573,580)
Total	(\$33,432,310)

Investing Activities	(\$629,354)
Net Income	(\$6,481,852)

Net Cash Position	(\$6,099)
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Exhibit B

Account Name	July 23, 2007	**
Building	\$25,569,591.50	
Land	\$4,500,000.00	
Taxes: Property	\$248,946.87	
Interest Expense: Origination Fee	\$69,350.00	
Outside Services	(\$3,245.98)	
Checking - Westwood Apts(Pkwy)	(\$4,150.00)	
Rental	(\$90,677.61)	
Security Deposits	(\$94,154.33)	
Accrued Real Estate Tax	(\$541,686.87)	
Capital - DeLegge	(\$566,666.00)	
Loan from Northridge Holding	(\$5,187,307.58)	*
Proceeds Mortgage Payable	(\$23,900,000.00)	
Grand Total	(\$0.00)	

*Loan From Northridge Holding	July 23, 2007
Cashiers Check #131 for closing	(\$4,580,000.00)
Funding of Title Insurance	(\$300,000.00)
Banking fees	(\$50,000.00)
Other intercompany transactions, net	(\$257,307.58)
Grand Total	(\$5,187,307.58)

** Funding transactions of acquisition occurred on or about July 23, 2007

Exhibit C

Account Name	Amount January 31, 2006
Building	\$10,658,734.75
Land	\$2,500,000.00
Taxes: Property	\$133,201.28
Interest Expense	\$49,312.50
Escrows: Cash - Escrow	\$44,407.70
Accrued Real Estate Tax	(\$317,931.38)
From Northridge Holding	(\$3,089,263.36) *
Proceeds from Mortgage Payable	(\$9,862,500.00)
Security Deposits	(\$115,961.49)
Grand Total	(\$0.00)

*From Northridge Holding	Amount January 31, 2006
Cashiers Check #7378	(\$3,300,000.00)
Banking Fees	(\$50,000.00)
Points on Mortgage	(\$24,656.25)
Closing overpayment	\$285,392.89
Grand Total	(\$3,089,263.36)