

**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

**SUPPLEMENT TO RECEIVER’S MOTION FOR ORDER: (1) AUTHORIZING SALE
OF REAL ESTATE AND RELATED RELIEF (TIMBER LAKE PROPERTY); (2)
APPROVING AGREEMENT AS TO DISTRIBUTION OF PROCEEDS OF SALE; AND
(3) MODIFYING RECEIVERSHIP ORDER TO ADD RECEIVERSHIP DEFENDANT**

N. Neville Reid, not individually, but solely as the Court-appointed receiver (the “Receiver”) for the Estate of Defendant Northridge Holdings, Ltd. and its related entities and affiliates as more particularly set forth in the Receivership Order (as defined herein) (collectively, the “Receivership Defendants”, and 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] and amended by subsequent Court order [Dkt. 108] (collectively, the “Receivership Order”), hereby files this supplement to his Motion to Approve Sale (Timber Lake) and related relief [Dkt. Nos. 183, 186] (the “Timber Lake Sale Motion”)¹ and states as follows:

¹ Capitalized terms not specifically defined herein shall have the meanings ascribed in the Timber Lake Sale Motion.

1. The Receiver's sole goal remains to maximize the value of the Timber Lake Property for the benefit of the Receivership Estate. In the Timber Lake Sale Motion, the Receiver disclosed the existence of another interested party, Sapphire Investment Group ("Sapphire" or as referred to in the Timber Lake Sale Motion, the Second Late Bidder). Since the filing of the Timber Lake Sale Motion, the Receiver and Sapphire have had continued discussions whereby the Receiver has invited Sapphire to conduct any due diligence it wishes and submit a "hard" competing offer (i.e. an offer with earnest money that is non-refundable upon contract signing and with no due diligence or any other contingencies). To date, Sapphire has declined to do so. But in the interest of full disclosure, Sapphire has submitted a Purchase and Sale Agreement ("PSA") in substantially the same form as the PSA signed by the Proposed Buyer (the "Sapphire PSA"), but subject to a due diligence period of thirty (30) days. A copy of the Sapphire PSA is attached hereto as **Exhibit 1**.

2. The terms of the Sapphire PSA can be summarized as follows:

- a. **Purchase Price:** \$60 million.
- b. **Earnest Money Deposit:** \$3 million.
- c. **Due Diligence Period:** 30 days from PSA execution.
- d. **Contingencies:** None.

3. Additionally, through various correspondence and calls with Sapphire and/or its broker, Sapphire expressed concerns about (i) spending money to engage in due diligence prior to having assurances that the Receiver would move forward with a deal with Sapphire and (ii) incurring costs only to be matched or outbid by the Proposed Buyer. The Receiver responded by repeating what was in the Motion to Approve Sale: that the Receiver is not willing to risk a deal that he considers solid for an offer (even made via PSA) that is still subject to due diligence

and updated underwriting and potential corresponding price adjustment. But in an effort to give Sapphire an opportunity to participate in the sale process, after conferring with the SEC, the Receiver offered the same cost reimbursement terms that are in the Proposed Buyer's PSA in the event Sapphire makes a "hard" offer and they are ultimately not awarded the deal. Sapphire rejected this offer and insisted that it will only begin due diligence if the Sapphire PSA is executed by the Receiver.²

4. Ultimately, the Receiver seeks to move forward with the Proposed Buyer and seeks to approve the sale to the Proposed Buyer for the reasons stated in the Timber Lake Sale Motion. Sapphire has been given every opportunity to participate in the process and "top" the Proposed Buyer's offer with a "hard" offer and, to date, has not done so.³ Sapphire's insistence that it will not conduct due diligence until it is awarded the deal is simply not reasonable under the circumstances and especially given that: (a) Sapphire's proposal is still subject to due diligence (even though the Receiver has provided Sapphire the opportunity to conduct whatever due diligence they seek to conduct since at least September 1, 2020); and (b) the Receiver offered a cost reimbursement.

² The Receiver also discussed with Sapphire (subject to review and approval by the SEC) the concept of a "Break-Up Fee" whereby if Sapphire submitted a "hard" bid and wasn't ultimately awarded the deal, they would be entitled to their fees and a percentage of the difference in price. Sapphire rejected this overture as well.

³ As indicated in the Timberlake Sale Motion, the Receiver will supplement the record if Sapphire submits a "hard" offer/PSA.

5. Therefore, the Court should grant the Timber Lake Sale Motion and the relief requested therein.

Dated: October 1, 2020

N. Neville Reid, Receiver

By: /s/ Ryan T. Schultz

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