

**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 AUTHORITY TO: (1) INITIATE CERTAIN LEGAL PROCEEDINGS AND (2) ENTER INTO TOLLING AGREEMENTS

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 as amended [Dkt. No. 22, 108, 215] (collectively, the “Receivership Order”), hereby moves for entry of an order substantially in the form attached hereto as **Exhibit A**, authorizing but not directing the Receiver to (1) initiate litigation against the Non-Settling Parties (defined below) and (2) enter into tolling agreements within his discretion. In support of the Motion, the Receiver states as follows:

INTRODUCTION

1. The Receivership Estate holds various claims and causes of action including, but not limited to, claims against Mr. Glenn Mueller and his family and related entities as set forth

below, “finder” claims against parties that were paid commissions to source investments for the Receivership Defendants (“Finder”), “net winner” claims against investors that received more from the Receivership Defendants than they put in on a cash-in/cash-out basis (“Net-Winner Claims”), receivable claims against parties the Receivership Defendants loaned money to (“Receivable Claims”) and other potential claims (collectively, the “Receivership Claims” and individually, each a “Receivership Claim”). With respect to all known Receivership Claims that the Receiver has decided it would be beneficial to pursue, the Receiver has sent settlement demand letters, including to the Non-Settling Parties. Additionally, the Receiver has pursued settlement (and in fact settled) with many parties including the Non-Settling Parties through the process approved in this Court’s *Order Authorizing and Approving the Procedures for Settling Claims and Causes of Action* [ECF. No. 191] entered on September 25, 2020. To date, however, the Receiver has been unable to reach settlement with the Non-Settling Parties, and seeking authority to file a lawsuit is the next logical step to maximize value for the Receivership Estate.

2. Pursuant to the Receivership Order, the Receiver may initiate suits against third parties “after obtaining leave of this Court”. Receiver Order at ¶ 44. As set forth below, the Receiver has sound legal basis to pursue each of the Non-Settling Parties. Put simply, these lawsuits will enable the Receiver to potentially grow the value of the Receivership Estate and pursue the Non-Settling Parties who earned a profit on this Ponzi scheme to the detriment of other creditors. Additionally, the Receiver continues to pursue settlement with all of the Non-Settling Parties and having the authority to litigate may provide additional motivation for the parties to settle. Therefore, to maximize value for the Receivership Estate and enhance creditor recoveries, the Receiver seeks authority (but not direction) of this Court to initiate lawsuits against the Non-Settling Parties.

3. Notwithstanding the foregoing, settlement remains the Receiver's preferred path of resolution of disputes. In some instances, additional time may be necessary for the parties to sort out issues. In order to facilitate settlement discussions and avoid forcing the Receiver to file litigation due to statute of limitations concerns, the Receiver seeks authority to enter into tolling agreements at his discretion.

BACKGROUND

4. The Receiver provides the following background to relevant claims (the parties collectively, the "Non-Settling Parties"):

5. **Mr. Glenn Mueller, Dale Mueller and the Estate of Gertrude Lilian Mueller and any related persons or entities (collectively, the "Insiders"):** The Receiver has identified over \$6 million in potential claims against the Insiders, and is attempting to settle these claims with them without the expense and delay of litigation, in part due to concerns that all or substantially all of the Insiders will likely not be able to pay much towards any judgment. The Receiver has made material progress with the Insiders but has not to date been able to conclude any settlement with them.

6. **Lou and Shelia Virgilio (the "Virgilio's"):** The Receivership alleges a Receivable Claim against Mr. Virgilio in connection with a promissory note executed by Mr. Virgilio in favor of the Receivership — face value \$115,000.00. Additionally, the Receivership alleges a Receivable/Net-Winner Claim against Mrs. Virgilio of approximately \$87,000.00. The Virgilio's have so far denied certain liability and Mr. Virgilio, real estate broker for Mr. Mueller/Northridge, claims that his company is owed pre-Receivership amounts for forfeited earnest money related to a failed sale of the Bartlett Property. The Receiver denies any liability for this forfeited earnest money. The Receiver and the Virgilio's have had some settlement talks,

but no agreement has been reached to date.

7. **James Novak & certain affiliates including, but not limited to Novak Financial Group Inc (collectively “Novak”)**: The Receivership alleges a Finder Claim against Novak in the approximate amount of \$1,950,000.00. To the Receiver’s knowledge, Novak was the biggest “finder” for Northridge. Novak has not responded to the Receiver’s settlement demand. Novak may have received some or all of his “finder fees” through an affiliated company or companies and, as a result, the Receiver seeks authority to pursue such affiliates in addition to Novak.

8. **Gary Scheer & certain affiliates including, but not limited to Complete Financial & Retirement Planning (collectively “Scheer”)**: The Receivership alleges a Finder Claim against Scheer in the approximate amount of \$637,000.00. The Receiver has been in contact with Scheer’s attorney. However, no substantive settlement discussions have occurred to date.

9. **John Crick & certain affiliates including, but not limited to Crick Financial and Crick Financial Services LLC (collectively, “Crick”)**: The Receivership alleges a Finder Claim against Crick in the in the approximate amount of \$367,000.00. The Receiver has spoken with Crick, but no settlement discussions have occurred to date. Crick may have received some or all of his “finder fees” through an affiliated company or companies and, as a result, the Receiver seeks authority to pursue such affiliates in addition to Crick.

10. **Gary Gahan & certain affiliates including, but not limited to Seniors Financial Strategies Inc (collectively, “Gahan”)**: The Receivership alleges a Finder Claim against Gahan in the approximate amount of \$82,000.00. Gahan has not responded to the Receiver’s settlement demand. Gahan may have received some or all of his “finder fees” through

an affiliated company or companies and, as a result, the Receiver seeks authority to pursue such affiliates in addition to Gahan.

11. **Stephen Cagnassola & certain affiliates including, but not limited to Cagnassola Group (collectively, “Cagnassola”)**: The Receivership alleges a Finder Claim against Cagnassola in the approximate amount of \$58,000.00. Cagnassola has not responded to the Receiver’s settlement demand. Cagnassola may have received some or all of his “finder fees” through an affiliated company or companies and, as a result, the Receiver seeks authority to pursue such affiliates in addition to Cagnassola.

12. **Howard Robbins & certain affiliates including, but not limited to On the Edge Ministries (collectively “Robbins”)**: The Receivership alleges a Finder Claim against Robbins in the approximate amount of \$197,000.00. Robbins has responded to the Receiver’s settlement demand, but has not offered anything by way of settlement to date. Robbins may have received some or all of his “finder fees” through an affiliated company or companies and, as a result, the Receiver seeks authority to pursue such affiliates in addition to Robbins.

13. **Agape, Inc. (“Agape”)**: The Receivership alleges a Net-Winner Claim against Agape in the approximate amount of \$720,000.00. The Receiver has spoken with counsel for Agape and has made material progress in settling this claim.

14. **Kenneth Dressler (“Dressler”)**: The Receivership alleges a Net-Winner Claim against Dressler in the approximate amount of \$129,000.00. The Receiver has spoken with counsel for Dressler, but Dressler has not offered anything by way of settlement to date.

AUTHORITY

15. This Court possesses "broad powers and wide discretion to determine the appropriate relief in an equity receivership." *SEC v. Lincoln Thrift Ass 'n*, 577 F.2d 600, 606 (9th

Cir. 1978); *see also SEC v. Keller Corp.*, 323 F.2d 397 (7th Cir. 1963). Generally, courts will uphold any "'reasonable procedures instituted by the district court that serve the purpose' of orderly and efficient administration of the receivership for the benefit of creditors." *CFTC. v. Topworth Int 'l, Ltd.*, 205 F .3d 1107, 1115 (9th Cir. 1999) (quoting *SEC v. Hardy*, 803 F.2d 1034, 1037-38 (9th Cir. 1986)).

16. Additionally, the Receiver Order provides that “the Receiver is authorized, empowered, and directed to investigate...and to institute such actions and legal proceedings, for the benefit and on behalf of the Receivership Estate...” Receiver Order at ¶ 44. Also, the Receiver Order gives the Receiver the authority “[t]o take any action which, prior to the entry of this Order, could have been taken by the officers, directors, managers, members, trustees and agents of the Receivership Defendant” which includes the reasonable exercise of business judgment to maximize value for creditors. Receiver Order at ¶ 8(J). Providing the Receiver with the authority to sue the Non-Settling Parties is reasonable and will maximize value for creditors. First, just having authority may push the parties to settle, which is the Receiver’s preference. Second, if settlement is not possible, the Receiver can pursue the claims against the Non-Settling Parties for the benefit of the Receivership.

17. Lastly, with respect to tolling agreements, because the Receiver does prefer to pursue settlement where possible, authorizing the Receiver to enter into tolling agreements will provide the Receiver maximum flexibility to pursue settlement discussions while at the same time not incurring the running of additional time toward any applicable statutes of limitation.

18. For those reasons, the Receiver has determined in his business judgment that the relief requested herein is fair, equitable and in the best interests of the Receivership Estate and creditors. Accordingly, the Court should grant authority (but not direction) to sue the Non-

Settling Parties and to enter into tolling agreements.

NO OBJECTION BY THE SEC

19. 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 grant (a) this Motion and enter the Proposed Order in a form substantially as attached hereto as **Exhibit A** granting the Receiver leave to sue the Non-Settling Parties and enter into tolling agreements as he deems appropriate, and (b) all other or further relief that is just and proper.

Dated: December 24, 2020

N. Neville Reid, Receiver

By: /s/ Ryan T. Schultz

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