

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

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**UNITED STATES SECURITIES  
AND EXCHANGE COMMISSION,**

**Plaintiff,**

**v.**

**NORTHRIDGE HOLDINGS, LTD., ET AL.,**

**Defendants.**

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**Civil Action No. 19-cv-05957**

**Hon. John Z. Lee**

**Magistrate Judge Susan E. Cox**

**ORDER GRANTING RECEIVER’S MOTION FOR AN ORDER APPROVING  
DISTRIBUTION PLAN AND CERTAIN OTHER RELATED RELIEF**

Upon consideration of the Receiver's Motion for an Order: (1) Approving Distribution Proceedings and (2) Certain Other Related Relief (the “Motion”)<sup>1</sup> [Dkt. 272], 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; the Court having further found that 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 is **GRANTED**.
2. The Distribution Plan is fair and equitable and is approved in its entirety.
3. Allowed Claims shall be paid by the Receiver in the following priority:
  - a. First, on account of Claims for the actual and necessary costs and expenses incurred by the Receiver and the Receivership’s professionals subsequent to the appointment of the Receiver, including, but not limited to, the payment of the fees

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

authorized by this Court, tax obligations that are incurred from activities undertaken subsequent to the appointment of the Receiver (not tax obligations that merely become due subsequent to the appointment of the Receiver), and the fees and costs associated with making distributions of the assets collected by the Receivership Team to holders of allowed Claims in these cases (collectively, “Class 1 Claims”) until such Claims are paid in full;

b. Second, on account of allowed claims from taxing authorities (for pre-receivership amounts), until such claims are paid in full (collectively, “Class 2 Claims”).

c. Third, on account of allowed claims from the Receivership Entities’ employees for pre-Receivership employment claims, until such claims are paid in full (collectively, “Class 3 Claims”).

d. Fourth, to holders of allowed Claims of Investors (collectively, “Class 4 Claims”) and general unsecured creditors (collectively, “Class 5 Claims”), on a *pari passu* basis and pursuant to the Distribution Methodology set forth below, until all such claims are paid in full without interest, costs or fees;

4. All claims of Investors to interest and any other claims of damages shall be fully preserved. Pursuant to the Claims Procedure Order (Dkt. No. 217), in the event the Receivership Estate has sufficient assets to pay all Class 1 through 5 claims in full, the Receivership shall file a second distribution plan for Court approval which proposes a fair and equitable distribution of the remaining Receivership Estate assets to Investors.

5. The methodology for distribution set forth in the Motion is fair and equitable and is approved in all respects.

6. The Net Loss method is approved with respect to making the first \$10 million in distributions on account of allowed Class 4 and Class 5 claims.

7. The Rising Tide methodology is approved with respect to making additional distributions on account of allowed Class 4 and 5 Claims. Amounts distributed to each Investor and creditor from the initial \$10 million distribution shall be added to “cash-out” for purposes of future Rising Tide distributions. If there are multiple future Rising Tide distributions, amounts distributed to each Investor and creditor from the previous Rising Tide distribution shall be added to “cash-out” for purposes of subsequent Rising Tide distribution.

8. To the extent the Receiver disputes any claim (individually, a “Disputed Claim” and collectively, the “Disputed Claims”), the Receiver shall establish a reserve in the full amount of the asserted Disputed Claim (collectively, the “Disputed Claims Reserve”). The Receiver is authorized to reserve the full face value of the Disputed Claims.

9. If a Disputed Claim is consensually resolved, the Receiver shall pay resolved Disputed Claim as if it were an allowed Claim and as set forth in the Distribution Plan. With respect to such resolved claim, the Disputed Claim Reserve shall no longer be required to be maintained. If a Disputed Claim is not consensually resolved, the Receivership shall file an objection to such Disputed Claim. Such Disputed Claim shall be paid by the Receiver pursuant to the Court’s ruling on the objection to the extent the Court rules such claim should be allowed.

10. The Distribution Procedures set forth in the Motion are fair and equitable and are approved in all respects.

11. The Receiver has sent to each claimant in the Receivership: (a) a copy of the Motion as filed, (b) a W-9 form for the claimant to complete with an envelope with postage pre-paid for the claimant to return the W-9 form; and (c) an FAQ in the form attached to the Motion,

which includes the objection deadline for the Motion. As a result, the Receiver has provided sufficient notice and information to all claimants.

12. Distributions shall be made to all holders of allowed Claims by checks drawn in United States dollars on a United States domestic bank via certified mail at the addresses set forth in the Claims asserted by such holders or other addresses in the Receiver's books and records or by wire transfer as set forth below. Specifically, the Receiver shall make distributions as follows:

a. **Non-Investor claims and Non-IRA investment**: a check made out to the Investor and sent registered mail to the Investor's/claimant's address on file with the Receivership;

b. **IRA Investment**: a check or wire to the applicable IRA service company f/b/o Investor;

c. **To the extent an Investor had IRA investments and non-IRA investment**: payment pursuant to the proposed allocation set forth in the Motion on account of the non-IRA allocation shall be made via check made out to the Investor and on account of the IRA allocation by check or wire to the applicable IRA service company f/b/o Investor; and

d. If an Investor timely returns to the Receiver an Investor Direction Letter, pursuant to such Investor's payment instructions.

13. Any Investor or creditor that receives a distribution from the Receivership shall be barred from asserting any claim against the Receiver, the Receivership, or the Receivership's professionals for any liability that may arise due to such distribution including, but not limited to,

any claim that arises due to the allocation of the distribution between the Investor or creditor and their IRA/retirement account.

14. The Receiver, at his sole discretion, may not pay any holder of an allowed claim that fails to provide a W-9 form. The Receiver shall use all reasonable efforts to obtain a W-9 form from a claimant. The Receiver shall advise the Court of any undistributed funds and the Receiver's proposal related to same in any future motion to authorize distributions and/or motion to close the Receivership case.

15. The Receiver is authorized to make the Interim Distribution of \$10 million as set forth in the Motion upon Court approval of same, and such Interim Distribution shall comply with the procedures contained in the Motion.

16. The Receiver is authorized, but not directed, to make an additional Interim Distribution or distributions up to an additional \$25 million. Such additional Interim Distribution or distributions shall be at the Receiver's sole discretion, shall be made using Riding Tide methodology and shall comply with the procedures contained in the Motion. If the Receiver intends to make such an additional Interim Distribution, the Receiver shall:

- File a notice with the Court (a "Notice of Additional Interim Distribution"): (a) setting forth the proposed gross amount to be distributed; (b) attaching a summary of amounts to be distributed to each investor under rising tide in a form substantially similar to the Investor Claims Summary; and (c) setting a fourteen (14) day objection deadline; and
- Send such notice to each Class 4 and Class 5 claimant.

17. Failure by a Class 4 and Class 5 claimant to timely object to this Motion or any future Notice of Additional Interim Distribution shall be deemed final and irrevocable agreement

by the applicable investor or creditor to the distribution amounts, priority, allocation and/or method of distribution/payment proposed by the Receiver therein.

18. The Receiver shall file a Motion with the Court seeking to make a final distribution to holders of allowed Claims and to close the Receivership.

19. In connection with the distributions made in accordance hereto, to the extent applicable, the Receiver shall comply with all tax withholding and reporting requirements imposed by any governmental unit and all distributions shall be subject to such withholding and reporting requirements. The Receiver shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements.

20. The Tax Withholdings (as set forth in the Motion), shall be considered to be distributions already paid by the Receivership Estate on account of the relevant Investors' claims and shall, therefore, reduce such Investors' initial distribution as set forth in the Motion. Such Tax Withholding payments are approved distributions to Investors.

21. The Receiver is authorized to take all actions necessary to effectuate the relief granted in this Order.

22. The Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, and/or enforcement of this Order.

Dated this 9<sup>th</sup> day of September  
Chicago, Illinois

A handwritten signature in black ink, appearing to read "John Z. Lee", written over a horizontal line.

John Z. Lee  
United States District Court Judge