

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

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

**RECEIVER’S MOTION FOR  
COURT APPROVAL OF THE RATES TO BE  
CHARGED BY RECEIVER’S FORENSIC ACCOUNTANT**

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 pursuant to the powers vested in him by the *Order Appointing Receiver* entered by the Court on September 12, 2019 [Dkt. No. 22] (the “Receivership Order”), intends to retain AlixPartners, LLP (“AlixPartners”) to perform forensic accounting and related services regarding the assets of the Receivership Defendants (as more particularly set forth in the Receivership Order, the “Receivership Assets”, and such estate, the “Receivership Estate”, and such administration, the “Receivership”). The Receiver now respectfully moves the Court (the “Motion”) for an order approving the rates to be charged by AlixPartners. In support of this Motion, the Receiver states as follows:

## **INTRODUCTION**

1. In order to administer the Receivership and position himself to propose a distribution plan to the Court at the appropriate time – each in accordance with the Receivership Order and applicable law – the Receiver will need to determine, among other things, the (a) amount and validity of claims of the investors of the Receivership Defendants and (b) legal and equitable rights of such investors in respect of the funds marshalled in this case. This case, however, involves over 300 investors who invested funds primarily through promissory notes and/or through the purchase of limited partnership interests – and over 30 receivership entities.<sup>1</sup> Many of these investors began investing with the Receivership Defendants over ten (10) years ago. Some investors have received payments in connection with their investments (i.e., in the form of interest payments and/or buyouts of their investments), while other investors have received no payments or distributions whatsoever (i.e., instead allowing their investments to “roll over” and/or otherwise remaining unable to exit their investments). Further, it appears that the Receivership Defendants commingled funds among each other – creating a complicated financial web that will need to be untangled. Accordingly, a forensic accountant is required to efficiently and cost-effectively resolve the foregoing issues.

## **AUTHORITY**

2. Pursuant to the Securities Act of 1933 and the Securities Exchange Act of 1934, the Securities and Exchange Commission (the “SEC”) sought and obtained the appointment of a Receiver under the Receivership Order. Under the Receivership Order, the Receiver has authority in equity, as well as under 28 U.S.C. §§ 754, 959, and 1692, and Fed. R. Civ. P. 66,

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<sup>1</sup> Allegations related to the issuance of these promissory notes and limited partnership interests are more fully set forth in the *Plaintiff’s Memorandum in Support of Its Emergency Motion for a Temporary Restraining Order to Prevent Violations of the Federal Securities Laws, to Appoint a Receiver, and Provide for Other Ancillary Relief* [Dkt. No. 4] (the “SEC TRO and Receivership Brief”).

and was given broad powers to investigate and safeguard the assets of the Receivership Defendants. Among other powers, the Receiver is authorized to retain a forensic expert or accountant. *Receivership Order*, ¶¶ 8K, 50. Although the Receivership Order may authorize the Receiver to engage AlixPartners without further order of the Court, the Receiver seeks such approval out of abundance of caution and in the interest of full disclosure to the Court and interested parties.

### **RELEVANT BACKGROUND**

3. The Receiver has determined that there is an immediate need to retain a forensic accountant to perform, among other things, the following services: (a) tracing money in/ money out at the investor level; (b) tracing funds between the Receivership Defendants (i.e., intercompany), including determining the amount of intercompany receivables and/or whether or not the Receivership Defendants' finances are hopelessly commingled; (c) assisting with discovery; (d) identifying potential claw-back targets, fraudulent conveyances or transfers (e.g., undisclosed insider transfers, suspicious transactions generally, etc.), professional liability targets and breach of fiduciary duty claims; (e) assisting in the design and implementation of a claims process (for investors and general creditors), including verifying claim amounts and identifying potential objections; (f) modeling potential distribution plans based on different distribution methods (e.g., pro rata, rising tide, etc.); and (g) supporting motions filed by the Receiver (e.g., motion(s) to approve a distribution plan).

4. In order to identify a forensic accountant, the Receiver solicited proposals from four (4) firms, each of whom submitted a proposal. For the reasons set forth below, the Receiver selected AlixPartners' proposal.<sup>2</sup>

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<sup>2</sup> The Engagement Letter, dated October 30, 2019, between the Receiver and AlixPartners is available upon request of counsel for the Receiver.

## EXPERIENCE

5. AlixPartners is leading global consulting firm that was founded in 1981 and has over 2000 professionals working in 25 global offices to provide solutions for its forensic accounting, claims managing and other clients. With an average staff experience of over 17 years, AlixPartners generally provides smaller, more experienced teams that provide for close collaboration that is intended to be effective for its clients. Further AlixPartners is a self-described leader in forensic accounting and liquidation management – applying data-analytic models, tools and approaches to digest/ analyze complex data – thereby leveraging its knowledge of commercial real estate, forensic accounting and claims management issues.

6. Further, AlixPartners’ managing directors Denis O’Connor (“Mr. O’Connor”) and Vineet Seghal (“Mr. Seghal”) collectively have decades of relevant experience. Mr. O’Connor advises and counsels companies on a broad range of complex matters involving forensic accounting, dispute resolution, and corporate recovery. Mr. O’Connor has more than 40 years of experience in the field and was (a) trained as a certified public accountant (b) is a member of the bars of the U.S. Supreme Court and New York State, and (c) is certified in financial forensics.

7. Mr. Seghal, a financial services professional, has almost two (2) decades of experience in the field. His experience includes leading technology teams in financial investigations, auditing and accounting matters, and settlement and restitution administrations. He has conducted investigations in complex corporate-accounting matters. He is a self-described expert in extracting and analyzing vast amounts of information with the goal of delivering concise insights. Mr. Seghal’s training is in finance, accounting, and information technology.

**RATES TO BE CHARGED BY ALIXPARTNERS**

8. The following are proposed hourly rates to be charged by AlixPartners:
  - a. Managing Director – \$800;
  - b. Director – \$700;
  - c. Senior Vice President –\$600–\$650;
  - d. Vice President –\$400–\$525;
  - e. Consultant – \$350–\$400; and
  - f. Paraprofessional – \$300–\$350.

The foregoing rates represent a 10–20% discount of AlixPartners’ standard rates. Further, for this engagement, AlixPartners has agreed to cap its blended hourly rate to-be charged to \$550. AlixPartners has also agreed not to charge for significant start-up costs relating to setting up an investor-facing information website and preparing materials for AlixPartners’ call-center to-be used when communicating with investors of the Receivership Defendants.

9. The Receiver selected AlixPartners as forensic accountant because (among other reasons): (a) AlixPartners has vast experience in Ponzi scheme cases (including the Madoff case) and, accordingly, will assist the Receiver in timely and effectively administering the Receivership Estate; (b) AlixPartners’ rate was as low (or was about the same) as other proposals when taking into account all cost components; (c) although AlixPartners’ hourly rate was not the lowest rate proposed, the Receiver believes that with the agreed upon rate cap (as set forth above) AlixPartners (i) will provide the most value to the Receivership Estate on account of the experience of the firm and its professionals, (ii) will actually bill fewer hours due to such experience and technology and (iii) will reduce costs in certain other areas (e.g. by permitting AlixPartners to setup the informational website and call-center for investor inquiries, the

Receivership Estate should save money on a going-forward basis from what is currently being spent fielding investor calls and information requests); (d) the Receiver has worked with AlixPartners on other cases before, and can personally attest to the quality of the work of the firm and its professionals.

10. Put simply, AlixPartners' proposed compensation is fair, reasonable, appropriate and in the best interest of the efficient and economical administration of this Receivership.

11. The Receiver understands AlixPartners will seek compensation for its services as "Retained Personnel" subject to and in accordance with the Receivership Order, in compliance with the *Billing Instructions for Receivers in Civil Actions Commenced by the U.S. Securities and Exchange Commission* promulgated by the SEC, and in compliance with applicable law. The Receiver requests that AlixPartners be allowed to apply for fees on the same time-schedule as the Receiver.

12. Further, AlixPartners does not hold or represent an interest materially adverse to the interests of the receivership.

**NO OBJECTION BY THE SEC**

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

**[signature page follows]**

WHEREFORE, the Receiver respectfully requests that the Court (a) grant this Motion and enter the *Order Approving the Rates to be Charged by Receiver's Forensic Accountant* (a proposed form of which is attached hereto as **Exhibit A**), as of September 16, 2019 and (b) grant all other or further relief that is just and proper.

Dated: November 8, 2019

N. Neville Reid, Receiver

By: /s/ Suj M. Pandya

N. Neville Reid, Esq.  
Ryan T. Schultz, Esq.  
Suj M. Pandya, Esq.  
Fox Swibel Levin & Carroll LLP  
200 West Madison, Suite 3000  
Chicago, IL 60606  
Tel: 312.224.1200  
Fax: 312.224.1201  
nreid@foxswibel.com  
rschultz@foxswibel.com  
spandya@foxswibel.com

**EXHIBIT A**

[Proposed Order]

(see attached)



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**Hon. John Z. Lee**  
**UNITED STATES DISTRICT JUDGE**

Entered: