

I. REAL PROPERTY ASSETS

1. The Receivership Assets include the following real estate (collectively, the “Real Estate Assets”): (a) a 96-unit apartment building located in Addison, Illinois (the “Chablis Property”); (b) a 576-unit apartment building located in West Chicago, Illinois (the “Timber Lake Property”); (c) a 192 apartment complex located in Bartlett, Illinois (the “Bartlett Lake Property”); (d) 48 condos located at 106 Surrey, Glen Ellyn, Illinois (the “Surrey Property”); (e) an office building located at 5097 N. Elston, Chicago, Illinois (the “Elston Property”); (f) a condo unit located in Palatine, Illinois (the “Palatine Property”); (g) a condo located at 3470 E. Coast Avenue, Unit #1003, Miami, Florida 33137; and (h) 36 vacant residential lots located near Palms Springs, California (the “Vacant Lots Property”).

2. As part of the marketing and sales process for the Real Estate Assets (subject to sale orders at the appropriate time), the Receiver has sought professional guidance in order to maximize the value of the Real Estate Assets. Generally, the Receiver intends to market and sell each of the Real Estate Assets. Specifically, with respect to each Real Estate Asset, the Receiver’s plan is as follows:

a. Chablis Property.

3. The Receivership Order authorized Defendant Glenn C. Mueller (“Mueller”) to consummate a pending sale of the Chablis Property. [Dkt. 22, ¶ 40.] The Chablis Property closing occurred on September 20, 2019. In connection therewith, the Receiver (a) reviewed closing documents to ensure compliance with the Receivership Order, (b) ensured proper payment of the outstanding mortgage loan balance encumbering the Chablis Property, and (c) secured receipt of the remaining proceeds into the Receivership Estate. [*Id.* at ¶¶ 40(h)-(j).] The

Receivership Estate was paid \$3,882,611.02 at closing.²

4. Soon after the closing, the Receiver determined that the mortgage lender had failed to timely turn over a mortgage loan overpayment and tax escrow balance to the Receiver. Accordingly, the Receiver made a demand for turnover of the same and subsequently filed a *Motion to Enforce Receivership Order and For Entry of an Order Compelling J.P. Morgan Chase Bank, N.A. to Account for and Turn Over Receivership Assets to the Receiver* (the “Turnover Motion”). [Dkt. 53.] The Receiver and mortgage lender subsequently resolved the Turnover Motion consensually, resulting in the Receiver’s recovery of an additional (approximately) \$82,000 into the Receivership Estate.

b. Timber Lake Property.

5. In order to maximize the value of the Timber Lake Property, the Receiver’s professionals advised that prior to marketing the Timber Lake Property for sale, the pending parking lot expansion should be completed (to increase occupancy) and some additional units should be rented (to prove demand to a potential buyer). Both have occurred and, as a result, as of the filing of this Liquidation Plan, the Receiver is in the process of soliciting broker proposals from five reputable local and national brokers. The Receiver anticipates marketing and selling the Timber Lake Property in a similar manner as the Bartlett Lakes Property discussed below (i.e., marketing to local and national buyers, having a call for offers, and a best and final bidding round) and beginning such marketing in February or early March 2020. The Receiver anticipates closing on the Timber Lake Property in late June or July 2020.

6. With respect to value, the Receiver has not obtained a formal appraisal of the Timber Lake Property. However, the Receiver has received unsolicited offers to purchase the

² With respect to all of the Real Property Assets, the Receiver is still investigating the tax treatment of the sales of the same and is working with his accountants to minimize any tax burden. As a result, all amounts realized or estimated at closings are in pre-tax dollars.

Timber Lake Property for approximately \$60 million. Outstanding mortgage debt on the Timber Lake Property as of December 14, 2019 was approximately \$21.2 million (not including any applicable pre-payment penalty). As a result, the Receiver anticipates realizing significant equity from the sale of this property.

c. Bartlett Lake Property.

7. The Receiver has engaged Essex Realty Group, Inc. (“Essex”) as real estate broker for the Bartlett Lake Property. [See Dkt. 62] Additionally, the Receiver sought and obtained Court approval for sale procedures for the Bartlett Lake Property. [See Dkts. 72 and 92]

8. The marketing process has been completed and the Receiver has selected an offer with which to proceed. As of this filing, a contract has been signed, earnest money has been deposited with a title company and the proposed buyer is completing due diligence (the due diligence period ends on February 26, 2020). Assuming the proposed buyer moves forward with the purchase after due diligence, the Receiver anticipates filing a motion to approve a final sale upon the end of due diligence. This motion will fully describe the marketing efforts and selection of the proposed buyer.³ If the current proposed buyer moves forward after completing due diligence (and subject to the Court’s approval), the Receiver anticipates closing on such sale in the next 45-60 days.

9. With respect to value, after payment of the anticipated secured lender closing payment (approximately \$9 million), the Receiver expects to receive in excess of \$10 million from the closing of the sale of the Bartlett Lake Property, including return of certain escrows (tax escrow, insurance escrow, etc.).

³ In order to protect the sale process, the Receiver will defer providing any further details on the proposed sale until after the buyer has completed its due diligence and Court approval is the only remaining contingency to close.

d. Surrey Property.

10. The Receiver has engaged 33 Realty as real estate broker for the Surrey Property. On December 10, 2019, the Receiver filed his *Motion for Court Approval of: (A) Rates to be Charged by Receiver's Real Estate Broker (Surrey Property) and (B) Sales Procedures (Surrey Property)*, which was granted by the Court. [See Dkt. Nos. 82 and 93.] Marketing of the Surrey Property has begun. The Receiver anticipates closing a sale of the Surrey Property in May or June 2020.

11. With respect to value, the Receiver has obtained a broker opinion of value in excess of \$8 million. The required secured lender payment at closing is approximately \$3 million. As a result, the Receiver anticipates realizing significant equity from the sale of this property.

e. Elston Property.

12. The Receiver has engaged Millennium Properties R/E, Inc. (“MPI”) as real estate broker for the Elston Property. On January 17, 2020, the Receiver filed his *Motion for Court Approval of (A) Rates to be Charged by Receiver's Real Estate Broker (Elston Property) (B) Sales Procedures (Elston Property); (C) Rates to be Charged by Receiver's Real Estate Broker (Vacant Lots Property); (D) Sales Procedures (Vacant Lots Property)*, which is currently pending before Court. [See Dkt. No. 96.] Pursuant to the proposed sale procedures, MPI has begun marketing the Elston Property for auction scheduled for March 19, 2020. The Receiver anticipates closing a sale of the Elston Property in April or May of 2020.

13. With respect to value, the Receiver has obtained a broker opinion of value in excess of \$1 million. The required secured lender payment at closing is approximately \$600,000. As a result, the Receiver anticipates realizing significant equity from the sale of this

property.

f. Miami Property.

14. The Receiver has engaged LG Realty Group, Inc. (“LG”) to broker the Miami Property. LG is continuing to market and solicit offers for the Miami Property for the Receiver’s review and consideration. LG has received offers in the \$220,000-\$235,000 range which the Receiver believes is slightly below market. The Receiver anticipates (i) receiving an acceptable offer in the next thirty to forty five days, and filing a motion to approve the sale and payment of related closing costs (broker commission, etc.) and (ii) closing the transaction in April or May of 2020.

15. Based on the offers received for the Miami Property, the Receiver estimates the value at between \$225,000 and \$250,000. There is no mortgage on this property.

g. Palatine Property.

16. The Receivership owns a condominium unit located at 486 Lake Shore Drive, Palatine, Illinois 60067, Unit 486 (the “Palatine Property”). There have been no renters or operations with respect to the Palatine Property during the Receivership.

17. The Receiver sought and obtained authority to sell the Palatine Property for \$145,000. [See Dkts. 88 and 92.] Closing will likely occur the week of February 10, 2020 after the thirty day appeal period has expired for the relevant sale order (as required by the title company). There is no mortgage on this property, and, after payment of closing costs, the Receiver expects to realize approximately \$129,000 for the Estate.

h. Vacant Lots Property.

18. The Receiver has engaged First Team Real Estate (“First Team”) as real estate broker for the Vacant Lots Property. On January 17, 2020, the Receiver filed his *Motion for*

Court Approval of (A) Rates to be Charged by Receiver's Real Estate Broker (Elston Property) (B) Sales Procedures (Elston Property); (C) Rates to be Charged by Receiver's Real Estate Broker (Vacant Lots Property); (B) Sales Procedures (Vacant Lots Property), which is currently pending before Court. [See Dkt No. 96.] Pursuant to the proposed sales procedures, First Team has begun marketing the Vacant Lots Property.

19. The Receiver has obtained a broker opinion of value of between \$5,000 to \$10,000 per lot.

II. OTHER ASSETS

a. Securities Assets.

20. The Receivership Estate includes shares of stock in The Wellness Center USA Inc. ("WCUI"). The stock is worth less than a penny per share. However, the Receivership Estate may own millions of shares. The Receiver continues to investigate the exact number of shares owned by the Receivership Estate and whether or not there is a market for such shares. The Receiver currently estimates the value of these shares to the Receivership Estate to be between \$50,000 and \$350,000.

b. Glen Ellyn Property.

21. The Receiver asserts an interest in a house located at 22W371 Emerson Avenue, Glen Ellyn, Illinois 60137 (the "Glen Ellyn Property"). The Glen Ellyn Property is owned by Bruce and Cheryl Swift (the "Swifts"), acquaintances of Mr. Mueller (the Swifts are also investors in the Receivership Entities). Pre-Receivership, in summary, in or about June 2008, Northridge paid the Swifts \$70,000 for the right to rent out the Glen Ellyn Property and keep the rental proceeds of the same. Under this agreement, Northridge paid all the expenses associated with the Glen Ellyn Property and kept all of the rents. Upon sale, the proceeds were to be split

among the parties. While the deal seems to have been amended at times (both orally and possibly in writing), the essential terms of the deal have remained the same. The Receiver is presently negotiating with the attorney for the Swifts to (a) get the Glen Ellyn Property on the market; and (b) come to a settlement with respect to the division of the proceeds of such sale (which the Receiver would bring before the Court for approval). Currently, the Swifts are paying the carrying costs on the property (Northridge was doing so pre-Receivership). Due to a substantial mortgage on the property and an anticipated split of net proceeds, the Receiver estimates the value of this interest at between \$25,000 and \$50,000.

c. Life Insurance.

22. Receivership Defendant Amberwood Holdings Limited Partnership purchased a key man life insurance policy on Mr. Mueller in the amount of \$5,000,000. The policy is a term policy so it has no current cash value. The monthly premium is approximately \$3,000, which the Receiver has confirmed is an excellent rate for someone of Mr. Mueller's age (72). The Receiver has identified a market for the policy. If liquidated, the Receiver estimates receiving approximately \$200,000 to \$250,000. In the Receiver's business judgment, the Receiver is continuing to pay the monthly premium at least for the near term of the Receivership and, if the benefit is not paid prior to the end of the Receivership, the policy could be liquidated or assigned to a trust for the benefit of the applicable creditors of the Receivership.

d. Litigation Claims.

23. The Receiver's focus has been stabilizing and monetizing the Real Estate Assets. However, with the assistance of his professionals, the books and records of the Receivership Entities are being analyzed, and the Receiver anticipates being in a position to identify potential litigation targets (fraudulent transfer, receivable claims, professional negligence, etc.) in the next

sixty to ninety days.

e. Tax Refunds.

24. The Receiver's tax professionals are currently analyzing whether or not the Receivership Entities are entitled to any tax refunds. No such refund claims have been identified to date.

f. Investigation Ongoing.

25. The Receiver is continuing to investigate the existence and nature of other real estate that may constitute Receivership Assets.

Dated: January 30, 2020

Respectfully submitted,

N. Neville Reid, Receiver

By: /s/ Ryan T. Schultz

N. Neville Reid
Ryan T. Schultz
L. Brandon Liss
Fox Swibel Levin & Carroll LLP
200 West Madison Street, Suite 3000
Chicago, IL 60606
Tel: 312.224.1200
Fax: 312.224.1201
nreid@foxswibel.com
rschultz@foxswibel.com
bliss@foxswibel.com

General Counsel to the Receiver