

**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**

**RECEIVER'S AMENDED LIQUIDATION PLAN**

N. Neville Reid, not individually, but solely as the Court-appointed receiver (the “Receiver”) for the Estate of Defendant Northridge Holdings, Ltd. (“Northridge”) and its related entities and affiliates as more particularly set forth in the Receivership Order (as defined herein) (collectively, the “Receivership Defendants,” and their assets as more particularly identified 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. 22] (the “Receivership Order”),<sup>1</sup> respectfully submits this *Amended Liquidation Plan* (the “Liquidation Plan”).

**I. COVID-19 IMPACT**

1. As set forth more fully below, the unprecedented COVID-19 crisis has impacted the Receiver’s liquidation of the Receivership Assets. The Receiver continues to use his best efforts to maximize the value of the Receivership Assets. The ultimate value received for the Receivership Assets, however, may be negatively impacted by this crisis. With respect to the

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<sup>1</sup> Capitalized terms not defined herein shall be given the same meaning ascribed to such terms in the Receivership Order.

<b>EXHIBIT</b>  <b>A</b>
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Real Estate Assets (defined below), the Receiver: (a) has posted notices and information so that the residents stay as safe as possible; (b) has continued to collect rents, including working with tenants impacted by the COVID-19 crisis to collect as much rent as possible from those individuals; (c) to the extent an asset is under contract, has used best efforts to close on such contract; and (d) has continued the marketing of certain Real Estate Assets and postponed the marketing efforts for others based upon the Receiver's brokers' and professionals' advice as to which strategy will maximize value. The safety of the residents/tenants of the Real Estate Assets and the Receivership's employees and professionals is the Receiver's highest priority.

## **II. REAL ESTATE ASSETS**

2. 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").

3. 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.**

4. 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.<sup>2</sup>

5. 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.**

6. 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 then-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.

7. In order to select a broker for the Timber Lake Property, the Receiver solicited

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<sup>2</sup> With respect to all of the Real Estate Assets, the Receiver is still investigating the tax treatment of 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.

broker proposals from five reputable local and national brokers, conducted interviews of such brokers and checked their references. After this competitive process was completed, the Receiver selected CBRE, Inc. as broker. The Receiver then sought approval of the commission rate to be paid to the broker and the sales procedures for the Timber Lake Property. [See Dkt. 112.] Due to COVID-19 and the Court's various orders extending deadlines, the objection period for this motion has not run.

8. Prior to the COVID-19 crisis, the Receiver had planned to begin marketing the Timber Lake Property during the first week of April 2020. CBRE, however, advised that it would be prudent to delay the marketing process in light of the current health concerns; despite CBRE's expectation that this asset will draw nationwide interest, COVID-19 would preclude potential buyers from physically touring the Timber Lake Property at this time. Additionally, the act of bringing people to tour the Timber Lake Property would likely violate Illinois' Stay at Home Order, and practically, residents do not want people coming through their units amidst the quarantine.

9. In an effort to maintain the possibility of immediate sale, the Receiver has authorized CBRE to create a "virtual tour" so that potential buyers can view the Timber Lake Property remotely. CBRE plans to go to market with the most likely buyers for this property (approximately 50-100 potential buyers). The goal is to see if an acceptable offer for the Timber Lake Property exists (i.e., protect against downside risk).

10. In the meantime, the Receiver will continue to collect rents (the Receiver does anticipate some rent collection difficulties due to COVID-19), maintain the property and improve the property to market for sale. Once on the market, the Receiver anticipates marketing and selling the Timber Lake Property in a manner similar to the process utilized for the Bartlett

Lake Property discussed below (i.e., marketing to local and national buyers, holding a call for offers, and a best and final bidding round). The Receiver cannot estimate a closing date for the Timber Lake Property at this time.

11. With respect to value, the Receiver has not obtained a formal appraisal of the Timber Lake Property. However, prior to the COVID-19 crisis, the Receiver received unsolicited offers to purchase the 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 still anticipates realizing significant equity from the sale of this property; however, the impact of COVID-19 on the value of the Timber Lake Property is not currently known, and thus, a specific estimate as to the value to be realized upon sale cannot be provided at this time.

**c. Bartlett Lake Property.**

12. 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 Dkt. Nos. 72, 92.] On February 27, 2020, the Receiver filed his *Motion to Authorize Sale of Real Estate and Related Relief (Bartlett Property)* (the “Bartlett Sale Motion”). [Dkt. 110.] The Bartlett Sale Motion sought approval of the sale of the Bartlett Lake Property to Monument Capital Management IV, LLC, an affiliate of Monument Capital Management for a purchase price of \$19.3 million. Approval of the Bartlett Sale Motion was delayed due to a potential objection by Mueller and the COVID-19 crisis, which objection was resolved consensually. On March 31, 2020, the Court entered an order approving the sale (the “Bartlett Sale Order”). [Dkt. 133.]

Under the relevant agreement, the sale must close on or before May 7, 2020.<sup>3</sup>

13. The buyer has requested certain concessions due to the ongoing COVID-19 crisis. As of the date of this filing, negotiations are still ongoing. The Receiver anticipates either seeking court approval of a revised agreement or retaining the buyer's earnest money while he remarkets the Bartlett Lake Property. As of the date of this filing, the Receiver has an agreement in principle with the buyer for a sale at a reduced purchase price that the Receiver intends to finalize and bring to the Court for approval in short order.

14. With respect to value, after payment of the anticipated secured lender closing payment (approximately \$9 million), the Receiver expects to receive \$10 million from the closing of the sale of the Bartlett Lake Property, including return of certain escrows (e.g., tax escrow, insurance escrow, etc.) under the court-approved deal. If the agreement is revised, however, such sale proceeds would likely be reduced.

**d. Surrey Property.**

15. 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, 93.]

16. The marketing process was completed and the Receiver has selected an offer with which to proceed. On April 28, 2020, the Receiver filed his *Motion (1) to Authorize Sale of Real Estate and Related Relief (Surrey Property) and (2) For Partial Relief From the Court's COVID-19 Order* (the "Surrey Sale Motion"). [Dkt. 138] The Surrey Sale Motion seeks approval of the sale of the Surrey Property to Wildwood Property Ventures, LLC for a purchase price of \$5.7

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<sup>3</sup> Under the executed contract, closing may be extended by the buyer by posting additional non-refundable earnest money.

million.<sup>4</sup> The Receiver currently expects to close on this sale in June or July 2020.

17. 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.**

18. 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); and (D) Sales Procedures (Vacant Lots Property)*. [See Dkt. No. 96.] On February 7, 2020, the Court granted this motion. [See Dkt. No. 106.] Pursuant to the sale procedures, MPI marketed the Elston Property for auction originally scheduled for March 19, 2020. The week of the auction was when the COVID-19 crisis hit Chicago (and the nation) in earnest, culminating with Governor Pritzker issuing a Stay at Home order on March 20, 2020. Additionally, due to the crisis and the desirability of the Elston Property in general, there was not a lot of interest in the Elston Property. As a result, the Receiver (upon the advice of MPI), used his authority under the Court-approved sale procedures to change the format of the auction to a sealed bid auction with bids to be submitted by March 20, 2020. Unfortunately, due to the COVID-19 crisis, no bids were received. The Receiver is working with MPI to explore options for the property.

19. With respect to value, the Receiver has obtained a broker opinion of value in excess of \$1 million. However, there does not seem to be substantial interest at that price point. The required secured lender payment at closing is approximately \$600,000. As a result, the

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<sup>4</sup> In the Receiver’s prior Liquidation Plan, the Receiver stated that the Receiver has obtained a broker opinion of value in excess of \$8 million. That valuation, however, was for all sixty (60) units and was completed prior to the COVID-19 crisis.

Receiver anticipates realizing little, if any, equity from the sale of this property.

**f. Miami Property.**

20. 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, and the Receiver was finalizing an offer to purchase when the COVID-19 crisis started. As such, the Receiver continues to market this property, but the COVID-19 crisis has impacted marketing as access to this condominium building has been restricted. The Receiver will continue to market the Miami Property and will seek approval of a sale as soon as a market rate buyer emerges.

21. 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.**

22. 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.

23. The Receiver sought and obtained authority to sell the Palatine Property for \$145,000. [See Dkt. Nos. 88, 92.] Closing occurred on February 10, 2020. There was no mortgage on this property, and, after payment of closing costs, the Receiver received at closing \$129,420.28 for the Estate.

**h. Vacant Lots Property.**

24. 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)*; (D) *Sales Procedures (Vacant Lots Property)*, which was granted by the Court. [See Dkt Nos. 96, 106.] Pursuant to the proposed sales procedures, First Team has begun marketing the Vacant Lots Property. To date, there has been no serious interest in any of the Vacant Lots Property.

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

### **III. OTHER ASSETS**

#### **a. Securities Assets.**

26. The Receivership Estate includes shares of stock in The Wellness Center USA Inc. ("WCUI"). The stock is currently 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 (versus shares that may be owned by individual investors) and whether or not there is a market for such shares. Upon information and belief, the value of the shares may be affected by certain technology that WCUT has indicated it is currently pursuing. The Receiver will provide a potential value of these shares as he receives more definitive information on the likely impact of such technological developments.

#### **b. Glen Ellyn Property.**

27. 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 Mueller (the Swifts are also investors in the Receivership Entities). Regarding the pre-Receivership arrangement, 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 between 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 negotiated with the attorney for the Swifts to (a) get the Glen Ellyn Property on the market; (b) share in some of the carrying costs; and (c) come to a settlement with respect to the division of the proceeds of a sale of the property. Currently, the Swifts are paying the carrying costs on the property (Northridge was doing so pre-Receivership). The Receiver has filed a motion to approve this settlement. [See Dkt. No. 134.] Objections to this motion must be filed by May 15, 2020. [Dkt. 136.]

28. 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. Rocky Ridge L.P.**

29. Defendant, Glenn Mueller, owns a 50% interest in Rocky Ridge L.P. which, in turn, is the fee owner of a large vacant land property in North Dakota. The Receiver continues to investigate the value of the North Dakota Property and seeks to work with Mueller and his legal team to get the property sold with proceeds escrowed subject to further order of the Court. (Mueller's brother Dale also owns a percentage of this property either directly or indirectly through entity ownership.)

**d. Life Insurance.**

30. Receivership Defendant Amberwood Holdings Limited Partnership purchased a key man life insurance policy on 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 Mueller's age (72). The Receiver has identified a market for the policy. If the policy is 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.

**e. Litigation Claims.**

31. The Receiver's focus has been stabilizing and monetizing the Real Estate Assets. However, with the assistance of his professionals, the Receiver has begun to identify potential litigation targets. Preliminarily, the Receiver has identified certain third party receivables that may be collected for the benefit of the Receivership. The Receiver plans to confirm the amounts outstanding, terms of the loan/transfer, the collectability of these amounts and any other relevant information. The Receiver plans to send demand letters to parties that owe the Receivership money and generally use best efforts (including potentially filing litigation) to collect these outstanding amounts. The books and records of the Receivership Entities reflect receivables in excess of \$5 million. But, to date, the Receiver has not verified all of these receivables and cannot estimate the amount that will ultimately be recovered for the Receivership Estate. The Receiver anticipates being in a position to move forward with any such claims in the next 60-90 days.

32. Additionally, the Receiver is analyzing potential claims against "finders." These "finders" placed investors into various of the Receivership Entities and received commissions from the Receivership Entities. The Receiver anticipates being in a position to move forward with any such claims in the next 30-60 days.

33. The Receiver anticipates being in a position to identify additional potential litigation targets (fraudulent transfer, professional negligence, etc.) in the next 60-90 days.

**f. Tax Refunds.**

34. 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.

**g. Investigation Ongoing.**

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

Dated: May 5, 2020

Respectfully submitted,

N. Neville Reid, Receiver

By: /s/ Ryan T. Schultz

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