

Registered Investment Advisor under Siege

The Owner's death by suicide. The depressed morale and bewilderment of the employees. An SEC investigation. A threat of removal of the trading platform. Warring factions within the ownership families. Claims of financial misconduct.

Commercial Recovery Associates ("CRA") was named sole Director of a Registered Investment Advisor ("RIA" or "Company") promptly following the death of its Owner and calmly stepped into the role rife with challenges.

Initially, CRA proceeded to run the Company as a going concern and raised employee morale with retention bonuses. In the Company's favor, a forensic audit concluded that the Company had not engaged in any wrongdoing, which allowed CRA to market the Company for sale. However, in the midst of its marketing efforts, the SEC informed CRA that it was investigating the RIA and the 20 limited partnerships it controlled in response to anonymous complaints it had received from some of the RIA's customers. In addition, the RIA's broker gave notice that it would be pulling the Company's trading platform. Regardless, CRA continued to market the firm and secured numerous bids from strategic buyers, all while engaging in conversations and cooperating with the SEC, and convincing the broker to delay its threatened action. In spite of these challenges, CRA completed the sale of the Company to another RIA company seeking a Chicago presence. Over 50% of the Company's employees were retained by the buyer. The broker threat became moot and the SEC investigation concluded without making any findings respecting the Company or its Owner.

Following the sale, CRA worked to resolve debt and equity claims of two different entities controlled by relatives of the deceased owner, defended a lawsuit brought by a disgruntled investor, and addressed claims made by the Company's creditors.

To expedite matters, CRA initiated mediation with the various claimants that sought the Company's remaining funds, which included the net proceeds of a life insurance policy and proceeds of the Company's sale. Ultimately, the claimants (the "Mediation Claimants") reached a settlement agreement as to how the funds would be divided. However, in order to be certain that no other claimants would come forward, it was agreed that the Company would do an Assignment for the Benefit of Creditors ("ABC") with CRA as Trustee/Assignee.

The ABC flushed out eleven (11) additional claims (the "ABC Claimants"), each of which alleged financial misconduct by the Company. CRA and its counsel responded with objections to these claims on the basis that they had lapsed due to applicable statutes of limitations. However, the ABC Claimants made it clear they were prepared to file suit regardless, an expensive proposition for all.

After months of negotiations between CRA, the Mediation Claimants and the ABC Claimants, the parties reached a global settlement that included mutual releases.. After CRA paid the adjusted claims as agreed, the engagement was finally concluded.

This matter especially demonstrates the agility and wide expertise of CRA in efficiently and expeditiously managing all facets of a crises engagement and its ability to address "surprises", all while continuing to move forward and satisfy the priorities of the stakeholders of the company.