

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF MARYLAND**

**SECURITIES AND EXCHANGE  
COMMISSION,**

**Plaintiff,**

**v.**

**KEVIN B. MERRILL, et al.,**

**Defendants**

Case No. 1:18-cv-02844-RDB

**RECEIVER GREGORY S. MILLIGAN'S INITIAL PRESERVATION PLAN**

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Gregory S. Milligan (the “Receiver”), the court-appointed Receiver for the assets of Defendants and affiliated entities, including but not limited to: Kevin B. Merrill (“Merrill”), Jay B. Ledford (“Ledford”); Cameron R. Jezierski (“Jezierski”); Global Credit Recovery, LLC; Delmarva Capital, LLC; Rhino Capital Holdings, LLC; Rhino Capital Group, LLC; DeVille Asset Management LTD; Riverwalk Financial Corporation; K.B. Merrill Associates; Financial Reclamation Group LLC; Halo Credit Solutions LLC; JBL Holdings LLC; Jay B. Ledford, P.C.; the Joseph Finance Company; Leddy Bear LTD; Ledford & Associates, PLLC; King Fischer LTD d/b/a LP Investments LTD; NLEX, Inc.; Receivables Portfolio Interchange, Inc.; Riverwalk Capital Investments, Inc.; Riverwalk Credit Solutions, Inc.; Riverwalk Debt Solutions, Inc.; Riverwalk Fixed Asset Group LLC; SCUSA Financial, Inc.; Vaquero Asset Management, Inc.; CRJ Holdings LLC; Centurion Capital Corporation; GCR CBL CP I, LLC; GCR CBL CP II, LLC; GCR CBL CP III, LLC; GCR CBL CP IV, LLC; GCR HCP Holdings 1, LLC; and GCR Mercer Holdings, LLC (collectively, the “Receivership Parties”) and certain assets held by Relief Defendants Amanda Merrill and Lalaine Ledford (the “Relief Defendants”) files this Initial Preservation Plan (the “Plan”) in accordance with the Court’s Order Appointing Temporary Receiver dated September 13, 2018 (the “Receivership Order”), and reports to the Court as follows:

## I. INTRODUCTION

On September 13, 2018, the Securities and Exchange Commission (“SEC”) filed a Complaint that initiated this action against Defendants Merrill, Ledford, Jezierski, Global Credit Recovery, LLC, Delmarva Capital, LLC, Rhino Capital Holdings, LLC, Rhino Capital Group, LLC, DeVille Asset Management LTD, and Riverwalk Financial Corporation (collectively, the “Defendants”) alleging various securities violations arising of the Defendants’ operation of a Ponzi scheme. The Complaint also includes K.B. Merrill Associates, Financial Reclamation

Group LLC, Halo Credit Solutions LLC, JBL Holdings LLC, Jay B. Ledford, P.C., the Joseph Finance Company, Leddy Bear LTD, Ledford & Associates, PLLC, King Fischer LTD d/b/a LP Investments LTD, NLEX, Inc., Receivables Portfolio Interchange, Inc., Riverwalk Capital Investments, Inc., Riverwalk Credit Solutions, Inc., Riverwalk Debt Solutions, Inc., Riverwalk Fixed Asset Group LLC, SCUSA Financial, Inc., Vaquero Asset Management, Inc., CRJ Holdings LLC, Centurion Capital Corporation, GCR CBL CP I, LLC, GCR CBL CP II, LLC, GCR CBL CP III, LLC, GCR CBL CP IV, LLC, GCR HCP Holdings 1, LLC, and GCR Mercer Holdings, LLC as affiliated entities of Defendants that are in possession of funds fraudulently obtained from investors.

On November 6, 2018, the SEC filed an Amended Complaint adding Amanda Merrill and Lalaine Ledford as relief defendants in this action. Amanda Merrill is married to Defendant Kevin B. Merrill, and Lalaine Ledford is married to Defendant Jay B. Ledford. Amanda Merrill and Lalaine Ledford are collectively the “Relief Defendants.” The Relief Defendants benefited from their husbands’ scheme through transfers of funds fraudulently obtained from investors and assets purchased with such funds.

On September 13, 2018, the Court issued a Temporary Restraining Order Freezing Assets and Granting Other Emergency Relief that, *inter alia*, froze the assets of the Defendants and affiliated entities of Defendants, and enjoined further violations of securities laws by Defendants.

On September 13, 2018, this Court also entered the Receivership Order pursuant to which the Court took exclusive jurisdiction and possession of all assets of the Receivership Parties including, but not limited to, all assets that are “(a) owned, controlled, or held, in whole or in part, by or for the benefit of any of the Receivership Parties; (b) in the actual or constructive possession of any of the Receivership Parties, or other individual or entity acting in concert with

any of the Receivership Parties; (c) held by an agent of any of the Receivership Parties, including as a retainer for the agent's provision of services; or (d) owned, controlled, or held, in whole or in part, by, or in the actual or constructive possession of, or otherwise held for the benefit of, any corporation, partnership, trust, or other entity directly or indirectly owned, controlled, or held, in whole or in part, by any of the Receivership Parties, including assets that have been transferred to other persons or entities but as to which assets such persons or entities do not have a legitimate claim" (the "Receivership Assets"). The Court appointed Gregory S. Milligan as Receiver for the Receivership Assets and related records (the "Receivership Estate"), with the goal and purpose of marshaling and preserving the Receivership Assets to maximize the recovery to defrauded investors. The Receivership Order also stayed all civil actions or other proceedings involving the Receivership Assets, other than the Receivership proceedings and any additional charges in the actions brought by the SEC.

Pursuant to the Receivership Order, this Plan provides preliminary information regarding the assets and liabilities of the Receivership Estate, a summary of the Receiver's activities to date, and information regarding the Receiver's proposed plan for the fair, reasonable, and efficient preservation of Receivership Assets during the pendency of this action.

## **II. SUMMARY**

This is a complex case involving four operating businesses on the date of filing, nine residential properties located in Maryland, Florida, Texas and Nevada, two commercial office buildings owned by the Receivership Parties and two additional commercial office spaces leased by the Receivership Parties, an extensive list of more than 30 luxury and exotic vehicles, approximately \$800,000 in deposits to purchase three additional exotic cars, a 2018 Formula 350 Crossover Bowrider Port Cruiser, an interest in a Gulfstream G200 twin-engine business jet, litigation financing wherein one of the Receivership Parties is the lender, an account receivable

for the sale of a Porsche to be paid over a series of installment payments, and a substantial accumulation of luxury personal property. The case involves more than 20 banks and other parties upon which demand has been made for the turnover of cash or cash equivalents to the Receiver with initial asset searches for more than 50 individuals and entities in an attempt to identify and preserve assets of the Receivership Estate.

While the Receiver is not directly involved in the companion criminal case pending before this Court, the administration of this Receivership Estate has required coordination with the U.S. Attorney's Office Asset Forfeiture Unit and Federal Bureau of Investigation ("FBI") on several matters. For example, the Receiver has coordinated with the FBI for the return of the computer servers for three of the four operating businesses that were seized on September 18, 2018 and not returned until October 17, 2018. Some seized computers utilized in the identified business operations are still being processed by the FBI and are not yet available to the Receiver. The Receiver has coordinated the overlapping jurisdiction of the civil and criminal cases as to certain assets to most-efficiently secure the same in a manner that preserves both evidentiary and monetary value, subject to further administration of those assets as subsequently directed by this Court.

As the Receivership reaches the 60th day since the filing of this action (and less than 30 days since the return of the computer servers for three of the four operating businesses), the Receiver is able to provide an outline of a recommendation to the Court, with the specifics to be colored in by subsequent pleadings filed with the Court seeking specific authority. The Receivership Estate contains four broad categories of assets: (i) business entities; (ii) real property; (iii) personal property; and (iv) civil litigation claims.

Generally, the Receiver, after consultation with his team, his counsel in this matter, the SEC, U.S. Attorney's Office Asset Forfeiture Unit, and both civil and criminal counsel for certain of the Defendants and Relief Defendants, is of the opinion that all real and personal property of the Receivership Estate should be liquidated in an orderly manner pursuant to the supervision of and further Orders of this Court in order to maximize the value of such assets. After initial consultation with some of the parties, we are working towards a consensus on this point. However, the manner in which the Receivership Assets are monetized is still subject to discussion and agreement.

The Receiver's proposed plan to liquidate the assets of the Receivership Estate is to engage court-approved appropriate intermediaries and brokers to assist in the sale of the various assets. For example, the Receiver anticipates requesting authority to hire a national real estate brokerage firm to sell all of the residential real properties, then, when the Receiver believes a market offer has been presented for a specific property, a motion will be filed on that particular real property sale with an opportunity for all parties-in-interest to be heard. Whenever possible, the Receiver will present consent motions to the Court for consideration.

A similar process of standalone motions is anticipated with respect to the sale of each of the operating businesses, the boat, and other significant assets. Given the extensive inventory of automobiles, as well as the luxury personal property, the Receiver believes it will be more efficient and cost-effective to ask the Court for authority to sell such items based upon the recommendation of the intermediary/broker approved by the Court for each asset class. There are other "one off" potential sales or settlements that will not require an intermediary and those will be addressed by the same motion and notice procedure described above.

The cornerstones to the Receiver's proposed plan of liquidation are to engage skilled and knowledgeable brokers for each asset class and to afford all parties-in-interest the opportunity to be heard at each step of the process. Given that the costs to maintain and hold the real property assets, exotic cars, and other assets are material, the Receiver believes these efforts should begin immediately to maximize the total net value available to the estate.

Given the Receiver's suggested approach of separate sale motions and opportunity to be heard by all parties-in-interest, the balance of this Plan will generally touch on each of the subject asset classes. However, more specific information will be developed as the Receiver has more time to investigate the same with the benefit of industry intermediaries engaged upon approval of this Court.

### **III. OVERVIEW OF THE RECEIVER'S ACTIVITIES**

During the two months since the Court's appointment, the Receiver in coordination with the federal authorities has assumed control, or taken steps to assume control, of the Receivership Assets with the objective of preserving the Receivership Assets to maximize the recovery for the defrauded investors. A summary of the Receiver's activities to date is detailed below.

#### **A. Summary of Assets**

Immediately after his appointment, the Receiver initiated the process of assuming control and management of all property of the Receivership Estate.

##### **1. Business Operations**

On the date the Receivership Order was unsealed, the Receivership Estate included four business operations in Texas: (i) DeVille Asset Management Ltd. ("DeVille"); (ii) Riverwalk Credit Solutions, Inc. ("Riverwalk Credit"); (iii) Riverwalk Debt Solutions, Inc. ("Riverwalk Debt"); and (iv) Ledford & Associates, PLLC. The Receiver continues to investigate these businesses and the proper means to liquidate their value for the benefit of the Receivership



Estate. During the initial two months, the Receiver has worked with senior staff of DeVille, Riverwalk Credit, and Riverwalk Debt to gain further understanding of their business operations to properly assess the businesses' valuations. Ledford & Associates, PLLC has remained shuttered since the Complaint and Receivership Order were unsealed on September 18, 2018.

## **2. Holding Institutions**

Through telephone calls and written correspondence, the Receiver, by and through counsel of record, notified institutions holding the Receivership Parties' bank, brokerage, and business accounts ("Holding Institutions") of his appointment as Receiver and of the Court's exclusive control, by and through the Receiver, of the accounts, assets, documents and information in control of the Holding Institutions pertaining to one or more of the Receivership Parties.<sup>1</sup> The Receiver also informed the Holding Institutions that the Receivership Parties' accounts were frozen pursuant to Court Order and requested that the Holding Institutions turn over all related accounts, assets, documents, and information in control of the Holding Institutions. The majority of Holding Institutions have turned over the funds in the Receivership Parties' accounts, and the Receiver is continuing to follow up with all Holding Institutions who have not yet turned over accounts, funds, or documents to the Receiver.<sup>2</sup>

## **3. Real Property**

The Receivership Estate also contains a number of residential and commercial real properties that have been secured by the Receiver, as discussed in greater detail below.

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<sup>1</sup> Attached as Appendix A is a list of all cash accounts the Receiver has located to date that are associated with the Receivership Parties

<sup>2</sup> The Receiver intends to recover funds from accounts nominally held in the name of the Relief Defendants containing funds that are traceable to the fraud.

#### 4. Other Property

Additionally, there were several personal property items that the Receiver has recovered or identified to date, including:

- Vehicles. The Receivership Estate consists of several high end vehicles and watercraft. The vehicles belonging to the Receivership Estate remain in the possession of the FBI or the U.S. Marshall's Service.
- Other Property. The Receivership Estate includes several investments made by the Defendants including, but not limited to: (i) a partial interest in a Gulfstream Aircraft G200; (ii) an art collection; (iii) a watch collection; (iv) a comic book collection; (v) jewelry; (vi) a litigation financing arrangement; and (vii) a guardian insurance policy. The foregoing investments are of unknown value, and the Receiver is in the process of determining the value of each investment and the best means to liquidate the investments value for the benefit of the Receivership Estate.
- Clawbacks – Gifts/Donations. The Receivership may hold claims (“Clawbacks”) against individuals and entities, in addition to the Relief Defendants, that received gifts or donations from the Receivership Parties. These individuals and entities may have received gifts from the Receivership Parties derived from Ponzi scheme funds fraudulently obtained from investors. If and when the Court authorizes the Receiver to pursue such actions, the Receiver will investigate these claims and, where appropriate, make demand for full repayment of the gift or donation and file suit against the recipients of such gifts or donations, if necessary.
- Clawbacks – Investors who are “Net Winners.” The Receiver may hold claims against investors who withdrew fictitious profits from the Receivership Parties. An investor's withdrawn profits may be fictitious, for example, if that party received payments in excess of investments.
- Claims against Other Persons or Entities. The Receiver will continue to investigate, analyze, and collect evidence regarding potential causes of action against other third parties. Given the more immediate need to secure the tangible Receivership Assets, the Receiver's investigation into this category of assets has been limited to date.

Preliminarily, based on the information currently available, the Receiver is unable to determine the total amount of funds potentially available to injured investors.. However, the Receiver does anticipate increases in funds available as a result of asset dispositions and potential litigation claims.

**B. Administration and Management**

The Receivership Estate includes tangible and intangible property, all of which the Receiver has had to investigate, secure, and/or maintain since the unsealing of the Receivership Order on September 18, 2018. To fulfill his obligations to the Court, the Receiver has undertaken the following tasks with respect to the various forms of property in the Receivership Estate.

**1. Coordination and Conference with Other Parties**

Since being appointed in this case, the Receiver has coordinated extensively with the SEC, U.S. Attorney's Office Asset Forfeiture Unit, and FBI regarding the identification and safeguarding of Receivership Assets. In an effort to minimize disputes and reach consensus on the maintenance and disposition of Receivership Assets, where possible, the Receiver has corresponded and/or met with criminal counsel for Merrill, criminal counsel for Ledford, and forfeiture counsel for Amanda Merrill, including recent meetings in Baltimore, Maryland on November 1, 2018 with all such parties, as well as representatives from the SEC and the U.S. Attorney's Asset Forfeiture Unit.

The Receiver proposes to liquidate the Receivership Assets, as outlined below, by seeking Court approval to retain additional necessary professionals and approval of all major asset sales, thereby providing all parties-in-interest an opportunity to be heard.

Prior this filing, the Receiver previewed the general themes of this Plan with legal representatives of Merrill, Ledford, and Amanda Merrill. The themes conveyed surrounded expeditious monetization of Receivership Assets to reduce holding and maintenance costs, decrease devaluation due to age of the assets, and reduce the time period for vandalism, theft, or other adverse actions to take place. The Receiver believes that liquidating all estate assets promptly, efficiently, and at market prices is in the best interest of all parties including the

defendants, investors, and other stakeholders. In response, criminal counsel for Merrill and civil counsel for Amanda Merrill are anticipated to provide input with regard to asset maintenance and disposition for each asset class on or before November 16, 2018.

**2. Businesses Operated in Texas**

**(a) DeVille Asset Management Ltd.**

**(i) Overview**

Prior to the filing and unsealing of the Complaint, DeVille's operations included the collection of defaulted account receivable portfolios acquired from consumer credit originators, such as credit card issuers, auto loan finance companies, student loan providers, retailers, and other consumer lenders. DeVille has an in-house debt collection center and a network of collection agencies and attorneys who perform collections on DeVille's behalf.

DeVille's computer servers were seized by the FBI on September 18, 2018 and returned to the Receiver on October 18, 2018. All of DeVille's major systems, including its Debtmaster® debt management platform and telephone and email systems were stored and operated on these servers. As a result, in-house collection activity was dormant and non-operational for the initial 30 days following the unsealing of the Receivership Order and resumed on October 23, 2018.

Despite those challenges, the Receiver reestablished key aspects of the operation before the return of the servers, and accomplished critical aspects to preserve the value in the business and the portfolios including:

- Established daily meetings and plan with DeVille's management team, including General Counsel, Director of Operations, Director of Collections, Director of Compliance, Controller, and Information Technology Managers;
- Consolidated operations from three sites in Euless, Colleyville, and North Richland Hills, Texas into one site in North Richland Hills, Texas;
- Vacated the leased Euless, Texas property;

- Re-established operating bank accounts for purposes of receiving collection payments from debtors and from third party agencies, and for making payroll and other disbursements;
- Organized and conducted a meeting with all 100+ employees from DeVille, Riverwalk Debt, and Riverwalk Credit to introduce the Receiver and his team, explain the anticipated process moving forward, and answer any questions they had in an effort to maintain the ability to retain sufficient employees to continue operations;
- Made all regular payroll payments (base pay only) and tax/benefits deductions for employees;
- Executed pre-planned, in-process conversions to a new payroll service provider and a new health care provider;
- Provided periodic electronic updates to employees during the time operations were suspended;
- Enacted a strategic headcount reduction eliminating 14 out of 48 collection positions;
- Contacted third party collection firms to ensure ongoing collection efforts;
- Accessed QuickBooks financial data from the cloud and used it to forecast 90-day liquidity and determine the profitability of different operating models;
- Opened up alternate communication channels for DeVille's outside collection agencies and other key stakeholders; and
- Responded to debtors who inquired regarding the indictments and how that affected their debt owed to DeVille, the status of their payment obligations, etc.

After internal investigation and discussion with employees, the Receiver understands the following with respect to DeVille's prior business operations. DeVille's collection business included its in-house collection center and a network of collection agencies. When a new portfolio was acquired by DeVille, the in-house employees onboard the portfolio onto Debtmaster® and performed initial diligence on the portfolio. DeVille in-house collectors typically collected the portfolio for the initial 60 days the loans are owned by DeVille. During this time the DeVille team performed data analysis of the portfolio, reported to the debtors the

acquisition, and reported to the credit agencies for all “in stat” debt (debt within the statute of limitations to report the debt).

DeVille also contracted with twelve third-party collection agencies. After the initial collection period by in-house collectors, DeVille management would source segments of the acquired portfolios to the appropriate collection agencies. The fees paid to the contract relationships were a net of collections and were typically netted from the proceeds paid to DeVille by the agency.

These agencies were grouped into five types, and DeVille sourced debt to these agencies based upon the agency’s expertise and the characteristics of the debt. DeVille’s third party collection agencies were actively engaged in the collection process. Unlike DeVille’s internal collection center, which was suspended temporarily following the seizure of DeVille’s servers, the agencies did not rely on the DeVille Debtmaster® and have been actively collecting the portfolios since September 13, 2018.

A core group of DeVille’s remaining senior staff has assisted the Receiver in understanding mission-critical processes and operating relationships. This core group located key operational data from sources not seized by the FBI, which the Receiver used to understand the portfolios prior to the return of the servers on October 18, 2018. Additionally, this group evaluated personnel and staffing levels in each department and assisted in the strategic headcount reduction. These proactive efforts mitigated the disruption from not having the servers and positioned DeVille to restart operations quickly following October 18, 2018 when it reinstalled the servers, with almost all collectors back in place by October 24, 2018.

The Receiver's review of DeVille's Debtmaster® collection platform, since the system was restored on October 18, 2018, indicates the following in the aggregate (both in-house and out-sourced):

- DeVille owns a number of consumer debt portfolios;
- These portfolios were acquired from consumer credit originators largely consisting of auto loan finance companies, credit card issuers, student loan providers, and retailers;
- The aggregate face amount of the portfolios exceeds \$5 billion; and
- Each of these portfolios has distinct characteristics in terms of charge off dates, past collection activity, and quality/performance. The Receiver is working on segmenting these portfolios based on these characteristics in order to analyze and value them and prepare for the due diligence and sale process (as further described below).

The Receiver has had access to the servers and portfolio data in Debtmaster® for less than 30 days and will continue the analysis of the portfolios to learn more.

**(ii) Recommended Disposition**

The Receiver recommends that, upon further motion and entry of an Order by the Court, he be given authority to engage an advisor and/or broker with specific experience in analyzing and monetizing a debt portfolio buyer. The Receiver has been in conversation with several potential brokers and advisors who might assist in the disposition process. The Receiver intends to file a separate motion with the Court to engage a specific broker and/or advisor when one is selected so that parties-in-interest have an opportunity to be heard. The Receiver will work with the court-approved broker to segment and analyze the value of the portfolios in different lots, based on stratification and valuation work to be performed by the advisor, which will also help the Receiver establish an effective due diligence framework.

Several interested buyers for the debt portfolios and/or the entire DeVille going-concern business have reached out to the Receiver, and the Receiver has actively fielded these inquiries. The Receiver has advised such potential buyers that he does not currently have authority to sell any estate assets outside the ordinary course of business, but is maintaining a database of the

names and contact information of interested parties for use during the process, if so authorized by the Court.

As soon as these analyses and frameworks have been prepared, the Receiver will be in a position to launch the sale process with the objective of maximizing net proceeds. With the assistance of the broker, the Receiver will run a fair process to select and negotiate final terms with a buyer, subject to court approval with notice of the hearing and an opportunity for parties-in-interest to be heard.

**(b) Riverwalk Debt Solutions, Inc. and Riverwalk Credit Solutions, Inc.**

**(i) Overview**

Riverwalk Debt provides a fee-based service to assist borrowers by providing financial solutions for student loans, with a focus on federal student loan consolidation and federal student loan forgiveness programs. Riverwalk Credit is a fee-based credit repair organization that reviews and analyzes its clients' credit profiles and then disputes/repairs inaccurate items.

While these companies are considered separate and have their own EINs, they function as one company and should be considered as such. In their most recent iterations, Riverwalk Debt and Riverwalk Credit have been in place since approximately 2014. During this period, both Riverwalk entities have been operating at a loss, primarily because Riverwalk Debt changed its business strategy multiple times and Riverwalk Credit has not been operating at full capacity. Since 2017, Riverwalk Debt has operated closer to a break-even level while Riverwalk Credit is still showing a loss. During 2018, Riverwalk Credit completed all its state licensing requirements, which has helped to increase overall revenue levels. However, both companies are still operating at more of a startup level.

Since the Receiver's first day in the Riverwalk offices, September 18, 2018, the Receiver has worked closely with the Director of Operations and other members of the Riverwalk



management team to determine cost-savings measures. These measures have included strategic headcount reduction of approximately 15 employees, as well as the elimination of various other operating costs. Overall, the Riverwalk management team has been very helpful and cooperative during this process. While the team was without the company's servers and call center software for more than a month, they developed a creative solution to get several employees working again and eventually brought all employees back prior to the servers being returned by the FBI.

**(ii) Recommended Disposition**

The Receiver has been contacted by multiple groups and individuals that have expressed an interest in purchasing Riverwalk Debt and Riverwalk Credit. Further, the Receiver has received one written expression of interest from an individual who wants to serve as a stalking-horse bidder in any court-approved sale process. This individual has significant experience in both the debt consolidation and student loan consolidation industries, as well as the credit repair industry. The individual and other interested parties understand there is value in the current platform despite its startup posture and weak financial performance to date.

Any amount received would provide some recovery to the Receivership Estate, maintain the jobs of the employees, and avoid further costs of administration and liquidation. Any sale would be subject to Court approval with notice of hearing and opportunity for parties-in-interest to be heard.

**(c) Ledford & Associates, PLLC**

**(i) Overview**

According to its website, Ledford & Associates, PLLC provided public accounting, financial planning, and other financial services to individual consumers and business entities and a broad array of industries, including individuals, businesses, financial services, healthcare, professionals, retail, wholesale, non-profits, estates, and trusts. Accounting services included

bookkeeping, financial statement preparation, payroll preparation, payroll reports, sales tax filings, financial reports, and bill pay. Tax services included federal and state tax return preparation for individuals, partnerships, S-Corporations, corporations, trusts, and non-profit entities, as well as matters involving Texas franchise tax reporting, tax planning, and gifting.

When the civil and criminal cases were unsealed on September 18, 2018, the FBI searched the firm's office location at 2801 Paramount Boulevard, Amarillo, Texas 79109. During that search certain records related to the criminal investigation were seized, including the primary server and other computer media. The revelation of the alleged criminal activity and the inability to operate the business led to the resignation of the key CPAs on staff required to operate the business. As a result, the business has been shuttered since September 18, 2018.

Between September 18, 2018 and the date of this Plan, and after contacting the Texas State Board of Accounting for guidance, the Receiver has worked with a former CPA on staff to facilitate the return of client files to those who have reached out to the Receiver either through the sign posted on the firm's front door or word of mouth in the local community. Given the prohibition against the Receiver liquidating or disposing of estate assets outside the ordinary course of business, the Receiver has not attempted to reach any of the remaining clients of the firm without Court approval.

To date, approximately 200 client files (personal and business) have been returned. According to the master client list provided by the former staff CPA who is facilitating the return of client files, there appears to be approximately 265 client files that still have to be returned. Upon information and belief, the preponderance of the remaining files are for clients who require once a year tax filings, as compared to weekly payroll process or monthly sales tax reporting clients, which have already retrieved their files.

**(ii) Recommended Disposition**

The Receiver will be requesting the authority to develop and execute a plan, in conjunction with a cooperating former CPA member of the firm or other local area CPA, to contact the remaining clients of the firm to retrieve their files that will be held in the interim by such cooperating CPA.

**3. Real Property**

**(a) Overview**

During the pendency of this case, the Receiver has undertaken the review and analysis of various real estate holdings, including both residential and commercial properties located in Maryland, Florida, Texas, and Nevada. These real properties include:

- 1848 Circle Road, Towson, MD 21204 – Owned by Kevin Merrill;
- 1055 Spyglass Lane, Naples, FL 34102 – Owned by Kevin and Amanda Merrill;
- 27776 Sharp Road, Easton, MD 21601 – Owned by Kevin and Amanda Merrill;
- 531 Hampton Lane, Towson, MD 21286 – Owned by Amanda Merrill;
- 3018 Susanne Court, Owings Mills, MD 21117 – Owned by Kevin Merrill;
- 1718 Greenspring Valley Road, Stevenson, MD 21153 – Owned by Kevin Merrill as Trustee of the Kevin B. Merrill Revocable Trust;
- 9017 Grove Crest Lane, Las Vegas, NV 89134 – Owned by Hillary R. Badrow as Trustee of the J Trust;
- 1132 Glade Road, Colleyville, TX 76034 – Owned by King Fisher Ltd.;
- 1650 Cedar Hill, Dallas, TX 75208 – Owned by J Trust;
- 2308 Cedar Elm Terrace, Westlake 76262 – Owned by Jay Ledford; and
- 2801 Paramount Boulevard, Amarillo, Texas 79109 – Owned by Jay Ledford.

Based upon initial information developed by the Receiver with the preliminary assistance of a well-known national real estate brokerage company, and subject to further investigation and adjustment, the aggregate market value of these properties should exceed \$20MM. Currently, the Receiver has identified approximately \$6.4MM in mortgage debt and approximately \$1MM in Mechanic's and Materialman's ("M&M") liens on the properties. The Receiver will continue to investigate the status of liens or other encumbrances against the properties.

To prevent any attempted or unauthorized sale or mortgaging of any estate real property, counsel for the Receiver recorded *lis pendens* in each of the appropriate jurisdictions to give notice of the receivership proceeding so that no adverse action is taken absent the knowledge of the Receiver and this Court.

Given the estimated value of the properties, the “luxury” nature of some, and the geographically diverse locations, the Receiver believes it would be best to utilize a national broker to assist the Receiver in monetizing the real estate assets. Utilizing a single, national broker with one point of contact for these purposes reduces the Receiver’s administrative overhead and leverages the broker’s local networks to maintain, preserve, and market the assets to achieve the highest and best price.

Soon after appointment, the Receiver approached Sotheby’s International Realty, (“SIR”), a national broker with global advertising reach that is experienced in marketing and selling properties of this caliber, to assist with investigating and maintaining the properties until they can be monetized. To date SIR has provided the Receiver, free of charge and prior to any engagement:

- Brokers Opinion of Price, (“BOP”), for each of the residential properties. These assessments were made based on (i) an examination of the exterior of the properties and (ii) comparable sales in the area. The BOPs will be revised once interior inspections have been undertaken and the properties will be listed for sale at the highest and best price.
- Preliminary Title Reports. Prepared by an independent title company, the reports delineate: (i) ownership; (ii) legal description of property, including easements, etc; (iii) mortgage amounts and mortgagees; and (iv) clouds on the title, e.g. M&M liens and judgements.
- Report on Liens and claims. Prepared by an independent title company, the report provides additional details with respect to the claims against the property, contract amount, parties, payments, and terms.

Once the Receiver seeks and obtains the necessary authority to proceed with the sale of any real property, further and final examination of issues related to mortgage liens, vendor liens,

judgment liens, and other encumbrances will be fully determined. Similarly, multiple properties are currently under renovation. However, no further work has been completed since the Receiver was appointed. The Receiver will consult with SIR regarding whether it is more advantageous for the Receiver to complete the renovations or sell the properties “as is” so the new owners can complete the unfinished work according to their personal tastes and preferences.

During any potential listing period, SIR’s agents would be responsible for maintaining the properties—i.e., paying the utility bills, cutting the grass, effecting minor repairs, winterizing, etc.—on a reimbursement basis. Such reimbursements are normally submitted monthly, however given the number of properties involved, SIR has agreed to submit expenses for quarterly reimbursement if the Receiver so requests and the Court approves.

Concurrently with these efforts, the Receiver has been gathering information with respect to each of the properties, including but not limited to the following:

- Legal description of the property;
- Owner of record;
- Property characteristics, e.g. improvement square footage, number of bedrooms and bathrooms, size of parcel, original date of construction, construction material, date of acquisition, etc.;
- Photos and/or videos taken by the Receiver or acquired from other sources.
- Payment status of 2017 property taxes;
- Amounts, payees and due dates for 2018 taxes by jurisdiction;
- Appraised values of the properties as listed in the tax records of the relevant jurisdictions;
- Information regarding known mortgage liens, the holder of such liens and the related account number with the mortgage company, information regarding known vendor liens and judgment liens;
- Information regarding the insured status of each property, the name of the carrier and broker, current expiration date and renewal premium amount;
- Estimates of market value from sources other than SIR BOP; and
- Status of on-going renovations, if any.

Further, the Receiver is working to obtain information from the applicable Defendants’ representatives and other third-party sources regarding the identification and transfer of utilities

for each property. Through mail received by the Receiver pursuant to a forwarding order he entered with the U. S. Postal Service, the Receiver has obtained some utility bills that have been paid by the estate to preserve the subject property. Counsel for Amanda Merrill has also provided information regarding utility information for some of the real properties. Similar information has been sought from counsel for Jay Ledford but has not been forthcoming.

Finally, working with the federal authorities, the Receiver is concluding the process of securing the real properties, changing the locks, and visually inspecting the exteriors for signs of damage or vandalism.

**(b) Recommended Disposition**

The Receiver intends to file a motion to engage SIR to list, market, and sell each of the residential real properties that are now or subsequently become property of the Receivership Estate. The Receiver will then enter into a contract to sell each residential real property, subject to the entry of an Order permitting the sale of such asset. The Receiver would file a separate motion for each real property sale, so all parties-in-interest have an opportunity to be heard as to each proposed sale.

The Receiver intends to follow the same process to locate and engage, by order of this Court, appropriate commercial real estate brokers to sell the two commercial buildings located in Colleyville, Texas and Amarillo, Texas.<sup>3</sup>

**4. Vehicles**

**(a) Overview**

Based upon information from pleadings filed by the federal authorities and/or other third-party sources, current information indicates an automobile and boat fleet of at least thirty-four

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<sup>3</sup> It is possible that the Colleyville, Texas building could be sold as part of the DeVille sale, but the Amarillo building will require listing and sale by a commercial broker knowledgeable in that area.

(34) vehicles with year models ranging from 2008 to 2018 with initial estimated values ranging from approximately \$11K (Ford Explorer) to approximately \$1.4MM (Pagani Huayra). This fleet of vehicles is itemized as follows:

- 2014 Lamborghini Aventador Roadster, VIN No. ZHWUR1ZD4ELA02398;
- 2014 Mercedes-Benz S63, VIN No. WDDUG7JB1EA061984;
- 2016 Ferrari 488 Coupe, VIN No. ZFF79ALAXG0214388;
- 2017 Audi R8 5.2 Plus Coupe, VIN No. WUAKBAFX1H7902028;
- 2017 Lamborghini Huracan Convertible, VIN No. ZHWUR2ZF1HLA07683;
- 2017 Land Rover Range Rover, VIN No. SALGS5FE7HA341466;
- 2017 Land Rover Range Rover Sport, VIN No. SALWz2FE6HA145282;
- 2017 Porsche 911 Turbo S, VIN No. WP0AD2A96HS167075;
- 2017 Rolls Royce Dawn Convertible, VIN No. SCA666D57HU107107;
- 2017 Rolls Royce Wraith Coupe, VIN No. SCA665C58HUX86607;
- 2018 McLaren 720S Coupe, VIN No. SBM14DCA9JW001142;
- 2008 Bugatti Veyron, VIN No. VF9SA25C78M795164;
- 2013 Ferrari California Convertible, VIN No. ZFF65TJA7D0195090;
- 2015 BMW M6 Gran Coupe, VIN No. WBS6C9C51EDV73690;
- 2014 Ferrari F12 Berlinetta, VIN No. ZFF674UFA2E0199037;
- 2014 Pagani Huayra, VIN No. ZA9H11RAYYSF76034;
- 2015 Mercedes Benz S63, VIN No. WDDXJ7JB8FA000972;
- 2015 Mercedes Benz S63, VIN No. WDDXJ7JB6FA001781;
- 2017 Cadillac Escalade ESV, VIN No. 1GYS4JKJ7HR194939;
- 2017 Lamborghini Aventador, VIN No. ZHWUT3ZDXHLA05923;
- 2018 Ferrari 488 Spider, VIN No. ZFF80AMA4J0228310;
- 2018 Lamborghini Huracan, VIN No. ZHWUS4ZF6JLA10746;
- 2015 BMW S1000R Motorcycle, VIN No. WB10D210XFZ352440;
- 2015 Harley-Davidson VRSCDX Night Rod, VIN No. 1HD1HHH18FC805081;
- 2018 Formula 350 Crossover Bowrider Port Cruiser, Hull No. TNRD1491C818;
- 2014 Ford F-150, VIN No. 1FTFW1R69EFA85544;
- 2016 Ducati Superbike Motorcycle, VIN No. ZDM14B1W1GB001832;
- 2016 Continental, VIN No. 5NHUVH010GN080677;
- 2015 Polaris Sportsman, VIN No. 4XASEA574FA235601;
- 2015 Bentley Flying Spur, VIN No. SCBET9ZA7FC042592;
- 2018 Chevrolet Silverado, VIN No. 3GCPCREC5JG128390;
- 2012 Nissan Rogue, VIN No. JN8AS5MT1CW285782;
- 2016 Ferrari 488, VIN No. ZFF79ALA3G0217973; and
- 2016 Tesla Model S, VIN No. 5YJSA1E49GF155262.<sup>4</sup>

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<sup>4</sup> This is a fluid list as the FBI seized a number of vehicles on the day the civil and criminal proceedings were unsealed and have continued to seize additional vehicles during the pendency of this case. The Receiver has not participated in these seizures and does not have a current

The exotic cars (Lamborghinis, Ferraris, Bugatti, McLaren, and Porsche) are temperamental. The longer these cars sit and the more they are handled by individuals unfamiliar with their care and keeping, the greater the likelihood they will deteriorate, precipitating a rapid decline in realizable value. To preserve and maximize the value of the performance vehicles, the Receiver believes it is imperative they be stored and maintained by knowledgeable individuals. For this reason, the Receiver believes it is in the best interest of the Receivership Estate to liquidate the fleet through a single outlet familiar with both high-end vehicles of this nature and the relatively narrow market in which they can be sold.

To that end, the Receiver has spoken to several potential brokers and has received one written proposal for collecting, maintaining, and managing the liquidation of the vehicles. The Receiver intends to seek authority to engage a vehicle broker, upon separate motion and opportunity for parties-in-interest to be heard, and anticipates such engagement terms would include:

- Shipping the vehicles to a single location;
- Showing the cars;
- Storing the cars at no cost;
- Promoting and exposing the vehicles on all proper advertising channels;
- Maintenance and repairs (replacing dead batteries, reprogramming keys, etc.); and
- Delivering to eventual buyers.

All costs associated with the cars will be deducted from the ultimate sale price, which will also be subject to an anticipated commission of five percent (5%) or less.

The value of the performance vehicles is significantly enhanced if, in addition to the vehicle, the maintenance history and information with respect to service intervals is also available. Consequently, the Receiver has been in contact with the dealer with whom Merrill

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reconciliation of all seized vehicles. As of the date of this Plan, the Receiver is not in possession of any vehicles.



previously did business and who has some knowledge of the vehicles that could be beneficial to the estate. In addition, this dealer has also identified to the Receiver three (3) deposits received from Merrill to hold production slots for two Lamborghinis and a Pagani Huayra. The Lamborghini deposits are \$50K each, and the deposit to Pagani totaled \$703K for a “highly specialized” vehicle. The dealer is assisting the Receiver in the recovery of all three (3) deposits, specifically by negotiating with Pagani to find a replacement purchaser for the vehicle.

**(b) Recommended Disposition**

The Receiver intends to file a motion to engage a suitable broker to list, market, and sell all cars that are now, or subsequently become, property of the Receivership Estate. Subject to specific due diligence and discussions with the selected car broker, and given the high number of cars to be sold, the Receiver will recommend to the Court a procedure that seeks to balance the administrative burden on the Court and Receivership Estate against the desire to provide notice of such sales to parties-in-interest.

With respect to the 2018 Formula 350 Crossover Bowrider Port Cruiser, the Receiver has identified and spoken with a suitable boat broker in Florida that could sell the subject vessel. The Receiver intends to file a motion to engage the identified broker and file a motion with the Court to authorize such sale with notice of hearing and an opportunity for parties-in-interest to be heard when an acceptable offer is received.

**5. Other Personal Property**

In addition to operating businesses, real properties, vehicles, and other property referenced above, the Receiver, through the SEC, FBI, and U.S. Attorney’s Office Asset Forfeiture Unit has identified other personal property, including but not limited to: art, collectibles, jewelry, rare wine, watches, luggage, and similar luxury items. The Receiver has

researched and identified various consignment and/or auction outlets for monetizing these kinds of personal property items.

The Receiver is currently working with the SEC, FBI, and U.S. Attorney's Office Asset Forfeiture Unit, as well as criminal counsel for Merrill and forfeiture counsel for Amanda Merrill to reach a consensual agreement as to the disposition of such items. Likewise, the Receiver has reached out to all known counsel for Ledford but has been unable to establish a line of communication with Ledford's civil counsel. After the Receiver has an opportunity to confer further with such parties, a motion will be filed with the Court seeking approval for the proposed disposition plan(s).

The Receiver has additionally identified other assets of the Receivership Estate, including:

- An apparent ownership interest in a Gulfstream G200 or rights to a certain number of flight hours thereon;
- Insurance policies with potential value to the estate;
- Fitness club membership with possible \$100,000 initiation fee;
- Art collection with various pieces of unknown value;
- Watch collection consisting of seven Richard Mille watches and one Breitling for Bentley B06S watch;
- Comic book collection of unknown value;
- Several pieces of fine jewelry including a diamond ring with a total combined net weight of 9.3 carats, a diamond ring with a total combined net weight of 7.83 carats, and a diamond lined bracelet with a total combined weight of 23.26 carats; and
- A lending agreement whereby a Receivership Entity is providing litigation financing to a plaintiff for certain expert fees and expenses, in return for a participation interest in any awarded damages.

Each of these assets requires further investigation before an assessment of value to the Receivership Estate can be made and a subsequent proposal can be presented to the Court. The Receiver believes that as the Receiver and his counsel proceed with their work, they will continue to discover additional Receivership Assets.

## **6. Insurance**

Similar to the reference above regarding utilities for the real properties, the Receiver has been working to obtain information from the applicable Defendants' representatives and other third-party sources regarding the identification of all applicable insurance policies for all property of the Receivership Estate. Through forwarded mail and other independent means, the Receiver has discovered a partial list of insurance carrier and brokers, but much more information is needed.

The Receiver has identified the insurance broker for Merrill who is believed to have information across the asset classes held by Merrill. However, such party has initially resisted the Receiver's attempt to obtain such information in accordance with the terms of the Receivership Order. If compliance is not obtained shortly, the Receiver will ask for Court intervention to compel the broker to supply the requested information.

## **IV. UNRESOLVED CLAIMS AGAINST RECEIVERSHIP PROPERTY**

During the two months since the Receiver's appointment, the Receiver has received some claims against Receivership Assets. At this time, the Receiver continues to investigate those allegations and review any and all evidence provided by such claimants in support of their allegations of ownership of the Receivership Assets. The Receiver continues to investigate the legitimacy of these ownership claims and the proper means to resolve the claims for the benefit of the Receivership Estate. Parties asserting claims against Receivership Assets will receive notice and an opportunity to object during any potential sale process that is approved by the Court.

## **V. RECEIVER'S ONGOING INVESTIGATION**

The Receiver continues his investigation with the assistance of his counsel, Husch Blackwell LLP. The Receiver will file supplemental reports to the Court for the duration of the Receivership, as required by the Receivership Order.

In the upcoming months, the Receiver will continue the process of completing his investigation into the assets of the Receivership Parties. In that regard, Husch Blackwell LLP will continue its review of documents from various sources, including from the hard drives of the computers of the Receivership Parties. Husch Blackwell LLP will also continue its informal interviews of those who worked for or were connected with the Receivership Parties. The Receiver will continue its forensic investigation of the financial records of the Receivership Parties.

## **VI. CLAIMS DETERMINATION AND DISTRIBUTION PROCESS**

The Receivership Order states that “without further order of this Court, the Receiver’s duties shall not include a forensic investigation to identify claimant on or creditors of Receivership Assets or any determination of amounts owed to such parties.” Receivership Order at ¶ 41. The Receiver believes that the Receivership Estate is the proper venue and mechanism to resolve investor claims and affect distribution pursuant to further Order of this Court. However, the Receiver intends to focus current time and resources on activities that will generate proceeds for the Receivership Estate. Claims determination and distributions to allowed claimants will not occur until much later in the case and there is ample time to address these issues at a later date. Additionally, the Receiver would need access to additional investor information before a proposed claim and distribution process can be recommended to the Court.

## VII. CONCLUSION

The Receiver, Gregory S. Milligan, respectfully submits this Initial Preservation Plan for the Court's consideration.

Respectfully submitted,

/s/ Brian P. Waagner

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*Counsel for Receiver Gregory S. Milligan*

### VIII. CERTIFICATE OF SERVICE

On November 13, 2018, I electronically submitted the foregoing document with the clerk of the court of the U.S. District Court for the District of Maryland, using the electronic case filing system of the court. I hereby certify that I have served all counsel and/or pro se parties of record electronically or by another manner authorized by Federal Rule of Civil Procedure 5(b)(2). Parties receiving notice include:

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Mark R. Sylvester  
Julia C. Green  
Scott. A. Thompson  
Norman P. Ostrove  
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*/s/ Brian P. Waagner*  
\_\_\_\_\_  
Brian P. Waagner

**APPENDIX A**

<b>Account Name</b>	<b>Bank</b>	<b>Last 4 Digits of Account Number</b>
B&C Finance, LLC	JPMorgan Chase	****9592
CRJ Holdings LLC	JPMorgan Chase	****5363
DelMarva Capital LLC	Wells Fargo	****3493
DeVille Asset Management LTD	Bank of America	****2472
DeVille Asset Management LTD	Bank of America	****2485
DeVille Asset Management LTD	Bank of America	****2486
DeVille Asset Management LTD	BB&T	****8410
DeVille Asset Management LTD	BB&T	****8429
DeVille Asset Management LTD	Bank of the West	****6495
Centurion Capital Corp.	Bank of America	****9683
Fidere Capital	Bank of America	****1105
Financial Reclamation Group	BB&T	****0355
Financial Reclamation Group	BB&T	****0363
GCR CBL CP I LLC	BB&T	****1590
GCR CBL CP II LLC	PNC Bank	****2622
GCR CBL CP III LLC	PNC Bank	****3852
GCR CBL CP IV LLC	PNC Bank	****8626
GCR HCP Holdings I LLC	PNC Bank	****5376
GCR Mercer Holdings	PNC Bank	****5449
GCR Mercer Holdings	PNC Bank	****3596
Genco Capital Group, LLC	JPMorgan Chase	****1333
Global Credit Recovery LLC	PNC Bank	****4768
Global Credit Recovery LLC	PNC Bank	****4776
Global Credit Recovery LLC	PNC Bank	****4918
Global Credit Recovery LLC	BB&T	****0636
Global Credit Recovery LLC	Wells Fargo	****7823
Global Credit Recovery LLC	EagleBank	****8673
Halo Credit Solutions	BB&T	****6199
J-Trust	JPMorgan Chase	****4188
JBL Holdings LLC	Bank of America	****2414
JBL Holdings LLC	BB&T	****6105
JBL Holdings LLC	BB&T	****0401
JBL Holdings LLC	BB&T	****0428
JBL Management Inc.	Bank of America	****7804
Jezierski, Cameron	Bank of America	****8943
Jezierski, Cameron	Bank of America	****9083

King Fischer LTD dba LP Investments LTD	BB&T	****6210
Leddy Bear LTD	Bank of America	****7817
Leddy Bear LTD	BB&T	****6202
Ledford & Associates, PLLC	Bank of America	****8509
Ledford, Jay	Bank of America	****1916
Ledford, Jay	Bank of America	****1674
Ledford, Jay	Bank of America	****8230
Ledford, Jay	Citibank	****3165
Ledford, Jay	JPMorgan Chase	****6389
Ledford, Jay	Wells Fargo	****9516
Ledford, Jay	BBVA Compass	****2242
Ledford, Jay, Ledford, Justin, Ledford, Sarah	Wells Fargo	****4990
Merrill, Kevin	BB&T	****4455
Merrill, Kevin	PNC Bank	****0173
Merrill, Kevin	PNC Bank	****0181
Merrill, Kevin	PNC Bank	****0202
Merrill, Kevin	PNC Bank	****7693
Merrill, Kevin	PNC Bank	****7714
Merrill, Kevin	PNC Bank	****7722
Merrill, Kevin	PNC Bank	****6908
Merrill, Kevin	PNC Bank	****6916
Merrill, Kevin	PNC Bank	****6924
Merrill, Kevin	Wells Fargo	****3493
Merrill, Kevin	Northwestern Mutual	****7766
Merrill, Kevin	Florida Community Bank	****0701
Merrill, Kevin and Amanda	PNC Bank	****9454
NLEX, Inc.	JPMorgan Chase	****8330
Receivables Portfolio Interchange Inc	Wells Fargo	****4647
Rhino Capital Holdings LLC	PNC Bank	****2822
Riverwalk Capital Investments, Inc.	BB&T	****0436
Riverwalk Capital Investments, Inc.	BB&T	****0444
Riverwalk Capital Investments, Inc.	JPMorgan Chase	****3527
Riverwalk Credit Solutions Inc.	BB&T	****5761
Riverwalk Debt Solutions Inc.	BB&T	****0371
Riverwalk Debt Solutions Inc.	BB&T	****0398
Riverwalk Financial Corporation	Bank of America	****8932
Riverwalk Financial Corporation	Bank of America	****8958
Riverwalk Fixed Asset Group LLC	BB&T	****5745
SCUSA Financial, Inc.	JPMorgan Chase	****9592



Select Recovery Bureau, LLC	JPMorgan Chase	***2356
Merrill, Kevin	TD Ameritrade	***7956
Tohen Asset Management, LLC	JPMorgan Chase	***3107
Tohen Capital Management	JPMorgan Chase	***2095
The Joseph Finance Company LP	Bank of America	***2148
Vaquero Asset Management Inc.	JPMorgan Chase	Unknown