

**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 THIRD QUARTERLY STATUS REPORT  
FOR THE PERIOD BETWEEN APRIL 1, 2019 AND JUNE 30, 2019**

Lynn H. Butler, *pro hac vice*  
HUSCH BLACKWELL LLP  
111 Congress Avenue, Suite 1400  
Austin, Texas 78701  
Telephone: (512) 472-5456  
Facsimile: (512) 479-1101

Buffey E. Klein, *pro hac vice*  
HUSCH BLACKWELL LLP  
2001 Ross Avenue, Suite 2000  
Dallas, Texas 75201  
Telephone: (214) 999-6100  
Facsimile: (214) 999-6170

Brian P. Waagner, Fed. Bar No. 14954  
HUSCH BLACKWELL LLP  
750 17th Street, NW, Suite 900  
Washington, D.C. 20006  
Telephone: (202) 378-2300  
Facsimile: (202) 378-2318

*Attorneys for Receiver Gregory S. Milligan*

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Receiver Gregory S. Milligan, of the firm Harney Management Partners, LLC (the “Receiver”), respectfully submits this Third Quarterly Status Report for the Period Between April 1, 2019 and June 30, 2019 (the “Report”) in accordance with the First Amended Order Appointing Temporary Receiver dated November 27, 2018 (Dkt. No. 62) (the “Receivership Order”),<sup>1</sup> and would respectfully show the Court as follows:

## I. INTRODUCTION

On September 13, 2018, the Securities and Exchange Commission (“SEC”) filed a Complaint (“SEC Action”) that initiated this action against the Defendants alleging various securities violations arising from the Defendants’ operation of a Ponzi scheme.<sup>2</sup> A more detailed description of the case background is included with the Receiver’s First Quarterly Status Report for the Period Between September 13, 2018 and December 31, 2018 (Dkt. No. 99) (the “First Report”) <sup>3</sup> and the Receiver’s Second Quarterly Status Report for the Period Between January 1, 2019 and March 31, 2019 (Dkt. No. 138) (the “Second Report”) <sup>4</sup> (the First Report and Second Report are collectively, the “Prior Reports”), which are incorporated herein by reference.

Pursuant to the Receivership Order, this Report provides information regarding the assets and liabilities of the Receivership Estate, a summary of the Receiver’s activities for the period

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<sup>1</sup> A copy of the Receivership Order can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2019/01/First-Amended-Order-Appointing-Receiver-11.27.18.pdf>.

<sup>2</sup> Capitalized terms herein shall have the meaning as used in the Receivership Order unless otherwise noted.

<sup>3</sup> A copy of the First Report can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2019/05/2019-01-30-99-Status-Report.pdf>.

<sup>4</sup> A copy of the Second Report can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2019/05/4827-0821-0325.1-Dkt.-138-Receivers-Second-Quarterly-Status-Report-for-Period-1.1.19-and-3.31.19.pdf>.

between April 1, 2019 and June 30, 2019 (the “Applicable Period”), and information regarding claims held by and against the Receivership Estate.

## **II. OVERVIEW OF THE RECEIVER’S ACTIVITIES**

During the Applicable Period, the Receiver, in coordination with the federal authorities, has continued to control, or taken steps to assume control, the Receivership Assets with the objective of preserving the Receivership Assets to maximize the recovery for the Receivership Estate. As detailed herein, the Receiver has continued the efforts outlined in the Prior Reports, as well as addressing numerous new issues that have arisen since the applicable periods in the Prior Reports. By way of illustration, the Receiver and his counsel routinely maintain a list of 75 to 100 ongoing issues requiring action by the Receiver or his counsel in order to effectively and efficiently investigate, preserve, manage, and administer Receivership Assets and non-individual Receivership Parties.

During the Applicable Period, the Receiver and his counsel undertook significant efforts that will result in the sale of numerous Receivership Assets (including real property, vehicles, and a boat) during the third quarter of 2019. These sales will result in sizeable cash recoveries to the Receivership Estate and will be described in the next quarterly status report filed with the Court.

During the Applicable Period, the Receiver has continued to maintain and update the Receivership Estate website, located at [www.Merrill-Ledford.com](http://www.Merrill-Ledford.com), with relevant and required information regarding asset sales and other matters related to the case. Specific links to relevant documents are included herein for convenience.

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

The Receiver continues the process of assuming control and management of all property of the Receivership Estate during the Applicable Period.

## **1. Cash**

As of June 30, 2019, the Receivership Estate had approximately \$13.5 million of cash on hand in Receivership Estate bank accounts under the sole control of the Receiver. The amount of cash on hand has increased by \$1.2 million during the Applicable Period due to the continued operation of the businesses of the non-individual Receivership Parties, as discussed in more detail below. The cash on hand does not include the sale of any of the Receivership Parties' assets, which are currently in various stages of sale and will begin being included in the Receiver's quarterly status report for the third quarter of 2019.

## **2. Business Operations**

The Receivership Estate includes three ongoing business operations in Texas: (i) DeVille Asset Management Ltd. ("DeVille"); (ii) Riverwalk Credit Solutions, Inc. ("Riverwalk Credit"); and (iii) Riverwalk Debt Solutions, Inc. ("Riverwalk Debt"). The Receiver continues to operate these businesses and investigate the proper means to monetize their value for the benefit of the Receivership Estate. In furtherance of its investigation, the Receiver sought and received approval from the Court to employ Velocity Portfolio Group, Inc. ("Velocity") (Dkt. Nos. 105 and 106) to assist the Receiver in valuing DeVille's operations and consumer debt portfolios ("DeVille Assets"). Velocity was retained to evaluate and conduct a thorough analysis of the DeVille Assets, including providing the Receiver with a fair market valuation of the DeVille Assets. Specifically, Velocity was engaged to determine whether the DeVille Assets will be maximized if (i) DeVille is sold in its entirety as a going concern, (ii) DeVille's assets are sold, either piecemeal as individual sales of debt portfolios or a bulk sale of all debt portfolios to a single buyer, or (iii) DeVille continues collection efforts of existing debt portfolios without any sale of assets. During the Applicable Period, the Receiver issued numerous subpoenas and obtained information from original credit issuers and other parties that are necessary for

Velocity's final analysis and recommendations. This work continues and further documentation continues to be received.<sup>5</sup>

### **3. Holding Institutions**

The institutions that were holding the Receivership Parties' bank, brokerage, and business accounts ("Holding Institutions") have turned over the funds in the Receivership Parties' known accounts, and the Receiver is continuing to follow up with potential Holding Institutions as they are identified during his investigation.<sup>6</sup> To date, all known Holding Institutions have complied with the Receivership Order and turned over all known funds to the Receiver upon which demand has been made.

### **4. 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.

### **5. 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 many high-end vehicles and one vessel. With the exception of the 2018 Formula 350 Crossover Bowrider Sports cruiser (the "Vessel"), the seized vehicles belonging to the Receivership Estate remained in the possession of the FBI or the U.S. Marshals Service during the Applicable Period.
- Other Property. As provided in the Prior Reports, the Receivership Estate includes several investments made by the Defendants including, but not limited to: (i) prepaid hours on a Gulfstream Aircraft G200; (ii) an art collection; (iii) a watch collection; (iv) a comic book collection; (v) jewelry; (vi) a litigation financing arrangement; (vii)

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<sup>5</sup> Given the admitted instances of forged documents related to the subject debt portfolios, the Receiver cannot wholly rely upon the business records of DeVille, so subpoenas have been issued to relevant third parties to ensure Velocity and the Receiver are utilizing accurate information.

<sup>6</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 alleged fraud.

an equity investment in an alternative investment management company and (viii) a whole life insurance policy.

During the Applicable Period, the Receiver has further identified additional potential Receivership Assets, which are detailed below.

Some of the foregoing assets are of unknown value. The Receiver has determined the best means of monetizing some of the aforementioned investments and is in the process of determining the best means to monetize the remaining investments for the benefit of the Receivership Estate.

- Clawbacks  
The Receivership may hold claims (“Clawbacks”) against individuals and entities, in addition to the Relief Defendants, that received gifts, donations, or fraudulent transfers from the Receivership Parties. These individuals and entities may have received funds 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, donation, or fraudulent transfer and file suit against the recipients of such transfers, 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 has started to investigate, analyze, and collect evidence regarding potential causes of action against other third parties. The more immediate need has been to secure and determine the best means for monetizing the tangible Receivership Assets, but the Receiver’s investigation into this category of assets has flowed from the administration of other identified Receivership Assets.

Based upon current available information, which is preliminary and subject to further due diligence, the Receiver team estimates total recoveries from Receivership Assets could range between \$40 million and \$65 million.<sup>7</sup> Future quarterly reports will have the benefit of actual

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<sup>7</sup> The largest single asset of the Receivership Estate is the DeVille debt portfolio, and the ultimate recovery on that asset will greatly influence the overall recovery to the Receivership Estate. These preliminary estimates do not include any potential clawback or fraudulent transfer claims that have not yet been authorized by the Court or investigated by the Receiver.

recoveries, market data regarding assets yet to be monetized, and more due diligence leading to an increasingly accurate estimate of total Receivership Estate recoveries.

## **B. Administration and Management**

The Receiver and his team continue to manage and marshal the Receivership Assets with the goal of maximizing the recovery to the Receivership Estate consistent with concepts outlined in the Initial Preservation Plan (Dkt. No. 54) (the “Preservation Plan”)<sup>8</sup> and the Prior Reports. To fulfill his obligations to the Court, the Receiver has undertaken the following tasks during the Applicable Period 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, FBI, and U.S. Marshals Service regarding the identification and safeguarding of Receivership Assets and the Receiver’s proposed disposition of the Receivership Assets. As detailed in greater detail below, the Receiver has also facilitated discussions with criminal counsel for Merrill and criminal and forfeiture counsel for Relief Defendant Amanda Merrill (“Amanda Merrill”) to obtain their consent to the procedures and proposed disposition of the real property and vehicles owned or purchased by Merrill and/or Amanda Merrill. To date, Merrill and Amanda Merrill have consented to the sale of the Vessel and 1848 Circle Road, Towson, MD 21204 (the “Circle Road Property”). However, Amanda Merrill has not consented to the sale of any furniture, clothing, or other personal property located in the Circle Road Property, which is currently under contract for sale. As a result, the

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<sup>8</sup> A copy of the Initial Preservation Plan can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2019/05/Initial-Preservation-Plan-11.13.18.pdf>.



Receivership Estate will incur significant costs to pack, move, and store the furniture, clothing, and other personal property currently located in the Circle Road Property.

The Receiver also engaged in additional discussions with counsel for Merrill, Amanda Merrill, and Defendant Jay B. Ledford (“Ledford”) regarding the proposed disposition of additional Receivership Assets that have been the subject of sale motions filed after the close of the Applicable Period or will be the subject of future sale motions. The Receiver also met with Ledford to discuss Receivership Assets and other information relevant to the Receiver’s duties to preserve and maximize the Receivership Estate.

All three individual Defendants in this SEC Action entered plea agreements in the criminal action styled *U.S.A. v. Merrill, et al.*, Case No. 1:18-cr-00465-RDB (the “Criminal Action”) during the Applicable Period. On April 2, 2019, Defendant Cameron R. Jezierski (“Jezierski”) pled guilty to one count of conspiracy to commit wire fraud in violation of 18 U.S.C. § 1349. *See* Criminal Action at Dkt. No. 76. On May 16, 2019, Merrill pled guilty to two counts of conspiracy to commit wire fraud and wire fraud in violation of 18 U.S.C. §§ 1349 and 1343. *See* Criminal Action at Dkt. No. 81. On June 6, 2019, Ledford pled guilty to one count of conspiracy to commit wire fraud in violation of 18 U.S.C. § 1349, one count of aggravated identity theft in violation of 18 U.S.C. § 1028A, and one count of a money-laundering transaction in excess of \$10,000.00 in violation of 18 U.S.C. § 1957. *See* Criminal Action at Dkt. No. 87. Entry of the guilty pleas should afford the Receiver an opportunity to enter into more substantive discussions with the individual Defendants to administer and monetize certain assets that had previously been the subject of objections from the Defendants.

**2. Businesses Operated in Texas**

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

**(i) Overview**

As outlined in the Prior Reports, DeVille's operations include 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.

Since his appointment, the Receiver has reduced employee headcount across all continuing business operations by approximately 45%, while maintaining or improving DeVille's in-house collection results. The Receiver, DeVille management, and Velocity have continued their detailed review of every third-party collection agency used by DeVille currently and over the past 12 to 24 months to determine additional efficiencies and eventual recommended operation or disposition. During the Applicable Period, the Receiver team also continued additional testing and analysis surrounding the consumer debt portfolios.

During the Applicable Period, the Receiver continued to recall accounts from third-party collection agencies, which accounts will initially be worked by DeVille's internal team in order to provide the Receiver with more visibility and control over the collection of those accounts. During the Applicable Period, the Receiver team, Receiver's counsel, DeVille management, and DeVille's in-house counsel have responded to continued threats and actual termination of key operating relationships, despite language in paragraph 35 of the First Amended Receivership Order providing that, "[a]ll counterparties to agreements and contracts entered into with the Receivership parties are enjoined from unilaterally terminating such agreements or contracts without order of this Court." To date, the Receiver and his counsel have been able to amicably

resolve each situation without the need and expense of seeking Court intervention, but these outcomes may vary during the next reporting period. The attempted cancellations key operating services remain the largest risks to the going-concern businesses.

**(ii) Recommended Disposition**

After Velocity completes its valuation process, the Receiver will make a recommendation to the Court to either (i) sell DeVille in its entirety as a going concern, (ii) sell DeVille's assets, either piecemeal as individual sales of debt portfolios or a bulk sale of all debt portfolios to a single buyer, or (iii) continue DeVille's collection efforts of existing debt portfolios without any sale of assets. During the next reporting period, July 1, 2019 through September 30, 2019, the Receiver expects to receive Velocity's final recommendation, to seek Court approval of such recommendations, and to begin implementation of such recommendations.

**(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 provides a fee-based credit repair organization that reviews and analyzes its clients' credit profiles and then disputes/repairs inaccurate items.

As outlined in the Prior Reports, Riverwalk Debt and Riverwalk Credit are both essentially operating at a startup level. The financial performance of Riverwalk Debt and Riverwalk Credit has improved since appointment of the Receiver on an actual basis, but still operating at a cash loss given the timing of collections. The Receiver will continue identifying additional areas for improvement to increase the profitability of Riverwalk Debt and Riverwalk Credit. Despite the financial performance to date, the Receiver believes value can be obtained from Riverwalk Debt and Riverwalk Credit for the Receivership Estate.

Throughout the Applicable Period, the Receiver team has worked closely with the Director of Operations and other members of the Riverwalk management team to monitor operating results and consider additional cost-savings measures, if available. Similar to DeVille, the Receiver team, Receiver's counsel, company staff, and company in-house counsel have responded to numerous threats and termination of key operating relationships of Riverwalk Debt and Riverwalk Credit.<sup>9</sup> The attempted cancellations of bonding and other key operating services are currently identified as the largest risks to the going-concern businesses.

**(ii) Recommended Disposition**

As outlined in the Prior Reports, the Receiver intends to seek Court approval to market and sell Riverwalk Debt and Riverwalk Credit in a competitive bidding process at a later date.

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

**(i) Overview**

Ledford & Associates, PLLC, an accounting firm in Amarillo, Texas, was closed on September 18, 2018 after the unsealing of the SEC Action. As detailed in the Prior Reports, the Receiver worked with a former CPA on staff to facilitate the return of approximately 200 client files to those who had reached out to the Receiver either in response to the sign posted on the firm's front door or word of mouth in the local community. *See* Prior Reports, Dkt. No. 99 at 16. In January 2019, the Receiver sent letters to the remaining 162 clients providing a series of dates and times where the office would be open to return the remaining files.

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<sup>9</sup> On April 4, 2019, International Fidelity Insurance Company ("IFIC") filed a Motion for Limited Intervention to Allow Cancellation of Bonds and for Collateral Security (Dkt. No. 114) (the "IFIC Motion") related to bonds in place for the benefit of Riverwalk Credit. On April 25, 2019, the Receiver filed a response in opposition to the IFIC Motion. *See* Dkt. No. 135. On May 2, 2019, the SEC filed its response in opposition to the IFIC Motion, which remains pending as of the date of this Report. *See* Dkt. No. 141.

**(ii) Recommended Disposition**

The Receiver will take additional steps to arrange for long-term storage of the remaining business records, including unclaimed client files. The physical and electronic records of Ledford & Associates are anticipated to have significant ongoing value to the Receiver team as they examine the Receivership Parties and Receivership Assets and related financial records maintained by Ledford & Associates. As of the preparation of this Report, the subject business records are being prepared to be shipped to the Dallas-area location where other Receivership Estate records have been accumulated for safekeeping and future reference.

**3. Real Property**

**(a) Overview**

The Receivership Order granted the Receiver authority to “take custody, control, and possession of All Receivership Assets,” including real property, and ordered the Receiver to “manage, control, operate, and maintain the Receivership Estate and hold in his possession, custody, and control all Receivership Assets.” Receivership Order, Dkt. No. 62 at ¶ 8. 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:

1. 1848 Circle Road, Towson, MD 21204 – Owned by Kevin Merrill;
2. 1055 Spyglass Lane, Naples, FL 34102 – Owned by Kevin and Amanda Merrill;
3. 27776 Sharp Road, Easton, MD 21601 – Owned by Kevin and Amanda Merrill;
4. 531 Hampton Lane, Towson, MD 21286 – Owned by Amanda Merrill;
5. 3018 Susanne Court, Owings Mills, MD 21117 – Owned by Kevin Merrill;
6. 1718 Greenspring Valley Road, Stevenson, MD 21153 – Owned by Kevin Merrill as Trustee of the Kevin B. Merrill Revocable Trust;
7. 9017 Grove Crest Lane, Las Vegas, NV 89134 – Owned by Hillary R. Badrow as Trustee of the J Trust;
8. 1650 Cedar Hill, Dallas, TX 75208 – Owned by J Trust;

9. 2801 Paramount Boulevard, Amarillo, Texas 79109 – Owned by Jay Ledford.
10. 2308 Cedar Elm Terrace, Westlake 76262 – Owned by Jay Ledford; and
11. 1132 Glade Road, Colleyville, TX 76034 – Owned by King Fisher Ltd.

Based upon initial information developed by the Receiver with the assistance of Sotheby's International Realty, Inc. ("Sotheby's"), and subject to further investigation and adjustment, the aggregate market value of these properties likely exceeds \$20 million.

During the Applicable Period, the Receiver and his counsel continued their examination of issues related to mortgage liens, vendor liens, judgment liens, and other encumbrances, as well as the validity and enforceability of same. Currently, the Receiver has identified approximately \$6.4 million in mortgage debt and approximately \$370,000<sup>10</sup> in Mechanic's and Materialman's ("M&M") liens on properties 1 through 9. Property 10 is subject to a first priority purchase money lien in an amount exceeding \$760,000, a second lien in the amount of \$900,000.00, as well as judgment liens exceeding \$7.0 million. Property 11 is likewise burdened by judgment liens exceeding \$7.0 million. To prevent any attempted or unauthorized sale or mortgaging of any estate real property, counsel for the Receiver has recorded a *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.

On March 8, 2019, the Receiver filed the Motion for Approval of Procedures for Sale of Real Property and Retention of Sotheby's International Realty, Inc. as Broker (the "Sotheby's Motion") to obtain Court approval to market and sell the real property in the Receivership Estate. See Dkt. No. 107.<sup>11</sup> Merrill and Amanda Merrill consented to the Sotheby's Motion. See Dkt. Nos. 116 and 117. Ledford opposed the Sotheby's Motion. See Dkt. No. 115. On April 23,

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<sup>10</sup> Reduced from posted amount of \$791,151.34 after further inquiry by Receiver.

<sup>11</sup> A copy of the Sotheby's Motion can be found on the Receiver's website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2019/05/2019-03-08-107-Motion.pdf>.

2019, the Court entered an Agreed Order on the Sotheby's Motion (the "Agreed Order") with respect to certain real property owned or purchased by Merrill and/or Amanda Merrill (the "Merrill Real Property"), which established the procedures for the sale of the Merrill Real Property (the "Real Property Sales Procedures"). *See* Dkt. No. 137.<sup>12</sup>

Since entry of the Agreed Order, Sotheby's has begun marketing the Merrill Real Property and has received several purchase offers, some of which were accepted by the Receiver after the Applicable Period. To date, the Receiver has only filed motions for proposed sales that are contingency-free. Each of the Merrill Real Properties and their sales will be the subject of extensive discussions in the Receiver's next quarterly status report for the reporting period July 1, 2019 through September 30, 2019.

**(b) Recommended Disposition of Remaining Real Property**

The Receiver believes a sale of all real property is in the best interest of the Receivership Estate, and the Receiver will continue to seek the appropriate consents to approve the retention of brokers to market and sell the following remaining real property:

- 9017 Grove Crest Lane, Las Vegas, Nevada 89134;
- 1132 Glade Road, Colleyville, Texas 76034;
- 1650 Cedar Hill, Dallas, Texas 75208;
- 2308 Cedar Elm Terrace, Westlake, Texas 76262; and
- 2801 Paramount Boulevard, Amarillo, Texas 79109.

Although Ledford opposed the Sotheby's Motion (Dkt. No. 107), the Receiver and Ledford continue to pursue a consensual proposed resolution of the Sotheby's Motion.

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<sup>12</sup> A copy of the Agreed Order can be found on the Receiver's website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2019/05/2019-04-29-137-Agreed-Order.pdf>.

#### 4. Vehicles

##### (a) Overview

Based upon information from the federal authorities, the following automobiles and boat with year models ranging from 2008 to 2018 have been identified as Receivership Assets. This fleet includes the following vehicles<sup>13</sup>:

##### Automobiles

- 2018 Cadillac Escalade, VIN No. 1GYS4DKJOJR194076;
- 2015 Bentley Flying Spur, VIN No. SCBET9ZA7FC042592;
- 2016 Ferrari 488 Coupe, VIN No. ZFF79ALA3G0217973;
- 2015 Harley Davidson, VIN No. 1HD1HHH18FC805081;
- 2015 BMW S1000R (Motorcycle), VIN No. WB10D210XFZ352440;
- 2015 Ferrari 458 Spider Especial, VIN No. ZFF78VHA7F0213197;
- 2018 Land Rover Range Rover, VIN No. SALGS2RE6JA501496;
- 2016 Tesla Model, VIN No. 5YJSA1E49GF155262;
- 2015 Porsche 918, VIN No. WP0CA2A13FS800561;
- 2016 Mercedes Benz Sprinter 2500, VIN No. WDAPE8CDXGP323201;
- 2018 Cadillac Escalade ESV, VIN No. 1GYS4KKJ4JR384130;
- 2017 Audi R8 5.2 Plus Coupe, VIN No. WUAKBAFX1H7902028;
- 2017 Land Rover Range Rover, VIN No. SALGS5FE7HA341466;
- 2017 Land Rover Range Rover Sport, VIN No. SALWZ2FE6HA145282;
- 2017 Rolls Royce Dawn Convertible, VIN No. SCA666D57HU107107;
- 2017 Rolls Royce Wraith Coupe, VIN No. SCA665C58HUX86607;
- 2008 Bugatti Veyron, VIN No. VF9SA25C78M795164;
- 2014 Pagani Huayra Sedan, VIN No. ZA9H11RAYYSF76034;
- 2017 Lamborghini Aventador, VIN No. ZHWUT3ZDXHLA05923;
- 2018 Lamborghini Huran, VIN No. ZHWUS4ZF6JLA10746; and
- 2016 Ford F150, VIN No. 1FTEW1EG3GFA83463.

##### Boat:

- 2018 Formula 350 Crossover Bowrider Sportscruiser; VIN No. TNRD1491C818.

To preserve and maximize the value of the performance vehicles, the Receiver believes it is imperative these assets be stored and maintained by knowledgeable individuals. To that end,

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<sup>13</sup> Since filing the First Report, vehicles were added and removed from this list based on the Receiver's communications with the FBI and the U.S. Marshals Service. The initial list provided in the First Report contained vehicles that, after further investigation, appear to have been sold by the Defendants prior to the filing of the Complaint on September 13, 2018. This list is consistent with the list of vehicles identified in the Prestige Motion.



the Receiver considered several potential brokers and selected Prestige Motor Car Imports, LLC (“Prestige”) to collect, maintain, and manage the liquidation of the automobiles, subject to Court approval and entry of an Order granting the Prestige Motion. *See* Dkt. No. 108 (the “Prestige Motion”).<sup>14</sup> On April 29, 2019, the Court entered the Agreed Order granting in part the Prestige Motion with respect to the automobiles owned or purchased by Merrill or Amanda Merrill (“Merrill Vehicles”). *See* Dkt. No. 137.<sup>15</sup>

The Receiver also considered several potential brokers and selected Superyacht Sales and Charter LLC (“Superyacht”) to market and sell the 2018 Formula 350 Crossover Bowrider Port Cruiser (the “Vessel”). On April 22, 2019, the Receiver filed a Motion for Entry of an Order Authorizing Retention and Employment of Superyacht as Broker (Dkt. No. 132) (the “Superyacht Motion”)<sup>16</sup> with the consent of Merrill, the sole owner of record of the Vessel. The Court granted the Superyacht Motion on April 23, 2019. *See* Dkt. No. 134.<sup>17</sup>

With the exception of the Vessel, during the Applicable Period the Receiver was not in possession of any vehicles, which remained in the custody of the U.S. Marshals Service; however, starting July 5, 2019, the remaining vehicles in U.S. Marshals custody began to be transferred to Prestige’s facility in Florida.

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<sup>14</sup> A copy of the Prestige Motion can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2019/05/2019-03-08-108-Motion.pdf>.

<sup>15</sup> A copy of the Agreed Order can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2019/05/2019-04-29-137-Agreed-Order.pdf>.

<sup>16</sup> A copy of the Superyacht Motion can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2019/05/2019-04-22-132-Motion.pdf>.

<sup>17</sup> A copy of the Order granting the Superyacht Motion can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2019/05/2019-04-23-134-Order.pdf>.

Each of the Merrill Vehicles and their sales will be the subject of extensive discussions in the Receiver's next quarterly status report for the reporting period July 1, 2019 through September 30, 2019.

**(b) Recommended Disposition**

The Receiver filed the Prestige Motion to store, maintain, market, and sell each of the vehicles, as well as any other vehicles that might subsequently become property of the Receivership Estate.

As noted above, the Receiver obtained the consent of Merrill and Amanda Merrill to the Prestige Motion with respect to the following Merrill Vehicles:

- 2018 Cadillac Escalade, VIN No. 1GYS4DKJOJR194076;
- 2015 Harley Davidson, VIN No. 1HD1HHH18FC805081;
- 2015 BMW S1000R (Motorcycle), VIN No. WB10D210XFZ352440;
- 2015 Ferrari 458 Spider Especial, VIN No. ZFF78VHA7F0213197;
- 2015 Porsche 918, VIN No. WP0CA2A13FS800561;
- 2016 Mercedes Benz Sprinter 2500, VIN No. WDAPE8CDXGP323201;
- 2018 Cadillac Escalade ESV, VIN No. 1GYS4KKJ4JR384130;
- 2017 Audi R8 5.2 Plus Coupe, VIN No. WUAKBAFX1H7902028;
- 2017 Land Range Rover, VIN No. SALGS5FE7HA341466;
- 2017 Land Range Rover Sport, VIN No. SALWZ2FE6HA145282;
- 2017 Rolls Royce Dawn Convertible, VIN No. SCA666D57HU107107;
- 2017 Rolls Royce Wraith Coupe, VIN No. SCA665C58HUX86607;
- 2008 Bugatti Veyron, VIN No. VF9SA25C78M795164;
- 2014 Pagani Huayra Sedan, VIN No. ZA9H11RAYYSF76034;
- 2017 Lamborghini Aventador, VIN No. ZHWUT3ZDXHLA05923;
- 2018 Lamborghini Huran, VIN No. ZHWUS4ZF6JLA10746; and
- 2016 Ford F150, VIN No. 1FTEW1EG3GFA83463.

The Receiver is now in the process of marketing the Merrill Vehicles, through Prestige, subject to the sales procedures authorized by the Court, which will provide all parties-in-interest with an opportunity to be heard as to each proposed sale. The Receiver will file appropriate sale notices if and when an offer is accepted to purchase one of the Merrill Vehicles.

The Receiver will continue to seek the appropriate consents to approve the sale procedures and retention of Prestige with respect to the following vehicles:

- 2015 Bentley Flying Spur, VIN No. SCBET9ZA7FC042592;
- 2016 Ferrari 488 Coupe, VIN No. ZFF79ALA3G0217973;
- 2018 Land Range Rover, VIN No. SALGS2RE6JA501496; and
- 2016 Tesla Model, VIN No. 5YJSA1E49GF155262.

Although Ledford opposed the Prestige Motion (Dkt. No. 115), the Receiver and Ledford continue to pursue a consensual proposed resolution of the Prestige Motion.

## **5. Other Property**

The Receiver, independently and through collaboration with the SEC, FBI, and U.S. Attorney's Office Asset Forfeiture Unit has identified other personal property as described in the Prior Reports. This category of assets includes but is not limited to art, collectibles, jewelry, rare wine, watches, luggage, and similar luxury items. To maximize recovery to the Receivership Estate, the Receiver has researched and identified various consignment and/or auction outlets for monetizing the different classes of personal property at the appropriate time. For the highest-end personal property, the Receiver has identified a specific auction house, Heritage Auctions ("Heritage"), which has inspected and appraised the subject personal property, including property under the custody and control of the FBI.<sup>18</sup> The receiver team has also identified outlets and sale strategies for the lower-end, yet still luxury, goods, which will also be the subject of a retention and sale procedures motion to be filed with the Court. The Receiver intends to file the motions during the third quarter of 2019 to retain Heritage and other appropriate brokers in order to maximize the return to the Receivership Estate.

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<sup>18</sup> A draft motion to retain Heritage has been circulated to the necessary parties-in-interest. The Receiver negotiated an agreement whereby Heritage will waive its proposed 7.5% commission and limit its compensation to the buyer's premium, resulting in an estimated minimum savings to the Receivership Estate of \$250,000.

The Receivership Assets also include the rights as lender in a litigation finance agreement whereby a Receivership Party loaned \$750,000 to a plaintiff in a pending lawsuit. The terms of the loan and security agreement call for the repayment of the principal amount, interest accrued thereon, and 10% of any recoveries related to the litigation. The Receivership Estate has a UCC-1 filing perfecting a first lien security interest in all of the plaintiff's accounts receivable and litigation recoveries. On December 12, 2018, the plaintiff received a jury verdict in the amount of \$20 million. However, that award was subsequently reduced by the court to only \$1. The plaintiff has filed an appeal on multiple issues, including the reduction of the damages award. The Receiver team and his counsel are regularly monitoring this matter with plaintiff's counsel, as well as continuing to consider any potential options around an interim sale of the Receivership Estate's loan and interest in the litigation recoveries. The above-identified appeal is scheduled to go to mediation on August 5, 2019, and the Receiver will attend the mediation to provide settlement authority, pursuant to the terms of the litigation finance agreement and subject to Court approval in this SEC Action, in the event a settlement is reached.

During the Applicable Period, the Receiver monetized the following Receivership Assets<sup>19</sup>:

- net sale proceeds of an interest in a Gulf Stream aircraft (\$119,951); and
- continued collection of the DeVille debt portfolios.

The Receiver continues to pursue additional potential Receivership Assets, including:

- at least one additional consumer debt portfolio;
- minority ownership interest in a commercial shopping center;
- a minority interest in a privately-held biosciences company;
- \$200,000 promissory note in favor of a Receivership Entity;
- \$150,000 cash deposit for the purchase of a Porsche;

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<sup>19</sup> The Receiver also identified and contacted Audemars Piguet regarding a \$176,970 deposit on hand, and Richard Mille regarding a \$444,000 deposit on hand. Both amounts are currently in the possession of federal authorities.

- additional collectable comics;
- additional artwork;
- new furniture and furnishings not yet installed in real properties being renovated;
- John Deere tractor; and
- probate estate distribution rights.

The Receiver and his counsel are also reviewing several other potential Receivership Assets that could result in additional recoveries.

## **6. Insurance**

As referenced above, as of the filing of this Report, each of the real properties owned by the Receivership Estate is adequately insured and additional insurance needs continue to be evaluated.

## **III. ESTATE ADMINISTRATION**

The Receiver has continued making payments and disbursements and incurring expenses as may be necessary or advisable in the ordinary course of business for discharging his duties as Receiver. The Receiver will file a financial report to supplement this Report that delineates activity between the operating entities and the balance of the Receivership Estate providing a clearer picture of the separate components of the Receivership Estate.

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

During the Applicable Period, the Receiver has received informal notice of 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. It is anticipated that 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.

As noted in the Prior Reports, IFIC filed a motion seeking to cancel the bonds it issued for Riverwalk Credit and to obtain cash collateral to satisfy any potential claims that may be asserted against the bonds it issued. *See* Dkt. No. 114. The Receiver had previously participated in extensive discussions with IFIC during Prior Periods to resolve the issues raised in the IFIC Motion. The Receiver opposes the relief requested in the IFIC Motion and filed a response on April 25, 2019. *See* Dkt. No. 135. The IFIC Motion remains pending as of the date of this Report.

Additionally, the Receiver has received numerous contacts from potential investor victims requesting information. The Receiver has provided general status updates and directed such parties to pleadings filed of record in the case, including the Receiver's Preservation Plan and Prior Reports.

#### **V. ACCRUED ADMINISTRATIVE EXPENSES**

During the Applicable Period, the Receivership Estate accrued administrative expenses comprised of professional fees for the services of the Receiver's team and counsel. The Receiver and his counsel have each filed fee applications for the period of September 18, 2018 through October 31, 2018 (Dkt. Nos. 70–71) (the "First Fee Applications") and the period of November 1, 2019 through December 31, 2018 (Dkt. Nos. 118–119) (the "Second Fee Applications").

The total amount of accrued administrative expenses requested in the First Fee Applications and Second Fee Applications total \$659,201.60 for the Receiver and his team, and \$438,187.51 for the Receiver's counsel, Husch Blackwell. The Court approved the First Fee Applications and Second Fee Applications on June 7, 2019. *See* Dkt. No. 151.

The pending Third Fee Applications (Dkt. Nos. 159 and 160) demonstrate that on a combined basis, the total fees and expenses of the Receiver and his counsel continued to decline. For the first and second fee application, the Receiver and his counsel incurred \$12,319.97 per

day and \$9,103.45 per day, respectively. For the Third Fee Applications, this total per day decreased to \$7,797.70, which is 37% less than the first fee applications and 14% less than the second fee applications.

As of June 30, 2019, the Receivership Estate had approximately \$13.5 million of cash on hand in Receivership Estate bank accounts under the sole control of the Receiver, and the Receiver team estimates total recoveries from Receivership Assets could range between \$40 million and \$65 million.<sup>20</sup>

The Receiver anticipates the Receivership Estate will continue to accrue additional administrative expenses going forward with the actual amounts fluctuating commensurate with the activities required to properly administer the Receivership Estate.

## **VI. TAX MATTERS**

The Receiver has limited information about the filing status, tax identification number, and other tax-related matters. With the information available, the Receiver previously filed IRS Forms 56 (Notice Concerning Fiduciary Relationship) for twenty-one (21) Receivership Entities for which the Receiver has sufficient information. The Receiver has also filed IRS Forms 7004 (Application for Automatic Extension of Time to File Certain Business Income Tax, Information and Other Returns) and has requested copies of prior tax returns from state and federal agencies for the Receivership Entities for which the Receiver has sufficient information to complete such requests. As outlined in the Prior Reports, the Receiver will be filing a motion to employ an accounting firm in the near future.

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<sup>20</sup> The largest single asset of the Receivership Estate is the DeVille debt portfolio. Consequently, the Receiver believes the ultimate recovery on that asset will greatly influence the overall recovery to the Receivership Estate. These preliminary estimates do not include any potential clawback or fraudulent transfer claims that have not yet been authorized by the Court or investigated by the Receiver.

## VII. 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.

## VIII. CLAIMS DETERMINATION AND DISTRIBUTION PROCESS

As discussed in the Prior Reports, the Receiver is not currently authorized to take steps to identify claimants on or creditors of Receivership Assets. The Receiver believes that the Receivership Estate will be the proper venue and mechanism to resolve investor claims and effect distribution pursuant to further Order of this Court. Claims determination and distributions to allowed claimants will not occur until later in the case, and there is ample time to address these issues at a later date.

## IX. CONCLUSION

Accordingly, the Receiver, Gregory S. Milligan, respectfully submits this Third Quarterly Status Report for the Court's consideration and, for the reasons stated in this Report, recommends the continuation of this Receivership Estate.

Respectfully submitted,

/s/ Lynn H. Butler

Lynn H. Butler, *pro hac vice*

HUSCH BLACKWELL LLP

111 Congress Ave., Suite 1400

Austin, TX 78701

Tel: (512) 472-5456

Fax: (512) 479-1101

[lynn.butler@huschblackwell.com](mailto:lynn.butler@huschblackwell.com)

Brian P. Waagner, Fed. Bar No. 14954

HUSCH BLACKWELL LLP

750 17th Street, NW, Suite 900

Washington, D.C. 20006

Tel: (202) 378-2300

Fax: (202) 378-2318



[brian.wagner@huschblackwell.com](mailto:brian.wagner@huschblackwell.com)

Buffey E. Klein, *pro hac vice*  
HUSCH BLACKWELL LLP  
2001 Ross Avenue, Suite 2000  
Dallas, Texas 75201  
Tel: (214) 999-6100  
Fax: (214) 999-6170

[buffey.klein@huschblackwell.com](mailto:buffey.klein@huschblackwell.com)

*Counsel for Receiver Gregory S. Milligan*

**CERTIFICATE OF SERVICE**

On July 30, 2019, 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 through the Court's CM/ECF filing system for all parties who have registered to receive electronic service. Additionally, the foregoing document was served on the following parties not registered for Court's CM/ECF filing system as indicated below:

**Defendant Kevin B. Merrill (via U.S. Mail):**

Kevin B. Merrill  
Harford County Detention Center, #1335278  
1030 Rock Spring Rd.  
Bel Air, MD 21014

**Criminal Counsel for Defendant Kevin B. Merrill (via E-Mail and U.S. Mail):**

Elizabeth Genevieve Oyer  
Office of the Federal Public Defender  
100 S Charles St Ste 900 Tower II  
Baltimore, MD 21201  
liz\_oyer@fd.org

Maggie Grace  
Office of the Federal Public Defender  
100 S Charles St, Tower II, 9th Floor  
Baltimore, MD 21201  
maggie\_grace@fd.org

**Criminal Counsel for Defendant Jay B. Ledford (via E-Mail and U.S. Mail):**

Harry J Trainor , Jr  
Trainor Billman Bennett and Milko LLP  
116 Cathedral St Ste E  
Annapolis, MD 21401  
htrain@prodigy.net

**Criminal Counsel for Defendant Cameron R. Jezierski (via E-Mail and U.S. Mail):**

Joseph J Aronica  
Duane Morris LLP  
505 9th St NW Ste 1000  
Washington, DC 20004  
jjaronica@duanemorris.com

**Criminal Counsel for Relief Defendant Amanda Merrill (via E-Mail and U.S. Mail):**

Addy R. Schmitt  
Ian Herbert  
Miller & Chevalier Chartered  
900 16th St NW  
Washington, DC 20006  
aschmitt@milchev.com  
iherbert@milchev.com

**Relief Defendant Lalaine Ledford (via U.S. Mail):**

Lalaine Ledford  
10512 Courtney Cove Ave.  
Las Vegas, NV 89144

**Counsel for Baltimore County, Maryland (via E-Mail and U.S. Mail):**

Susan B. Dubin  
Chief Transactional Attorney  
Baltimore County Office of Law  
400 Washington Avenue  
Towson, Maryland 21204  
(410) 887-4420  
sdubin@baltimorecountymd.gov

**Texas Comptroller of Public Accounts (via E-Mail and U.S. Mail):**

Loretta Hernandez  
Accounts Examiner  
Bankruptcy & Liens Section  
Revenue Accounting Division  
Texas Comptroller of Public Accounts  
LBJ State Office Building  
111 East 17th Street  
Austin, Texas 78774-0100  
(512) 463-3604  
(512) 475-5521 (Fax)  
Loretta.Hernandez@cpa.texas.gov

**Dundalk United Methodist Church (U.S. Mail):**

Dundalk United Methodist Church  
c/o Edward F. Mathus  
6903 Mornington Road  
Baltimore, Maryland 21222

**Lienholders, Tax Assessors, and Other Interested Parties (U.S. Mail):**

Florida Community Bank, N.A.  
2325 Vanderbilt Beach Road  
Naples, Florida 34109

Mortgage Electronic Registration Systems, Inc.  
PO Box 2026  
Flint, Michigan 48501-2026

Collier County, Florida Tax Assessor  
3291 Tamiami Trail East  
Naples, Florida 34112

Maryland Department of Assessments & Taxation  
301 W. Preston Street  
Baltimore, Maryland 21201-2395

Branch Banking and Trust Company,  
A North Carolina Banking Corporation  
PO Box 1290  
Whiteville, North Carolina 28472

Talbot County, Maryland Finance Office  
Talbot County Courthouse  
11 North Washington Street, Suite 9  
Easton, Maryland 21601

HSBC Bank USA, National Association, as trustee of  
J.P. Morgan Alternative Loan Trust 2006-A5  
c/o Howard n. Bierman, Trustee  
c/o Select Portfolio Servicing, Inc.  
3815 Southwest Temple  
Salt Lake City, Utah 84115

Clark County, Nevada Tax Assessor  
500 S. Grand Central Parkway  
Las Vegas, Nevada 89155

First Financial Bank, N.A. Southlake  
3205 E. Hwy. 114  
PO Box 92840  
Southlake, Texas 76092

Hunter Kelsey of Texas, LLC  
4131 Spicewood Springs Road, Bldg. J-1A  
Austin, Texas 78759

Frost Bank, f/k/a The Frost National Bank  
c/o Michael J. Quilling  
Quilling, Selander Lownds, Winslett & Moser, P.C.  
2001 Bryan Street, Suite 1800  
Dallas, Texas 75201

The City of Colleyville, Texas  
c/o Victoria W. Thomas  
Nichols, Jackson, Dilard, Hager & Smith, L.L.P.  
1800 Lincoln Plaza  
500 North Akard  
Dallas, Texas 75201  
Tarrant County, Texas Tax Assessor  
100 E. Weatherford  
Fort Worth, Texas 76196

J Trust  
c/o Hillary RE. Badrow, Trustee  
2801 Paramount Boulevard  
Amarillo, Texas 79109

Dallas Central Appraisal District  
2949 N. Stemmons Freeway  
Dallas, Texas 75247-6195

Bozeman West  
PO Box 1970  
15632 West Main Street  
Bozeman, Montana 59771-1970

Neil A. Patel  
5308 Burgandy Court  
Colleyville, Texas 76034

TIB – The Independent BankersBank  
350 Phelps Court, Suite 200  
PO Box 560528i  
Dallas, Texas 75356-0528

Wachovia Mortgage, FSB  
PO Box 659548  
San Antonio, Texas 78265-9548

Denton County Tax Assessor  
1505 E. McKinney Street  
Denton, Texas 76209-4525

Potter County, Texas Tax Assessor  
900 South Polk, Suite 106  
Amarillo, Texas 79101

Wells Fargo Home Mortgage  
P.O. Box 10335  
Des Moines, IA 50306

Albertelli Law  
Attn: Coury M. Jacocks  
2201 W. Royal Lane, Suite 155  
Irving, TX 75063

Samual I. White, P.C.  
5040 Corporate Woods Drive, Suite 120  
Virginia Beach, VA 23462

*/s/ Lynn H. Butler*

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Lynn H. Butler