

**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 FIFTH QUARTERLY STATUS REPORT
FOR THE PERIOD BETWEEN OCTOBER 1, 2019 AND DECEMBER 31, 2019**

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Receiver Gregory S. Milligan, of the firm Harney Partners¹ (the “Receiver”), respectfully submits this Fifth Quarterly Status Report for the Period Between October 1, 2019 and December 31, 2019 (the “Report”) in accordance with the First Amended Order Appointing Temporary Receiver dated November 27, 2018 (Dkt. No. 62) (the “Receivership Order”),² 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.³ 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”),⁴ the Receiver’s Second Quarterly Status Report for the Period Between January 1, 2019 and March 31, 2019 (Dkt. No. 138) (the “Second Report”),⁵ the Receiver’s Third Quarterly Status Report for the Period Between April 1, 2019 and June 30, 2019 (Dkt. No. 177) (the “Third

¹ On January 1, 2019, Harney Management Partners, LLC merged its assets with a competitive advisory firm into a newly formed entity, HMP Advisory Holdings, LLC, dba Harney Partners; however, the SEC Action was excluded from the assets initially transferred to the new entity and all of the Receiver’s activities were conducted through Harney Management Partners, LLC until December 31, 2019. On January 1, 2020, Harney Management Partners, LLC transferred all of its remaining client matters, including the SEC Action, to HMP Advisory Holdings, LLC, dba Harney Partners. This corporate transition has not and will not change the staffing, billing rates, or any other aspect of the way services are provided to the Receivership Estate.

² 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>.

³ Capitalized terms herein shall have the meaning as used in the Receivership Order unless otherwise noted.

⁴ 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>.

⁵ 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>.

Report”),⁶ the Receiver’s Fourth Quarterly Status Report for the Period Between July 1, 2019 and September 30, 2019 (Dkt. No. 230) (the “Fourth Report”)⁷ (the First Report, Second Report, Third Report and Fourth Reports 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 between October 1, 2019 and December 31, 2019 (the “Applicable Period”), and information regarding claims held by and against the Receivership Estate. A summary of all of the Receiver’s receipts and disbursements for the Applicable Period is being filed contemporaneously with this Report and is incorporated herein by reference.

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 of, 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.

⁶ A copy of the Third Report can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2019/07/Receivers-Third-Quarterly-Report-April-1-to-June-30885.pdf>.

⁷ A copy of the Fourth Report can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2019/11/4827-4051-1659.1-Dkt.-230-Receivers-Fourth-Quarterly-Status-Report-for-Period-Between-July-1-2019-and-Sep1223.pdf>

During the Applicable Period, the Receiver and his counsel completed the sale of numerous Receivership Assets (including three real properties and six vehicles) generating net sale proceeds of approximately \$2.25 million.⁸

During the Applicable Period, the Receiver has continued to maintain and update the Receivership Estate website, located at 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 December 31, 2019, the Receivership Estate had approximately \$25.6 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 approximately \$2.6 million during the Applicable Period due to both sales of Receivership Assets and the continued operation of the businesses of the non-individual Receivership Parties, as discussed in more detail below.

2. Business Operations

The Receivership Estate includes three ongoing business operations in Texas: (i) DeVille Asset Management Ltd. (“DeVille”); (ii) Riverwalk Credit Repair, Inc. (“Riverwalk Credit”); and (iii) Riverwalk Debt Solutions, Inc. (“Riverwalk Debt”). The Receiver continues to operate

⁸ During the Applicable Period, other Receivership Assets were contracted to be sold and Court approval was obtained, but closing and funding did not occur. Such sales will be detailed in the Q1 2020 Status Report. This \$2.25 million amount also does not include \$1.0 million in net profit from the operations of DeVille Asset Management that was transferred to the Receiver’s estate bank account during the Applicable Period.

these businesses and investigate the proper means to monetize their value for the benefit of the Receivership Estate.

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.

4. Other Property

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

- 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) 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.⁹ Future quarterly reports will have the benefit of additional 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")¹⁰ 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 in Prior Reports, the Receiver has also

⁹ 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.

¹⁰ 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>.

facilitated discussions with criminal counsel for Defendant Kevin B. Merrill (“Merrill”) and Defendant Jay B. Ledford (“Ledford”), and 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.

2. Activities in Companion Criminal Case

As detailed in the Third Report, 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 October 11, 2019, the Court entered a Judgment¹¹ against Merrill in the Criminal Action requiring imprisonment for a term of 240 months on one count and 24 months on another count to run consecutive for a total of 264 months, with credit for time served in federal custody since September 18, 2018. *See* Dkt. No. 146. On October 29, 2019, the Court entered a Judgment¹² against Ledford in the Criminal Action requiring imprisonment for a term of 144 months on one count and 120 months on a second count, to run concurrently, plus 24 months on a third count to run consecutive to the first two counts, for a total of 168 months, with credit for time served in federal custody since September 18, 2018. *See* Dkt. No. 169.

¹¹ A copy of the Judgment against Merrill can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2020/01/2019-10-11-Dkt.-146-Judgment-as-to-Merrill1457.pdf>

¹² A copy of the Judgment against Ledford can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2020/01/2019-10-29-Dkt.-169-Judgment-as-to-Ledford1458.pdf>

3. 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.

During the Applicable Period, the Receiver determined that prior to finalizing any plan to sell the DeVille Assets, an overall account reconciliation was required to trace each account from the original purchase balance to the current balance in DeVille's Debtmaster¹³ database. This reconciliation involves the review and identification of all payment, interest accrual, and balance adjustment transactions, whether the transactions were performed by DeVille or third-party servicers engaged by DeVille. With approximately two million active accounts under review, it was necessary for the Receiver to engage an outside vendor to complete this process in a timely manner. Additionally, for continuing day-to-day management and in preparation for the sale and marketing of the portfolio, additional management and regulatory oversight was necessary. Accordingly, the Receiver obtained authority to engage Velocity Investments, LLC ("Velocity Investments")¹⁴ pursuant to a Master Servicing Agreement to not only complete the

¹³ Debtmaster is a debt collection software that provides integrated management of DeVille's debt portfolios, telephone systems, and client reporting to manage compliance and data security.

¹⁴ The Receiver previously obtained authorization to engage Velocity Portfolio Group, Inc., an affiliated company of Velocity Investments, LLC to advise as to the optimal strategy for maximizing the recovery value of DeVille's operations and debt portfolios. *See* Dkt. No. 106.

reconciliation process described above, but also, once different segments are complete, outsource those accounts to more-effective and lower-cost third party agencies.

During the Applicable Period, Velocity Investments has organized the return of accounts from incumbent third-party agencies inherited by the Receiver, reconciled the vast majority of the two million accounts, orchestrated the recall of accounts from third-party agencies, and identified new third-party agencies to improve DeVille's productivity, compliance efforts, efficiency, and profitability. This reconciliation was required to both provide an accurate and audited current balance for each account for purposes of overall portfolio valuation and to prepare for future buyer due diligence when the portfolio is offered for sale.

The Receiver has also coordinated strategy and started the handoff process between Velocity Investments and Garnet Capital Advisors, LLC ("Garnet"), the broker that will market and sell the DeVille Assets.¹⁵

(ii) Recommended Disposition

After Velocity completes its ongoing reconciliation process, and as it continues the master servicing activities, the Receiver will work with Garnet to market and sell the DeVille Assets. Such sale efforts are anticipated to begin in earnest in February 2020 and any proposed sale(s) will be sought by the Receiver upon separate motion(s), with notice provided to all parties-in-interest, and Order of the Court.

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

¹⁵ On January 14, 2020, after the Applicable Period, the Receiver obtained Court approval to retain Garnet as broker for the Receivership Estate to sell the DeVille Assets. *See* Dkt. 268.

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.

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.

(ii) Recommended Disposition

During the Applicable Period, the Receiver negotiated an agreement to sell the assets of Riverwalk Debt and Riverwalk Credit to a stalking horse buyer. During Q1 2020, the Receiver will file a motion to approve such stalking horse offer and establish competitive bidding procedures for the sale of all assets of Riverwalk Debt and Riverwalk Credit.

(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. During the Applicable Period, the remaining client files and business records of the firm were moved from Amarillo, Texas to Dallas, Texas (where DeVille's operations are located) under the custody and control of the Receiver team.

(ii) Recommended Disposition

The Receiver will continue to store the business records, including unclaimed client files. The physical and electronic records of Ledford & Associates are anticipated to have ongoing value to the Receiver team as they examine the Receivership Parties and Receivership Assets and related financial records maintained by Ledford & Associates.

4. Real Property

(a) Overview

As described in Prior Reports, 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. The Receiver has engaged Sotheby’s International Realty, Inc. (“Sotheby’s”) to assist with the monetization of the majority of the real properties. On April 23, 2019, the Court entered an Agreed Order on the Sotheby’s Motion (the “Merrill 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. 137.¹⁶ In addition, the Receiver sought and obtained Court approval to retain Coldwell Banker Commercial Amarillo to market and, upon further order of the Court, sell the commercial real

¹⁶ A copy of the Merrill 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>.

property owned by Ledford that is located at 2801 Paramount Boulevard, Amarillo, TX 79109. See Dkt. Nos. 185 & 189.

Since entry of the Merrill Agreed Order, Sotheby's has marketed the Merrill Real Property resulting in the following property sales during the Applicable Period.

Property	Motion Filed	Order Entered	Gross Sale Price	Net Proceeds	Closing Date
Hampton Lane	07/26/19	07/29/19	\$ 295,000	\$ 257,321	09/25/19
Sharp Road	08/22/19	08/26/19	\$ 1,600,000	\$ 802,855	10/09/19
Paramount Blvd	10/23/19	10/24/19	\$ 175,000	\$ 113,334	11/27/19
			\$ 2,070,000	\$ 1,173,510	

As noted in a Prior Report, the real property at 1848 Circle Road, Towson, Maryland ("Circle Road Property") was under contract with a purchase price of \$2,750,000.00, which had been approved for sale by the Court. See Dkt. Nos. 153, 155. However, a violation of a permitted variance during renovations that predated this SEC Action was discovered and resulted in the buyer of the Circle Road Property rescinding the offer and terminating the purchase agreement. See Dkt. No. 224.

During the Applicable Period, the Receiver relisted and contracted to sell the Circle Road Property to new buyers ("Second Circle Road Buyers") for the same purchase price of \$2,750,000.00, subject to final inspections by the buyers, which included a favorable resolution to the variance violation. The Receiver negotiated with the Second Circle Road Buyers and a local group, Ruxton-Riderwood-Lake Roland Area Improvement Association, Inc. ("RRLRAIA"), which is/was the protagonist in the variance dispute. On December 23, 2019, the Receiver attended a Special Hearing before the Hon. Paul M. Mayhew, Managing Administrative Law Judge for Baltimore County and presented the terms of the negotiated agreement between the Receiver, Second Circle Road Buyers, and RRLRAIA. However, approximately an hour after the conclusion of the hearing with Judge Mahue, the Second Circle

Road Buyers notified the Receiver of their intention to terminate the contract. As such, the Receiver is currently making a minor modification to the property to comply with the agreement announced on the record on December 23, 2019, after which the Circle Road Property will again still listed for sale.

Two days before the Applicable Period, the Receiver sought and obtained Court approval to retain Merlin Contracting and Development Limited Liability Corporation (“Merlin”) as the general contractor for the completion of construction on the receivership property located at 9017 Grove Crest Lane, Las Vegas, Nevada (“Grove Crest Property”). *See* Dkt. Nos. 203 & 204. During the Applicable Period, Merlin started *and* completed the subject renovations within the budget allowed by the Court. The Grove Crest Property has been staged, and after receipt of the required three (3) appraisals, the Receiver will set the list price and begin the marketing of the property with the local Sotheby’s broker.

(b) Recommended Disposition of Remaining Real Property

Although Ledford opposed the Sotheby’s Motion (Dkt. No. 107) for more than a year after the commencement of the SEC Action, the Receiver and Ledford reached an agreement (“Ledford Agreed Order”) to engage Sotheby’s to advise the Receiver regarding the marketing and sale, other monetization, or abandonment of the following remaining real property. *See* Dkt. No. 258.

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

The Receiver has ordered the three (3) required appraisals for the Cedar Hill property in Dallas, Texas and will set a list price and go to market before January 31, 2020.

Efforts will continue as to each of the remaining real properties during Q1 2020.

5. Vehicles

(a) Overview

As itemized in Prior Reports, the Receivership Assets include many automobiles, motorcycles, and a boat. During the Applicable Period, the Receiver sold and received the net sale proceeds for the following vehicles:

Vehicle	Notice Filed	Gross Sale Price	Net Proceeds
Bugatti VIN -5164	09/13/19	\$ 930,000.00	\$ 883,500.00
Land Rover VIN -1466	09/13/19	\$ 85,000.00	\$ 80,000.00
Ducati M/C VIN -1832	10/22/19	\$ 12,000.00	\$ 11,200.00
BMW M/C VIN -2440	11/11/19	\$ 13,000.00	\$ 12,000.00
Ducati M/C VIN -5628	11/11/19	\$ 4,500.00	\$ 2,511.00
Sprinter Van VIN -3201	11/20/19	\$ 88,950.00	\$ 82,502.50
		\$ 1,133,450.00	\$ 1,071,713.50

(b) Recommended Disposition

The Receiver will continue to store, maintain, market, and sell each of the remaining Merrill Vehicles, as well as any other vehicles that might subsequently become property of the Receivership Estate.

The following Merrill vehicles have not yet been sold:

- 2018 Cadillac Escalade, VIN No. 1GYS4DKJOJR194076;
- 2015 Harley Davidson, VIN No. 1HD1HHH18FC805081;
- 2015 Ferrari 458 Spider Especial, VIN No. ZFF78VHA7F0213197;
- 2015 Porsche 918, VIN No. WP0CA2A13FS800561;
- 2014 Pagani Huayra Sedan, VIN No. ZA9H11RAYYSF76034; and
- 2018 Lamborghini Huran, VIN No. ZHWUS4ZF6JLA10746.

As noted above, the Receiver obtained the consent of Merrill and Amanda Merrill to the Prestige Motion with respect to these vehicles.

The Receivership Estate also includes the following Ledford 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) for more than a year, the Ledford Agreed Order Receiver entered on December 18, 2019 authorizes the consensual sale of the above-referenced Ledford vehicles. In Q1 2020, the subject vehicles will be transferred from the custody of the U.S. Marshals Service to Prestige.

6. 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.

During the Applicable Period, the Receiver obtained an Order from the Court to retain Heritage Auctioneers & Galleries, Inc. ("Heritage") as broker for the Receivership Estate to sell certain categories of personal property which are currently held in storage by the Receiver or held by the U. S. Marshals Service or the FBI ("Heritage Order"). *See* Dkt. No. 248. On the same day the Heritage Order was entered, counsel for Amanda Merrill filed a Response in Opposition requesting the Heritage Order be reconsidered, stayed or vacated. As a result, the parties agreed to a consensual stay of the Heritage Order until January 10, 2020, which was subsequently extended to January 22, 2020.¹⁷

¹⁷ On January 24, 2020, after the Applicable Period, the Court entered the Modified Consent Order Vacating ECF #248 and Granting Receiver Gregory S. Milligan's Motion ECF #247 as Modified (the "Modified Heritage Order"), which resolved Amanda Merrill's Opposition to the relief granted in the Heritage Order. *See* Dkt. No. 272. Pursuant to the Modified Heritage Order, the Court authorized the

During the Applicable Period, the Receiver liquidated Ledford's interest in The Vaquero Club, Inc. for \$41,315.14.

During the Applicable Period, the Receiver obtained an Order from the Court to retain Eastern Shore Auctions, Inc. to auction and sell certain personal property that was located at 27776 Sharp Road, Easton, MA 21601. *See* Dkt. No. 225. The auction closed on January 1, 2020 and resulted in gross sale proceeds of \$49,465.00, fees and expenses of \$12,787.06, and net sale proceeds of \$36,677.94 to the Receivership Estate.

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

- at least one additional consumer debt portfolio;
- minority ownership interest in a commercial shopping center¹⁸;
- a minority interest in a privately-held biosciences company;
- \$200,000 promissory note in favor of a Receivership Entity¹⁹;
- \$150,000 cash deposit for the purchase of a Porsche;
- additional collectable comics;
- additional artwork;
- new furniture and furnishings not yet installed in real properties being renovated;
- John Deere tractor;
- probate estate distribution rights;
- a condemnation award related to one of the real properties;
- a minority interest in an Asian-based technology company;
- an oil and gas interest; and
- one or more cryptocurrency accounts.

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

release of certain items of personal property to Amanda Merrill and established a process for asserting claims to additional items of personal property being turned over to Heritage. *See* Dkt. No. 272.

¹⁸ The Receivership Estate receives approximately \$800.00 per month for its interest in the net profit generated by the shopping center.

¹⁹ During the Applicable Period, the Receiver was able to covert an unsecured promissory note in favor of a Receivership Entity, to a secured obligation with a consensual Deed of Trust against real property to collateralize the debt.

7. Insurance

As referenced above, as of the filing of this Report, each of the real properties and vehicles owned by the Receivership Estate is adequately insured and additional insurance needs continue to be evaluated. The Receivership Estate received approximately \$70,000.00 in premium refunds relates to insurance policies for a boat and multiple real properties that were sold during the Applicable Period.

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 financial report filed contemporaneously with this Report 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 continued to consider informal notice of claims against 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 and/or claims and distribution process that is approved by the Court.

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.²⁰

²⁰ The Receiver's website for this SEC Action contains a separate section to provide information regarding the claims and distribution process at: <https://merrill-ledford.com/claims-process/>.

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. On November 11, 2019, the Receiver and his counsel each filed fee applications for the period of April 1, 2019 through August 31, 2019 (Dkt. Nos. 238 and 239) (the "Fourth Fee Applications").

The total amount of accrued administrative expenses requested in the Fourth Fee Applications total \$447,644.74 for the Receiver and his team, and \$402,932.50 for the Receiver's counsel, Husch Blackwell. The Fourth Fee Applications have been approved and paid by the Receivership Estate. *See* Dkt. Nos. 243 and 244.

The Fourth Fee Application of the Receiver and his team demonstrates that on a combined basis, total fees and expenses continue to decline. Specifically, HMP incurred \$7,304.26 per day for the first fee application, \$4,939.22 per day for the second fee application, \$4,504.23 per day for the third fee application, and \$2,925.78 per day for this Fourth Fee Application. *See* Dkt. Nos. 71, 119, & 160. HMP's fees have declined by 60% per day from the first fee application to the Fourth Fee Application.

This Fourth Fee Application of the Receiver's counsel, Husch Blackwell, demonstrates that on a combined basis, total fees and expenses continue to decline. Specifically, Husch Blackwell incurred \$3,758.57 per day for the First Fee Application, \$3,885.64 per day for the Second Fee Application, \$3,186.03 per day for the Third Fee Application, and \$2,546.01 per day for this Fourth Fee Application. *See* Dkt. Nos. 71, 119, & 160. Husch Blackwell's fees have declined by more than 32% per day from the First Fee Application to this Fourth Fee Application.

At the end of the Applicable Period, the Receiver and his team had incurred approximately \$264,000.00 in unpaid fees and expenses for the four-month period ended

December 31, 2019, while the Receiver's counsel has incurred approximately \$207,000.00 in unpaid fees and expenses for the same four-month period.

As of December 31, 2019, the Receivership Estate had approximately \$25.6 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.²¹

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

As indicated in Prior Reports, the Receiver has limited information about the filing status, tax identification number, and other tax-related matters. During the final week of the prior reporting period, the Receiver sought and obtained approval to retain BDO, USA, LLP ("BDO") as tax accountant for the Receivership Estate to (i) advise the Receiver on the tax liability of the Receivership Estate and the non-individual Receivership Parties, (ii) prepare and file state and federal tax returns on behalf of the Receivership Estate and the non-individual Receivership Parties, (iii) advise the Receiver on obtaining and maintaining the status of a taxable "Settlement Fund" within the meaning of Section 468B of the Internal Revenue Code for Receivership Funds; and (iv) advise the Receiver on other tax matters related to the administration of the Receivership Estate. *See* Dkt. Nos. 198 & 201. During the Applicable Period, the Receiver worked with BDO to prepare draft of the required federal tax return for the Receivership Estate.

²¹ 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.

The Receiver and his team performed additional inquiry and analysis related to the DeVille Assets that is anticipated to significantly reduce the total tax liability of the Receivership Estate, which tax filing is anticipated to take place in Q1 2020.

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

During the Applicable Period, the Receiver obtained authority to identify claimant/creditors and to propose a plan of distribution.²² See Dkt. No. 222. With this authority in the SEC Action, the Receiver then conferred with the U.S. Attorney's Office regarding possible disclosure and release of information to the Receiver and the SEC, which was originally gathered by the U.S. Attorney's Office and FBI regarding both individual investors and pooled fund investors. Orders authorizing such disclosure were entered in the Criminal Action at the end of November, 2019.

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.²³

²² A copy of the Order Granting Motion to Authorize the Receiver to Identify Claimants and Creditors and Propose a Plan to Distribution can be found on the Receiver's website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2019/11/2019-10-04-222-Order.pdf>.

²³ The Receiver's website for this SEC Action contains a separate section to provide information regarding the claims and distribution process at: <https://merrill-ledford.com/claims-process/>.

IX. CONCLUSION

Accordingly, the Receiver, Gregory S. Milligan, respectfully submits this Fifth 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

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Counsel for Receiver Gregory S. Milligan

CERTIFICATE OF SERVICE

On January 31, 2020, 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):

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White Deer, PA 17887

Defendant Jay B. Ledford (via U.S. Mail):

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FCI Safford
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Naples, Florida 34109

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Naples, Florida 34112

Maryland Department of Assessments & Taxation
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Whiteville, North Carolina 28472

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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.
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Salt Lake City, Utah 84115

Clark County, Nevada Tax Assessor
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/s/ Lynn H. Butler

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