

**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 SIXTH QUARTERLY STATUS REPORT  
FOR THE PERIOD BETWEEN JANUARY 1, 2020 AND MARCH 31, 2020**

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Receiver Gregory S. Milligan, of the firm Harney Partners (the “Receiver”), respectfully submits this Sixth Quarterly Status Report for the Period Between January 1, 2020 and March 31, 2020 (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> 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 Receiver’s Third Quarterly Status Report for the Period Between April 1, 2019 and June 30, 2019 (Dkt. No. 177) (the “Third Report”),<sup>5</sup> the Receiver’s Fourth Quarterly Status Report for the Period Between July 1, 2019 and

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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>.

<sup>5</sup> 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>.

September 30, 2019 (Dkt. No. 230) (the “Fourth Report”),<sup>6</sup> and the Receiver’s Fifth Quarterly Status Report for the Period between October 1, 2019 and December 31, 2019 (Dkt. No. 273) (the “Fifth Report”)<sup>7</sup> (the First Report, Second Report, Third Report, Fourth Report, and Fifth 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 between January 1, 2020 and March 31, 2020 (the “Applicable Period”), and information regarding claims held by and against the Receivership Estate. A summary of all the Receiver’s receipts and disbursements for the Applicable Period is being filed contemporaneously with this Report and is incorporated herein by reference.

## **II. IMPACT OF COVID-19**

During the Applicable Period, COVID-19 first reached the United States and then spread to all fifty states. States with ongoing Receivership Estate business operations, Receivership Assets, or professionals retained by the Receivership Estate were placed under varying degrees of shelter-in-place orders by state and local governments. These limitations on personal movement coupled with an unprecedented spike in unemployment and general economic uncertainty will impair, to some degree, the Receiver’s ability to continue to administer and monetize Receivership Assets. It is unknown at this time to what extent and for what duration the COVID-19 shutdown will have on the ongoing business operations of the Receivership Parties and the monetization of remaining Receivership Assets.

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<sup>6</sup> 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-Receiver-Fourth-Quarterly-Status-Report-for-Period-Between-July-1-2019-and-Sep1223.pdf>

<sup>7</sup> A copy of the Fifth Report can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2020/02/2020-01-31-273-Status-Report1861.pdf>.

For example, the Receiver negotiated a well-priced contract to sell the recently remodeled property at 9017 Grove Crest Lane, Las Vegas, Nevada 89134, just as a shelter-in-place order was enacted in Las Vegas. As a result, the buyer failed to remit his earnest money deposit to the title company and elected not to proceed with the sale at this time. The buyer has indicated continued interest in the property but wants to wait for more certainty in the world before spending several million dollars on a new house. The listing broker continues to show the property, but traffic has been understandably light. The same impact has also been experienced with the real property located at 1828 Circle Road, Townson, Maryland, 21204.

Other COVID-19 impacts on estate administration include:

- All operations and employees of DeVille Asset Management Ltd. (“DeVille”), Riverwalk Credit Repair, Inc. (“Riverwalk Credit”), and Riverwalk Debt Solutions, Inc. (“Riverwalk Debt”) have been successfully transitioned to “work from home” status and the interim results as of the filing of this Report have been favorable. The Receivership team has been able to effectively lead and monitor all business operations remotely and are evaluating different options when the current shelter-in-place orders are lifted.
- Customer traffic for the remaining high-end vehicles is down significantly with some potential buyers making inquiries and testing the waters for advantageous deals during the crisis, but the Receiver and Prestige Imports are holding prices firm until current COVID-19 restrictions are lifted to determine the degree of permanent market impact caused by the global economic downturn, if any.
- Some states have varying degrees of new interim debt collection regulations during the COVID-19 state of emergency, which impacts the ability to collect on the

DeVille debt portfolios. The Receiver, Velocity Investments, LLC (“Velocity Investments”), and DeVille staff have been monitoring the regulations related to COVID-19 and have implemented appropriate measures at DeVille to ensure compliance with the various regulations. The Receiver also continues to monitor new developments with Velocity Investments and prepare new contingency plans as circumstances dictate.

- The travel restrictions have impaired the Receiver’s scheduled launch of the DeVille debt portfolio sale process with Garnet Capital Advisors, LLC (“Garnet”) as initially planned. The Receiver and Garnet have a weekly standing call to monitor the market and make decisions regarding the best path forward, in terms of both process and timing, to maximize the value of DeVille’s debt portfolio to the Receivership Estate.

The ongoing measures related to COVID-19 continue to be a consideration as the Receiver sequences and prioritizes the disposition of additional Receivership Assets and proceeds with a proposed claims and distribution procedure.

### **III. 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 continue to 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 completed the liquidation of numerous Receivership Assets (including three vehicles, an unsecured real estate note, and various cryptocurrencies) generating net sale proceeds exceeding \$2.0 million.

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 March 31, 2020, the Receivership Estate had approximately \$28.1 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 \$2.5 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; (ii) Riverwalk Credit; and (iii) 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. As detailed in the Prior Reports, the Receiver had retained Velocity Portfolio Group, Inc. and Velocity Investments to reconcile and manage the DeVille assets until an ultimate

sale occurs. *See* Dkt. Nos. 105, 106, 216, & 217. During the Applicable Period, the Receiver sought and obtained approval to retain Garnet to act as the broker for the sale of the DeVille assets. *See* Dkt. Nos. 266 & 268. At the end of the Applicable Period, the Receiver and Garnet were preparing to begin a marketing campaign for the DeVille assets; however, the global impact of COVID-19 will delay that sale process. In the second quarter of 2020, the Receiver plans to file a motion seeking authority for the sale of the DeVille assets pursuant to specified sale procedures to be approved by the Court. The Receiver will then go to the market at a time to be determined by the Receiver and Garnet to maximize the value of the assets.

### **3. Real Property**

The Receivership Estate also contains several 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.

Some of the foregoing assets are of unknown value. The Receiver has determined the best means of monetizing some of the aforementioned investments, such as the Notice of Public Auction to sell certain comic books filed with the Court on March 25, 2020, *see* Dkt. No. 287, 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>8</sup> 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”)<sup>9</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.

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<sup>8</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.

<sup>9</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>.

## **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, 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 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. Counsel for the Receiver has also attempted to communicate with Relief Defendant Lalaine Ledford ("Lalaine Ledford") with limited success. Lalaine Ledford exchanged a few emails during the Applicable Period with respect to the proposed sale of personal property but has declined to provide her physical mailing address for serving pleadings in this SEC Action.

## **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"). On October 11, 2019, the Court entered a Judgment<sup>10</sup> 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 in the Criminal Action. On

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<sup>10</sup> A copy of the Judgement 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>

October 29, 2019, the Court entered a Judgment<sup>11</sup> 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 in the Criminal Action. During the Applicable Period, on January 27, 2020, the Court entered a Judgment against Amanda Merrill in the Criminal Action for conspiracy to obstruct justice. *See* Dkt. No. 218 in the Criminal Action.

### **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, Velocity Investments completed the portfolio reconciliation project for approximately two million active account as described in the Prior Report, involving 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. Velocity Investment is also continuing day-to-day management and regulatory oversight pursuant to a Master Servicing Agreement.

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<sup>11</sup> 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>

During the Applicable Period, Velocity Investments has organized the return of accounts from incumbent third-party agencies inherited by the Receiver, reconciled the remainder of the two million accounts, orchestrated the recall of accounts from third-party agencies, and placed accounts with 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. In February 2020, more than 713,000 accounts were placed with third-party agencies representing face-value debt of \$3.7 billion. These activities have created new cash flow on previously dormant accounts. The Receiver has coordinated all collection strategies with both Velocity Investments and Garnet, the broker that will ultimately market and sell DeVille's assets.<sup>12</sup>

**(ii) Recommended Disposition**

The Receiver has worked with Garnet and was prepared at the end of the Applicable Period to finalize and file the motion seeking approval of procedures for the sale of DeVille's assets, but COVID-19 delayed those plans. The revised plan is for the Receiver to file the sale procedures motion in the near future, and if the Court approves the sale procedures, to have that sale authority in hand and subsequently work with Garnet to determine the most advantageous time to take DeVille's assets to the market in an effort to maximize the return to the Receivership Estate.

**(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

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<sup>12</sup> On January 14, 2020, after the Applicable Period, the Receiver obtained Court approval to retain Garnet as broker for the Receivership Estate to sell DeVille's 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**

As outlined in the Prior Reports, the Receiver intends to seek Court approval to market and sell the assets of Riverwalk Debt and Riverwalk Credit in a competitive bidding process. The potential stalking horse buyer referenced in the Fifth Report has been unable to obtain the necessary financing, so the Receiver has entered into a non-disclosure agreement with a new potential buyer and re-engaged with prior potential buyers; however, the Receiver expects the general instability around COVID-19 to delay these efforts and the consummation of any ultimate sale.

**(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. 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.<sup>13</sup> In addition, the Receiver sought and obtained Court approval to retain Coldwell Banker Commercial Amarillo to market

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<sup>13</sup> 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>.

and, upon further order of the Court, sell the commercial real property owned by Ledford that is located at 2801 Paramount Boulevard, Amarillo, TX 79109. *See* Dkt. Nos. 185 & 189.

During the Applicable Period, the Receiver contracted to sell two properties. The sale of 1650 Cedar Hill Avenue, Dallas, Texas for a purchase price of \$945,000.00 was approved by the Court on March 13, 2020 (*See* Dkt. No. 283) with a closing date no sooner than April 7, 2020. At the time this Report was prepared, the Receiver was working with the buyer to schedule a closing date. The buyer initially intended to pay cash for the purchase of the property, but because of COVID-19, the buyer is now obtaining a loan to finance a portion of the purchase price. The Receiver has been in contact with the buyer's lender regarding approval and funding of the subject loan so a closing date can be scheduled. The other property to go under contract during the Applicable Period is the Las Vegas property that was referenced in Section II above, but that sale failed to close as discussed above.

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

The Receiver and Sotheby's marketing and sale efforts will continue as to each of the remaining real properties during Q2 2020, although it is unknown at this time how long the COVID-19 pandemic will impact the real estate market such that holding the remaining real properties for an additional period of time could result in a higher recovery when the market returns to the new normal.

- 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
- 1848 Circle Road, Towson, Maryland 21204.

## 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
Porsche 918 VIN -0561	01/10/20	\$ 1,400,000	\$ 1,322,000
Escalade VIN -4076	01/13/20	\$ 72,900	\$ 68,405
Lambo Huracan VIN -0746	12/05/19	\$ 289,950	\$ 273,953
		<u>\$ 1,762,850</u>	<u>\$ 1,664,358</u>

During the Applicable Period, the Receiver obtained possession of the final four (4) vehicles from the U.S. Marshals' Office, which are detailed below and have been transported to Prestige Imports in Miami, Florida for consignment sales.

- 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.

### (b) Recommended Disposition

The Receiver, having consent and authority to sell all vehicles owned by both Merrill and Ledford, will continue to store, maintain, market, and sell each of the remaining vehicles through Prestige Imports. The Receiver and Prestige Imports plan to hold current pricing until the COVID-19 restrictions are lifted, then reevaluate the market for any necessary price adjustments.

## 6. Other Property

The Receiver, independently and through collaboration with the SEC, FBI, and U.S. Attorney's Office, has identified other personal property as described in the Prior Reports. This category of assets includes but is not limited to art, collectibles, jewelry, 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.

The Receiver previously 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 that were being held in storage by the Receiver or held by the U.S. Marshals or the FBI ("Heritage Order"). *See* Dkt. No. 272. During the Applicable Period, the Receiver coordinated efforts with the U.S. Marshals and the FBI to turn over the personal property to Heritage. The Receiver also coordinated the turnover of an Alec Monopoly painting from a gallery in Las Angeles, California to Heritage. Heritage is currently in the process of photographing and preparing the personal property for auctions, some of which has been noticed for sale after the Applicable Period and will be further detailed in future reports; however, many of these items are located at Heritage's facility in New York City, which has been under very strict COVID-19 restrictions. No further work to document and prepare those items for sale will occur until sufficient business operations are allowed to resume.

In April of 2019, the Receiver discovered a \$200,000.00 unsecured loan made by a Receivership Party to a personal acquaintance of Ledford in the form of a promissory note dated February 14, 2018 from Elevation Capital Partners to J Trust. The recipient of the loan proceeds transferred the funds to another entity that used the money as a down payment (along with loan proceeds from a traditional lender) to purchase an undeveloped tract of real property. During the Applicable Period, the Receiver recovered \$256,312.37 from the sale of the real property that had been purchased with the funds from the \$200,000.00 promissory note. The recovery included

100% of accrued interest in the amount of \$43,301.27 and all attorneys' fees incurred by the Receiver in the amount of \$14,011.00.

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;<sup>14</sup>
- a minority interest in a privately-held biosciences company;
- \$150,000 cash deposit for the purchase of a Porsche;
- additional collectable comics;
- 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.

## **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.

## **IV. 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.

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<sup>14</sup> The Receivership Estate receives approximately \$800.00 per month for its interest in the net profit generated by the shopping center.

**V. 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.<sup>15</sup>

**VI. 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 March 11, 2020, the Receiver and his counsel each filed fee applications for the period of September 1, 2019 through December 31, 2019 (Dkt. Nos. 278 and 279) (the "Fifth Fee Applications").

The total amount of accrued administrative expenses requested in the Fifth Fee Applications total \$263,152.31 for the Receiver and his team, and \$188,368.17 for the Receiver's counsel, Husch Blackwell. The Fifth Fee Applications have been approved and paid by the Receivership Estate. *See* Dkt. Nos. 284 & 285.

The Fifth Fee Application of the Receiver and his team demonstrates that on a combined basis, total fees and expenses continue to decline. Specifically, the Receiver incurred \$7,304.26 per day for the first fee application, \$4,939.22 per day for the second fee application, \$4,504.23

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<sup>15</sup> 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/>.

per day for the third fee application, \$2,925.78 per day for the fourth fee application, and \$2,126.71 per day for the Fifth Fee Application. *See* Dkt. Nos. 71, 119, 160, 238, & 278. The Receiver's fees have declined by 70% per day from the first fee application to the Fifth Fee Application.

The Fifth 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, \$2,546.01 per day for the fourth fee application, and \$1,527.03 for the Fifth Fee Application. *See* Dkt. Nos. 71, 119, 160, 239, & 279. Husch Blackwell's fees have declined by approximately 60% per day from the first fee application to the Fifth Fee Application.

At the end of the Applicable Period, the Receiver and his team had incurred approximately \$210,000.00 in unpaid fees and expenses for the three-month period ending March 31, 2020, while the Receiver's counsel has incurred approximately \$200,000.00 in unpaid fees and expenses for the same three-month period.

As of March 31, 2020, the Receivership Estate had approximately \$28.1 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>16</sup>

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<sup>16</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.

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.

## **VII. TAX MATTERS**

As indicated in Prior Reports, the Receiver has limited information about the filing status, tax identification numbers, and other tax-related matters for the Receivership Parties. As indicated in the Prior Reports, 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 and file 2018 and 2019 federal tax returns for the Receivership Estate, as well as all required 2018 state tax returns. By correcting prior accounting entries and the use of available net operating losses, no taxes were due on the federal returns and the total tax due on the state returns was less than \$2,000.00. The Receiver is working with BDO to file the required 2019 state returns during the second quarter of 2020.

## **VIII. RECEIVER’S ONGOING INVESTIGATION**

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

**IX. CLAIMS DETERMINATION AND DISTRIBUTION PROCESS**

The Receiver previously obtained authority to identify claimant/creditors and to propose a plan of distribution.<sup>17</sup> *See* Dkt. No. 222. With this authority in the SEC Action, the Receiver then conferred with the U.S. Attorney's Office to obtain 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. During the Applicable Period, the Receiver and his counsel attended a meeting with the U.S. Attorney's Office, FBI, and SEC to discuss the information developed by those agencies to date that will help facilitate the claims process in the SEC Action without duplicating prior efforts of those agencies. The Receiver is in the process of drafting and finalizing a proposed claims procedure and will seek approval from the Court after obtaining additional information from third-party sources that is necessary to complete the proposed claims procedure.

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.<sup>18</sup>

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<sup>17</sup> 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>.

<sup>18</sup> 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/>.

**X. CONCLUSION**

Accordingly, the Receiver, Gregory S. Milligan, respectfully submits this Sixth 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 April 30, 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):**

Kevin B. Merrill, #64274-037  
FCI Allenwood Low  
Federal Correctional Institution  
P.O. Box 1000  
White Deer, PA 17887

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

Jay B. Ledford, #55055-048  
FCI Safford  
Federal Correctional Institution  
P.O. Box 9000  
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**Dundalk United Methodist Church (U.S. Mail):**

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Florida Community Bank, N.A.  
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Naples, Florida 34109

Mortgage Electronic Registration Systems, Inc.  
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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  
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Southlake, Texas 76092

Hunter Kelsey of Texas, LLC  
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Austin, Texas 78759

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

The City of Colleyville, Texas  
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Nichols, Jackson, Dilard, Hager & Smith, L.L.P.  
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Tarrant County, Texas Tax Assessor  
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San Antonio, Texas 78265-9548

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*/s/ Lynn H. Butler*

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Lynn H. Butler