

**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 NINTH QUARTERLY STATUS REPORT  
FOR THE PERIOD BETWEEN OCTOBER 1, 2020 AND DECEMBER 31, 2020**

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Receiver Gregory S. Milligan, of the firm Harney Partners (the “Receiver”), respectfully submits this Ninth Quarterly Status Report for the Period Between October 1, 2020 and December 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-Receiver-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> 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 Receiver’s Sixth Quarterly Status Report for the Period between January 1, 2020 and March 31, 2020 (Dkt. No. 291) (the “Sixth Report”),<sup>8</sup> the Receiver’s Seventh Quarterly Status Report for the Period between April 1, 2020 and June 30, 2020 (the “Seventh Report”),<sup>9</sup> and the Receiver’s Eighth Quarterly Status Report for the Period between July 1, 2020 and September 30, 2020 (the “Eighth Report”) <sup>10</sup> (the First Report, Second Report, Third Report, Fourth Report, Fifth Report, Sixth Report, Seventh, and Eighth 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 October 1, 2020 and December 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.

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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-Receivers-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>.

<sup>8</sup> A copy of the Sixth Report can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2020/05/2020-04-30-291-Status-Report.pdf>.

<sup>9</sup> A copy of the Seventh Report can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2020/08/2020-07-30-325-Status-Report.pdf>.

<sup>10</sup> A copy of the Eighth Report can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2020/10/2020-10-30-370-Status-Report.pdf>.

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

As detailed in the Sixth, Seventh, and Eighth Reports, the global shutdown caused by COVID-19 impacted the Receiver's ongoing liquidation efforts and the operations of DeVille Asset Management Ltd. ("DeVille"), Riverwalk Credit Repair, Inc. ("Riverwalk Credit"), and Riverwalk Debt Solutions, Inc. ("Riverwalk Debt") (Riverwalk Credit and Riverwalk Debt are collectively, "Riverwalk"). These disruptions continued during the Applicable Period but to a lesser extent than the Prior Reports because DeVille and Riverwalk are no longer operational following the sale of their assets as detailed in the Eighth Report. COVID-19 cases continued to spike during the Applicable Period in states like Texas and Nevada (where real properties are located) and Florida (where Prestige Motor Car Imports, LLC ("Prestige"), the vehicle broker, is located) from early November through the filing of this Report. Also, as described below, the Receiver accepted and closed on an offer to sell a real property. 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.

During the Applicable Period and as discussed in more detail below, the Receiver and his counsel completed the liquidation of Receivership Assets (including one (1) vehicles and a real property) generating net sale proceeds of approximately \$3.2 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 December 31, 2020, the Receivership Estate had approximately \$56.2 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 \$5.7 million during the Applicable Period due to the sales of Receivership Assets, as discussed in more detail below.

**2. Business Operations & Assets**

The Receivership Estate included three ongoing business operations in Texas: (i) DeVille; (ii) Riverwalk Credit; and (iii) Riverwalk Debt. As detailed in the Prior Reports, the Receiver operated these businesses, investigated the proper means to monetize their value for the benefit of the Receivership Estate, and ultimately liquidated substantially all of the businesses' assets as detailed in the Eighth Report.

**3. Real Property**

The Receivership Estate also contains one commercial and one residential real property which 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 numerous Heritage auction notices filed with the Court as described in more detail in the Prior Reports, 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 \$55 million and \$65 million.<sup>11</sup> Future quarterly reports will have the benefit of additional

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<sup>11</sup> 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>12</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, 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 communicated with Relief Defendant Lalaine Ledford (“Lalaine Ledford”) on several occasions regarding the proposed sale of personal property.

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<sup>12</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>.

## 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>13</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 October 29, 2019, the Court entered a Judgment<sup>14</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. 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. 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

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<sup>13</sup> 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>.

<sup>14</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>.

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>15</sup> 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 property owned by Ledford that is located at 2801 Paramount Boulevard, Amarillo, TX 79109. *See* Dkt. Nos. 185 & 189.

At the time the Receiver was appointed, one property in Las Vegas—9017 Grove Crest Lane, Las Vegas, Nevada 89134 (the “Grove Crest Property”)—had recently been purchased for \$2.8 million in 2016 and was being renovated. *See* Dkt. No. 203 at ¶ 2. In its partially complete state, the Grove Crest Property was worth approximately \$800,000 at the time the Receiver was appointed in 2018 and there were mechanic’s liens against the property in excess of \$350,000. *See* Dkt. No. 203 at ¶¶ 3-4. If sold in its “as-is” condition, the Grove Crest Property would have netted approximately \$450,000 to the Receivership Estate not including closing costs and other expenses that would have to be subtracted. On August 29, 2019, the Court authorized the Receiver to pay off the approximate \$350,000 in mechanic’s liens and spend an additional \$650,000 to complete

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<sup>15</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>.

the renovations on the Grove Crest Property. *See* Dkt. No. 204. On December 7, 2020, the Court approved the sale of the newly renovated Grove Crest Property for a purchase price of \$3,500,000. *See* Dkt. No. 382. The sale of the Grove Crest Property closed on December 28, 2020 and resulted in a net return to the Receivership Estate in the amount of \$2.2 million after closing costs and the \$1.0 million advance to complete the renovations were deducted, which is more than \$1.75 million more than the property would have netted if sold “as-is” in 2019.

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

The Receiver will continue to evaluate the most-beneficial options to monetize each of the remaining real properties in the context of the COVID-19 pandemic.

- 1132 Glade Road, Colleyville, Texas 76034; and
- 2308 Cedar Elm Terrace, Westlake, Texas 76262.

**4. Vehicles**

**(a) Overview**

As itemized in Prior Reports, the Receivership Assets included many automobiles, motorcycles, and a boat. The Receiver sold the following vehicle during the Applicable Period, for net proceeds of \$7,500:

- 2015 Harley V Rod, VIN No. 1HD1HHH18FC805081 (Dkt. No. 383).

**(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, which consist of a 2014 Pagan Huayra and a 2016 Tesla Model S P90.

**5. 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 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. Heritage and the Receiver had begun noticing and setting dates for auctions as the COVID-19 pandemic began to impact the United States. Heritage provided the Receiver with sales data from other recent sales that confirmed the pandemic had not negatively affected expected sales prices. To ensure there were no unforeseen impacts from COVID-19, the Receiver negotiated a reserve price for each item that had not previously existed prior to COVID-19. The reserve prices ensure that each item receives the minimum amount from its low-end valuation based on the market prior to COVID-19.

During the Applicable Period, the Receiver filed one notice for Heritage to conduct an auction of an uncontested watch. *See* Dkt. Nos. 372. The Receiver also obtained authority and conducted an auction of firearms through FLS Auction, Inc. *See* Dkt. No. 380.

In addition, Heritage continues to hold numerous items that have been contested by Relief Defendants Amanda Merrill and Lalaine Ledford. The Receiver has protocols in place with Heritage to ensure none of the contested items are sold without the Relief Defendants' consent or further Order of the Court.

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>16</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.

#### **6. 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.

### **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

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<sup>16</sup> The Receivership Estate receives approximately \$800.00 per month for its interest in the net profit generated by the shopping center.

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.

Since his appointment, 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>17</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 November 20, 2020, the Receiver and his counsel each filed fee applications for the period of July 1, 2020 through September 30, 2020 (Dkt. Nos. 374 & 375) (the "Eighth Fee Applications").

The total amount of accrued administrative expenses requested in the Eighth Fee Applications total \$129,818.38 for the Receiver and his team, and \$183,019.35 for the Receiver's counsel, Husch Blackwell. The Eighth Fee Applications have been approved and paid by the Receivership Estate. *See* Dkt. Nos. 386 & 387.

The Eighth 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 per day for the third fee application, \$2,925.78 per day for the fourth fee application, \$2,126.71 per day for the fifth fee application, \$2,310.68 per day for the sixth fee application, \$2,127.81 per day for the Seventh Fee Application, and \$1,426.58 per day for the Eighth Fee Application. *See*

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<sup>17</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/>.

Dkt. Nos. 71, 119, 160, 238, 278, 303, 338, & 374. The Receiver's fees have declined by more than 80% per day from the first fee application to the Eighth Fee Application.

The Seventh 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, \$1,527.03 for the fifth fee application, \$2,025.45 per day for the sixth fee application, \$2,180.59 for the Seventh Fee Application, and \$1,759.84 per day for this Eighth Fee Application. *See* Dkt. Nos. 71, 119, 160, 239, 279, 304, 339, & 375. Husch Blackwell's fees have declined by more than 53% per day from the first fee application to the Eighth Fee Application.

At the end of the Applicable Period, the Receiver and his team had incurred approximately \$70,000.00 in unpaid fees and expenses for the three-month period ending December 31, 2020, while the Receiver's counsel has incurred approximately \$102,000.00 in unpaid fees and expenses for the same three-month period.

On September 21, 2020, the Receiver filed a Motion for Approval of the First Interim Fee Application of BDO USA, LLP—the tax accountant for the Receivership Estate and non-individual Receivership Parties—for the period of August 26, 2019 through May 31, 2020. *See* Dkt. No. 358. The total amount of accrued administrative expenses requested in BDO's first fee application totals \$70,740.33. *See* Dkt. No. 358. On December 17, 2020, the Court granted BDO's first interim fee application, which has been paid by the Receivership Estate.

As of December 31, 2020, the Receivership Estate had approximately \$56.2 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 \$55 million and \$65 million.<sup>18</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.

## 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 prior periods, 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. During prior periods, all 2019 state tax returns were prepared and such returns were filed before the deadline of July 15, 2020.

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<sup>18</sup> 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 will work with BDO to prepare and file all required 2020 tax returns before each applicable deadline.

### **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>19</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. The Receiver and his counsel have attended meetings 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.

Part of the initial claims analysis required the Receiver to collect additional data regarding individual investments made through investment vehicles or pooled investor funds (*i.e.*, two or more investors making a single investment). This collection and analysis of individuals' investments into and returns from investment vehicles or pooled investor funds will allow the Receiver to evaluate investments on an individual basis and ensure that individual investors receive

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<sup>19</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>.

payment where the pooled investor funds are no longer in a position to coordinate the eventual distributions. While information was available for some pooled investor funds, there was no information available to the Receiver for a majority of the pooled investor funds.

On May 21, 2020, the Receiver sent 59 letters to the pooled investor funds and any corporate entities that had invested with any of the Receivership Parties. The letters sought information and supporting documentation to identify the individual investors within each fund or investment vehicle, and to determine how much each individual investor had invested and what returns each had received. The Receiver had a very high response rate and is now in possession of almost all information needed for all potential claimants. During the Applicable Period, the Receiver continued to follow up with pooled investor funds that have not submitted sufficient documents and information in response to the Receiver's letter. On September 30, 2020, the Receiver served 16 subpoenas on pooled investor funds to obtain the information the Receiver was unable to obtain voluntarily.

As noted in the Sixth Report, the Receiver performed a random sampling of investors and their investment activity with the Receivership Parties to confirm the accuracy of the claims analysis prepared by the U.S. Attorney's Office and FBI. The random sampling was also undertaken to confirm the Receiver is in possession of the necessary bank statements, transactional documents, and other supporting documents to evaluate the accuracy of the expected claims in this case. After completion of the random sampling, the Receiver has confirmed the accuracy of the U.S. Attorney's Office and FBI's claims analysis, as well as confirmed the Receiver is in possession of the necessary documents to prepare and file a proposed claims procedure, except as noted above with respect to documentation for some pooled investor funds.

The Receiver is in the process of finalizing a proposed claims procedure and will seek approval from the Court after obtaining the remaining additional information from third-party sources that is necessary to complete the proposed claims procedure. The Receiver anticipates filing the proposed claims procedure on or before February 5, 2021. The Receiver is also in the process of drafting a proposed distribution plan consistent with the recoveries in the case and the expected claims following completion of the 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>20</sup>

#### **X. CONCLUSION**

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

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<sup>20</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/>.

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**CERTIFICATE OF SERVICE**

On January 30, 2021, 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:

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Maryland Department of Assessments & Taxation  
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Baltimore, Maryland 21201-2395

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Whiteville, North Carolina 28472

Talbot County, Maryland Finance Office  
Talbot County Courthouse  
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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.  
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