

**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 TENTH QUARTERLY STATUS REPORT
FOR THE PERIOD BETWEEN JANUARY 1, 2021 AND MARCH 31, 2021**

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Receiver Gregory S. Milligan, of the firm Harney Partners (the “Receiver”), respectfully submits this Tenth Quarterly Status Report for the Period Between January 1, 2021 and March 31, 2021 (the “Report”) in accordance with the First Amended Order Appointing Temporary Receiver dated November 27, 2018 (Dkt. No. 62) (the “Receivership Order”),¹ 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.² 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”),³ the Receiver’s Second Quarterly Status Report for the Period Between January 1, 2019 and March 31, 2019 (Dkt. No. 138) (the “Second Report”),⁴ the Receiver’s Third Quarterly Status Report for the Period Between April 1, 2019 and June 30, 2019 (Dkt. No. 177) (the “Third Report”),⁵ the Receiver’s Fourth Quarterly Status Report for the Period Between July 1, 2019 and

¹ 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>.

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

³ 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>.

⁴ 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>.

⁵ 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/Receiver-Third-Quarterly-Report-April-1-to-June-30885.pdf>.

September 30, 2019 (Dkt. No. 230) (the “Fourth Report”),⁶ the Receiver’s Fifth Quarterly Status Report for the Period between October 1, 2019 and December 31, 2019 (Dkt. No. 273) (the “Fifth Report”),⁷ the Receiver’s Sixth Quarterly Status Report for the Period between January 1, 2020 and March 31, 2020 (Dkt. No. 291) (the “Sixth Report”),⁸ the Receiver’s Seventh Quarterly Status Report for the Period between April 1, 2020 and June 30, 2020 (the “Seventh Report”),⁹ the Receiver’s Eighth Quarterly Status Report for the Period between July 1, 2020 and September 30, 2020 (the “Eighth Report”),¹⁰ and the Receiver’s Ninth Quarterly Status Report for the Period between October 1, 2020 and December 31, 2020 (the “Ninth Report”) ¹¹ (the First Report, Second Report, Third Report, Fourth Report, Fifth Report, Sixth Report, Seventh, Eighth Report, and Ninth 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, 2021 and March 31, 2021 (the “Applicable Period”), and information regarding claims held by and against the Receivership Estate. A summary of all the Receiver’s receipts and

⁶ 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>.

⁷ 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>.

⁸ 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>.

⁹ 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>.

¹⁰ 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>.

¹¹ A copy of the Ninth Report can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2021/01/2021-01-30-391-Status-Report.pdf>.

disbursements for the Applicable Period is being filed contemporaneously with this Report and is incorporated herein by reference.

II. IMPACT OF COVID-19

As detailed in the Sixth, Seventh, Eighth, and Ninth 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 began to decline during the Applicable Period in states like Texas (where real properties are located) and Florida (where Prestige Motor Car Imports, LLC ("Prestige"), the vehicle broker, is located) as vaccines became more widely available. The ongoing measures related to COVID-19 are becoming less impactful with only a few physical Receivership Assets left to be liquidated and the claims procedure occurring remotely.

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 several 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 continued the liquidation of Receivership Assets (including one (1) vehicle) generating

net sale proceeds of approximately \$1.8 million. The largest component of the total cash accumulated during the Applicable Period was approximately \$1.2 million released from escrow as part of the holdback related to the DeVille portfolio sale that closed on August 28, 2020, as well as approximately \$230,000.00 in deposits recovered related to the credit card merchant accounts of Riverwalk Debt and Riverwalk Credit. The Receiver has also continued to receive timely payments from the purchaser of Riverwalk Debt and Riverwalk Credit pursuant to prior order of this Court entered on August 13, 2020. *See* Dkt. No. 332.

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, claims procedure, 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, 2021, the Receivership Estate had approximately \$57.6 million of cash on hand in Receivership Estate bank accounts under the sole control of the Receiver. The amount of net cash on hand has increased by approximately \$1.4 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 remaining commercial real property and one remaining 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 remaining investments made by the Defendants including, but not limited to: (i) jewelry; (ii) a litigation financing arrangement; and (iii) an equity investment in an alternative investment management company.

Some of the foregoing assets are of unknown value, and the Receiver 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.¹² 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”)¹³ 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

¹² 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.

¹³ 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>.

consent to the procedures and proposed disposition of the real property, personal 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.

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 Judgment¹⁴ 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 Judgment¹⁵ 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.

¹⁴ 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>.

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

(b) Recommended Disposition of Remaining Real Property

The Receivership Estate contains the following remaining real properties that have yet to be monetized:

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

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>.

In February 2021, Winter Storm Uri brought unprecedented snow, ice, and prolonged freezing temperatures to the State of Texas where the remaining real properties are located. The Receiver prepared the properties for the winter storm by ensuring the heat was turned on and water faucets were covered to avoid burst pipes. Unfortunately, during widespread blackouts across the state, the Cedar Elm Terrace property lost power and heat for an extended period of time, which resulted in a water pipe bursting in the attic that caused significant water damage to the entire property. The Receiver has filed an insurance claim for the damage to the Cedar Elm Terrace property and will work with a contractor to repair the damage.

On March 8, 2021, the Receiver filed the Motion to Approve Settlement Agreement and Release to resolve a disputed lien against Cedar Elm Terrace, which the Court approved on March 9, 2021. *See* Dkt. Nos. 403 & 410. The settlement allows the Receiver to market and sell the Cedar Elm Terrace property and recover \$204,477.92 ahead of the second lienholder. Without the settlement, it was unlikely that a sale of the Cedar Elm Terrace property would have resulted in the second lien being satisfied and, thus, the Receivership Estate would have received \$0.00 from the sale of the Cedar Elm Terrace property.

The Receiver will continue to evaluate the most-beneficial options to market and sell the Cedar Elm Terrace property and to monetize the Glade Road property.

4. Vehicles

(a) Overview

As detailed in Prior Reports, the Receivership Assets included many automobiles, motorcycles, and a boat. The Receiver filed the notice of sale for the following vehicle during the Applicable Period for a purchase price of \$2.0 million¹⁷:

¹⁷ The sale of the 2014 Pagani closed after the Applicable Period on April 7, 2021. Accordingly, the net sale proceeds of \$1.8 million will not be reflected as cash on hand as of the close of the

- 2014 Pagani Huayra, VIN No. ZA9H11RAYYSF76034 (Dkt. No. 397).

(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 the remaining vehicle through Prestige, which is 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. Heritage continues to hold numerous items that have been contested

Applicable Period and will be reflected as cash on hand in the Receiver's next quarterly status report.

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;¹⁸
- 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

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

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 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.¹⁹

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, along with the Receiver's claims agent, Bankruptcy Management Solutions Inc. d/b/a Stretto ("Stretto"). On March 8, 2021, the Receiver and his counsel each filed fee applications for the period of October 1, 2020 through December 31, 2020 (Dkt. Nos. 404 & 405) (the "Ninth Fee Applications").

The total amount of accrued administrative expenses requested in the Ninth Fee Applications total \$70,651.78 for the Receiver and his team, and \$99,102.02 for the Receiver's counsel, Husch Blackwell. The Ninth Fee Applications have been approved and paid by the Receivership Estate. *See* Dkt. Nos. 422 & 423.

¹⁹ 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/>.

The Ninth 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, \$1,426.58 per day for the eighth Fee application, and \$776.39 for the Ninth Fee Application. *See* Dkt. Nos. 71, 119, 160, 238, 278, 303, 338, 374, & 404. The Receiver's fees have declined by more than 89% per day from the first fee application to the Ninth 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, \$1,759.84 per day for the eighth fee application, and \$872.60 for the Ninth Fee Application. *See* Dkt. Nos. 71, 119, 160, 239, 279, 304, 339, 375, & 405. Husch Blackwell's fees have declined by more than 76% per day from the first fee application to the Ninth Fee Application.

At the end of the Applicable Period, the Receiver and his team had incurred approximately \$58,000.00 in unpaid fees and expenses for the three-month period ending March 31, 2021, while the Receiver's counsel has incurred approximately \$131,000.00 in unpaid fees and expenses for the same three-month period.

On February 5, 2021, the Receiver filed a Motion for Order Authorizing Retention, Employment, and Compensation of Bankruptcy Management Solutions Inc. d/b/a Stretto as Claims Agent for Stretto to serve as the claims agent for the Receiver. *See* Dkt. No. 393. On February 9, 2021, the Court entered the Order approving the Receiver's retention of Stretto to serve as the claims agent for the claims procedure, which is discussed in more detail below. *See* Dkt. No. 394. The total amount of accrued administrative expenses incurred by Stretto during the Applicable Period was \$47,684.33.

As of March 31, 2021, the Receivership Estate had approximately \$57.6 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 \$55 million and \$65 million.²⁰

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

²⁰ 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.

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.

The Receiver is currently working 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.²¹ 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

²¹ 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>.

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 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, which serves as the starting point for the claims procedure discussed below.

On February 9, 2021, the Receiver filed the Motion for Order Setting Claims Bar Date, Establishing Claims Procedure, and Approving Notification Process (the "Claims Procedure"). *See* Dkt. No. 395. On February 10, 2021, the Court entered the Order approving the Claims Procedure and set a claims bar date of May 20, 2021 (the "Claims Bar Date"). *See* Dkt. No. 396. Pursuant to the Claims Procedure, the Receiver and his counsel worked extensively with Stretto during the Applicable Period to prepare the detailed transaction schedules for Known Investors and similar notices for individuals in pooled investment groups, Other Creditors, and Relief Defendants. On March 12, 2021, Stretto mailed and emailed the transaction schedules, notices, and other claims procedure papers to all Known Investors, individuals within pooled investment groups, Other Creditors, and Relief Defendants. Since entry of the Order approving the Claims Procedure, Stretto has received numerous claims submitted by Known Investors and Other Creditors, and the Receiver and his counsel have responded to numerous questions and inquiries from investors and other potential claimants. As the Claims Bar Date approaches, the Receiver intends to reach out by phone and/or email to all Known Investors who have failed to submit a claim with Stretto. In addition, the Receiver, through Stretto, published the Newspaper Publication

in the USA Today, the Baltimore Sun, the Las Vegas Review-Journal, and the Dallas Morning News for two days during the weeks of February 22, 2021 and March 1, 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, Prior Reports, and the Claims Procedure.²²

X. CONCLUSION

Accordingly, the Receiver, Gregory S. Milligan, respectfully submits this Tenth 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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²² 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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Counsel for Receiver Gregory S. Milligan

CERTIFICATE OF SERVICE

On April 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:

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

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

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c/o Howard n. Bierman, Trustee
c/o Select Portfolio Servicing, Inc.
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