

**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 TWELFTH QUARTERLY STATUS REPORT
FOR THE PERIOD BETWEEN JULY 1, 2021 AND SEPTEMBER 30, 2021**

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Receiver Gregory S. Milligan, of the firm Harney Partners (the “Receiver”), respectfully submits this Twelfth Quarterly Status Report for the Period Between July 1, 2021 and September 30, 2021 (the “Report”) in accordance with the Second Amended Order Appointing Temporary Receiver dated September 14, 2021 (Dkt. No. 484) (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/2021/09/2021-09-14-484-Second-Amended-Order.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-Receivers-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/Receivers-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 the Receiver’s Ninth Quarterly Status Report for the Period between October 1, 2020 and December 31, 2020 (the “Ninth Report”),¹¹ the Receiver’s Tenth Quarterly Status Report for the Period between January 1, 2021 and March 31, 2021 (the “Tenth Report”),¹² and the Receiver’s Eleventh Quarterly Status Report for the Period between April 1, 2021 and June 30, 2021 (the “Eleventh Report”)¹³ (the First Report, Second Report, Third Report, Fourth Report,

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>.

¹² A copy of the Tenth Report can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2021/05/2021-04-30-434-Status-Report.pdf>.

¹³ A copy of the Eleventh Report can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2021/08/2021-07-30-468-Status-Report.pdf>.

Fifth Report, Sixth Report, Seventh Report, Eighth Report, Ninth Report, Tenth Report, and Eleventh 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 July 1, 2021 and September 30, 2021 (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. 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 claims procedure and preparation of a proposed distribution plan for an interim distribution to certain claimants.

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 September 30, 2021, the Receivership Estate had approximately \$59.3 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 decreased by approximately \$200,000 during the Applicable Period due to the liquidation of substantially all of the physical Receivership Assets as detailed in the Prior Reports; and the Receiver not yet asserting, or receiving recoveries on, third-party litigation, including Clawbacks (and defined and further discussed 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. The Clawbacks include potential claims against investors who withdrew fictitious profits from the Receivership Parties (*i.e.*, “net winners”). An investor’s withdrawn profits may be fictitious, for example, if that party received payments in excess of investments. On September 14, 2021, the Court authorized the Receiver to investigate and make demands for full repayment of the gift, donation, or fraudulent transfer that may have been received from Receivership Parties. The Receiver is in the process of investigating potential Clawbacks and anticipates making demands to recipients by the end of 2021. If settlement negotiations are unsuccessful, the Receiver will seek further authority from the Court to file suit against the recipients of such transfers.
- 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.¹⁴ 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.

¹⁴ These preliminary estimates do not include any potential clawback or fraudulent transfer claims that are now being investigated by the Receiver and will be detailed in future reports.

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”)¹⁵ 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”) and counsel for Relief Defendant Lalaine Ledford (“Lalaine Ledford”) (Amanda Merrill and Lalaine Ledford are collectively, the “Relief Defendants”), to obtain their consent to the procedures and proposed disposition of the real property, personal property, and vehicles owned or purchased by Merrill, Ledford, and/or the Relief Defendants.

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-

¹⁵ 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>.

RDB (the “Criminal Action”). On October 11, 2019, the Court entered a Judgment¹⁶ 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 Judgment¹⁷ 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 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

¹⁶ 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>.

¹⁷ 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>.

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. 137.¹⁸ 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.

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

¹⁸ A copy of the Merrill Agreed Order can be found on the Receiver's website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2019/05/2019-04-29-137-Agreed-Order.pdf>.

property, has remediated the property damage, and has worked 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.

On April 5, 2021, a member of the Receiver's team made a routine inspection of the Glade Road property and discovered that there had been a discharge from the fire suppression system since the most-recent inspection on February 18, 2021. The discharge was not a full flow of water, but only a release of the water standing in the ceiling pipe at the time; however, property damage did occur. Such damage has been remediated by the Receiver and the Receiver is advancing an insurance claim with the carrier.

On June 3, 2021, the Receiver filed a Motion to Retain, Employ, and Compensate Victory Claims Consulting, LLC ("Victory") to serve as the public adjuster for the insurance claims discussed above. *See* Dkt. No. 448. On June 21, 2021, the Court approved the Receiver's retention of Victory. *See* Dkt. No. 459. The Receiver will continue to work with Victory to negotiate and effect a settlement of the insurance claims above for the benefit of the Receivership Estate.

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. 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. 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 by the Relief Defendants. 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;¹⁹
- a minority interest in a privately-held biosciences company;

¹⁹ The Receivership Estate receives approximately \$800.00 per month for its interest in the net profit generated by the shopping center.

- \$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.

5. Insurance

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

III. ESTATE ADMINISTRATION

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

IV. UNRESOLVED CLAIMS AGAINST RECEIVERSHIP PROPERTY

During the Applicable Period, the Receiver continued to consider informal notice of claims against Receivership Assets. It is anticipated that parties asserting claims against Receivership Assets will receive notice and an opportunity to object during any potential sale process and/or claims and distribution process that is approved by the Court.

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 that are available on the Receiver's website, including the Receiver's Preservation Plan and Prior Reports.²⁰

V. ACCRUED ADMINISTRATIVE EXPENSES

During the Applicable Period, the Receivership Estate accrued administrative expenses comprised of professional fees for the services of the Receiver's team and counsel, along with the Receiver's claims agent, Bankruptcy Management Solutions Inc. d/b/a Stretto ("Stretto"). On October 4, 2021, the Receiver and his counsel each filed fee applications for the Applicable Period (Dkt. Nos. 487 & 488) (the "Eleventh Fee Applications"). On October 5, 2021, the Receiver filed the first interim fee application for Stretto for the period of February 9, 2021 through June 30, 2021. *See* Dkt. No. 493.

The total amount of accrued administrative expenses requested in the Eleventh Fee Applications total \$67,034.92 for the Receiver and his team, and \$132,386.81 for the Receiver's counsel, Husch Blackwell. The Eleventh Fee Applications have not yet been approved by the Court or paid by the Receivership Estate.

The Eleventh 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,

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

\$2,127.81 per day for the seventh fee application, \$1,426.58 per day for the eighth fee application, \$776.39 for the ninth fee application, \$642.30 per day for the tenth fee application, and \$747.96 per day for the Eleventh Fee Application. *See* Dkt. Nos. 71, 119, 160, 238, 278, 303, 338, 374, 404, 451, & 487. The Receiver's fees have declined by more than 89% per day from the first fee application to the Eleventh Fee Application.

The Eleventh 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, \$872.60 for the ninth fee application, \$1,431.23 per day for the tenth fee application, and \$1,270.17 per day for the Eleventh Fee Application. *See* Dkt. Nos. 71, 119, 160, 239, 279, 304, 339, 375, 405, 452, & 488. Husch Blackwell's fees have declined by more than 66% per day from the first fee application to the Eleventh Fee Application.

Through the Eleventh Fee Applications, the Receiver's fees total \$2,416,571.25 and costs total \$85,253.39, and Husch Blackwell's fees total \$2,118,947.95 and its costs total \$140,553.28. The total fees and expenses of all Receivership Estate professionals—including commissions paid to brokers, consignors, and auctioneers in conjunction with asset sales—through the Eleventh Fee Applications total \$8,684,603.31. The total fees and costs incurred by the Receivership Estate is 9.97% of the \$87,136,922.71 recovered through June 30, 2021 and 14.59% of the \$59,544,356.78 available cash on hand as of June 30, 2021.

At the end of the Applicable Period, the Receiver and his team had incurred approximately \$40,000.00 in unpaid fees and expenses for the three-month period ending September 30, 2021, while the Receiver's counsel has incurred approximately \$115,000.00 in unpaid fees and expenses for the same three-month period.

As of September 30, 2021, the Receivership Estate had approximately \$59.3 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.²¹

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

VI. TAX MATTERS

As indicated in Prior Reports, the Receiver has limited information about the filing status, tax identification 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

²¹ 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.

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.

During the Applicable Period, the Receiver worked with BDO to prepare and file all required 2020 tax returns before each applicable deadline.

VII. 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.

VIII. CLAIMS DETERMINATION AND DISTRIBUTION PROCESS

The Receiver previously obtained authority to identify claimant/creditors and to propose a plan of distribution.²² See Dkt. No. 222. With this authority in the SEC Action, the Receiver then conferred with the U.S. Attorney's Office 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

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

developed by those agencies to date that will help facilitate the claims process in the SEC Action without duplicating prior efforts of those agencies.

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 respond to questions about the Claims Procedure, review all claims and supporting documents, communicate with claimants, and request additional documents and information from claimants. Stretto received a total of 274 claims submitted pursuant to the Claims Procedure. The Receiver sent responses to 83 claimants requesting (i) additional supporting documents or information, or (ii) that the claimant voluntarily withdraw their claim for various reasons. The Receiver is in the process of narrowing down claims that remain disputed after additional documents and information have been submitted by the claimants. The Receiver anticipates that he will file omnibus objections to certain categories of claims that remain disputed.

The Receiver is also in the process of finalizing a proposed distribution plan for an interim distribution 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 that are available on the Receiver's website, including the Receiver's Preservation Plan, Prior Reports, and the Claims Procedure.²³

IX. CONCLUSION

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

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CERTIFICATE OF SERVICE

On October 29, 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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