

**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 SEVENTEENTH QUARTERLY STATUS
REPORT FOR THE PERIOD BETWEEN OCTOBER 1, 2022 AND DECEMBER 31, 2022**

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Receiver Gregory S. Milligan (the “Receiver”) respectfully submits this Seventeenth Quarterly Status Report for the Period Between October 1, 2022 and December 31, 2022 (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 prior quarterly status reports (collectively, the “Prior Reports”), which are available on the Receiver’s website at <https://merrill-ledford.com/case-updates/> and 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, 2022 and December 31, 2022 (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.

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.

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 addressed new issues that have arisen during the Applicable Period.

During the Applicable Period and as discussed in more detail below, the Court approved the Receiver's proposed Distribution Plan and authorized an interim distribution of \$50 million. Stretto began sending distributions to eligible claimants on December 22, 2022.³ Further, the Receiver accepted an offer and filed a motion to approve the sale of the final real property held in the Receivership Estate, which is projected to realize approximately \$1.3 million for the benefit of investors. The Receiver also continued his negotiations related to potential claims against investors who withdrew fictitious profits from the Receivership Parties and resolved two such claims, subject to Court approval. During the Applicable Period, the Receiver also collected approximately \$1.7 million in clawback settlements that were entered into during a prior quarter. Meanwhile, 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, Distribution Plan, and other matters related to the case.

³ As reflected in the Receiver's Notice of Revised Distribution Schedule for Receiver's First Interim Distribution (Dkt. No. 702), 165 claimants were eligible to receive a distribution as part of the first interim distribution. 10 claimants failed to submit completed W-9s prior to the end of the Applicable Period. Thus, as noted in the Standardized Fund Accounting Report being filed contemporaneously with this Report, 155 distribution payments were sent to claimants during the Applicable Period totaling \$49,479,813.77. Additional eligible claimants submitted completed W-9s and received interim distributions after the Applicable Period, which will be detailed in the Receiver's next quarterly status report.

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, 2022, the Receivership Estate had approximately \$15.8 million of cash on hand in Receivership Estate bank accounts under the sole control of the Receiver. During the Applicable Period, the cash on hand increased by approximately \$1.8 million because of the Receiver's continued recovery of settlement proceeds from Net Winners (defined and further discussed below). With this addition, and the first interim distribution, the amount of net cash on hand decreased by approximately \$47.6 million during the Applicable Period. The Receiver anticipates that cash on hand will increase during the next applicable period due to payments received on claims resolved during the Applicable Period and further recoveries on claims against third parties, including Clawbacks (defined and further discussed below), and the closing of the sale of the one remaining real property in the Receivership Estate.

2. Business Operations & Assets

All ongoing business operations of the Receivership Parties have been terminated and their assets liquidated, as detailed in the Receiver's eighth quarterly status report. *See* Dkt. No. 370.

3. Real Property

As discussed in greater detail below, the Receivership Estate held one remaining commercial real property as of December 31, 2022, and the Receiver filed a Motion for its sale during the Applicable Period.

4. Other Property

Additionally, there are 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 holds several remaining investments made by the Defendants including, but not limited to: (i) jewelry; (ii) luxury goods; (iii) a litigation financing arrangement; and (iv) 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 (the “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. During the Applicable Period, the Receiver continued negotiations with Net Winners and resolved potential claims against two Net Winners for the return to the Receivership Estate of the vast majority of the Net Winners’ fictitious profits. The Receiver is also in active negotiations with several other Net Winners, and if settlement negotiations are unsuccessful, the Receiver will, if and as appropriate, seek authority from the Court to file suit against the Net Winners and other recipients of fraudulent 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.

Based upon current available information, which is preliminary and subject to further due diligence, the Receiver team estimates total expected distributions to claimants could range between \$65 million and \$75 million. 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 expected distributions to claimants.

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”)⁴ 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 remaining 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. 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

⁴ 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>.

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. 137.⁵ 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) Disposition of Remaining Real Property

The Receivership Estate held one remaining real property that had not yet been monetized prior to the end of the Applicable Period1 132 Glade Road, Colleyville, Texas 76034 (the "Glade Road Property"). During the Applicable Period, after extensively marketing the Glade Road Property for sale, the Receiver accepted an all-cash offer to purchase the Glade Road Property for \$1,795,000.00. Following inspections and additional negotiations with the purchaser, the Receiver agreed to a reduction of the sales price to \$1,735,000.00 to credit necessary repairs to the lighting system on the Glade Road Property. On December 1, 2022, the Receiver filed a motion for authority to sell the Glade Road Property (Dkt. No. 691), which the Court granted on January 5,

⁵ 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>.

2023. *See* Dkt. No. 711. The sale of the Glade Road Property closed after the Applicable Period and will be detailed in the Receiver's next quarterly status report.

3. Other Property

The Receiver, independently and through collaboration with the SEC, FBI, and U.S. Attorney's Office, has identified other personal property as described in the Prior Reports. This category of assets includes but is not limited to art, collectibles, jewelry, watches, luggage, and similar luxury items. To maximize recovery to the Receivership Estate, the Receiver has researched and identified various consignment and/or auction outlets for monetizing the different classes of personal property at the appropriate time.

The Receiver previously obtained an Order from the Court to retain Heritage Auctioneers & Galleries, Inc. ("Heritage") as broker for the Receivership Estate to sell certain categories of personal property that were being held in storage by the Receiver or held by the U.S. Marshals or the FBI ("Heritage Order"). *See* Dkt. No. 272. 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.

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;⁶
- a minority interest in a privately-held biosciences company;

⁶ 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.

4. Insurance

As of the filing of this Report, the one remaining real property 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

As detailed in the Prior Reports, the Relief Defendants have asserted claims to certain Receivership Assets that are separate and apart from the Claims Procedure. The Receiver has protocols in place to ensure none of the contested Receivership Assets are sold without the Relief Defendants' consent or further Order of the Court.

On August 31, 2022, the Court entered a Final Judgment as to Lalaine Ledford that disgorged certain personal property and authorized the Receiver to sell it. *See* Dkt. No. 658. The

Receiver has provided notice of the sale of certain personal property pursuant to the Heritage Order and will provide notice of the sale of remaining personal property pursuant to the Heritage Order. *See* Dkt. Nos. 680 & 681. The judgment also ordered the return of certain personal property to Lalaine Ledford, which the Receiver returned after the Applicable Period.

On November 15, 2022, the Court conducted a hearing on Amanda Merrill's Motion for Determination of Burden of Proof Regarding (1) SEC's and Receiver's Ongoing Seizure of Relief Defendant's Property and (2) Merits Determination of Relief Defendants' Legitimate Claims and Ownership Interests in Seized Property (Dkt. No. 460) and related pleadings related to Amanda Merrill's claims to personal property. *See* Dkt. Nos. 460, 466, 467, 588, 598, 606, 615, 618, 621, and 677. Following the hearing, the Court entered an Order directing the Receiver to return Amanda Merrill's clothing that had been determined to have no net value to the Receivership Estate, and the Receiver returned these items during the Applicable Period. *See* Dkt. No. 685. The Court further Ordered the Receiver to allow Mrs. Merrill to inspect and tag all remaining personal property to which she asserted a claim on or before January 17, 2023, and set a briefing schedule regarding the source of funds to purchase the claimed personal property. *See* Dkt. Nos. 685, 713, & 719. The Court's Order granted the Receiver immediate authority to sell all items not tagged by Amanda Merrill during her inspection. *See* Dkt. No. 685. The inspection and tagging of personal property claimed by Amanda Merrill occurred after the Applicable Period and will be detailed in the Receiver's next quarterly status report.

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"), and tax accountant, BDO, USA, LLP ("BDO"). On December 1, 2022, the Receiver and his counsel each

filed fee applications for the period between July 1, 2022 and September 30, 2022 (Dkt. Nos. 692 & 693) (the “Sixteenth Fee Applications”), which were granted by the Court on December 19, 2022. See Dkt. Nos. 705 & 706.

Through the Sixteenth Fee Applications, the Receiver’s fees total \$2,573,973.75 and costs total \$86,967.29, and Husch Blackwell’s fees total \$2,785,209.58 and its costs total \$229,863.95. 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 Sixteenth Fee Applications total \$9,680,782.37, which is 10.21% of the \$94,848,655.80 recovered through December 31, 2022 and 14.83% of the \$65,271,282.84 in (i) distributions to claimants and (ii) remaining available cash on hand as of December 31, 2022.

Below is a detailed summary of all fee applications for the Receiver and his team, including the total fees and expenses incurred during each period and on a daily basis during each period, along with the date each prior fee application was approved by the Court. As detailed below, Receiver’s fees have declined by approximately 96% on a per day basis from the first fee application to the Sixteenth Fee Application.

1st	9/13/18-10/31/18	70	\$	357,908.89	\$	7,304.26	6/7/2019	151
2nd	11/1/18-12/31/18	118	\$	301,292.71	\$	4,939.22	6/7/2019	151
3rd	1/1/19-3/31/19	159	\$	405,380.62	\$	4,504.23	10/4/2019	220
4th	4/1/19-8/31/19	238	\$	447,644.74	\$	2,925.78	11/20/2019	243
5th	9/1/19-12/31/19	278	\$	263,152.31	\$	2,126.71	3/12/2020	284
6th	1/1/20-3/31/20	303	\$	210,272.09	\$	2,310.68	6/24/2020	314
7th	4/1/20-6/30/20	338	\$	191,503.08	\$	2,127.81	9/1/2020	344
8th	7/1/20-9/30/20	374	\$	129,818.38	\$	1,426.58	12/17/2020	386
9th	10/1/20-12/31/20	404	\$	70,651.78	\$	776.39	4/13/2021	422
10th	1/1/21-3/31/21	451	\$	57,165.12	\$	642.30	7/15/2021	462
11th	4/1/21-6/30/21	487	\$	67,034.92	\$	747.96	11/29/2021	507
12th	7/1/21-9/30/21	521	\$	36,357.47	\$	395.19	12/6/2021	527
13th	10/1/21-12/31/21	608	\$	36,598.13	\$	397.81	6/30/2022	641
14th	1/1/22-3/31/22	628	\$	33,314.68	\$	370.16	6/30/2022	638
15th	4/1/22-6/30/22	661	\$	25,459.98	\$	282.89	10/4/2022	670
16th	7/1/22-9/30/22	692	\$	27,377.14	\$	297.58	12/19/2022	705
Total			\$	2,660,932.04				

Below is a detailed summary of all fee applications for the Receiver's counsel, Husch Blackwell, including the total fees and expenses incurred during each period and on a daily basis during each period, along with the date each prior fee application was approved by the Court. As detailed below, Husch Blackwell's fees have declined by approximately 27% per day from the first fee application to the Sixteenth Fee Application.

Fee App. No.	Time Period	Dkt. No.	Fees and Expenses	Per Day	Approved On	Dkt. No.
1st	9/13/18-10/31/18	71	\$ 184,169.83	\$ 3,758.57	6/7/2019	151
2nd	11/1/18-12/31/18	119	\$ 254,017.68	\$ 3,885.64	6/7/2019	151
3rd	1/1/19-3/31/19	160	\$ 288,614.74	\$ 3,186.03	10/4/2019	220
4th	4/1/19-8/31/19	239	\$ 402,932.50	\$ 2,546.01	11/20/2019	244
5th	9/1/19-12/31/19	279	\$ 188,368.17	\$ 1,527.03	3/12/2020	285
6th	1/1/20-3/31/20	304	\$ 185,469.07	\$ 2,025.45	6/24/2020	315
7th	4/1/20-6/30/20	339	\$ 214,021.84	\$ 2,180.59	9/1/2020	345
8th	7/1/20-9/30/20	375	\$ 183,019.35	\$ 1,759.84	12/17/2020	387
9th	10/1/20-12/31/20	405	\$ 99,102.02	\$ 872.60	4/13/2021	423
10th	1/1/21-3/31/21	452	\$ 127,379.22	\$ 1,431.23	7/15/2021	463
11th	4/1/21-6/30/21	488	\$ 132,386.81	\$ 1,270.17	11/29/2021	508
12th	7/1/21-9/30/21	522	\$ 97,222.25	\$ 1,056.76	12/6/2021	528
13th	10/1/21-12/31/21	609	\$ 92,492.70	\$ 1,005.36	6/30/2022	642
14th	1/1/22-3/31/22	629	\$ 123,891.89	\$ 1,376.58	6/30/2022	639
15th	4/1/22-6/30/22	662	\$ 188,710.27	\$ 2,096.78	10/4/2022	669
16th	7/1/22-9/30/22	693	\$ 253,095.19	\$ 2,751.03	12/19/2022	706
Total			\$ 3,014,893.53			

At the end of the Applicable Period, the Receiver and his team had incurred approximately \$45,000.00 in unpaid fees and expenses for the three-month period ending December 31, 2022, while the Receiver's counsel has incurred approximately \$55,000.00 in unpaid fees and expenses for the same three-month period.

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 sought and obtained approval to retain BDO as tax accountant for the Receivership Estate to: (i) advise the Receiver on the tax liability of the Receivership Estate and the non-individual Receivership Parties; (ii) prepare and file state and federal tax returns on behalf of the Receivership Estate and the non-individual Receivership Parties; (iii) advise the Receiver on obtaining and maintaining the status of a taxable “Settlement Fund” within the meaning of Section 468B of the Internal Revenue Code for Receivership Funds; and (iv) advise the Receiver on other tax matters related to the administration of the Receivership Estate. See Dkt. Nos. 198 & 201. During the Applicable Period, the Receiver worked with BDO to prepare all required 2021 tax returns for filing on or before each applicable deadline. The Receiver will start working with BDO in January to start preparations for all required 2022 tax returns.

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.⁷ 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

⁷ 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>.

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.

As noted in the sixth quarterly status 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. *See* Dkt. No. 291. 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 served 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 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. Following resolution

of this process, there are 238 undisputed and allowed claims totaling \$166,022,249.69, and there are 36 disputed claims that are the subject of the Receiver's Omnibus Objection to Claims (Dkt. No. 503) (the "Claims Objections"). *See* Dkt. No. 503. The disputed claims include 8 Known Investor claims for a total amount of \$8,672,556.83 and 28 Other Creditor claims for a total amount of \$2,811,799.26. On November 15, 2022, the Court held a hearing and sustained the Receiver's Claims Objections. *See* Dkt. No. 686.

On November 17, 2021, the Receiver filed the Distribution Plan and proposed an interim distribution of \$50 million to claimants. The Receiver proposed the rising tide methodology for the Distribution Plan, which would raise the most injured investors from 100% losses to a 48.86% recovery. Additional interim and/or final distributions will increase the percentage recovery for those claimants most injured by the Defendants' Ponzi scheme. Four parties-in-interest filed objections to the Distribution Plan. *See* Dkt. Nos. 512, 558, 559, and 565. The Receiver filed replies in support of the proposed Distribution Plan to address the objections raised by certain claimants, and one claimant filed a surreply after obtaining leave of Court. *See* Dkt. Nos. 580, 584, 591, and 594. On November 15, 2022, the Court held a hearing on the Receiver's Distribution Plan and its four objections. The Court sustained one objection to the Distribution Plan for Claimant Iwona Howley and overruled the remaining three objections. *See* Dkt. Nos. 688 & 690.⁸

Following the hearing on November 15, 2022, the Court entered an Order approving the Receiver's Distribution Plan and authorizing an interim distribution to claimants in the amount of \$50 million. On December 13, 2022, the Receiver filed a Notice of Revised Distribution Schedule

⁸ Two claimants with overruled objections to the Distribution Plan have appealed the Court's ruling to the United States Court of Appeals for the Fourth Circuit. *See* Dkt. Nos. 698 & 704. The Receiver has set aside sufficient reserves to satisfy these claims in the event the Court's rulings are overturned on appeal.

for Receiver's First Interim Distribution, which updated the distribution schedule based on the Court's rulings on the Claims Objections and Distribution Plan and increased the rising tide recovery to 49.55%.⁹ After requesting Form W-9s from eligible claimants, on December 22, 2022 the Receiver's claims agent, Stretto, issued checks to 155 eligible claimants totaling \$49,479,813.80. Three additional claimants submitted Form W-9s and received distributions after the Applicable Period. Only five claimants have not submitted Form W-9s, and the Receiver continues to follow up with these claimants to issue their distributions. Further, two eligible claimants provided notice to the Receiver of their recovery of 100% of their principal investment from third-party sources and have agreed to reduce their claims to \$0.00, which will result in \$19,249.02 staying in the Receivership Estate for future distributions to eligible claimants.

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, the Claims Procedure, the Claims Objections, and the Distribution Plan.¹⁰

IX. CONCLUSION

Accordingly, the Receiver, Gregory S. Milligan, respectfully submits this Seventeenth Quarterly Status Report for the Court's consideration and, for the reasons stated in this Report, recommends the continuation of this Receivership Estate.

⁹ A copy of the Notice of Revised Distribution Schedule for Receiver's First Interim Distribution can be found on the Receiver's website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2022/12/NOTICE-OF-REVISED-DISTRIBUTION-SCHEDULE-12.19.22.pdf>.

¹⁰ 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/>.

Respectfully submitted,

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CERTIFICATE OF SERVICE

On January 30, 2023, 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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