

**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 TWENTY-FIFTH QUARTERLY STATUS
REPORT FOR THE PERIOD BETWEEN OCTOBER 1, 2024 AND DECEMBER 31, 2024**

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Receiver Gregory S. Milligan (the “Receiver”) respectfully submits this Twenty-Fifth Quarterly Status Report for the Period Between October 1, 2024 and December 31, 2024 (the “Report”) in accordance with the Third Amended Order Appointing Temporary Receiver dated October 4, 2023 (Dkt. No. 769) (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 (the “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, 2024 and December 31, 2024 (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/2023-10-04-769-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.

During the Applicable Period and as discussed in more detail below, the Court approved and authorized the Receiver's second interim distribution of \$20 million pursuant to the approved Distribution Plan. Stretto began sending second interim distributions to eligible claimants in December 2024.

Entry of the Third Amended Order Appointing Temporary Receiver on October 4, 2023 lifted the injunction prohibiting clawback litigation against recipients and authorized the Receiver to pursue claims against Net Winners (defined and discussed below). On October 4, 2023, the Receiver filed an action in this Court against more than fifty (50) Net Winners who did not voluntarily return their Net Winnings to the Receiver.³ During the Applicable Period, the Receiver continued to serve Net Winner defendants in the Clawback Action (defined and discussed below) and filed Rule 12(b)(1) and (6) Motions to Dismiss in response to counterclaims that were brought by certain Net Winner defendants.

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, the Court-approved claims procedure and distribution plan, and other matters related to the case.

³ A copy of Receiver Gregory S. Milligan's Original Complaint Against Certain Net Winners is available on the Receiver's website at: <https://merrill-ledford.com/wp-content/uploads/2023/10/1.pdf>.

A. Summary of Assets

The Receiver continued the process of assuming control and management of all property of the Receivership Estate during the Applicable Period.

1. Cash

As of December 31, 2024, the Receivership Estate had approximately \$17.9 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 decreased by approximately \$5.5 million due to payments to claimants pursuant to the approved second interim distribution.⁴ The Receiver anticipates that cash on hand will decrease during the next applicable period due to negotiation of payments from the second interim distributions to eligible claimants.

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

All real property held by the Receivership Estate has been liquidated as detailed in the Prior Reports.

4. Clawbacks

The Receivership holds 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

⁴ The Receiver is filing a Standardized Fund Accounting Report contemporaneously with the filing of this Report, which contains a more detailed accounting of Receivership Estate funds during the Applicable Period.

Clawbacks include 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. As detailed in the Prior Reports, the Receiver was able to resolve numerous potential claims against Net Winners for their voluntary return of Net Winnings to the Receivership Estate. On October 4, 2023, the Court granted the Receiver’s motion and entered the third amended Receivership Order authorizing the Receiver to pursue claims against the Net Winners. *See* Dkt. No. 769 at ¶ 38. On October 4, 2023, the Receiver filed suit against the Net Winners in Case No. 23-cv-02691-BAH, in the United States District Court for the District of Maryland (the “Clawback Action”).⁵ Two defendant groups filed counterclaims against the Receiver, and the Receiver filed Rule 12(b)(1) and (6) Motions to Dismiss as to each of the counterclaims.

B. Distributions

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 \$70 million and \$80 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.

C. 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

⁵ A copy of the Complaint in the Clawback Action can be found on the Receiver’s website for this SEC Action at: <https://merrill-ledford.com/wp-content/uploads/2023/10/1.pdf>.

in the Initial Preservation Plan (Dkt. No. 54) (the “Preservation Plan”)⁶ 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. Remaining Property

The Receiver has diligently pursued the voluntary turnover of the fictitious profits that were paid to Net Winners in the Ponzi scheme. The Receiver has recovered approximately \$11.8 million from 58 net winners who voluntarily returned their net winnings. There are 21 Net Winner groups totaling 40 individuals who have not voluntarily returned a total of \$10.9 million in net winnings. On October 4, 2023, the Receiver filed the Clawback Action and is in the process of prosecuting the Clawback Action for a recovery of the remaining Net Winnings. *See* Case No. 23-cv-02691-BAH. The Receiver anticipates future reports will have additional information regarding the status of litigation in the Clawback Action.

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.

⁶ 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>.

IV. UNRESOLVED CLAIMS AGAINST RECEIVERSHIP PROPERTY

There are no unresolved claims against Receivership property following entry of Final Judgments as to the Relief Defendants. *See* Dkt. Nos. 658 & 744.

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 November 27, 2024, the Receiver and his counsel each filed fee applications for the period between October 1, 2023 and September 30, 2024 (Dkt. Nos. 802 & 803) (the “Nineteenth Fee Applications”), which were approved by the Court on December 2, 2024. *See* Dkt. Nos. 808 & 809.

Through the Nineteenth Fee Applications, the Receiver’s fees total \$2,703,225.00 and costs total \$90,971.38, and Husch Blackwell’s fees total \$3,361,535.59 and its costs total \$297,325.69. 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 Eighteenth Fee Applications total \$10,528,464.71, which is 10.17% of the \$103,755,285.87 recovered through December 31, 2024 and 14.37% of the \$73,261,591.41 in (i) distributions to claimants and (ii) remaining available cash on hand as of December 31, 2024.

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 99% on a per day basis from the first fee application to the Nineteenth 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	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
17th	10/1/22-3/31/23	749	\$ 73,161.13	\$ 401.98	8/14/2023	760
18th	4/1/23-9/30/23	774	\$ 25,687.50	\$ 141.14	12/5/2023	780
19th	10/1/23-9/30/24	-	\$ 34,406.72	\$ 94.26	-	-
Total			\$ 2,794,187.39			

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 86% per day from the first fee application to the Nineteenth 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
17th	10/1/22-3/31/23	750	\$ 210,332.23	\$ 1,155.67	8/14/2023	761
18th	4/1/23-9/30/23	775	\$ 250,922.92	\$ 1,378.70	12/5/2023	781
19th	10/1/24-9/30/24	-	\$ 182,532.60	\$ 500.09	-	-
Total			\$ 3,658,681.28			

At the end of the Applicable Period, the Receiver and his team had incurred approximately \$10,000.00 in unpaid fees and expenses from the Nineteenth Fee Application through the end of the Applicable Period, while the Receiver's counsel has incurred approximately \$5,000.00 in unpaid fees and expenses during the same time frame.

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. The Receiver has worked with BDO to prepare and file all required tax returns on or before each applicable deadline through the end of the Applicable Period. The Receiver will continue working with BDO to ensure all taxes are timely paid and required tax returns are timely filed.

VII. CLAIMS DETERMINATION AND DISTRIBUTION PROCESS

The Receiver incorporates by reference the summary provided in the Prior Reports with respect to the claims determination and distribution process. A copy of the Opinion affirming the Distribution Plan is available on the Receiver's website at: <https://merrill-ledford.com/wp-content/uploads/2024/08/2024-08-06-796-2-Opinion.pdf>.

On November 7, 2024, the Receiver filed a motion and proposed a second interim distribution of \$20 million to claimants, which the Court approved on December 2, 2024. *See* Dkt. Nos. 801 & 807. Second interim distributions to eligible claimants were sent during the Applicable Period.

VIII. CONCLUSION

Accordingly, the Receiver, Gregory S. Milligan, respectfully submits this Twenty-Fifth 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/ Jameson J. Watts

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CERTIFICATE OF SERVICE

On January 30, 2025, 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.

/s/ Jameson J. Watts

Jameson J. Watts