

NEWS RELEASES

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Husch Blackwell Represents Receiver in \$50 Million Initial Distribution for Merrill Ponzi Victims

THE DISTRIBUTION REPRESENTS A KEY MILESTONE IN ONE OF THE LARGEST SECURITIES FRAUD RECOVERY PROJECTS IN U.S. HISTORY.

The receivership estate in a massive \$400 million investment fraud is poised to return \$50 million to victims of the scheme. The distribution plan was approved by the U.S. District Court for the District of Maryland on November 15, 2022, and an interim distribution is being made prior to the new year.

Husch Blackwell represented Gregory S. Milligan of Harney Partners, a Chicago, Illinois and Austin, Texas-based corporate advisory firm, in his role as the Court-appointed Receiver in one of the largest securities fraud recovery projects in U.S. history following the successful prosecution of defendants Kevin B. Merrill, Jay B. Ledford, and Cameron R. Jezierski by the U.S. government. From 2013 to 2018, Merrill, his co-conspirators, and their affiliated entities took in more than \$394 million from more than 230 individual investors to purportedly purchase consumer debt portfolios. They returned some \$248 million to investors, churning the monies in Ponzi-like fashion while claiming the returns were the result of debt portfolio collections and sales. The majority of investors—at least 160—lost 50 percent or more of their principal investment with 74 investors losing 100 percent of their investment.

The recovery of the stolen money began in earnest on September 13, 2018, when Harney Partners Executive Vice President Gregory S. Milligan was appointed Receiver by the U.S. District Court at the request of the Securities and Exchange Commission.

“Typically, in a Ponzi situation there is very little or nothing to recover. The money is simply gone,” said Milligan. “Fortunately for the victims here, the perpetrators were fond of luxury goods—including 11 real estate assets, 34 vehicles, and an interest in an aircraft, fine art, watches, and other jewelry—that formed the basis of a massive recovery operation. The varied skill sets—including investigative, forensics, transactional and litigation—and the deep pool of resources brought to bear by Husch Blackwell were integral to the recovery and made for a very smooth, efficient process.”

In support of the recovery, the Husch Blackwell team, led by partners Lynn Butler, Buffey Klein, and Jameson Watts, organized and operated the claims process involving nearly 300 claims, handled the legal complexities of marketing and liquidating the receivership estate’s assets, pursued litigation—some of which is ongoing—against third parties, and developed the distribution plan for the recovered assets.

“This matter allowed our firm to really flex its muscles due to the breadth and depth of skill required to pursue such a large recovery across multiple asset classes and in dealing with numerous corporate entities,” said Butler. “This was the largest such recovery we have handled, and I couldn’t be prouder of the way our team responded across all areas of practice, including bankruptcy, litigation and corporate, and I’m pleased that all of this work yielded a significant recovery for the victims.”

By some accounts, the investment fraud perpetrated by Merrill and his co-conspirators places among the largest 20 such schemes in U.S. history. Recovery estimates vary, but a typical recovery in the Ponzi setting rarely exceeds 30 percent. The Husch Blackwell-led process has allowed Milligan in his role as receiver to return nearly 50 percent of the victims’ invested capital.

The Husch Blackwell team was led by Butler, Klein, and Watts and included attorneys Ryan Burgett, Amber Fly, Lauren Hayes, Dieter Juedes, Leanne O’Donnell, Sammy Rajaratnam, and Brian Waagner.