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FRONT MAN PLEADS GUILTY TO \$550 MILLION PONZI SCHEME—ONE OF THE LARGEST EVER CHARGED IN MARYLAND

Kevin Merrill Also Admits to Obstructing Justice After his Arrest; SEC Has Related Civil Action

Baltimore, Maryland – Kevin B. Merrill, age 53, of Towson, Maryland, pleaded guilty today to conspiracy and wire fraud arising from a \$550 million investment fraud scheme that operated from 2013 through September 2018. Co-defendant Cameron R. Jezierski, age 28, of Fort Worth, Texas, previously pleaded guilty to his role in the scheme. The U.S. Securities and Exchange Commission (SEC) has filed a parallel civil complaint in this matter.

The guilty plea was announced by United States Attorney for the District of Maryland Robert K. Hur; Acting Special Agent in Charge Jennifer L. Moore of the Federal Bureau of Investigation, Baltimore Field Office; and Special Agent in Charge Robert W. Manchak of the Federal Housing Finance Agency, Office of Inspector General.

“Federal prosecutors, FBI agents, and our SEC partners together interrupted an ongoing fraud scheme, with the potential to victimize even more people. Kevin Merrill lured investors through an elaborate web of lies, duping them into paying millions of dollars into this Ponzi scheme,” said U.S. Attorney Robert K. Hur. “The effects of this kind of fraud can be devastating. As a result of this scheme, a number of victims have lost their life savings.”

According to his plea agreement, beginning in January 2013, Merrill and his co-conspirators perpetrated a Ponzi scheme to defraud investors of more than \$394 million. Specifically, Merrill and a co-conspirator invited investors to join them in purchasing consumer debt portfolios. “Consumer debt portfolios” are defaulted consumer debts to banks/credit card issuers, student loan lenders, and car/truck financiers which are sold in batches called “portfolios” to third parties that attempt to collect on the debts. Merrill, using the names of collection businesses he owned, including Delmarva Capital and Global Credit Recovery, among others, falsely represented to investors that he would use the investors’ money to buy consumer debt portfolios and make money for them by (1) collecting the payments that people made on their debts or (2) selling the portfolios for a profit to other third-party debt buyers, in a practice called “flipping.” According to the related complaint in the civil action filed by the SEC, the victim investors included small business owners, restaurateurs, construction contractors, retirees, doctors, lawyers, accountants, bankers, talent agents, professional athletes, and financial advisors, located in Maryland, Washington, D.C., Northern Virginia, Denver, Texas, Chicago, New York, and elsewhere. As detailed in the plea agreement, Merrill admitted that the scheme caused financial hardship to at least five victims, and Merrill knew that at least one of those was a vulnerable victim.

At today's hearing, Merrill admitted that to induce investors to participate, he and his co-conspirators falsely represented who they were buying the debt portfolios from and how much they were paying for the portfolios, whether they were investing their own funds, and their track record of success. According to the plea agreement, sometimes there was no underlying debt portfolio purchased with the investors' money. To conceal the truth, Merrill, Jezierski, and others created imposter companies with names similar to actual consumer debt sellers or brokers and opened bank accounts in the names of those imposter companies. In addition, to lend credibility to the transactions, the defendants created false portfolio overviews, sales agreements which used the names and forged signatures of actual employees of the sellers, created false collections reports, and falsified bank statements and merchant account reports.

Further, Merrill admitted that he falsely represented that the monies the conspirators paid to investors were "proceeds" from collections and/or flipping debt portfolios, when in fact, the proceeds were paid from funds provided by other investors. Merrill provided monthly or quarterly reports to investors regarding the "purported progress of the portfolio and its recovery," which he invented. Merrill used the proceeds of the scheme to purchase and/or renovate five high-end homes in Maryland and Florida, gamble at casinos, purchase luxury automobiles, jewelry, artwork, collectibles such as comic books and sports memorabilia, and a share in a jet plane, and support a lavish lifestyle.

Finally, Merrill admitted that while the scheme was ongoing, he met with the FBI, lied to the investigating agents, and provided false documents to the FBI. As detailed in his plea agreement, after his arrest, Merrill attempted to obstruct justice by causing his wife to remove assets from their Naples, Florida home on October 13, 2018, and by preparing a handwritten note instructing his wife to conceal assets from the court-appointed receiver, which he intended to hold up to the glass in the detention center on December 5, 2018, when his wife visited. These actions violated the restraining order with which Merrill was served in the criminal case, and the preliminary injunction ordered by the Court in the SEC's civil action.

As part of his plea agreement, Merrill is required to pay restitution in the full amount of the victims' losses and to forfeit property acquired with the proceeds of the offenses. The SEC has appointed a receiver to marshal the assets for the benefit of the victims.

Merrill faces a maximum of 40 years in prison for the wire fraud conspiracy and for wire fraud, as well as a possible fine of \$500,000, or twice the gross gain. U.S. District Judge Richard D. Bennett has scheduled sentencing for Merrill on September 19, 2019, at 9:30 a.m., and for Jezierski on August 12, 2019 at 3:00 p.m. Co-defendant Jay B. Ledford, age 55, of Westlake, Texas and Las Vegas, Nevada, is scheduled for a arraignment on June 6, 2019, at 10:00 a.m. Kevin Merrill's wife, Amanda Merrill, age 30 of Towson, Maryland, is charged with conspiracy to obstruct justice. No court appearance is currently scheduled for Amanda Merrill. Kevin Merrill and Ledford have been detained since their arrest on September 18, 2018, and Amanda Merrill and Cameron Jezierski are released under the supervision of U.S. Pretrial Services.

United States Attorney Robert K. Hur commended the FBI in Baltimore, Dallas, Las Vegas and Tampa; the Federal Housing Finance Agency, Office of the Inspector General; and the SEC for their work in this investigation. Mr. Hur thanked Assistant U.S. Attorneys Joyce K. McDonald and Martin J. Clarke, who are prosecuting the criminal case.

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