

**RECEIVER’S RESPONSE TO LETTERS OF INVESTORS SUBMITTED TO COURT
[ECF NO. 349]**

Deborah D. Williamson, in her capacity as the Court-appointed Receiver (the “Receiver”) for the Receivership Parties (as defined in the Receivership Order) and receivership estates (collectively, the “Estates”) in the above-captioned case (the “Case” or the “Receivership”), hereby files this *Receiver’s Response to Letters of Investors Submitted to Court [ECF No. 349]* (the “Response”), pursuant to this Court’s *Order Appointing Receiver* [ECF No. 17] (the “Receivership Order”)¹, in response to various undated letters from investors to the Court [ECF No. 349] (collectively, the “Investor Letters”), which were filed on the docket in this Case by the Clerk’s Office of the United States District Court for the Northern District of Texas on April 14, 2023. The Receiver respectfully submits to the Court and responds to the Investor Letters as follows:

RESPONSE

The Receiver filed *Receiver’s Sixth Quarterly Report for Receivership Estates (January 1, 2023 – March 31, 2023)* [ECF No. 350] (the “Quarterly Report”), which addresses many of the questions asked in the Investor Letters. The Receiver incorporates the Quarterly Report herein by reference.

As a global note to the Investor Letters, the Receiver and her team have a list of over 28 pages of contacts with investors. From that list, they located only two (2) investors who sent the Investor Letters that have previously reached out to the Receiver or the Receiver’s lead counsel, Dykema Gossett PLLC, since the Receiver’s appointment on December 2, 2021. Both investors that have reached out to the Receiver and/or the Receiver’s lead counsel have each promptly

¹ Capitalized terms used herein but not otherwise defined shall have the meaning ascribed in the Receivership Order or the Quarterly Report (as defined herein), as applicable.

received email and/or telephone responses. Additionally, the Receiver notes that one (1) financial advisor mailed the Investor Letters to the Court.

The Receiver responds to each of the questions or comments in the Investor Letters as numbered below.

1. When will K-1s be mailed and sent out? This is a requirement and they are past due. Although there were no distributions in 2022 to investors on the equity side, there were expenses. So equity investors should be getting a K1. We received no message at all about this to date, they were due by 03/15/2023. Will they be issued and when?

RESPONSE:

As mentioned in the Quarterly Report at paragraph 13, Ahuja & Clark, PLLC (“A&C”) timely filed, on behalf of the Receiver, extensions for all federal income tax returns for 2022, and federal income tax returns for 2022 are being prepared by A&C for the Receivership Parties that have an obligation to file. The Receiver anticipates that the federal income tax returns for 2022 will be filed before May 2023, which is nearly four months prior to the extended deadline of September 15, 2023. The Receiver anticipates that equity investors in Receivership Party Heartland Drilling Fund I LP and Receivership Party Carson Oil Field Development Fund II LP will be mailed K-1’s to the equity investor’s mailing address on file on or before May 15, 2023. As in 2022, if an equity investor does not receive a K-1 package in the mail on or around June 2023, such equity investor should contact heartlandreceivership@dykema.com so that the Receiver’s team can follow up.

2. We'd like to see a high-level accounting – what are the big assets that still need to be sold and what is the appraised value?

RESPONSE:

As detailed in the Quarterly Report, the Receiver continues to market for sale the Eldorado ranch, located in Eldorado, Schleicher County, Texas, and the Electra office and yard located in Electra, Wichita County, Texas, both of which are owned by Receivership Party Dallas Resources Inc. For each piece of real property, the Receiver has obtained three (3) appraisals. As with the other real property sold by the Receiver, the appraised values of the property may be higher or lower than the ultimate sales price. Disclosure of the range of appraised values do not aid in the sales process or in attempts to obtain the highest and best price given the circumstances that exist at that time.

3. How much money is currently in Escrow?

RESPONSE:

At the beginning of the first quarter of 2023, the Receiver had \$10,009,033.15 on deposit in the Receivership bank accounts. At the end of the first quarter of 2023, after payments of operating expenses and Court-approved fees and expenses, the amount on deposit was \$9,582,719.57 in the Receivership bank accounts. As of the date of filing of the Quarterly Report (April 14, 2023), \$9,256,947.31 was in the Receivership bank accounts. Additionally, attached as Exhibit A to the Quarterly Report is a detail of the Receivership Estates' receipts and disbursements for the first quarter of 2023.

4. What is the total liability for all investors on the Debt side?

RESPONSE:

The Receiver and her Retained Personnel continue to analyze the books and records of the Receivership Parties and verify investment information for Heartland-related debt fund investors. As this Court is aware, liabilities of the Receivership Estates are not limited to Heartland-related investment liabilities and include potential governmental and other claims.

5. What is the total liability for all investors on the Equity side?

RESPONSE:

The Receiver and her Retained Personnel continue to analyze the books and records of the Receivership Parties and verify investment information for Heartland-related equity fund investors. As this Court is aware, liabilities of the Receivership Estates are not limited to Heartland-related investment liabilities and include potential governmental and other claims.

6. How will distributions be calculated? Will “Debt-side” asset proceeds go to Debt-side investors and “Equity-side” asset proceeds go to Equity investors?

RESPONSE:

Investors will receive notice of any proposed claims and disbursement process.

7. What about common assets?

RESPONSE:

Each Receivership Party constitutes its own Receivership Estate. The Receiver is not aware of “common assets”.

8. Will investors only receive proceeds from the sale of assets into which they specifically invested, or will assets be pooled?

RESPONSE:

Investors will receive notice of any proposed claims and disbursement process.

9. When will there be at least a partial distribution? The Receiver has been getting paid regularly, yet investors have not received anything, nor has any schedule of planned payments been published. Many investors have RMDs that are due and no liquid funds with which to make them. Even a partial distribution would alleviate some of the hardship.

RESPONSE:

The Court has not approved any disbursements to creditors, stake holders, or investors to date. The Receiver and her Retained Personnel file quarterly fee applications in accordance with the provisions of the Receivership Order.

10. We heard a third party company has been drilling at the Carson site since October, but there has been no mention of it in the progress reports for 6 months. What is the status of that project?

RESPONSE:

As discussed in the Quarterly Report, the Court approved the Receiver's modified agreement with SDMB Resources LLC ("SDMB"), as farmee, on December 22, 2022, with respect to the Val Verde Basin lease and farmout agreement. SDMB informed the Receiver that it obtained insurance in January 2023 and that it is in the process of satisfying the terms of the lease extension with the respective landowner groups. The Receiver has not received any revenue or payments

from SDMB to date. Heartland-related equity investors do not possess a working interest or overriding royalty interest in the Val Verde and Crockett County, Texas leases subject to the farmout agreement. Thus, Heartland-related equity investors are not entitled to any royalty payments under the farmout agreement or any other agreement.

The Receiver continuously updates the Receivership website (heartlandreceivership.com) with key court documents, notices, and reports, all of which are accessible at no cost. The Receiver will continue to timely respond to inquiries of creditors, investors, and other stakeholders.

Dated: April 21, 2023

Respectfully submitted,

By: /s/ Danielle Rushing Behrends

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COUNSEL TO RECEIVER

CERTIFICATE OF SERVICE

I hereby certify that on April 21, 2023, the foregoing was served via CM/ECF and via first class U.S. mail on the following:

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