

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION**

**UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,**

Plaintiff,

v.

**THE HEARTLAND GROUP VENTURES, LLC;
HEARTLAND PRODUCTION AND RECOVERY
LLC; HEARTLAND PRODUCTION AND
RECOVERY FUND LLC; HEARTLAND
PRODUCTION AND RECOVERY FUND II LLC;
THE HEARTLAND GROUP FUND III, LLC;
HEARTLAND DRILLING FUND I, LP; CARSON
OIL FIELD DEVELOPMENT FUND II, LP;
ALTERNATIVE OFFICE SOLUTIONS, LLC;
ARCOOIL CORP.; BARRON PETROLEUM
LLC; JAMES IKEY; JOHN MURATORE;
THOMAS BRAD PEARSEY; MANJIT SINGH
(AKA ROGER) SAHOTA; and RUSTIN
BRUNSON,**

**Defendants,
and**

**DODSON PRAIRIE OIL & GAS LLC; PANTHER
CITY ENERGY LLC; MURATORE FINANCIAL
SERVICES, INC.; BRIDY IKEY; ENCYEPHER
BASTION, LLC; IGROUP ENTERPRISES LLC;
HARPRIT SAHOTA; MONROSE SAHOTA;
SUNNY SAHOTA; BARRON ENERGY
CORPORATION; DALLAS RESOURCES INC.;
LEADING EDGE ENERGY, LLC; SAHOTA
CAPITAL LLC; and 1178137 B.C. LTD.,**

Relief Defendants.

No. 4-21CV-1310-O-BP

**DECLARATION OF DEBORAH D. WILLIAMSON, RECEIVER, FOR HEARING
ON APRIL 25, 2024 AT 2:00 P.M. CENTRAL**

I, Deborah D. Williamson, in my capacity as the Court-appointed Receiver (the “Receiver”) over the Receivership Parties (as defined in this Court’s December 2, 2021 *Order Appointing Receiver* [ECF No. 17] (the “Receivership Order”), files this *Declaration Under Penalty of Perjury* in support of Receiver’s *Motion (I) to Approve Proposed Settlement with Former Counsel to Certain Heartland-Related Receivership Parties, (II) To Enter a Bar Order, and (III) To Approve Payment of Fees and Expenses of Reid Collins & Tsai LLP, Litigation Counsel to Receiver* [ECF No. 464] (the “Motion”).¹

The issues before the Court are:

A. As Receiver of the Receivership Parties,² I seek approval of the Settlement Agreement—attached as **Exhibit 1** hereto (and attached as Exhibit A to the Motion)—between the Receiver and Locke Lord LLP (“Locke”), which served as counsel to certain of the Heartland-Related Receivership Parties.³ In broad terms, the Settlement Agreement requires Locke to pay the Receiver \$12,500,000.00 (the “Settlement Amount”) in exchange for a mutual release of claims subject to the Court’s approval of the Settlement and entry of a bar order enjoining certain claims against Locke.

¹ Capitalized terms used but not otherwise defined herein shall have the meaning ascribed in the Receivership Order, the Motion, or the Settlement Agreement, as applicable.

² The “Receivership Parties” are: The Heartland Group Ventures, LLC; Heartland Production and Recovery LLC; Heartland Production and Recovery Fund LLC; Heartland Production and Recovery Fund II LLC; The Heartland Group Fund III, LLC; Heartland Drilling Fund I, LP; Carson Oil Field Development Fund II, LP; Alternative Office Solutions, LLC; Arcooil Corp.; Barron Petroleum LLC; Dodson Prairie Oil & Gas LLC; Panther City Energy LLC; Encypher Bastion, LLC; Barron Energy Corporation; Dallas Resources Inc.; Leading Edge Energy, LLC; Sahota Capital LLC; and 1178137 B.C. LTD.

³ As used herein, the term “Heartland-Related Receivership Parties” refers to the subset of the Receivership Parties that are Heartland entities. The Heartland-Related Receivership Parties are: The Heartland Group Ventures, LLC; Heartland Production and Recovery LLC; Heartland Production and Recovery Fund LLC; Heartland Production and Recovery Fund II LLC; The Heartland Group Fund III, LLC; Heartland Drilling Fund I, LP; and Carson Oil Field Development Fund II, LP.

B. Relatedly, I also request the entry of a bar order that permanently bars the Receiver, the Receivership Parties, the Heartland Investors, the creditors of any Heartland-Related Receivership Party, and the Non-Receivership-Party Defendants and Relief Defendants from asserting Settled Claims (as defined in the Settlement Agreement) against Locke and other related parties. Locke and its insurers expressly conditioned the Settlement Agreement—and their willingness to pay the Settlement Amount—on the entry of such an order.

C. Further, if the Settlement Agreement is approved, I request that the Court approve that the Net Settlement Proceeds—*i.e.*, the Settlement Amount, less certain legal fees and expenses to be “earmarked” for the sole benefit of Heartland Investors in any interim and/or final distribution approved by the Court. As such, I would receive the Net Settlement Proceeds on behalf of the Heartland Investors for distribution to those investors to reduce their alleged damages for the destruction to the value of their respective invested capital in one or more of the Heartland-Related Receivership Parties.

D. Finally, I seek approval for Reid Collins & Tsai LLP (“RCT”), the law firm that worked to obtain this Settlement, to be paid pursuant to the terms agreed to in RCT’s Letter of Engagement (previously attached to the RCT Employment Application as Exhibit C) that the Court previously approved in the RCT Employment Order. I find the fee to be fair and reasonable based on the work performed by RCT and the favorable result achieved.

My Appointment as Receiver and Retention of Litigation Counsel

1. On December 2, 2021, this Court entered the Receivership Order, appointing me as Receiver over the Receivership Estates in this Case. The Court determined that the appointment of a receiver was necessary and appropriate to marshal, conserve, hold, and operate all of the Receivership Parties’ assets pending further order of the Court.

2. The Receivership Order expressly authorized, empowered, and directed me, as

Receiver, to investigate, prosecute, and compromise claims for the benefit of the Receivership Estate:

Subject to the requirement, in Section VIII above, that leave of this Court is required to resume or commence certain litigation, ***the Receiver is authorized, empowered, and directed to investigate, prosecute,*** defend, intervene in or otherwise participate in, ***compromise, and/or adjust actions in any state, federal or foreign court or proceeding of any kind as may in the Receiver’s discretion, and in consultation with SEC counsel, be advisable or proper to recover and/or conserve Receivership Property.***

Subject to the Receiver’s obligation to expend receivership funds in a reasonable and cost-effective manner, ***the Receiver is authorized, empowered and directed to investigate the manner in which the financial and business affairs of the Receivership Parties were conducted and (after obtaining leave of this Court) to institute such actions and legal proceedings, for the benefit and on behalf of the Receivership Estate, as the Receiver deems necessary and appropriate; the Receiver may seek,*** among other legal and equitable relief, the imposition of constructive trusts, disgorgement of profits, asset turnover, avoidance of fraudulent transfers, rescission and restitution, collection of debts, and ***such other relief from this Court as may be necessary to enforce this Order. . . .***

Receivership Order ¶¶ 45–46 (emphasis added); *see also* Receivership Order ¶ 8(L).

3. Additionally, the Receivership Order authorized me, as Receiver, to “engage and employ persons in the Receiver’s discretion to assist the Receiver in carrying out the Receiver’s duties and responsibilities.” Receivership Order ¶ 8(H).

4. After my appointment as Receiver, I began investigating and evaluating potential claims, including potential claims against former professionals of the Receivership Parties. To aid in my duties, I considered retaining outside litigation counsel with expertise in pursuing such claims.

5. In April 2022, I reached out to William T. Reid, IV, of the law firm RCT, to explore whether the Receivership Estates could benefit from RCT’s assistance as litigation counsel. RCT has significant experience prosecuting complex financial litigation, and particular experience handling such claims against professionals in receivership and bankruptcy trustee contexts. RCT routinely handles claims against professionals for legal malpractice, breach of fiduciary duty,

aiding and abetting breach of fiduciary duty, and aiding and abetting fraud.

6. After RCT signed a non-disclosure agreement, it began reviewing documents and background materials to assist in evaluating certain potential claims and in determining whether a further engagement made sense.

7. After working with RCT over a number of months during that initial investigation, I determined that engaging RCT would aid me in carrying out my Receivership duties, would be the most efficient and cost-effective decision, and would be in the best interests of the Receivership Estates.

8. On August 23, 2022, I filed the *Application to Employ Reid Collins & Tsai LLP as Litigation Counsel to Receiver Effective as of August 18, 2022* [ECF No. 249] (the “RCT Employment Application”), seeking Court approval to employ RCT as litigation counsel to investigate and pursue potential claims of the Receivership Estates against former professionals of the Receivership Parties.

9. The RCT Employment Application described the firm’s qualifications and disinterestedness, as well as the terms of its compensation and reimbursement. I sought approval to pay RCT on a contingency fee basis, where RCT would be compensated 25% of gross recoveries obtained on any claims prior to filing of a complaint (the “RCT Proposed Compensation Terms”).

10. On September 8, 2022, the Court entered an Order [ECF No. 260] (the “RCT Employment Order”) approving the RCT Employment Application and the RCT Proposed Compensation Terms subject to submission of a revised engagement letter.

11. In accordance with the RCT Employment Order, I filed the *Notice of Filing of Amendment to Letter of Engagement Between Receiver and Reid Collins & Tsai LLP* [ECF No. 261] on September 9, 2022. The amendment to RCT’s Letter of Engagement clarified that my obligation to advance RCT for its expenses was capped at \$100,000.

RCT's Investigation of Potential Claims Against Locke

12. After the RCT Employment Order was entered, RCT commenced an in-depth investigation into potential claims of the Heartland-Related Receivership Parties against their former professionals. RCT reviewed voluminous documents, emails, and other records. Generally, RCT carefully reviewed the evidence submitted by Plaintiff, United States Securities and Exchange Commission (the "Commission") referenced in the complaint filed in this Case. RCT also reviewed transcripts, interviews, and thousands of emails and other documents obtained by the Receiver regarding the Heartland-Related Receivership Parties.

13. One potential target RCT identified was Locke, an international AmLaw 100 law firm that represented one or more Heartland-Related Receivership Parties in one or more matters from February 2020 through commencement of this Case. To evaluate claims against Locke, RCT thoroughly reviewed the client files and other documents produced to the Receiver by Locke related to its representation of certain of the Heartland-Related Receivership Parties. Further, RCT thoroughly researched case law in developing its legal theories and damage models for the Receiver's potential claims against Locke.

14. As a result of RCT's investigation and research, I determined that I had a viable claim for legal malpractice against Locke as counsel to certain of the Heartland-Related Receivership Parties. Specifically, I had a good-faith basis to allege that Locke and its attorneys knew or should have known that the Heartland-Related Receivership Parties were violating securities laws, were not in compliance with Commission regulations, failed to make all required disclosures, and were using investor funds to make improper payments, including interest payments to prior investors with new investor funds, undisclosed payments to insiders, and commissions to unlicensed sales representatives. Despite this knowledge, Locke, *inter alia*, negligently advised the Heartland-Related Receivership Parties to maintain the status quo, failed

to properly advise the Heartland-Related Receivership Parties of their disclosure obligations to investors, failed to review offering and other key documents for legal compliance for the protection of investors, and failed to advise the Heartland-Related Receivership Parties to cease raising new funds and avoid incurring additional liabilities to investors.

15. Moreover, pursuant to RCT's investigation, I believed I had a good-faith basis to assert that if the Heartland-Related Receivership Parties had received that advice from Locke, then they would have stopped raising new funds and would have avoided various categories of damages, including the loss of money through illegal or improper out-of-pocket payments. To calculate damages, RCT worked with the Receiver's accountant, Ahuja & Clark, PLLC n/k/a Ahuja & Consultants, Inc. ("A&C"), to determine which specific investor funds would not have been raised and which specific illegal or improper payments would not have been made by the Heartland-Related Receivership Parties if Locke had provided proper legal advice.

16. Following my review of key documents and discussions with counsel, I concluded that my potential claims against Locke were viable and could result in a substantial recovery for the Receivership Parties and, in turn, the Heartland Investors.

RCT's Pursuit of Claims Against Locke

17. In September 2022, RCT, on my behalf, reached out to Locke's general counsel to inform him that I had retained RCT to investigate and pursue potential claims against Locke. Locke engaged outside counsel, Paul Koning of Koning Rubarts LLP—an experienced litigator who routinely defends legal malpractice and professional misconduct claims—to represent Locke in the dispute. Soon thereafter, RCT and Locke's counsel negotiated a tolling agreement to ensure that my claims would remain timely and to allow the Parties to explore a pre-suit resolution.

18. Over the next several months, RCT and Locke's counsel exchanged extensive and confidential telephone calls, emails, and letters regarding my potential claims. The Parties

vigorously disputed, among other things, Locke's involvement in the Heartland-Related Receivership Parties' oil-and-gas business, Locke's knowledge of misconduct at Heartland-Related Receivership Parties, and the legal basis for the claimed damages.

19. As the settlement dialogue between the Parties progressed, RCT agreed to provide Locke with a detailed draft complaint that I would file if the Parties could not reach a resolution. On March 1, 2023, to facilitate settlement discussions, RCT provided Locke with a 53-page draft complaint setting forth my claims. The Parties continued to engage in further dialogue over the allegations, and the Parties exchanged certain documents related to the claims.

20. After further discussions, Locke and I (collectively, the "Parties") agreed to participate in a formal mediation with the Honorable Jeff Kaplan (Ret.), a well-respected former federal and state judge and JAMS mediator with extensive experience resolving complex claims like this one. As part of the mediation process, the Parties exchanged extensive and confidential mediation statements and supporting exhibits.

21. On August 22, 2023, the Parties participated in an in-person mediation with Judge Kaplan in Dallas. In addition to its existing counsel, Charlene Koonce of Brown Fox PLLC—an experienced litigator and receiver—also attended the mediation on behalf of Locke. The Parties were unable to reach a resolution at the mediation, but the Parties continued extensive and arms-length negotiations with Judge Kaplan throughout the next several months. RCT also worked further with the A&C to respond to multiple inquiries from Locke and to further substantiate the claimed damages. Locke, for its part, retained an accountant to further review and then dispute the Receiver's alleged damages.

22. After continued negotiations, Judge Kaplan issued a mediator's proposal to the Parties on December 20, 2023. Under the proposal, Locke would pay me, as Receiver, a sum of \$12,500,000.00 in exchange for a mutual release of claims, court approval, and entry of an order

barring assertion of claims by any Heartland Investor. On December 22, 2023, the Parties accepted the mediator’s proposal, subject to definitive documentation.

23. On March 28, 2024, the Parties executed the Settlement Agreement, which requires Court approval and the entry of a bar order for the proposed Settlement to become effective.

The Terms of the Proposed Settlement

24. The proposed Settlement—as laid out in the Settlement Agreement and described in the Motion—contains the following key terms.

- a. *Monetary Payment*: Locke agrees to pay the Settlement Amount of \$12,500,000.00 within twenty (20) calendar days of the Settlement Effective Date.⁴
- b. *Mutual Release*: The Parties agree to the mutual release of any claims and causes of action, known or unknown, as of the Settlement Effective Date. The release includes any claims by Locke of unpaid legal fees.
- c. *Bar Order*: The proposed Settlement is conditioned upon the entry of an order that permanently enjoins the Receivership Parties, the Heartland Investors, the creditors of Heartland-Related Receivership Parties, and Non- Receivership-Party Defendants and Relief Defendants from bringing Settled Claims⁵ against Locke or the Locke Released Parties.
- d. *Right to Withdraw*: For Locke’s benefit, both Parties retain the right to withdraw its agreement to the Settlement if the Court does not approve the Settlement Agreement or does not enter an order providing the relief requested in the Motion, including, a bar order.
- e. *Distribution of Net Settlement Proceeds*: I, as Receiver, assume responsibility for preparing and implementing a process to receive, manage, and disburse the Net Settlement Proceeds to Heartland Investors, with the approval and guidance of the Court. Heartland Investors who

⁴ As defined in the Settlement Agreement and Motion, the “Settlement Effective Date” is the date upon which the Court enters an order granting the relief sought in the Motion and that order becoming final.

⁵ “Settled Claims,” as defined in the Settlement Agreement, relate to or arise out of (i) Locke’s relationship with any one or more of the Receivership Parties or the Non- Receivership-Party Defendants or Relief Defendants, and/or any of their personnel or affiliates; (ii) Locke’s provision of services to or for the benefit of or on behalf of the Receivership Parties or the Non- Receivership-Party Defendants or Relief Defendants, and/or any of their personnel or affiliates; (iii) Locke’s involvement in any matter that was asserted in, could have been asserted in, or relates to the subject matter of the SEC Action, or any proceeding concerning the Receivership Parties pending or commenced in any forum; or (iv) legal fees and costs paid or owed from the Receivership Parties or the Non- Receivership-Party Defendants or Relief Defendants, on the one hand, to Locke, on the other hand. Settled Claims specifically includes, without limitation, all claims each Releasor does not know or suspect to exist in his, her, or its favor at the time of release, which, if known by that Person, might have affected their decisions with respect to this Agreement and the Settlement (“Unknown Claims”).

accept funds from the Settlement will fully release Locke and the Locke Released Parties from any and all Settled Claims upon acceptance of the funds.

The Proposed Settlement is in the Best Interests of the Receivership Estates

25. The proposed Settlement is fair, equitable, and in the best interests of the Heartland-Related Receivership Parties and their estates for the reasons explained below. Because paying the Net Settlement Proceeds to the Heartland Investors as returned capital⁶ increases the recoveries available to pay those investors in the Receivership claims process, the Settlement is also in the best interests of the Heartland Investors, who are the largest contingent of Heartland-Related Receivership Party creditors.

26. As Receiver, I understand the importance of not only obtaining a sizable recovery to return to damaged Heartland Investors, but also the importance of doing so in a reasonable and expeditious manner. Many Heartland Investors are aging, and many Heartland Investors invested—and lost—their retirement funds in the Heartland oil and gas investment schemes. It is my firm belief that the proposed Settlement is the best way to ensure both a significant and timely recovery for Heartland Investors.

27. The ability to compromise claims is critical to my work as the Receiver. That is especially true here, as Heartland Investors await recovery, further costs would come directly out of the Receivership Estates, and the Settlement would allow me to make a significant distribution solely for the benefit of Heartland Investors as returned capital, pending further order of the Court on a distribution plan.

28. There are numerous reasons why I believe that the proposed Settlement, including the entry of the proposed bar order, are in the best interests of the Receivership Estates and the Heartland Investors, and is proper under the present circumstances.

⁶ A return of capital is generally not treated as taxable income to the extent the investment has not been treated as a complete loss for tax purposes.

29. *First*, the proposed Settlement yields a significant payment to Heartland Investors as returned capital, pending further order of the Court on a distribution plan. Since filing the Motion, I have calculated that if the Settlement is approved, the range that Heartland Investors will receive from my distribution of the Net Settlement Proceeds as returned capital is 9.0-9.9 cents on the dollar. This significant recovery would not be possible without my receipt of the Settlement Payment, which will constitute the largest recovery of the Receivership Estates to date.

30. In addition, RCT has advised me that the Settlement Amount of \$12.5 million is well within the typical range for pre-suit settlement of complex legal malpractice claims of this magnitude. Although most such settlements are made confidentially, in RCT's experience, the Settlement Amount fairly reflects the risks facing the Parties and maximizes the expected value of the legal malpractice claims to the Receivership Estates. Because the claims were settled before filing a lawsuit, the Settlement Amount reflects an even greater value for the Receivership Estates, the Settlement was achieved at no cost to the Receivership Estates (other than the payment of RCT's contingency fee), payment of the Settlement Amount is guaranteed (rather than being contingent on surviving dispositive motions or rulings that could chip away at the claimed damages), and RCT's contingency fee (25%) is lower than it would have been had I filed a lawsuit (40%). Getting a guaranteed payment of \$12.5 million from Locke at this early stage in a potential lawsuit is a significant benefit for the Heartland Investors.

31. *Second*, the proposed Settlement guarantees a relatively speedy recovery and would allow me to close the Receivership more promptly. As discussed above, many of the Heartland Investors are elderly and, I am concerned, might not live to receive their distribution if I were to pursue protracted litigation against Locke. In other words, the timing of the Settlement—which, if approved, would allow me to make a distribution of between 9.0-9.9% a few months from now—is a significant part of its value for Heartland Investors. Additionally, since I will not be able to

conclude my role as Receiver until after the resolution of the Locke claims, the proposed Settlement would expedite that process and help minimize fees and expenses.

32. *Third*, although I believe the claims against Locke are viable and have value, the proposed Settlement eliminates the material risk and uncertainty associated with the claims. Locke has vigorously disputed and attempted to discredit my claims. As described further in the Motion, Locke—with the support of experienced counsel and accountants—has attacked every element of the alleged claims, including liability, causation, and damages. While I disagree with Locke’s arguments, I acknowledge that Locke’s arguments demonstrate that litigation against Locke would involve substantial risk and uncertainty. On liability, there is risk to my claims because Locke was not responsible for drafting any of the offering documents that went to Heartland Investors. Regarding causation, there is a risk that Defendant Manjit Singh (aka Roger) Sahota’s actions and deceptions would be viewed as a superseding cause over Locke’s negligence for the Heartland-Related Receivership Parties’ losses. Indeed, there is material risk that the claims could be dismissed on a dispositive motion or, worse yet, after significant funds have been expended at trial and/or on appeal, resulting in no recovery from Locke.

33. Even assuming I would surmount any liability hurdles, the risk of my claims is particularly acute in connection with calculation of damages for the ultimate recovery and distribution of returned capital to Heartland Investors. The primary measure of damages in my claims against Locke are liabilities to Heartland Investors—funds that were obtained from Heartland Investors and then squandered. There is significant uncertainty surrounding the amounts I can recover from Locke for these claims. First, whether or not I have standing to pursue claims to recover funds on behalf of harmed investors is not settled law. Although recent Fifth Circuit precedent supports the view that I have standing, there are also prior decisions in this District stating that a receiver cannot circumvent lack of standing to bring investor claims by characterizing

investor losses as increased liabilities of the receivership entities. *Compare Rotstain v. Mendez*, 986 F.3d 931, 941 (5th Cir. 2021);⁷ *with Reneker v. Offill*, No. 3:08-CV-1394-D, 2012 U.S. Dist. LEXIS 93017, *14–*15 (N.D. Tex. June 14, 2012).

34. *Fourth*, the proposed Settlement would circumvent an expensive, lengthy, and complex litigation against Locke. Given the hotly-contested legal and accounting issues involved, litigation would require costly expert work. These issues would also require costly depositions and discovery from other witnesses, including certain Non-Receiver-Party Defendants and Relief Defendants. Pursuant to the RCT Employment Order, up to \$100,000 of such costs would be advanced by the Receiver, and RCT would ultimately be entitled to reimbursement on all expenses advanced by the firm out of any recoveries the Receiver obtains. Further, upon the filing of litigation the contingency fee approved by this Court would increase from 25% to 40% of gross recoveries. Additionally, protracted litigation would require a substantial time commitment from me, which would result in further fees and expenses for the Receivership Parties. In order to net a larger recovery after trial and any appeals, the amount received on account of a judgment would have to be at least \$14,425,000.⁸

35. Examples of the risks of protracted litigation of legal malpractice matters abound. RCT has advised me that the amount of time that may pass from filing of a complaint until resolution varies widely, but in hard-fought cases with complex legal issues such as this one, it can be years. For example, the Stanford receiver filed legal malpractice claims against Proskauer Rose LLP in January 2013, and the parties did not reach a settlement until April 2018—more than five years later, due to protracted motion practice and appeals. *See Janvey v. Proskauer Rose LLP, et*

⁷ Jarrod D. Shaw *et al.*, *Fifth Circuit Holds that Receiver Has Standing to Bring Derivative Claims on Behalf of Investors Harmed by Ponzi Scheme*, MCGUIREWOODS (Feb. 3, 2021), <https://www.ponziblog.com/2021/02/fifth-circuit-holds-that-receiver-has-standing-to-bring-derivative-claims-on-behalf-of-investors-harmed-by-ponzi-scheme/>.

⁸ \$100,000 in advanced expenses plus an additional \$1,825,000 in contingency fees, exclusive of any fees incurred by me. This is a minimum as it does not include other potential expenses which RCT can recover in addition to the \$100,000 which is the limit on expense advances.

al., No. 3:13-cv-00477-N-BG (N.D. Tex.) (ECF No. 2768).⁹ Likewise, it took the Stanford receiver five years to settle claims alleged against Hunton & Williams LLP in 2017. *See Janvey v. Greenberg Traurig LLP, et al.*, No. 3:12-cv-04641-N (N.D. Tex.) (ECF No. 2561).¹⁰ Settling with Locke now eliminates the risks and costs of litigation that drags on for years. Even in the best case scenario, a complex legal malpractice case is still likely to take a minimum of one year to reach a resolution. For example, the trustee of the litigation trust of Lyondell Chemical Co.'s bankruptcy estate filed legal malpractice claims against Brown Rudnick LLP in November 2019, and the law firm's motion to dismiss was denied in July 2020. *See Holliday v. Brown Rudnick LLP*, No. 1:19-cv-10925-PAE (S.D.N.Y. July 28, 2020) (ECF No. 33). That case settled on confidential terms in January 2021—relatively quickly, but still more than a year after the claim was filed. *See id.* (ECF No. 66).¹¹ A best-case scenario outcome is not something I can count on with a defendant like Locke, which strongly believes in the merits of its defenses.

36. There are also other substantial risks involved in litigating my claims against Locke. No depositions have been taken and there may be facts that have yet to be uncovered. As I build my case, facts may emerge that weaken my claims against Locke or strengthen Locke's defenses. Key fact witnesses in this matter are not under my control. I may be unable to obtain testimony from certain key witnesses whose whereabouts are not currently known or who may invoke their right to not testify. In other words, I cannot predict or control how the facts in this case will develop, and I may face hurdles creating the factual record I need to defeat a motion for summary

⁹ An electronic copy of the Stanford receiver's appendix to the Proskauer Rose, LLP settlement motion can be accessed at http://www.stanfordfinancialclaims.com/media/1630566/03_appx_iso_mtn_to_approve_settlement.pdf. *See also* Michelle Casady, *Proskauer To Pay \$63M To Settle Stanford Ponzi Case*, LAW360 (Aug. 29, 2018, 6:41 PM EDT), <https://www.law360.com/articles/1078100/proskauer-to-pay-63m-to-settle-stanford-ponzi-case>.

¹⁰ *See also* Andrew Strickler, *4 Takeaways From Hunton & Williams' \$34M Stanford Deal*, LAW360 (Sept. 5, 2017, 10:37 PM EDT), <https://www.law360.com/articles/960766/4-takeaways-from-hunton-williams-34m-stanford-deal>.

¹¹ *See also* Debra Cassens Weiss, *Brown Rudnick settles \$300M malpractice suit over bankruptcy representation*, ABA JOURNAL (Jan. 28, 2021, 10:22 AM CST), <https://www.abajournal.com/news/article/brown-rudnick-settles-300m-malpractice-suit-over-bankruptcy-representation>.

judgment or prevail against Locke at trial.

37. *Fifth*, and relatedly, if I chose to litigate the Settled Claims, the cost and time considerations discussed above would be amplified by potential appeals. Even if I were to obtain a judgment against Locke that exceeded the Settlement Amount, that judgment would be subject to appeal(s) by Locke. Such an appeal would both create risk that a judgment would be overturned and—regardless of the appeal’s success—would add a significant delay to obtaining a recovery and distributing the proceeds to Heartland Investors. If the appellate court reversed even part of the judgment and remanded the case to the trial court, that would add even more delay, possibly years-long, which could then result in another round of appeals. For instance, RCT represents the plaintiff in *Claymore v. Credit Suisse*, in which the petition was filed in Texas state court in 2013. The plaintiff obtained a large judgment from the trial court, which was upheld on appeal in 2018. *See Credit Suisse AG v. Claymore Holdings, LLC*, 584 S.W.3d 18, 44 (Tex. App.—Dallas 2018, pet. granted). But in 2020, the Texas Supreme Court reversed and remanded the case back to the trial court, where the case remains unresolved more than a decade after it was filed. *See Credit Suisse AG v. Claymore Holdings, LLC*, 610 S.W.3d 808, 830 (Tex. 2020). The proposed Settlement eliminates this risk.

38. *Finally*, the mutual release in the proposed Settlement also benefits the Receivership Parties by eliminating any claim Locke may have against the Receivership Parties for unpaid fees and expenses related to its representation of the Receivership Parties, which Locke estimates is for more than \$400,000. This claim will be released as part of the mutual releases in the proposed Settlement. In addition, if Locke pursued such a claim as a counterclaim to an action brought by the Receiver, Locke has asserted that it may also seek statutory attorneys’ fees, including fees incurred defending against my claims.

39. Moreover, for the reasons discussed above, I also believe that the term of the

Settlement Agreement requiring the entry of a bar order is reasonable under the circumstances. The bar order is necessary for securing the settlement payment: Locke and its insurers demanded the entry of a bar order as a condition to the proposed Settlement, and Locke has the unilateral right to withdraw from the Settlement Agreement if a bar order is not entered. Locke negotiated for the entry of a bar order to buy complete and final peace and to guarantee that it will not incur the additional expense and burden of litigation related to the Settled Claims.

40. To the best of my knowledge, no other party besides myself has ever raised the idea of pursuing any Settled Claim against Locke—and for good reason. As the Receiver, I hold the privilege over Locke’s work for the Heartland-Related Receivership Parties, which puts me in the best position to analyze and support any claims against Locke. Additionally, as discussed in the Motion, under the “attorney immunity doctrine” in Texas, non-clients (such as the Heartland Investors and other Heartland-Related Receivership Party creditors) are prohibited from asserting claims based on an attorney’s provision of legal services when the client and non-client do not share the same interests. *See, e.g., Troice v. Greenberg Traurig, L.L.P.*, 921 F.3d 501, 508 (5th Cir. 2019) (holding attorney immunity barred investor claims against law firm). This issue has yet to play out in the context of a receiver seeking to recover for liabilities to investors, and certainly not since attorney immunity in Texas was expanded to a law firm’s work on transactional matters, such as the work performed here by Locke. *See Haynes & Boone, LLP v. NFTD, LLC*, 631 S.W.3d 65, 79 (Tex. 2021). It is my understanding that no investor communicated directly with any attorney at Locke. Further, the documentation which was provided by a Heartland-Related Receivership Party to any investor was not prepared by or reviewed prior to delivery by Locke. In any event, any claim for legal malpractice or negligent misrepresentation against Locke would now likely be barred under the two-year statute of limitations for such claims. Further, even if an individual investor was able to assert a Settled Claim against Locke, it is extremely unlikely that

an investor could obtain a more favorable settlement than the Settlement Agreement, nor would any such settlement benefit as many Heartland Investors as the Settlement Agreement.

41. On the other hand, the bar order would guarantee that Locke could achieve global peace and would not be forced to litigate meritless, nuisance lawsuits. Moreover, the bar order would have practical benefits for the Receivership Estates by allowing me to close the Receivership more expeditiously. The continued litigation of the Settled Claims—by myself or other third parties—would necessitate my continued engagement as Receiver and plaintiff. The approval of the Settlement and entry of a bar order, however, could facilitate a final distribution and aid toward the closing of the Receivership.

42. In short, I believe the proposed Settlement is fair, equitable, and in the best interests of the Heartland-Related Receivership Parties' estates and the Heartland Investors. A bar order is a necessary condition to the Settlement, which is in the collective best interest of the Heartland Investors, who stand to benefit from distribution of the Net Settlement Proceeds as returned capital. The proposed Settlement is the product of arms-length and good-faith negotiations between the Parties, with the assistance of a well-respected mediator. The Commission does not object to the proposed Settlement. Therefore, I respectfully request that this Court approve the proposed Settlement and provide the relief requested in the Proposed Order.

“Earmarking” Net Settlement Proceeds Solely for the Benefit of Heartland Investors Will Maximize Their Recovery

43. As part of the proposed Settlement, I request approval to earmark the Net Settlement Proceeds as returned capital for the sole benefit of Heartland Investors in any interim and/or final distribution approved by this Court. The alleged damages giving rise to the proposed Settlement arise from the fraudulent operation of one or more of the Heartland-Related Receivership Parties on Locke's watch.

44. Accordingly, I believe that earmarking the proposed Net Settlement Proceeds solely

for the benefit of the Heartland Investors harmed in the oil-and-gas investment offerings is fair, equitable, and in the best interest of the Receivership Estates. If approved, I will receive the Net Settlement Proceeds of the Settlement Amount on behalf of the Heartland Investors for distribution to those investors to reduce their alleged damages for the injury and destruction to the value of their respective invested capital in the Heartland-Related Receivership Parties.

RCT's Fee is Fair and Reasonable

45. In accordance with the Receivership Order, the RCT Employment Order, and RCT's Letter of Engagement, I also request that this Court approve payment of RCT's fees related to the proposed Settlement with Locke. As explained at the hearing on the RCT Employment Application and below, I believe RCT's fees, as previously approved by the Court, are fair and reasonable.

46. On September 8, 2022, the Court approved and authorized my retention of RCT as litigation counsel under the following contingency-fee terms detailed in RCT's Letter of Engagement and, as applicable, its subsequent amendment:

- a. Pre-Suit Phase Contingency Fee: 25% of Gross Recoveries obtained for the claims prior to the filing of a lawsuit.
- b. Post-Suit Phase Contingency Fee: 40% of Gross Recoveries obtained for the Claims after the commencement of litigation and including any after any appeal.
- c. Costs and Expenses: The Receiver will fund an expense retainer in the amount of \$100,000.00, which may be paid in installments of \$25,000.00 and replenished when depleted. The amount of out-of-pocket expenses the Receiver will have to advance RCT is capped at \$100,000.00. RCT shall be entitled to reimbursement from any recoveries or expenses advanced by the firm.

47. With respect to expenses, the Receiver sent RCT an initial retainer in the amount of \$25,000.00 (the "Retainer") on October 30, 2023. In the Motion, I requested authority to reimburse RCT's out-of-pocket expenses in the amount of \$5,443.82. Those expenses were incurred by RCT in connection with the mediation of my claims against Locke.

48. Since filing the Motion, RCT has agreed to withdraw its request for expenses and return the entire Retainer if the proposed Settlement goes through. RCT has made no other requests for reimbursement of out-of-pocket expenses. **Accordingly, I no longer request authority to reimburse RCT for expenses.**

49. With respect to the contingency fee, I seek authority to pay RCT a 25% contingency fee on the proposed Settlement Amount. This Court has previously approved the compensation arrangement with RCT, finding that the engagement was in “the best interests of the Estates.” RCT Employment Order, at 2. Thus, I now only seek authority to provide the compensation I agreed to in RCT’s Letter of Engagement, on terms approved by the Court in the RCT Employment Order.

50. As discussed in the Motion, I believe that the proposed contingency fee is fair and reasonable based on frameworks used by courts in the Fifth Circuit. I also believe that the proposed contingency fee is fair and reasonable based on my own experience.

51. As an initial matter, the 25% contingency fee is well within the typical market rate for matters of this complexity and magnitude. As discussed in the Motion, courts routinely approve contingency fees of similar rates (and more), and my own experience is consistent with such courts that have noted that typical rates for complex cases are 33% to 40%. I believe the 25% rate to be appropriate here. It allowed me to pursue potential claims on a cost-efficient basis, while RCT bore the risk of walking away with nothing in the event there was no recovery.

52. Additionally, arriving at the proposed Settlement required substantial time and effort from RCT. Over the course of its two-year engagement, RCT quickly and thoroughly responded to all of my questions and requests. Although a complaint has not been filed, RCT has put in the effort of a litigated case. For example, RCT reviewed and analyzed thousands of documents, conferred with accounting specialists regarding damages issues, drafted a detailed complaint, conferred with opposing counsel on document issues, prepared for and participated in a mediation, briefed legal and

factual arguments, and negotiated the Settlement Agreement. In addition, RCT investigated potential claims against parties other than Locke, work that was performed at no cost to the Receivership Estates.

53. Moreover, RCT's unique experience, skill, and reputation were crucial in achieving the proposed Settlement. The firm—and the lawyers staffed on my case—have substantial experience prosecuting (i) legal malpractice and related claims, (ii) complex financial fraud and Ponzi scheme related claims, and (iii) claims brought by receivers. All three characteristics were present here. RCT's ability to both effectively negotiate a settlement and to litigate and try a claim, if need be, helped accomplish the Settlement Agreement the parties reached.

54. In sum, I believe that the proposed contingency fee is reasonable and request approval to pay RCT the 25% contingency fee (\$3,125,000.00) out of the Settlement Amount if the proposed Settlement is approved.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 18th day of April, 2024.



Deborah D. Williamson, Solely in her capacity as
Court-Appointed Receiver for the Estates of
Heartland Group Ventures, LLC, *et al.*

EXHIBIT 1

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT (the “Agreement”) is made and entered into by and between (i) Deborah D. Williamson, solely in her capacity as the court-appointed receiver for the estates of the Receivership Parties (the “Receiver”); and (ii) Locke Lord LLP (“Locke”) (Receiver, on the one hand, and Locke, on the other hand, are referred to in this Agreement individually as a “Party” and together as the “Parties”);

WHEREAS, on December 1, 2021, the Securities and Exchange Commission (the “Commission”), filed in the United States District Court for the Northern District of Texas, Fort Worth Division (the “Court”) its *Emergency Motion for a Temporary Restraining Order and Emergency Ancillary Relief in United States Securities and Exchange Commission v. The Heartland Group Ventures, LLC, et al.*, Case No. 4:21-cv-01310 (the “Case” or the “SEC Action”), which included an application for the appointment of a receiver for the Receivership Parties¹ [ECF No. 3].

WHEREAS, in the *Order Appointing Receiver*, dated December 2, 2021 [ECF No. 17] (the “Receivership Order”), the Court determined that entry of an order appointing a receiver over the Receivership Parties was both necessary and appropriate to marshal, conserve, hold and operate all of the Receivership Parties’ assets pending further order of this court.² Accordingly, the Court

¹ The “Receivership Parties” are: The Heartland Group Ventures, LLC; Heartland Production and Recovery LLC; Heartland Production and Recovery Fund LLC; Heartland Production and Recovery Fund II LLC; The Heartland Group Fund III, LLC; Heartland Drilling Fund I, LP; Carson Oil Field Development Fund II, LP; Alternative Office Solutions, LLC; Arcooil Corp.; Barron Petroleum LLC; Dodson Prairie Oil & Gas LLC; Panther City Energy LLC; Encypher Bastion, LLC; Barron Energy Corporation; Dallas Resources Inc.; Leading Edge Energy, LLC; Sahota Capital LLC; and 1178137 B.C. LTD.

As used herein, the term “Heartland-Related Receivership Parties” refers to the subset of the Receivership Parties that are Heartland entities. The Heartland-Related Receivership Parties are: The Heartland Group Ventures, LLC; Heartland Production and Recovery LLC; Heartland Production and Recovery Fund LLC; Heartland Production and Recovery Fund II LLC; The Heartland Group Fund III, LLC; Heartland Drilling Fund I, LP; Carson Oil Field Development Fund II, LP.

² Capitalized terms used but not otherwise defined herein shall have the meaning ascribed in the Receivership Order.

entered the Receivership Order, appointing Deborah D. Williamson of Dykema Gossett PLLC as the Receiver over the Receivership Estates.

WHEREAS, Deborah D. Williamson has served as Receiver continuously since her appointment and continues to so serve;

WHEREAS, the Receiver alleges that Locke and its attorneys, as counsel to certain of the Heartland-Related Receivership Parties in connection with oil-and-gas offerings and the Commission's investigation, knew or should have known that the Heartland-Related Receivership Parties were violating securities laws, were not in compliance with Commission regulations, and were using investor funds to make improper payments, including interest payments to prior investors with new investor funds, undisclosed payments to insiders, and commissions to unlicensed sales representatives. The Receiver alleges that, despite this purported knowledge, Locke, *inter alia*, negligently advised the Heartland-Related Receivership Parties to maintain the status quo, failed to properly advise the Heartland-Related Receivership Parties of their disclosure obligations to investors, failed to review offering and other key documents for legal compliance for the protection of investors, and failed to advise the Heartland-Related Receivership Parties to cease raising new funds and avoid incurring additional liabilities to investors. The Receiver contends that if the Heartland-Related Receivership Parties had received that advice, they would have stopped raising new funds and would have avoided various categories of damages, including illegal or improper out-of-pocket payments. All the Receiver's claims are referred to as the "Alleged Claims";

WHEREAS, Locke categorically denies the Alleged Claims and any and all allegations of wrongdoing, fault, liability, causation, or damages whatsoever and is entering into this Agreement solely to avoid the burden, very substantial expense, and risks of litigation;

WHEREAS, the Receiver and her advisors have conducted an investigation into the facts and the law relating to the Alleged Claims and after considering the results of that investigation and the benefits of this Settlement, as well as the burden, expense, and risks of litigation, have concluded that a settlement with Locke under the terms set forth below is fair, reasonable, adequate, and in the best interests of the Receiver, the Receivership Parties, the Heartland Investors, and all Persons affected by the Heartland-Related Receivership Parties, and have agreed to enter into the Settlement and this Agreement, and to use their best efforts to effectuate the Settlement and this Agreement;

WHEREAS, the Parties desire to fully, finally, and forever compromise and effect a global settlement and discharge of all claims, disputes, and issues between them;

WHEREAS, the Parties have engaged in extensive, good-faith, and arm's-length negotiations, including participation in a formal mediation attended in person by representatives of the Parties, and in further discussions following the conclusion of such mediation, leading to this Agreement;

WHEREAS, absent approval of this Settlement, the resolution of the Alleged Claims will likely take many more years and cost the Parties significant funds to litigate to final judgment and through appeals, and the outcome of all such litigation would be uncertain;

WHEREAS, absent approval of this Settlement, the resolution of the Alleged Claims will require the filing of a Complaint, which will substantially reduce the Receiver's percentage of recovery because, under the contingent fee contract with the Receiver's litigation counsel, the filing of a Complaint triggers an increase in counsel's contingent fee to 40% from 25%.

WHEREAS, the Parties acknowledge and agree that: (1) the origin of the Alleged Claims held and asserted by the Receiver are for the alleged injury and losses sustained by the Heartland-

Related Receivership Parties, which alleged losses also represent the destruction to the value of the capital invested in the Heartland-Related Receivership Parties by the Heartland Investors, and (2) the Receiver shall receive the settlement amount on behalf of such Heartland Investors in the Heartland-Related Receivership Parties for distribution to those Heartland Investors to reduce their damages for the injury and destruction to the value of their respective invested capital in one or more of the Heartland-Related Receivership Parties.

WHEREAS, the Parties acknowledge and agree that the effectiveness of this Settlement Agreement is contingent on the Court entering an order including provisions by which the Receiver, the Receivership Parties, the Heartland Investors and certain other third parties are forever barred from asserting the Settled Claims against the Locke Released Parties (as defined below).

NOW, THEREFORE, in consideration of the agreements, covenants, and releases set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

I. AGREEMENT DATE

1. This Agreement shall take effect once all Parties have signed the Agreement, and as of the date of the last signature to the Agreement (the “Agreement Date”).

II. TERMS USED IN THIS AGREEMENT

The following terms, as used in this Agreement and in the Proposed Order (attached as Exhibit 1), have the following meanings:

2. “**Affiliate**” means a Person that directly, or indirectly through one or more intermediaries, owns or controls, is owned or is controlled by, or is under common ownership or control with, another Person. As used herein, “control” means the power to direct the management

or affairs of a Person, and “ownership” means the beneficial ownership of at least 10% of the voting securities of the Person.

3. **“Allowed Heartland Investor Claim”** means a Claim held by a Heartland Investor, which (a) has not been objected to by the Receiver or, (b) has been objected to by the Receiver but has been allowed pursuant to entry of a final order of the Court.

4. **“Attorneys’ Fees”** means those fees and expenses awarded by the Court to Receiver’s counsel from the Settlement Amount pursuant to the terms of the applicable engagement agreement.

5. **“Claim”** means a Person’s potential or asserted right to receive funds from the Heartland Receivership Parties.

6. **“Claimant”** means any known investor in the Heartland Receivership Parties who has submitted a Claim to the Receiver or who has not disputed the Receiver’s proposed claim amount (the Net Transaction Amount).³ Where a Claim has been transferred to a third party and such transfer has been acknowledged by the Receiver, then the transferee is a Claimant, and the transferor is not a Claimant unless the transferor has retained a Claim that has not been transferred. Where the Receiver has sought to disallow a Claim and the disallowance has become Final, then the submission of the disallowed Claim does not make the Person who submitted it a Claimant.

7. **“Confidential Information”** means the communications and discussions in connection with the negotiations and mediation that led to the Settlement and this Agreement.

³ Known investors were mailed and emailed (where available) an investor notice with instructions and a proof of claim form, including a personalized transaction schedule detailing investment(s) and payment/disbursement information, on November 20, 2023. Known non-investor creditors were mailed and emailed (where available) a non-investor notice with instructions and a proof of claim form on November 20, 2023. Investors (if necessary) and other creditors were required to timely submit a proof of claim and all supporting documentation on or before February 5, 2024, at 11:59 p.m. Central. *See generally* SEC Action ECF Nos. 408, 422, 431.

Confidential Information does not include the existence and terms of the Settlement and this Agreement when and after that Information is disclosed in a publicly available filing.

8. **“Final”** means unmodified after the conclusion of, or expiration of any right of any Person to pursue, any and all possible forms and levels of appeal, reconsideration, or review, judicial or otherwise, including by a court or Forum of last resort, wherever located, whether automatic or discretionary, whether by appeal or otherwise. The Proposed Order shall include findings under Federal Rule of Civil Procedure 54(b) and will become Final as set forth in this Paragraph as though such orders were entered as judgments at the end of a case, and the continuing pendency of the SEC Action shall not be construed as preventing such Proposed Order from becoming Final.

9. **“Forum”** means any court, adjudicative body, tribunal, or jurisdiction, whether its nature is federal, foreign, state, administrative, regulatory, arbitral, local, or otherwise.

10. **“Hearing”** means a formal proceeding in open court before the United States District Court Judge having jurisdiction over the SEC Action.

11. **“Heartland-Related Receivership Parties”** means the Receivership Parties that are Heartland entities. They are: The Heartland Group Ventures, LLC; Heartland Production and Recovery LLC; Heartland Production and Recovery Fund LLC; Heartland Production and Recovery Fund II LLC; The Heartland Group Fund III, LLC; Heartland Drilling Fund I, LP; and Carson Oil Field Development Fund II, LP.

12. **“Heartland Investor”** means any Person or Claimant with a Claim arising out of an investment in the form of a loan, promissory note or partnership interest in a Heartland-Related Receivership Party. Heartland Investor shall NOT include any Non-Receivership-Party Defendant

or Relief Defendant or any Affiliate, officer, director, equity holder, partner or member of any Non-Receivership-Party Defendant or Relief Defendant.

13. **“Locke Released Parties”** means Locke, and all of its predecessor firms and, of each of the foregoing: all of their respective past and present subsidiaries, parents, predecessors, affiliates, related entities and divisions, and all of their respective past, present, and future successors, and all of their respective current and former partners, members, counsel, principals, participating principals, associates, managing or other agents, management personnel, officers, directors, shareholders, administrators, servants, employees, staff, consultants, advisors, attorneys, accountants, lenders, insurers and reinsurers, representatives, successors and assigns, known or unknown, in their representative capacity or individual capacity. Notwithstanding the foregoing, “Locke Released Parties” shall not include any Person other than Locke who becomes employed by, related to, or affiliated with Locke after the Agreement Date and whose liability, if any, arises solely out of or derives solely from their actions or omissions at a time the Person was not employed by, related to, or affiliated with Locke.

14. **“Net Settlement Proceeds”** means the Settlement Amount (\$12,500,000.00) less Attorney’s Fees and related expenses.

15. **“Non-Receivership-Party Defendants or Relief Defendants”** means the defendants and relief defendants in the SEC Action that are not Receivership Parties. They are James Ikey; John Muratore; Thomas Brad Pearsey; Manjit Singh (AKA Roger) Sahota; Rustin Brunson; Muratore Financial Services, Inc.; Bridy Ikey; IGroup Enterprises LLC; Harprit Sahota; Monroe Sahota; and Sunny Sahota.

16. **“Person”** means any individual, entity, governmental authority, agency or quasi-governmental person or entity, worldwide, of any type, including, without limitation, any

individual, partnership, corporation, limited liability company, estate, trust, committee, fiduciary, association, proprietorship, organization, or business, regardless of location, residence, or nationality.

17. **“Receiver Released Parties”** means each Heartland Investor, the Receiver, the Receivership Parties, and each of their counsel. Receiver Released Parties also includes each of the foregoing persons’ respective past, present, and future directors, officers, legal and equitable owners, shareholders, members, managers, principals, employees, associates, representatives, distributees, agents, attorneys, trustees, general and limited partners, lenders, insurers and reinsurers, direct and indirect parents, subsidiaries, affiliates, related entities, divisions, partnerships, corporations, executors, administrators, heirs, beneficiaries, assigns, predecessors, predecessors in interest, successors, and successors in interest.

18. **“Receivership Parties”** means The Heartland Group Ventures, LLC; Heartland Production and Recovery LLC; Heartland Production and Recovery Fund LLC; Heartland Production and Recovery Fund II LLC; The Heartland Group Fund III, LLC; Heartland Drilling Fund I, LP; Carson Oil Field Development Fund II, LP; Alternative Office Solutions, LLC; Arcooil Corp.; Barron Petroleum LLC; Dodson Prairie Oil & Gas LLC; Panther City Energy LLC; Encypher Bastion, LLC; Barron Energy Corporation; Dallas Resources Inc.; Leading Edge Energy, LLC; Sahota Capital LLC; and 1178137 B.C. LTD.

19. **“Releasor”** means any Person granting a release of any Settled Claim.

20. **“Settled Claim”** means any action, cause of action, suit, liability, claim, right of action, right of levy or attachment, or demand whatsoever, whether or not currently asserted, known, suspected, existing, or discoverable, and whether based on federal law, state law, foreign law, common law, or otherwise, and whether based on contract, tort, statute, law, equity or

otherwise, that a Releasor ever had, now has, or hereafter can, shall, or may have, directly, representatively, derivatively, or in any other capacity, for, upon, arising from, relating to, or by reason of any matter, cause, or thing whatsoever, that, in full or in part, concerns, relates to, arises out of, is derivative of, or is in any manner connected with (i) Locke's relationship with any one or more of the Receivership Parties or the Non-Receiver-Party Defendants or Relief Defendants, and/or any of their personnel or Affiliates; (ii) Locke's provision of services to or for the benefit of or on behalf of the Receivership Parties, the Non-Receiver-Party Defendants or Relief Defendants, and/or any of their Affiliates, or Locke's agreement to provide such services; (iii) Locke's involvement in any matter that was asserted in, could have been asserted in, or relates to the subject matter of the SEC Action, or any proceeding concerning the Receivership Parties pending or commenced in any Forum; or (iv) legal fees and costs paid or owed from the Receivership Parties or the Non-Receiver-Party Defendants or Relief Defendants, on the one hand, to Locke, on the other hand. Settled Claims specifically includes, without limitation, all claims each Releasor does not know or suspect to exist in his, her, or its favor at the time of release, which, if known by that Person, might have affected their decisions with respect to this Agreement and the Settlement ("Unknown Claims"). Each Releasor expressly waives, releases, and relinquishes any and all provisions, rights, and benefits conferred by any law or principle, in the United States or elsewhere, which governs or limits the release of unknown or unsuspected claims, including, without limitation, California Civil Code § 1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Each Releasor acknowledges that he, she, or it may hereafter discover facts different from, or in addition to, those which such Releasor now knows or believes to be true with respect to the Settled Claims, but nonetheless agrees that this Agreement, including the releases granted herein, will remain binding and effective in all respects notwithstanding such discovery. Unknown Claims include contingent and non-contingent claims, whether or not concealed or hidden, without regard to the subsequent discovery or existence of different or additional facts. These provisions concerning unknown and unsuspected claims and the inclusion of Unknown Claims in the definition of Settled Claims were separately bargained for and are an essential element of this Agreement and the Settlement.

21. **“Settlement”** means the agreed resolution of the Settled Claims in the manner set forth in this Agreement.

22. **“Settlement Amount”** means Twelve Million Five Hundred Thousand Dollars (\$12,500,000.00) in United States currency.

23. **“Settlement Effective Date”** means the date on which the last of both of the following have occurred:

- a. entry in the SEC Action of an order granting substantially the same relief as described in the form attached hereto as **Exhibit 1** (the **“Proposed Order”**), and, specifically, which grants the Motion defined in Paragraph 29 below and forever bars the assertion of any Settled Claims against Locke by any Receivership Party, Heartland Investor, creditor of any Heartland-Related

Receivership Party, and any Non-Receivership-Party Defendant or Relief Defendant, and

b. the Court's order described above in (a) has become Final.

24. **"Taxes"** means any and all taxes, whether federal, state, local, or other taxes related to the Settlement or the Settlement Amount, and costs incurred in connection with such taxation including, without limitation, the fees and expenses of tax attorneys and accountants.

III. DELIVERY OF SETTLEMENT AMOUNT

26. **Delivery of Settlement Amount:** Within twenty (20) days after the Settlement Effective Date, Locke shall deliver or cause to be delivered the Settlement Amount to the Receiver by wire transfer. The Receiver shall provide wire instructions to Locke upon execution of this Settlement Agreement.

IV. USE AND MANAGEMENT OF SETTLEMENT AMOUNT

27. **Management and Distribution of Settlement Amount:** If and when the Settlement Amount is delivered to the Receiver pursuant to the terms of this Agreement, the Receiver shall receive and take custody of the Settlement Amount and shall maintain, manage, and distribute the Net Settlement Proceeds under the supervision and direction of the Court. The Net Settlement Proceeds shall be distributed to Heartland Investors as returned capital pursuant to a subsequent order of the Court approving any such distributions. The Receiver shall be responsible for any Taxes, Attorneys' Fees, fees, and expenses that may be due with respect to the Settlement Amount or the management, use, administration, or distribution of the Settlement Amount.

28. **No Liability:** Locke and the Locke Released Parties shall have no liability, obligation, or responsibility whatsoever with respect to the investment, management, use, administration, or distribution of the Settlement Amount or any portion thereof, including, but not limited to, the costs and expenses of such investment, management, use, administration, or

distribution of the Settlement Amount, and any Taxes arising therefrom or relating thereto. Nothing in this Paragraph shall alter Locke's obligations to deliver the Settlement Amount to the Receiver pursuant to the terms of this Agreement.

V. MOTION FOR SETTLEMENT APPROVAL AND PROPOSED ORDER

29. Motion: On a date mutually acceptable to the Parties that is not more than ninety (90) days from the Agreement Date, unless otherwise agreed by the Parties in writing, via e-mail or otherwise, the Receiver shall submit to the Court a motion (the "Motion") requesting that the Court (a) set the date by which any objection to the Settlement or this Agreement must be filed; and (b) schedule a Hearing to consider final approval of the Settlement and the motion for entry of the Proposed Order. In advance of filing the motion papers to accomplish the foregoing, the Receiver shall provide Locke with a reasonable opportunity to review and comment on such motion papers.

30. Notice Preparation and Dissemination: The Receiver shall be responsible for the preparation and dissemination of notice regarding this Settlement and the proposed bar order as directed by the Court. In the absence of intentional refusal by the Receiver to prepare and disseminate notice pursuant to a court order, no Interested Party or any other Person shall have any recourse against the Receiver with respect to any claims that may arise from or relate to the notice process. In the case of intentional refusal by the Receiver to prepare and disseminate notice pursuant to a court order, Locke shall not have any claim against the Receiver other than the ability to seek specific performance. The Parties do not intend to give any other Person any right or recourse against the Receiver in connection with the notice process.

31. No Recourse Against Locke: No Interested Party or any other Person shall have any recourse against Locke or the Locke Released Parties with respect to any claims that may arise from or relate to the notice process.

32. Motion Contents: In the motion papers referenced in Paragraph 29 above, the Receiver shall request that the Court, *inter alia*:

- a. approve the Settlement and its terms as set out in this Agreement;
- b. enter an order in the SEC Action finding that this Agreement and the releases set forth herein are final and binding on the Parties in accordance with its terms; and
- c. enter an order in the SEC Action in substantially the same substance as the Proposed Order attached hereto as **Exhibit 1**, and which contains each of the findings, determinations, and orders for relief identified in Paragraph 35, items (b)(i)-(ix), by which the Court forever bars the assertion of any Settled Claims against Locke by any Receivership Party, Heartland Investor, creditor of any Heartland-Related Receivership Party, and any Non-Receivership-Party Defendant or Relief Defendant.

33. Parties to Advocate: The Parties shall take all reasonable steps to advocate for and encourage the Court to approve the terms of this Agreement.

34. No Challenge: No Party shall challenge the approval of the Settlement, and no Party will encourage or assist any Interested Party in challenging the Settlement.

VI. RESCISSION IF THE SETTLEMENT IS NOT FINALLY APPROVED OR THE RELIEF IN THE PROPOSED ORDER IS NOT GRANTED

35. Right to Withdraw: The Parties represent and acknowledge that the following were necessary to the Parties' agreement to this Settlement, are each an essential term of the Settlement and this Agreement, and that the Settlement would not have been reached in the absence of these terms: (a) Court approval of the Settlement and the terms of this Agreement without amendment or revision; (b) entry by the Court of an order in the SEC Action granting the substantially the same relief as that provided in the Proposed Order attached hereto as **Exhibit 1**, which (i) finds that the Settlement, including the required injunctions against Settled Claims, is in the best interest

of the Heartland Investors and the Heartland-Related Receivership Parties and their estates, (ii) approves the earmarking of the Net Settlement Proceeds as returned capital solely for the benefit of Heartland Investors pending future Court approval of any interim and/or final distribution, (iii) finds that the process by which Heartland Investors, creditors of Heartland-Related Receivership Parties, and Non- Receivership-Party Defendants or Relief Defendants were notified of the Settlement and Motion met all applicable requirements of law, (iv) grants the Motion, and (v) orders that the Locke Released Parties are fully released and discharged from any of the Settled Claims that the Receiver or the Receivership Parties ever had, now has, or may have hereafter, (vi) orders that the Heartland Released Parties are fully released and discharged from any of the Settled Claims that Locke ever had, now has, or may have hereafter, (vii) permanently bars, restrains, and enjoins the Receiver, the Receivership Parties, the Heartland Investors, the creditors of any Heartland-Related Receivership Party, and the Non- Receivership-Party Defendants and Relief Defendants from asserting any of the Settled Claims against the Locke Released Parties, (viii) expressly determines that there is no just reason for delaying the finality of the Order, and (ix) provides that the Order is final and appealable under Fed. R. Civ. P. 54(b); and (c) all such approvals and orders becoming Final, pursuant to Paragraph 8 of this Agreement. If the Court does not provide the approvals described in (a); if the Court does not grant the relief described in (b); or if the final result of any appeal from the approvals and orders described in (a) or (b) is that any of the approvals or orders are not affirmed, in their entirety and without material modification or limitation, then any Party has the right to withdraw its agreement to the Settlement and to this Agreement by providing to the other Party written notice of such withdrawal, within fourteen (14) days of the order or judicial determination giving rise to the right to withdraw. In the event that any Party withdraws its agreement to the Settlement or this Agreement as allowed in this

Paragraph, this Agreement will be null and void and of no further effect whatsoever, shall not be admissible in any ongoing or future proceedings for any purpose whatsoever (except for the provisions of this Paragraph, which shall survive), and shall not be the subject or basis for any claims by any Party against any other Party. If any Party withdraws from this Agreement pursuant to the terms of this Paragraph, then each Party shall be returned to such Party's respective position immediately prior to such Party's execution of the Agreement.

36. The Parties do not have the right to withdraw from, or otherwise terminate, the Agreement for any reason other than the reasons identified in Paragraph 35. The following paragraphs of this Agreement shall survive termination of the Agreement: Paragraphs 35, 36, 45, and 46.

VII. DISTRIBUTION OF NET SETTLEMENT PROCEEDS

37. Duties: The Receiver, with the approval and guidance of the Court, shall be solely responsible for preparing, filing a motion seeking approval of, and implementing a process to receive, manage, and disburse the Net Settlement Proceeds. The Receiver owes no duties to Locke or the Locke Released Parties in connection with the distribution of the Net Settlement Proceeds, and if the Receiver complies with all orders issued by the Court relating to distribution of Net Settlement Proceeds, neither Locke nor the Locke Released Parties may assert any claim or cause of action against the Receiver in connection with the distribution of the Settlement Amount. In no event will the Receiver or the Receiver Released Parties be liable for damages or the payment or repayment of funds of any kind as a result of any deficiency associated with the distribution of the Settlement Amount.

38. Distribution by Check: The Receiver must include the following statement, without alteration (except that additional releasees may be included if the Receiver includes in the distribution check funds from settlements with such other releasees), on the reverse of all checks

sent to Claimants pursuant to the distribution of Net Settlement Proceeds, above where the endorser will sign:

BY ENDORSING THIS CHECK, I RELEASE ALL CLAIMS, KNOWN OR NOT, AGAINST LOCKE LORD LLP, ITS PARTNERS, ATTORNEYS, AND EMPLOYEES (WHETHER CURRENT OR PAST) ARISING FROM OR RELATING TO THE HEARTLAND RECEIVERSHIP PARTIES OR ANY OF THEIR RELATED ENTITIES AND ACCEPT THIS PAYMENT IN FULL SATISFACTION THEREOF.

39. No Responsibility: Locke and the Locke Released Parties shall have no responsibility, obligation, or liability whatsoever with respect to the terms, interpretation, or implementation of the distribution of the Settlement Amount; the administration of the Settlement; the management, investment, or distribution of the Settlement Amount or any other funds paid or received in connection with the Settlement; the payment or withholding of Taxes that may be due or owing by the Receiver or any recipient of funds from the Settlement Amount; the determination, administration, calculation, review, or challenge of claims to the Settlement Amount, any portion of the Settlement Amount, or any other funds paid or received in connection with the Settlement or this Agreement; or any losses, attorneys' fees, expenses, vendor payments, expert payments, or other costs incurred in connection with any of the foregoing matters. As of the Settlement Effective Date, the Receiver and all other Persons the Receiver represents or on whose behalf the Receiver has been empowered to act by any court fully, finally, and forever release, relinquish, and discharge Locke and the Locke Released Parties from any and all such responsibility, obligation, and liability.

VIII. RELEASES, COVENANT NOT TO SUE, AND PERMANENT INJUNCTION

40. Release of Locke Released Parties: As of the Settlement Effective Date, the Receiver, on behalf of the Receivership Parties, fully, finally, and forever releases, relinquishes, and discharges, with prejudice, all Settled Claims against Locke and the Locke Released Parties.

41. Release of Receiver Released Parties: As of the Settlement Effective Date, Locke fully, finally, and forever releases, relinquishes, and discharges, with prejudice, all Settled Claims against the Receiver and the Receiver Released Parties.

42. No Release of Obligations Under Agreement: Notwithstanding anything to the contrary in this Agreement, the releases and covenants contained in this Agreement do not release the Parties' rights and obligations under this Agreement or the Settlement, nor do they bar the Parties from enforcing or effectuating this Agreement or the Settlement.

43. Covenant Not to Sue: Effective as of the Agreement Date, the Receiver covenants not to, directly or indirectly, or through a third party, institute, reinstitute, initiate, commence, maintain, continue, file, encourage, solicit, support, participate in, collaborate in, or otherwise prosecute against any of the Locke Released Parties any action, lawsuit, cause of action, claim, investigation, demand, complaint, or proceeding, whether individually, derivatively, on behalf of a class, as a member of a class, or in any other capacity whatsoever, concerning or relating to the Settled Claims, whether in a court or any other Forum. Effective as of the Agreement Date, Locke covenants not to, directly or indirectly, or through a third party, institute, reinstitute, initiate, commence, maintain, continue, file, encourage, solicit, support, participate in, collaborate in, or otherwise prosecute against any of the Receiver Released Parties any action, lawsuit, cause of action, claim, investigation, demand, complaint, or proceeding, whether individually, derivatively, on behalf of a class, as a member of a class, or in any other capacity whatsoever, concerning or relating to the Settled Claims, whether in a court or any other Forum. Notwithstanding the foregoing, however, the Parties retain the right to sue for alleged breaches of this Agreement.

IX. REPRESENTATIONS AND WARRANTIES

44. Authority: Each person executing this Agreement or any related documents represents and warrants that he or she has the full authority to execute the Agreement on behalf of

the entity each represents and that each has the authority to take appropriate action required or permitted to be taken pursuant to this Agreement to effectuate its terms.

X. NO ADMISSION OF FAULT OR WRONGDOING

45. The Settlement, this Agreement, and the negotiation and mediation thereof shall in no way constitute, be construed as, or be evidence of an admission or concession of any violation of any statute or law; of any fault, liability, or wrongdoing; or of any infirmity in the claims or defenses of the Parties with regard to any of the complaints, claims, allegations, or defenses asserted or that could have been asserted in or any proceeding relating to any Settled Claim, or any other proceeding in any Forum. The Settlement and this Agreement are a resolution of disputed claims reached in order to avoid the risk and very substantial expense of protracted litigation. The Settlement, this Agreement, and evidence thereof shall not be used, directly or indirectly, in any way, in the SEC Action or in any other proceeding, other than to enforce the terms of the Settlement and this Agreement.

XI. CONFIDENTIALITY

46. Confidentiality: Except as necessary to obtain Court approval of this Agreement, to provide the notices as required by this Agreement, or to enforce and effectuate the terms of the Settlement and this Agreement, the Parties will keep confidential and shall not publish, communicate, or otherwise disclose, directly or indirectly, in any manner whatsoever, Confidential Information to any Person, except (i) as required pursuant to law, regulation, or order of the Court; (ii) to Locke's partners, members, insurers, or potential insurers, on a confidential or attorney-client basis; (iii) to the Parties' respective accountants, auditors, bankers, and attorneys on a confidential or attorney-client basis; (iv) Commission counsel; and (v) with prior written consent from the other Party, which may be transmitted by e-mail.

XII. NON-DISPARAGEMENT

47. In connection with the Settlement and this Agreement, the Receiver shall not make, disseminate, or publish any statement outside of Court, including a statement in the press, that would denigrate or embarrass Locke, or that is otherwise negative or derogatory towards Locke. Nor shall the Receiver respond to or publicly comment about any inquiry from the press regarding the Settlement and this Agreement, other than to state, “no comment.” Nothing in this paragraph shall prevent the Receiver from making any statement in Court regarding Locke, nor shall this paragraph prevent the Receiver from taking any step she believes, in her sole and absolute discretion, is necessary to enforce the Settlement or this Agreement. Nothing in this paragraph shall prevent the Receiver from reporting her activities to the Court or the Commission, responding as necessary to inquiries from the Court or other governmental authorities, or carrying out any of her duties under any order addressing the scope of the Receiver’s duties, including but not limited to the Receivership Order.

48. In connection with the Settlement and this Agreement, Locke shall not make, disseminate, or publish any statement outside of Court, including a statement in the press, which would denigrate or embarrass the Receiver or the Commission. Nor shall Locke respond to or publicly comment about any inquiry from the press regarding the Settlement and this Agreement, other than to state, “no comment.” Nothing in this paragraph shall prevent Locke from making any statement in Court regarding the Receiver or the Commission, nor shall this paragraph prevent Locke from taking any step it believes, in its sole and absolute discretion, is necessary to enforce the Settlement or this Agreement.

XIII. MISCELLANEOUS

49. Final and Complete Resolution: The Parties intend this Agreement and the Settlement to be and constitute a final, complete, and worldwide resolution of all matters and

disputes between (1) the Receiver Released Parties, on the one hand, and (2) the Locke Released Parties on the other hand, and this Agreement, including its exhibits, shall be interpreted to effectuate this purpose.

50. Binding Agreement: As of the Agreement Date, this Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective heirs, executors, administrators, successors, and assigns. No Party may assign any of its rights or obligations under this Agreement without the express written consent of the other Parties.

51. Incorporation of Recitals: The Recitals contained in this Agreement are essential terms of this Agreement and are incorporated herein for all purposes.

52. Disclaimer of Reliance: The Parties represent and acknowledge that in negotiating and entering into the Settlement and this Agreement they have not relied on, and have not been induced by, any representation, warranty, statement, estimate, communication, or information, of any nature whatsoever, whether written or oral, by, on behalf of, or concerning any Party, any agent of any Party, or otherwise, except as expressly set forth in this Agreement. To the contrary, each of the Parties affirmatively represents and acknowledges that the Party is relying solely on the express terms contained within this Agreement. The Parties have each consulted with legal counsel and advisors, have considered the advantages and disadvantages of entering into the Settlement and this Agreement, and have relied solely on their own judgment and the advice of their respective legal counsel in negotiating and entering into the Settlement and this Agreement.

53. Third-Party Beneficiaries: This Agreement is not intended to and does not create rights enforceable by any Person other than the Parties (or their respective heirs, executors, administrators, successors, and assigns, as provided in Paragraph 50 of this Agreement), except that if this Agreement provides that a Person is released or should not be sued as a consequence of

a covenant not to sue, then such Person may enforce the release or covenant not to sue as it relates to said Person.

54. Negotiation, Drafting, and Construction: The Parties agree and acknowledge that they each have reviewed and cooperated in the preparation of this Agreement, that no Party should or shall be deemed the drafter of this Agreement or any provision hereof, and that any rule, presumption, or burden of proof that would construe this Agreement, any ambiguity, or any other matter, against the drafter shall not apply and is waived. The Parties are entering into this Agreement freely, after good-faith, arm's-length negotiation, with the advice of counsel, and in the absence of coercion, duress, and undue influence. The titles and headings in this Agreement are for convenience only, are not part of this Agreement, and shall not bear on the meaning of this Agreement. The words "include," "includes," or "including" shall be deemed to be followed by the words "without limitation." The words "and" and "or" shall be interpreted broadly to have the most inclusive meaning, regardless of any conjunctive or disjunctive tense. Words in the masculine, feminine, or neuter gender shall include any gender. The singular shall include the plural and vice versa. "Any" shall be understood to include and encompass "all," and "all" shall be understood to include and encompass "any."

55. Cooperation: The Parties agree to execute any additional documents reasonably necessary to finalize and carry out the terms of this Agreement. In the event a third party or any Person other than a Party at any time challenges any term of this Agreement or the Settlement, including the Proposed Order, the Parties agree to cooperate with each other, including using reasonable efforts to make documents or personnel available as needed to defend any such

challenge. Further, the Parties shall reasonably cooperate to defend and enforce each of the orders required under Paragraph 35 of this Agreement.

56. Notice: Any notices, documents, or correspondence of any nature required to be sent pursuant to this Agreement shall be transmitted by both e-mail and overnight delivery to the following recipients, and will be deemed transmitted upon acknowledged receipt or receipt by the overnight delivery service.

If to the Receiver:

William T. Reid IV (wreid@reidcollins.com)
Keith Y. Cohan (kcohan@reidcollins.com)
Morgan M. Menchaca (mmenchaca@reidcollins.com)
REID COLLINS & TSAI LLP
1301 S. Capital of Texas Hwy
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Austin, TX 78746
Telephone: (512) 647-6100

Deborah D. Williamson (dwilliamson@dykema.com)
Danielle Rushing Behrends (dbehrends@dykema.com)
DYKEMA GOSSETT PLLC
112 East Pecan Street, Suite 1800
San Antonio, Texas 78205
Telephone: (210) 554-5500
Facsimile: (210) 226-8395

Rose L. Romero
State Bar No. 17224700
Rose.Romero@RomeroKozub.com
LAW OFFICES OF ROMERO | KOZUB
235 N.E. Loop 820, Suite 310
Hurst, Texas 76053
Telephone: (682) 267-1351

If to Locke:

Sarah Raggio (sarah.raggio@lockelord.com)
LOCKE LORD LLP
2200 Ross Avenue
Suite 2800
Dallas, TX 75201
T: 214-740-8464

Paul Koning (paul.koning@koningrubarts.com)
KONING RUBARTS LLP
1700 Pacific Avenue
Suite 4500
Dallas, Texas 75201
Telephone: (214) 751-7900

Charlene Koonce (charlene@brownfoxlaw.com)
BROWN FOX PLLC
8111 Preston Road
Suite 300
Dallas, Texas 75225
Telephone: (214) 327-5000

Each Party shall provide notice of any change to the service information set forth above to all other Parties by the means set forth in this paragraph.

57. Choice of Law: This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas, without regard to the choice-of-law principles of Texas or any other jurisdiction.

58. Mandatory, Exclusive Forum Selection Clause: Any dispute, controversy, or claim arising out of or related to the Settlement or this Agreement, including breach, interpretation, effect, or validity of this Agreement, whether arising in contract, tort, or otherwise, shall be brought exclusively in the United States District Court for the Northern District of Texas, Fort Worth Division. With respect to any such action, the Parties irrevocably stipulate and consent to personal and subject matter jurisdiction and venue in such court, and waive any argument that such court is inconvenient, improper, or otherwise an inappropriate Forum.

59. United States Currency: All dollar amounts in this Agreement are expressed in United States dollars.

60. Timing: If any deadline imposed by this Agreement falls on a non-business day, then the deadline is extended until the next business day.

61. Waiver: The waiver by a Party of any breach of this Agreement by another Party shall not be deemed a waiver of any other prior or subsequent breach of this Agreement.

62. Exhibits: The exhibits annexed to this Agreement are incorporated by reference as though fully set forth in this Agreement.

63. Integration and Modification: This Agreement sets forth the entire understanding and agreement of the Parties with respect to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations, and communications, whether oral or written, with respect to such subject matter, including the Term Sheet signed by the Parties prior to this Agreement. Neither this Agreement, nor any provision or term of this Agreement, may be amended, modified, revoked, supplemented, waived, or otherwise changed except by a writing signed by both Parties.

64. Counterparts and Signatures: This Agreement may be executed in one or more counterparts, each of which for all purposes shall be deemed an original but all of which taken together shall constitute one and the same instrument. A signature delivered by electronic means shall be deemed to be, and shall have the same binding effect as, a handwritten, original signature.

IN WITNESS HEREOF, the Parties have executed this Agreement signifying their agreement to the foregoing terms.

By: Deborah D. Williamson
In her capacity as the Receiver for the Receivership Parties

Date: _____

LOCKE LORD LLP

By: Sarah H. Paggio

Its: Deputy General Counsel- Claims

Date: 3/28/24

IN WITNESS HEREOF, the Parties have executed this Agreement signifying their agreement to the foregoing terms.



By: Deborah D. Williamson
In her capacity as the Receiver for the Receivership Parties

Date: 3/27/24

LOCKE LORD LLP

By: _____

Its: _____

Date: _____

EXHIBIT 1 (Proposed Order)

ORDER GRANTING RECEIVER’S MOTION (I) TO APPROVE PROPOSED SETTLEMENT WITH FORMER COUNSEL TO CERTAIN HEARTLAND-RELATED RECEIVERSHIP PARTIES (II) TO ENTER A BAR ORDER, AND (III) TO APPROVE PAYMENT OF FEES AND EXPENSES OF REID COLLINS & TSAI LLP, LITIGATION COUNSEL TO RECEIVER

Came on to be heard the *Receiver’s Motion (I) To Approve Proposed Settlement with Former Counsel to Certain Heartland-Related Receivership Parties, (II) To Enter a Bar Order, and (III) To Approve Payment of Fees and Expenses of Reid Collins & Tsai LLP, Litigation Counsel to Receiver* (the “Motion”).⁴ After considering the Receiver’s Motion, all objections or responses thereto, if any, all evidence submitted to the Court, and the arguments of counsel, the Court is of the opinion that said Motion should be **GRANTED** in all respects.

It is hereby **ORDERED, ADJUDGED, AND DECREED** as follows:

1. The Court has “broad powers and wide discretion to determine the appropriate relief in [this] equity receivership,” including the authority to enter this Order. *SEC v. Kaleta*, 530 Fed. App’x 360, 362 (5th Cir. 2013) (internal quotations omitted). Moreover, the Court has jurisdiction over the subject matter of this Case, and the Receiver is a proper party to seek entry of this Order.

2. The Court finds that the methodology, form, content, and dissemination of notice were reasonably calculated, under the circumstances, to apprise all Heartland Investors, creditors of Heartland-Related Receivership Parties, or Non-Receivership-Party Defendants or Relief Defendants of the Settlement, the releases therein, and the injunctions provided for in this Order, and of the right to object to the Settlement, this Order, and to appear at the hearing on the Motion. The Court further finds that the notice met all applicable

⁴Capitalized terms used but not otherwise described herein shall have the meaning ascribed in the Motion and the Settlement Agreement attached to the Motion.

requirements of law and provided all persons a full and fair opportunity to be heard on these matters.

3. The Court finds that the Settlement, including the Settlement Agreement, was reached following an extensive investigation of the facts and resulted from vigorous, good faith, arms-length, mediated negotiations involving experienced and competent counsel. The Court further finds that (i) significant issues exist as to the merits and value of the claims asserted against Locke by the Receiver and by others whose potential claims are foreclosed by this Order; (ii) such claims contain complex and novel issues of law and fact that would require a substantial amount of time and expense to litigate, with uncertainty regarding whether such claims would be successful; (iii) a significant risk exists that future litigation costs may result in an ultimate lower recovery; (iv) Heartland Investors who have allowed claims with the Receiver will ultimately benefit from the Settlement Amount being paid pursuant to the Settlement; and (v) Locke would not have agreed to the terms of the Settlement in the absence of this Order and assurance of “total peace” with respect to all claims that have been, or could be, asserted arising from its relationship with the Heartland Receivership Parties. *See SEC v. Kaleta*, No. 4:09-3674, 2012 U.S. Dist. LEXIS 14880, at *34 (S.D. Tex. Feb. 7, 2012) (approving these factors for consideration in evaluating whether a settlement and bar order are sufficient, fair, and necessary). Additionally, the Court finds that any Settled Claims that Heartland Investors, creditors of Heartland-Related Receivership Parties, or Non-Receivership-Party Defendants or Relief Defendants may hold against Locke are derivative of and dependent on the Receiver’s claims, “compete for the same dollars” available to satisfy such claims, and any claims held by such parties against Locke therefore

affect Receivership Assets. *See Zacarias v. Stanford Int'l Bank, Ltd.*, 945 F.3d 883, 900 (5th Cir. 2019).

4. The injunction against the Settled Claims, as set forth herein, is therefore a necessary and appropriate order ancillary to the relief obtained for Heartland Investors pursuant to the Settlement. The Court concludes that the Settlement is the best option for maximizing the net amount recovered from Locke for the Heartland-Related Receivership Parties and the Heartland Investors.

5. The Court further finds that the Receiver's claims process and the proposed distribution plan (subject to further Order of the Court) contemplated in the Settlement Agreement and the Motion have been designed to ensure that all Heartland Investors and creditors of Heartland-Related Receivership Parties have received an opportunity to pursue their claims against any Heartland-Related Receivership Party through the Receiver's claims process, which was previously approved by the Court. *See* ECF No. 431.

6. Accordingly, the Court finds that the Settlement is, in all respects, fair, reasonable, and adequate, and in the best interests of all persons claiming an interest in, having authority over, or asserting a claim against Locke or the Heartland-Related Receivership Parties. The Court also finds that this Order is a necessary component to achieve the Settlement. The Settlement, the terms of which are set forth in the Settlement Agreement, is hereby fully and finally **APPROVED**. The Parties are directed to implement and consummate the Settlement in accordance with the terms and provisions of the Settlement Agreement and this Order.

7. Pursuant to Paragraph 40 of the Settlement Agreement, as of the Settlement Effective Date, Locke and all of the other Locke Released Parties, shall be fully, finally, and

forever released and discharged from any action, cause of action, suit, liability, claim, right of action, right of levy or attachment, or demand whatsoever, whether or not currently asserted, known, suspected, existing, or discoverable, and whether based on federal law, state law, foreign law, common law, or otherwise, and whether based on contract, tort, statute, law, equity or otherwise, that the Receiver or the Receivership Parties ever had, now has, or hereafter can, shall, or may have, directly, representatively, derivatively, or in any other capacity, for, upon, arising from, relating to, or by reason of any matter, cause, or thing whatsoever, that, in full or in part, concerns, relates to, arises out of, is derivative of, or is in any manner connected with the Settled Claims, as defined in the Settlement Agreement.

8. Pursuant to Paragraph 41 of the Settlement Agreement, as of the Settlement Effective Date, the Receiver and all of the other Receiver Released Parties, shall be fully, finally, and forever released and discharged from any action, cause of action, suit, liability, claim, right of action, right of levy or attachment, or demand whatsoever, whether or not currently asserted, known, suspected, existing, or discoverable, and whether based on federal law, state law, foreign law, common law, or otherwise, and whether based on contract, tort, statute, law, equity or otherwise, that Locke ever had, now has, or hereafter can, shall, or may have, directly, representatively, derivatively, or in any other capacity, for, upon, arising from, relating to, or by reason of any matter, cause, or thing whatsoever, that, in full or in part, concerns, relates to, arises out of, is derivative of, or is in any manner connected with the Settled Claims, as defined in the Settlement Agreement.

9. Notwithstanding anything to the contrary in this Order, the foregoing releases do not release the Parties' rights and obligations under the Settlement or the Settlement Agreement or bar the Parties from enforcing or effectuating the terms of the Settlement or

the Settlement Agreement. Further, the foregoing releases do not bar or release any claims that Locke may have against any Locke Released Party, including but not limited to Locke's insurers, reinsurers, employees, and agents.

10. The Court hereby permanently bars, restrains, and enjoins the Receiver, the Receivership Parties, the Heartland Investors, the creditors of any Heartland-Related Receivership Party, and the Non-Receivership-Party Defendants and Relief Defendants, whether acting in concert with the foregoing or claiming by, through, or under the foregoing, or otherwise, all and individually, from directly, indirectly, or through a third party, instituting, reinstating, intervening in, initiating, commencing, maintaining, continuing, filing, encouraging, soliciting, supporting, participating in, collaborating in, or otherwise prosecuting, against Locke or any of the Locke Released Parties, any action, lawsuit, cause of action, liability, claim, investigation, demand, levy, complaint, or proceeding of any nature in any forum, including, without limitation, any court of first instance or any appellate court, whether individually, derivatively, on behalf of a class, as a member of a class, or in any other capacity whatsoever, that in any way relates to, is based upon, arises from, or is connected with the Settled Claims, as defined in the Settlement Agreement.

11. Nothing in this Order or the Settlement Agreement and no aspect of the Settlement or negotiation or mediation thereof is or shall be construed to be an admission or concession of any violation of any statute or law, of any fault, liability, or wrongdoing, or of any infirmity in the claims or defenses of the Parties with regard to any complaints, claims, allegations, or defenses.

12. Without in any way affecting the finality or enforceability of this Order, the Court retains continuing and exclusive jurisdiction over the Parties for purposes of, among

other things, the administration, interpretation, consummation, and enforcement of the Settlement, the Settlement Agreement, and this Order, including, without limitation, the injunctions, bar orders, and releases herein, and to enter orders concerning implementation of the Settlement, the Settlement Agreement, any distribution plan, and any payment of attorneys' fees and expenses to RCT.

13. Within five (5) business days of entry, this Order shall be served by counsel for the Receiver, via email, first class mail, or international delivery service, on any person or entity that filed an objection to approval of the Settlement, the Settlement Agreement, or the Motion.

14. The Court expressly determines that there is no just reason for delaying the finality of this Order and that this Order is final and appealable under FED. R. CIV. P. 54(b).

Signed this ___ day of _____, 2024.

HAL R. RAY, JR.
UNITED STATES MAGISTRATE JUDGE

Prepared and submitted by:

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COUNSEL TO RECEIVER