

**RECEIVER'S TWELFTH QUARTERLY REPORT FOR RECEIVERSHIP ESTATES
(JULY 1, 2024 – SEPTEMBER 30, 2024)**

Deborah D. Williamson, in her capacity as the Court-appointed Receiver (the “Receiver”) for the Receivership Parties (as defined in the Court’s December 2, 2021 *Order Appointing Receiver* [ECF No. 17] (the “Receivership Order”)) and receivership estates (collectively, the “Estates”) in the above-captioned case (the “Case” or “Receivership”), hereby files this *Receiver’s Twelfth Quarterly Report for Receivership Estates* (the “Report”) for the period July 1, 2024 through September 30, 2024.¹ The Receivership Order requires the Receiver to file a report within thirty (30) days of the end of each calendar quarter. Reasonable efforts have been made to fairly and accurately summarize the current status of the Receivership but any summary, of necessity, will omit details. The Receiver will be available to attend a status conference or otherwise respond to the Court’s questions at the Court’s request.

I. OVERVIEW

1. During this Reporting Period (defined below), the Receiver and her team spent a substantial amount of time on the distribution process, focusing on communications with various creditors, including investors (potential and known), vendors, and governmental agency contacts. The Receiver obtained Court approval of the “Net Investment” or “Net Loss” distribution methodology and plan on July 1, 2024. *See* ECF Nos. 559, 560. The Receiver also sold the last known items of personal property pursuant to Court-approved sale procedures. Additionally, the Receiver and her team continue to analyze various records relating to other potential assets and/or claims of the Estates.

¹ Capitalized terms used herein but not otherwise defined shall have the meaning ascribed in the Receivership Order.

2. The initial distribution to the 938 creditors which had submitted IRS Form W-9's was made on September 11, 2024. \$7,220,863.05 was distributed to Class 4a, \$3,851,465.02 was distributed to Class 4b, and \$650,000.00 to Class 5.

3. The Receiver and her team had frequent communications with investors and creditors, which steadily increased throughout the Reporting Period (defined below) as distribution payment packages were received by investors and known non-investor creditors with allowed claims. Additionally, the Receiver and her counsel continued daily communications with investors (known and potential) and other creditors via email during the Reporting Period about the status of the Case and the distribution methodology and plan.

4. At the beginning of the third quarter of 2024, the Receiver had \$18,755,092.14 on deposit. At the end of this Reporting Period (defined below), after receipt of proceeds from settlements, issuance of Court-approved distributions, and payments of operating expenses and Court-approved fees and expenses, the amount on deposit was \$9,222,154.03. As of the filing of this Report (October 18, 2024), \$5,585,562.78 is in the Receivership bank accounts.²

II. BACKGROUND

5. On December 1, 2021, the Securities and Exchange Commission (the "Commission") filed its *Emergency Motion for a Temporary Restraining Order and Emergency*

² This balance does not include checks that have been issued but not cleared. For example, on October 17, 2024, the Receiver made a distribution to Class 4 and Class 4a Claimants with submitted and approved IRS Form W-9 but did not receive a distribution on September 11, 2024. These checks were issued by the Receiver, however have not cleared the Receivership bank account.

Ancillary Relief [ECF No. 3] which included an application for the appointment of a receiver for the Receivership Parties.

6. On December 2, 2021, this 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 (the "Receivership Assets") pending further order of this Court. Accordingly, the Court entered the Receivership Order on December 2, 2021, appointing Deborah D. Williamson as the Receiver over the Estates in this Case [ECF No. 17]. That same day, the Court entered the *Order for Temporary Restraining Order and Other Emergency Relief* [ECF No. 12] and the *Asset Freeze Order* [ECF No. 14].

7. Pursuant to the Receivership Order, the Receiver is charged with:

marshaling and preserving all the assets of the Defendants (the "Receivership Assets") and those assets of the Relief Defendants that: (a) are attributable to funds derived from investors or clients of the Defendants; (b) are held in constructive trust for the Defendants; (c) were fraudulently transferred by the Defendants; and/or (d) may otherwise be includable as assets of the estates of the Defendants (collectively, the "Recoverable Assets").

Receivership Order, ¶ 2.

8. Additionally, the Receivership Order provides:

Within thirty (30) days after the end of each calendar quarter, the Receiver shall file and serve a full report and accounting of each Receivership Estate (the "Quarterly Status Report"), reflecting (to the best of the Receiver's knowledge as of the period covered by the report) the existence, value, and location of all Receivership Property, and of the extent of liabilities, both those claimed to exist by others and those the Receiver believes to be legal obligations of the Receivership Estates.

Receivership Order, ¶ 56.

9. The Quarterly Status Report is directed to contain the following:
 - A. A summary of the operations of the Receiver;
 - B. The amount of cash on hand, the amount and nature of accrued administrative expenses, and the amount of unencumbered funds in the estate;
 - C. A schedule of all the Receiver's receipts and disbursements (attached as Exhibit A to the Quarterly Status Report), with one column for the quarterly period covered and a second column for the entire duration of the receivership;
 - D. A description of all known Receivership Property, including approximate or actual valuations, anticipated or proposed dispositions, and reasons for retaining assets where no disposition is intended;
 - E. A description of liquidated and unliquidated claims held by the Receivership Estate, including the need for forensic and/or investigatory resources; approximate valuations of claims; and anticipated or proposed methods of enforcing such claims (including likelihood of success in: (i) reducing the claims to judgment; and (ii) collecting such judgments);
 - F. A list of all known creditors with their addresses and the amounts of their claims;
 - G. The status of Creditor Claims Proceedings, after such proceedings have been commenced; and
 - H. The Receiver's recommendations for a continuation or discontinuation of the receivership and the reasons for the recommendations.

Receivership Order, ¶ 57.

10. As stated above, the Receiver was appointed on December 2, 2021. The Receiver previously filed the *Receiver's First Quarterly Report for Receivership Estates* [ECF No. 126] for the period of December 2, 2021 through December 31, 2021. The *Receiver's Second Quarterly Report for Receivership Estates* [ECF No. 189] was filed May 2, 2022, covering the period of January 1, 2022 through March 31, 2022. The *Receiver's Third Quarterly Report for Receivership Estates* [ECF No. 242] was filed July 30, 2022, covering the period of April 1, 2022 through June 30, 2022. The *Receiver's Fourth Quarterly Report for Receivership Estates* [ECF No. 274]

was filed October 31, 2022, covering the period of July 1, 2022 through September 30, 2022. The *Receiver's Fifth Quarterly Report for Receivership Estates* [ECF No. 320] was filed January 27, 2023, covering the period of October 1, 2022 through December 31, 2022. The *Receiver's Sixth Quarterly Report for Receivership Estates* [ECF No. 350] was filed on April 14, 2023, covering the period of January 1, 2023 through March 31, 2023. The *Receiver's Seventh Quarterly Report for Receivership Estates* [ECF No. 386] was filed on August 14, 2023, covering the period of April 1, 2023 through June 30, 2023. The *Receiver's Eighth Quarterly Report for Receivership Estates* [ECF No. 426] was filed on October 30, 2023, covering the period of July 1, 2023 through September 30, 2023. The *Receiver's Ninth Quarterly Report for Receivership Estates* [ECF No. 452] was filed on January 30, 2024, covering the period of October 1, 2023 through December 31, 2023. The *Receiver's Tenth Quarterly Report for Receivership Estates* [ECF No. 496] was filed on April 30, 2024, covering the period of January 1, 2024 through March 31, 2024. The *Receiver's Eleventh Quarterly Report for Receivership Estates* [ECF No. 571] was filed on July 16, 2024. This Report covers the period of July 1, 2024 through September 30, 2024 (the "Reporting Period"). Certain information or activity subsequent to September 30, 2024, may be included for context and/or completeness.

11. One or more of the Heartland-related Receivership Parties raised tens of millions of dollars in the form of short-term promissory notes and equity investments ultimately for the benefit of the various Defendants and/or the various Relief Defendants. The holders of those notes and equity investments are generally referred to as "creditors" and/or "investors" in this Report.³

³ Any reference to "investor" is not intended to categorize or characterize any claim.

Claims Procedure Summary

12. On July 1, 2024, U.S. District Judge O'Connor entered the *Order Accepting Findings, Conclusions, and Recommendation of the United States Magistrate Judge* [ECF No. 561] and the *Order Sustaining Receiver's Omnibus Objection to Claim Submissions Pursuant to Court-Approved Claims Procedure* [ECF No. 562] (the "Claims Objection Order"). In accordance with the Claims Procedure Order, 734 investor claims are allowed with a total liability of **\$98,790,420.27**. Similarly, 36 non-investor claims are allowed with a total liability of **\$8,601,718.94**. The combined investor and non-investor allowed claim amounts in this Case total **\$107,392,139.21**.

Distribution Plan Summary

13. On May 9, 2024, the Receiver filed the *Receiver's Motion for Order Approving Distribution Plan and Interim and/or Final Distribution* [ECF No. 534] (the "Distribution Motion"), which requested Court approval of the "Net Investment" (also known as the "Net Loss") distribution method for any interim and/or final distributions on allowed claims in this Case and proposed the distribution plan summarized below. The Court considered the Distribution Motion, including the Receiver's proposed distribution plan on June 6, 2024.

14. On June 14, 2024, U.S. Magistrate Judge Ray entered the *Findings, Conclusions, and Recommendation of the United States Magistrate Judge* [ECF No. 555], recommending that U.S. District Judge O'Connor grant the Distribution Motion.

15. On July 1, 2024, U.S. District Judge O'Connor entered the *Order Accepting Findings, Conclusions, and Recommendation of the United States Magistrate Judge* [ECF No. 559] and the *Order Granting Receiver, Deborah D. Williamson's Motion for Order Approving Distribution Plan and Interim and/or Final Distribution* [ECF No. 560] (together, the

“Distribution Orders”), which granted the Receiver’s Distribution Motion, including the distribution plan summarized below.

- A. The distribution plan contains 9 classes of claimants based on the claimant’s relationship to one of more of the 18 Receivership Parties. The Court authorized the exclusion from any Court-approved distribution claim amounts arising from or relating to Texas International Energy Production, Inc. (“TIEP”). Further, the Court authorized the subordination of any “Insider” claims.
- B. The Court permitted the pooling of certain Receivership assets for distribution purposes and approved the “Net Investment” or “Net Loss” distribution method. Generally, the “Net Investment” or “Net Loss” method provides claimants with a *pro rata* distribution based on the claimant’s allowed claim amount compared to the total amount of all allowed claims in the Heartland Receivership.
- C. The Court authorized a distribution of approximately \$9,375,000 on a *pro rata* basis to allowed claimants in Class 4a, which represents a return of capital to Heartland investors arising out of the settlement with Locke Lord LLP (“Locke Lord”).
- D. The Court authorized an interim distribution of \$5,000,000 on a *pro rata* basis to allowed claimants in Classes 4a and 4b, including Heartland investors and other claimants save and except claimants relating to the five (5) oil and gas operator Receivership Parties (the “Operators”), Sahota Capital LLC, and/or Barron Energy Corporation.
- E. The Court authorized a final distribution of \$650,000 on a *pro rata* basis to allowed claimants against one or more of the Operators (Class 5).
- F. The Receiver is reserving sufficient assets to ensure the payment of allowed claims in Classes 1-3 and estimated tax liabilities for the past, 2024, and future tax years. The Court authorized the Receiver to make a push-out election for Heartland Receivership partnerships in the event that there is an audit by the Internal Revenue Service (the “IRS”).
- G. All allowed claimants must provide the Receiver with a completed and signed IRS Form W-9, which is available online at <https://www.irs.gov/pub/irs-pdf/fw9.pdf>. If you do not have access to the Internet, please call 210-554-5845 to request a mailed IRS Form W-9. The completed and signed IRS Form W-9 form can be mailed to Dykema Gossett PLLC c/o Heartland Receivership, 112 East Pecan Street, Suite 1800, San Antonio, Texas 78205 or emailed to

heartlandreceivership@dykema.com. **The Court ordered that the Receiver only issue distribution checks directly to the allowed claimant.**

16. During this Reporting Period, the initial distribution checks were issued on September 11, 2024 to Class 4a, Class 4b, and Class 5 allowed claimants that remitted a completed and signed IRS Form W-9. The second batch of checks for investors who submitted completed and signed IRS Form W-9 will be issued in October. The deadline for the receipt of completed and signed IRS Form W-9 was October 1, 2024. Notice has been sent to the approximately 33 investors who have not yet submitted an IRS Form W-9. If then Receiver has not received a properly executed IRS Form W-9 by October 29, 2024, she will seek Court approval to deem those investors to have forfeited any right to distribution.

17. If and when the Receiver determines that additional funds are available for distribution and/or the Heartland Receivership closes, the Receiver will propose future distribution(s) to the Court. **The Receiver does not believe that there will be another significant distribution to investors or other creditors absent a recovery from Val Verde and Crockett counties, the Defendants and/or Relief Defendants, and/or a favorable resolution with the IRS.**

18. **The Receiver does not believe that the ultimate recovery will be sufficient to return the full amount of principal contributions to Heartland investors and pay in full all claims of non-investor creditors.**

III. GENERAL OVERVIEW

19. The Receivership Parties were generally in the business of investing in, purchasing, operating, and producing oil and gas assets. Certain Receivership Parties also own (or owned) real estate and other property. The Receiver has continued to actively recover and investigate assets and liabilities of the Receivership Estates. In prior quarters, the Receiver has taken possession of

and sold two aircraft, vehicles, multiple pieces of oil field and construction equipment, real property, Dallas Cowboy tickets, and personal property and abandoned hundreds of operating and non-operating wells that could not be sold, pursuant to Court-approved sale procedures. The Receiver has obtained and preserved hard and electronic data from multiple locations controlled by one or more Receivership Parties, their former counsel, and in Panama. The Receiver and her team have analyzed thousands of documents, including, but not limited to, oil and gas documentation, bank account statements, and document production from various parties in interest. The Receiver and her team prepared for and participated in a mediation and entered into a mediator's proposal, which, ultimately, resulted in the settlement of significant causes of action, including Locke Lord. The Receiver has worked with various counsel, including, but not limited to, her lead counsel, Dykema Gossett PLLC ("Dykema"), Romero | Kosub, the Law Practice of Darrell R. Jones, PLLC, and Reid Collins Tsai LLP ("Reid Collins"). The Receiver has also worked closely with Ahuja & Clark, PLLC n/k/a Ahuja & Consultants, Inc. ("A&C") on tax, accounting, and tracing issues, and Vicki Palmour Consulting LLC ("Palmour") on regulatory, compliance, abandonment, and escheatment issues. Many of the tasks performed by the Receiver apply equally to each of the Receivership Estates. Accordingly, the statements and reports contained within this Report should be read to apply equally to each of the Receivership Estates, except where specifically noted to apply to a specific Receivership Estate.

IV. REPORT

A. TAX AND FORENSIC ACCOUNTING ISSUES.

20. During the Reporting Period, with respect to tax matters, A&C assisted in responding to numerous notices from the IRS and other governmental authorities for various

Receivership Parties. A&C working with the Receiver's Counsel at Dykema, identified various tax returns were not filed, including going back to 2018.

21. With respect to forensic accounting, A&C aided the Receiver's counsel throughout the disbursement process. A&C also responded to the Receiver's counsel on specific investor questions. A&C continued tracing funds relating to the purchase of the Bahamas properties and analysis documentation on same.

a. Payroll Taxes.

22. With the assistance of A&C, as of the filing of this Report the Receiver believes she has filed all delinquent returns. The Receiver believes she has paid almost all delinquent payroll taxes due for Barron Petroleum Group LLC, Alternative Office Solutions LLC, and The Heartland Group Ventures, LLC. Payroll taxes for the second quarter of 2021 for Barron Petroleum Group LLC still remain due. The total amount paid is \$9,623.58, but does not include penalties and interest. The Receiver continues to try to reach a resolution with the IRS regarding remaining delinquent amounts.

B. INSURANCE.

23. During the Reporting Period, insurance was maintained, as necessary.

C. CASH ON HAND/ADMINISTRATIVE EXPENSES.

24. The Receiver has endeavored to pay all ordinary course administrative expenses, including, but not limited to: amounts related to utilities; field personnel; Contract Oil & Gas Operations LLC ("COGO"); court filing and recording fees; license fees, including, but not limited to, WolfePak; taxes; auction-related fees; and professional fees to Retained Personnel (to the extent allowed by the Court). The Receiver continues to be cost conscious while balancing the need to protect the value of Receivership Assets and the needs of creditors, investors, and other stakeholders, and such expenses have decreased in this Reporting Period.

a. Termination of Business Receivership Entities.

25. With the assistance of A&C, the Receiver identified entities under the receivership which can be terminated. The Receiver believes that it is the best course of action to obtain authority from this Court to begin the process to terminate these businesses in Texas and Delaware, where operations are wound down and assets have been liquidated. The Receiver will begin filing necessary final federal tax returns and appropriate paperwork to terminate these businesses as this will eliminate further administrative costs.

D. RECEIPTS AND DISBURSEMENTS.

26. During the Reporting Period, the Receiver deposited \$67,207.35, relating to interest and other sources. As required by the Receivership Order, a Receipts and Disbursements chart is attached hereto as **Exhibit A**.

27. On September 11, 2024, the Receiver issued checks totaling \$11,722,328.07 to claimants in Class 4, Class 4a, and Class 5. In Class 4a, \$7,220,863.05 was issued to 451 claimants. Claimants whose W-9's were submitted and processed after August 2024 will receive a distribution early October 2024. In Class 4b, \$3,851,465.02 was issued to 452 claimants. In Class 5, \$650,000.00 was issued to 35 claimants, including the Railroad Commission of Texas. As of the filing of this report, no further distributions are anticipated to be made to Class 5.

E. RECEIVERSHIP PROPERTY.

a. ESI and Documents.

28. Dykema created and continues to host a Relativity Epiq platform to store scanned and/or imaged documents so that the documents can be easily reviewed, tagged, and organized for optimal efficiency. Various Retained Personnel utilize this platform on a routine basis related to their scope of work.

b. Real Estate.

29. As previously reported, immediately upon being appointed, the Receiver took possession of or obtained access to certain locations, including the Heartland office located in Fort Worth, Texas; the Barron Petroleum LLC, Leading Edge Energy LLC, Dallas Resources, Inc. (“Dallas Resources”), and ArcoOil Corp. offices in Graham, Texas, as well as the Graham yard, which was sold before this Reporting Period; an office and storage location in Electra, Texas (the “Electra Office”), which was sold before this Reporting Period; the ranch in Eldorado, Texas (previously occupied by Defendant Manjit Singh (aka Roger) Sahota (“Roger”), his wife, Relief Defendant Harprit Sahota, and his son, Relief Defendant Monroe Sahota), which was sold before this Reporting Period; the home in San Angelo, Texas, owned by Dallas Resources (previously occupied by Relief Defendant Sunny Sahota (“Sunny”) and his family, which was sold before this Reporting Period); and a ranch located off FM 919 in Palo Pinto County, Texas, owned by Dallas Resources, which was sold before this Reporting Period. As of the filing of this Report, the Receiver believes she has sold all domestic real property directly owned by any Receivership Party.

i. Bahamas Properties.

30. There are at least two (2) properties in the Bahamas where funds related to their acquisition can be traced to one or more Receivership Parties. Sunny previously testified in Court that title to two of the properties were in his name and his brother’s name. Roger asserted in one or more pleadings that “the Sahotas” acquired the Bahama properties. The Receiver has requested that the Sahota-related parties cooperate in transferring control and title to the Receiver. To date, the Sahotas have not done so. A&C is performing forensic accounting analysis on the Bahamas properties payments. The Receiver anticipates filing pleadings with the Court to compel the transfer of title to the Bahamian properties to the Estates.

ii. Guatemala Properties.

31. The Receiver understands that there may be Receivership Assets in Guatemala. Upon information and belief, one or more of the Heartland Parties spent more than \$490,000.00 on investments in jade and land in Guatemala where jade can allegedly be mined.

c. *Oil and Gas Properties.*

32. There were hundreds of wells located across multiple leases in Texas. The oil and gas assets are not as valuable as the investors were led to believe. Abandonment of the unsold oil and gas properties (exclusive of Val Verde and Crockett counties) pursuant to Court Order occurred during prior reporting periods. During this Reporting Period, the Receiver and her advisors have continued to spend time addressing issues raised by third parties regarding the Val Verde and Crockett counties oil and gas properties, which are subject to the Court-approved modified farmout agreement.

33. The Receiver engaged an escheat vendor to assist with the escheatment process on the abandoned oil and gas properties, which was completed during the prior Reporting Period.

34. The Receiver and her counsel reviewed Railroad Commission of Texas ("RRC") alleged violation notices, many of which the circumstances existed before the appointment of the Receiver. The Receiver and her team immediately communicated with RRC counsel, as necessary, given the abandonment status of such properties. The Receiver's counsel will continue to review and monitor RRC correspondence issued post-abandonment and communicate with RRC counsel, as necessary.

35. The general liability and pollution coverage for oil and gas properties in Val Verde and Crockett Counties was renewed during the Reporting Period.

36. The Receiver and her team reviewed environmental issues identified by alleged RRC violation notices received during the Reporting Period and immediately notified RRC

counsel of such post-abandonment notices. The Receiver did not expend funds on remediation expenses during the Reporting Period.

37. The Receiver agreed to deliver certain well logs and files relating to Court-approved abandoned oil and gas properties to the RRC during the prior reporting period. Two contractors completed the process of identifying the various well logs and files located in Receivership Party storage units in Aledo, Texas, and Electra, Texas. The Receiver completed the turnover of these abandoned well logs and files to the RRC during this Reporting Period.

38. During the second quarter of 2024, Palmour assisted the Receiver and her counsel with suspense reporting items so that the escheatment process could be completed with the Texas Comptroller of Public Accounts. Palmour's regulatory compliance work is concluded in light of the Court-approved abandonment of certain oil and gas properties and completion of the escheatment process.

i. Val Verde and Crockett Counties Farmout Agreement.

39. The operations of SDMB Resources LLC ("SDMB"), as farmee and contract operator, in Val Verde and Crockett counties have continued to deliver very little production. As of June 2024, production has ceased, and SDMB terminated its contracts with gas gathering companies. SDMB asserts that it continues to address operational issues in hopes of increasing the production and seeking replacement gathering companies. To date, the Receiver has received *de minimis* revenue in relation to the Court-approved modified farmout agreement.

40. The Receiver's oil and gas counsel reviewed the following oil and gas leases, including a large-scope surface use agreement, which are in the Val Verde Basin in Val Verde and Crockett counties: I.W. Carson Lease, the Childress Lease, and the West Lease (collectively, the "Val Verde Leases"). The Val Verde Leases were committed to the modified farmout agreement

between the Receiver and SDMB. The review included comparing the lease terms and conditions against the operational updates published by SDMB in various correspondence to the Receiver over the last twelve (12) months, as well as comparing the facts recited by SDMB in those correspondences to the terms and conditions of the modified farmout agreement.

41. The primary term of an oil and gas lease is the time period during which no action or incremental investment is required of the “lessee” (here, SDMB) to maintain the lease in force and effect. The last of the primary terms of the Val Verde Leases appears to have expired on April 1, 2024, some of which were extended from their original expiration date by agreement between SDMB and the respective lessors of the Val Verde Leases. There continues to be minimal, if any, production of natural gas from various wells on two (2) of the Val Verde Leases, and the Receiver is holding *de minimis* gross revenue from the sales thereof that she believes is all revenue paid from the Val Verde Leases. However, it is yet to be determined whether SDMB has preserved the Val Verde Leases in force and effect beyond the respective primary terms by the combination of production from the Val Verde Leases and operations upon the wells intended to reestablish or enhance production. The determination of whether an oil and gas lease is held in force and effect by production from and/or operations upon the respective lease’s wells is lease-specific and factually sensitive. The Receiver has not formed an opinion on this as of the date of filing this Report.

42. Mechanics and materialman’s liens and delinquent trade debt claims have been asserted against the Val Verde Leases and the wells thereon allegedly as a result of SDMB failing to pay its vendors/contractors for services rendered on the Val Verde Leases. To date, the Receiver, through her counsel, has received multiple notices of intent to file Texas mineral liens and/or mineral lien affidavits, which were sent to SDMB and Receivership Party The Heartland

Group Ventures, LLC (“Ventures”), relating to the modified farmout agreement and totaling at least \$668,020.00 (with interest, fees, and other amounts continuously accruing until paid).

43. The Receiver and her team continue to communicate with SDMB and its counsel regarding issues relating to the Court-approved modified farmout agreement.

d. Equipment and Vehicles.

44. On April 24, 2024, the Receiver located a trailer and a LandStar 550 utility vehicle at a storage unit in Aledo, Texas, which are owned by Ventures. The Receiver engaged Ritchie Bros. Auctioneers (America) Inc. (“Ritchie Bros.”) to sell the utility vehicle and trailer. On June 19, 2024, the Receiver filed the *Notice of Proposed Public Auction of Personal Property* [ECF No. 558] in accordance with Court-approved sale procedures regarding personal property. Ritchie Bros. sold the last known remaining personal property at an in-person and online auction on July 18, 2024. On August 13, 2024, Ritchie Bros. delivered \$1,948.00 to a Receivership bank account. On July 26, 2024, the Receiver filed the *Receiver’s Report Regarding Disposition of Assets at July 18, 2024 Auction by Ritchie Bros. Auctioneers (America) Inc.* [ECF No. 580]. As of the date of filing this Report, the Receiver believes she has sold all equipment and vehicles owned by any Receivership Party.

F. CLAIMS HELD BY RECEIVERSHIP PARTIES.

45. The Receiver and her team continue analyzing potential causes of action held by various Receivership Parties.

G. KNOWN CREDITORS.

46. The Receiver is aware of “recurring charges” creditors, such as internet service providers, utilities, storage units, and telephone services. The Receiver has taken steps to terminate these services, if appropriate, and determine the final amount/number of claims of those service

providers. During this Reporting Period, the Receiver terminated the final storage unit rental agreement for a unit located in Electra, Texas. She has also terminated all utilities.

47. The Receiver has compiled a list of known individuals and entities who are creditors and/or investors in the Receivership Parties (or one of its investment vehicles). According to the records located by the Receiver, there are approximately 726 investors that loaned funds to or invested in one or more of the Receivership Parties (and its related investment vehicles), exclusive of any “roll overs.” A&C has completed verification of the amount each known investor has invested or otherwise advanced. The Receiver worked diligently on the Court-approved claims procedure and completed informal objections to claim submissions, where appropriate, during the prior reporting period. During this Reporting Period, the Receiver began issuance of Court-approved distributions to allowed claimants in Classes 4 and 5 who remitted a completed and signed IRS Form W-9, as detailed above.

48. Since her appointment, the Receiver received thousands of phone calls, voicemails, and emails from investors, employees, and other interested parties. The Receiver set up an informational website and a dedicated email address for the Case: www.heartlandreceivership.com. The Receiver’s counsel continually updates the website with investor communications, “frequently asked questions” (“FAQs”), key court documents, notices, and reports. During this Reporting Period, the Receiver’s team communicated frequently with the Receiver’s claims agent, vendors, investors, and other creditors regarding the distribution process.

H. ADMINISTRATIVE ACTIONS.

49. As stated above, a website has been created to provide information to investors and creditors regarding the status of the Case: www.heartlandreceivership.com. The FAQs should answer the most common questions related to the Case. The FAQs, along with the other sections of the website, allow the Receiver to quickly, inexpensively, and broadly convey information

regarding the Case. The Receiver has and will continue to update the website on a rolling basis as information becomes available.

50. An email address has been created for direct communication by investors and other parties in interest: heartlandreceivership@dykema.com. The email address was initially being monitored by attorneys at Dykema but is now primarily being monitored by a paralegal, who forwards those emails that require the attention of the Receiver or a Dykema attorney.⁴

I. RECEIVER'S RECOMMENDATIONS.

51. While the Receiver has recovered control of readily identifiable assets and operations and liquidated all or substantially all real and personal property, it is too soon to make a final recommendation as to how the Estates should be resolved. The IRS has a three (3) year period to audit tax returns. The Receiver and her team continue to analyze, have begun pursuing, and/or have settled claims against third parties held by the Receivership Estates. Accordingly, the Receiver recommends that the Case continue to allow the Receiver additional time to evaluate what additional claims or causes of action can be asserted, address issues raised by the IRS and other parties, and continue the issuance of Court-approved distribution(s) to investors and other creditors.

⁴ Ms. Behrends has been the point of contact with inquiries with respect to the Court-approved distribution plan.

Dated: October 18, 2024

Respectfully submitted,

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COUNSEL TO RECEIVER

CERTIFICATE OF SERVICE

I hereby certify that on October 18, 2024, the foregoing document was served via CM/ECF on all parties appearing in this case, including counsel for Plaintiff Securities and Exchange Commission.

/s/ Dominique A. Douglas
Dominique A. Douglas

EXHIBIT A

RECEIPTS AND DISBURSMENTS

	Current Period (07/01/2024 - 09/30/2024)	Cumulative
1. CASH AT BEGINNING OF PERIOD		
*3863 IBC Account	\$ 1,159,361.07	
*1565 Western Alliance Account	\$ 250,403.73	
*0955 Western Alliance Sweep Account	\$ 7,963,243.44	
*4056 Western Alliance Account (Account Opened)	\$ 9,382,083.90	
*0216 Western Alliance Account (Account Opened)	\$ -	
*2548 Western Alliance Account (Account Opened)	\$ -	
*3898 IBC Account (Account Closed)	\$ -	
*7536 IBC Account (Account Closed)	\$ -	
	\$ 18,755,092.14	
2. RECEIPTS		
*3863 IBC Account		
07/16/2024 Deposit from Wolfepak Software - Other Income	\$ 7,639.22	
Total Deposits to *3863	\$ 7,639.22	\$ 14,475,628.44
*1565 Western Alliance Account		
07/01/2024 Transfer from *0955: \$5,642,512.37		
07/01/2024 Transfer from *4056: \$7,083.90		
07/31/2024 Interest Income	\$ 417.15	
08/01/2024 Transfer from *4056: \$15,685.79		
08/01/2024 Transfer from *2548: \$8,365.75		
08/01/2024 Transfer from *0216: \$1,087.55		
08/31/2024 Interest Income	\$ 417.14	
08/31/2024 Transfer from *0216: \$1,085.53		
08/31/2024 Transfer from *2548: \$8,350.27		
09/30/2024 Interest Income	\$ 360.35	
Total Deposits to *1565	\$ 1,194.64	\$ 36,848.74
*0955 Western Alliance Sweep Account		
07/31/2024 Interest Income	\$ 4,191.00	
08/01/2024 Transfer from *1565: \$25,556.24		
08/31/2024 Interest Income	\$ 3,934.48	
09/03/2024 Transfer from *1565: \$9,852.94		
09/30/2024 Interest Income	\$ 3,797.07	
Total Deposits to *0955	\$ 11,922.55	\$ 189,915.62
*4056 Western Alliance Account (Account Opened)		
07/31/2024 Interest Income	\$ 15,685.79	
09/01/2024 Interest Income	\$ 5,059.93	
Total Deposits to *4056	\$ 20,745.72	\$ 9,402,829.62
*0216 Western Alliance Account (Account Opened)		
07/01/2024 Transfer from *1565: \$650,000.00		
07/31/2024 Interest Income	\$ 1,087.55	
08/31/2024 Interest Income	\$ 1,085.53	
09/30/2024 Interest Income	\$ 785.02	
Total Deposits to *0216	\$ 2,958.10	\$ 2,958.10
*2548 Western Alliance Account (Account Opened)		
07/01/2024 Transfer from *1565: \$5,000,000.00		
07/31/2024 Interest Income	\$ 8,365.75	
08/31/2024 Interest Income	\$ 8,350.27	
09/30/2024 Interest Income	\$ 6,031.10	
Total Deposits to *2548	\$ 22,747.12	\$ 22,747.12
*3898 IBC Account (Account Closed)		
	\$ -	
Total Deposits to *3898	\$ -	\$ 1,439,917.28
*7536 IBC Account (Account Closed)		
	\$ -	
Total Deposits to *7536	\$ -	\$ 0.01
3. TOTAL RECEIPTS		
	\$ 67,207.35	\$ 25,570,844.93
4. TOTAL CASH AVAILABLE FOR OPERATIONS (Line 1 + Line 3)		
	\$ 18,822,299.49	
5. DISBURSEMENTS		
*3863 IBC Account		
07/01/2024 Wire to Palatium Consulting Corp - Computer and Internet Expenses	\$ 500.00	

	<u>Current Period</u> <u>(07/01/2024 - 09/30/2024)</u>	<u>Cumulative</u>
07/17/2024 Check Card to Air Manufacturing Corporation - Repairs and Maintenance	\$ 2,070.00	
07/22/2024 Check #1327 to Baize Self Storage - Storage	\$ 30.00	
07/23/2024 ACH to Banc First Insurance - Insurance Expense	\$ 3,125.00	
07/23/2024 Check #1330 to Crockett County Tax Office - Filing Fees	\$ 49.00	
07/24/2024 Check #1328 to Cato Contracting, LLC - Auction/Property Sale Expenses	\$ 540.00	
07/24/2024 Check #1329 to Val Verde County Clerk - Filing Fees	\$ 49.00	
07/24/2024 Check #1331 to Aaron W. Erwin, Jr. - Contractor	\$ 3,237.89	
07/29/2024 Check Card to The UPS Store - Postage and Delivery	\$ 243.72	
08/01/2024 Wire to Palatium Consulting Corp - Computer and Internet Expenses	\$ 500.00	
08/06/2024 Check #1333 to Cato Contracting, LLC - Auction/Property Sale Expenses	\$ 175.22	
08/19/2024 Check #1340 to Dykema Gossett PLLC - Receiver & Legal Fees	\$ 363,786.21	
08/20/2024 Check #1335 to Ahuja & Consultants, Inc - Professional Fees	\$ 99,572.30	
08/21/2024 Check #1338 to Vicki Palmour Consulting, LLC - Professional Fees	\$ 1,200.00	
08/22/2024 Check #1337 to Law Practice of Darrell R Jones PLLC - Professional Fees	\$ 12,285.00	
08/26/2024 Check #1336 to Stretto - Professional Fees	\$ 68,726.82	
08/29/2024 Check #1339 to Law Offices of Romero Kozub - Professional Fees	\$ 6,035.00	
09/03/2024 Wire to Palatium Consulting Corp - Computer and Internet Expenses	\$ 500.00	
Total Disbursements from *3863	\$ 562,625.16	\$ 6,529,939.74
<i>*1565 Western Alliance Account</i>		
07/01/2024 Transfer to *0216: \$650,000.00		
07/01/2024 Transfer to *2548: \$5,000,000.00		
08/01/2024 Transfer to *0955: \$25,556.24		
09/03/2024 Transfer to *0955: \$9,852.94		
Total Disbursements from *1565	\$ -	\$ -
<i>*0955 Western Alliance Sweep Account</i>		
07/01/2024 Transfer to *1565: \$5,642,512.37		
Total Disbursements from *0955	\$ -	\$ -
<i>*4056 Western Alliance Account (Account Opened)</i>		
07/01/2024 Transfer to *1565: \$7,083.90		
08/01/2024 Transfer to *1565: \$15,685.79		
09/27/2024 Payment to Western Alliance Bank - Service Fees	\$ 20.00	
Total Disbursements from *4056	\$ 5,477,750.34	\$ 5,477,750.34
<i>*0216 Western Alliance Account (Account Opened)</i>		
08/01/2024 Transfer to *1565: \$1,087.55		
08/31/2024 Transfer to *1565: \$1,085.53		
09/30/2024 Transfer to *1565: \$785.02		
09/30/2024 Check #4003 to Southwest Texas Electric Cooperative - Utilities	\$ 860.14	
09/30/2024 Check #4004 to Cato Contracting, LLC - Auction/Property Sale Expenses	\$ 281.62	
09/30/2024 Check #4007 to Phillips Water Hauling Inc. - Contract Pumper	\$ 61.85	
09/30/2024 Check #4008 to Bill's Bit Service LLC - Operating Expenses	\$ 2,125.97	
09/30/2024 Check #4009 to Jacam Catalyst - Operating Expenses	\$ 281.56	
09/30/2024 Check #4010 to Gary Peak - Distribution	\$ 1,599.62	
09/30/2024 Check #4012 to Ralph's Service Station LLC - Operating Expenses	\$ 104.70	
09/30/2024 Check #4013 to Vicki Palmour Consulting, LLC - Accounting	\$ 631.24	
09/30/2024 Check #4014 to Oil City Supply, Inc. - Operating Expenses	\$ 167.15	
09/30/2024 Check #4015 to Oil City Supply, Inc. - Operating Expenses	\$ 52.77	
09/30/2024 Check #4016 to Kent's Automotive LLC - Operating Expenses	\$ 36.72	
09/30/2024 Check #4017 to Greco Services - Repairs and Maintenance	\$ 59.06	
09/30/2024 Check #4018 to Greco Services - Repairs and Maintenance	\$ 173.96	
09/30/2024 Check #4019 to United Coop Services - Utilities	\$ 76.96	
09/30/2024 Check #4022 to Earl Burns Inc - Operating Expenses	\$ 1,791.78	
09/30/2024 Check #4026 to Geolution - Operating Expenses	\$ 5,209.72	
09/30/2024 Check #4027 to Falcon Pump Services LLC - Contract Pumper	\$ 430.35	
09/30/2024 Check #4028 to Redeem Construction LLC - Operating Expenses	\$ 1,955.16	
09/30/2024 Check #4029 to Venegas Construction LLC - Operating Expenses	\$ 1,496.09	
09/30/2024 Check #4030 to BJB Transport, LLC - Transportation Expenses	\$ 33.16	
09/30/2024 Check #4031 to State of Texas, Adam R. Abrams - Settlement Payments	\$ 554,176.38	
09/30/2024 Check #4033 to Young Central Appraisal District - Taxes - Property	\$ 1,249.14	
09/30/2024 Check #4034 to Young Central Appraisal District - Taxes - Property	\$ 10.32	
09/30/2024 Check #4035 to Provost & Umphrey Law Firm LLP - Attorney Fees	\$ 54,026.17	
Total Disbursements from *0216	\$ 626,891.59	\$ 626,891.59
<i>*2548 Western Alliance Account (Account Opened)</i>		
08/01/2024 Transfer to *1565: \$8,365.75		
08/31/2024 Transfer to *1565: \$8,350.27		
09/27/2024 Payment to Western Alliance Bank - Service Fees	\$ 20.00	
09/30/2024 Transfer to *1565: \$6,031.10		
Total Disbursements from *2548	\$ 2,932,878.37	\$ 2,932,878.37

	<u>Current Period</u> <u>(07/01/2024 - 09/30/2024)</u>	<u>Cumulative</u>
*3898 IBC Account (Account Closed)	\$ -	
Total Disbursements to *3898	\$ -	\$ 781,215.86
*7536 IBC Account (Account Closed)	\$ -	
Total Disbursements to *7536	\$ -	\$ 15.00
6. TOTAL DISBURSEMENTS	\$ 9,600,145.46	\$ 16,348,690.90
7. ENDING CASH BALANCE (Line 4 - Line 6)		
*3863 IBC Account	\$ 604,375.13	
*1565 Western Alliance Account	\$ 257,176.47	
*0955 Western Alliance Sweep Account	\$ 2,368,062.80	
*4056 Western Alliance Account (Account Opened)	\$ 3,902,309.59	
*0216 Western Alliance Account (Account Opened)	\$ 23,108.41	
*2548 Western Alliance Account (Account Opened)	\$ 2,067,121.63	
*3898 IBC Account (Account Closed)	\$ -	
*7536 IBC Account (Account Closed)	\$ -	
	\$ 9,222,154.03	\$ 9,222,154.03