

**IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION**

SECURITIES AND EXCHANGE COMMISSION, §

Plaintiff, §

v. §

Civil Action No. 1:13-cv-01036-LY

ROBERT A. HELMS, JANNIECE S. KAELIN, §
 DEVEN SELLERS, ROLAND BARRERA, §
 VENDETTA ROYALTY PARTNERS, LTD., §
 VENDETTA ROYALTY MANAGEMENT, LLC, §
 VESTA ROYALTY PARTNERS, LP, §
 VESTA ROYALTY MANAGEMENT, LLC, §
 IRON ROCK ROYALTY PARTNERS, LP, §
 IRON ROCK ROYALTY MANAGEMENT, LLC, §
 ARCADY RESOURCES, LLC, §
 BAREFOOT MINERALS, G.P., §
 G3 MINERALS, LLC, §
 HALEY OIL COMPANY, INC., §
 LAKE ROCK, LLC, SEBUD MINERALS, LLC §
 AND TECHNICOLOR MINERALS, G.P., §

Defendants, §

and §

WILLIAM L. BARLOW AND GLOBAL CAPITAL §
 VENTURES, LLC, §

Relief Defendants. §

RECEIVER’S PROPOSED LIQUIDATION PLAN

On December 3, 2013, the Securities and Exchange Commission (the “Commission”) initiated the present action, alleging that Defendants Robert A. Helms (“Helms”), Janniece S. Kaelin (“Kaelin”), Deven Sellers (“Sellers”), Roland Barrera (“Barrera”), Vendetta Royalty Partners, Ltd. (“Vendetta Partners”), Vendetta Royalty Management, LLC (“Vendetta

Management”), Vesta Royalty Partners, LP (“Vesta Partners”), Vesta Royalty Management, LLC (“Vesta Management”), Iron Rock Royalty Partners, LP (“Iron Rock Partners”), Iron Rock Royalty Management, LLC (“Iron Rock Management”), Arcady Resources, LLC, Barefoot Minerals, G.P. (“Barefoot Minerals”), G3 Minerals, LLC, Haley Oil Company, Inc. (“Haley Oil”), Lake Rock, LLC, SeBud Minerals, LLC and Technicolor Minerals, G.P. (“Technicolor Minerals”) (collectively, the “Defendants”) had offered and sold securities of Vendetta Partners and other entities in violation of the anti-fraud and broker-dealer registration provisions of the federal securities laws.

On December 3, 2013, the Court entered a Temporary Restraining Order (Doc. #10) (the “TRO”) restraining and enjoining the Defendants from further violations of the anti-fraud and broker-dealer registration provisions of the federal securities laws. In its TRO, this Court, among other things, also granted ancillary relief enjoining the destruction of books and records, ordering interim accountings by the Defendants and authorizing expedited discovery.¹ Contemporaneously, this Court entered an Order appointing Thomas L. Taylor III as Receiver for the Defendant entities as well as for Defendants Helms, Kaelin, Sellers, and Barrera. In its Order Appointing Receiver (Doc. #11) this Court has directed the Receiver to take control and possession of, to operate the Receivership Estate, and to perform all acts necessary to conserve, hold, manage and preserve the value of the Receivership Estate.

The Order Appointing Receiver also directs the Receiver to prepare and to submit to this Court a proposed Liquidation Plan by March 3, 2014. The Receiver’s Proposed Liquidation Plan is outlined below. At this juncture, it is premature to seek an Order of this Court expressly

¹ On December 18, 2014, this Court entered a Preliminary Injunction, by consent, against all of the Defendants (Doc. #37). The Receiver consented to the Preliminary Injunction as to the entity Defendants.

approving any specific agreement for the disposition of the portfolio of oil and gas interests which are the most significant asset of the Receivership Estate. However, the Receiver sets forth below an outline of steps already taken and to be taken shortly with respect to the sale of the assets. The Receiver proposes to present a Motion for Approval of a specific agreement or agreements for the marketing and ultimate sale of the oil and gas assets in the Receivership Estate.

I. Overview of Vendetta Partners, affiliated entities and the Receivership Estate

As alleged by the Commission, Helms and Kaelin, through entities they controlled, offered and sold securities in the form of limited partnership interests issued by Defendants Vendetta Partners, Vesta Partners and Iron Rock Partners. Helms and Kaelin controlled these entities through their respective general partners -- Defendants Vendetta Management, Vesta Management and Iron Rock Management.

Helms and Kaelin operated each limited partnership from an office at 8101 Cameron Rd., Suite 109, in Austin, Texas. They utilized sales persons, including Sellers, Barrera and others, to offer the subject securities for sale to investors by telephone, by email, and by in-person presentations. As alleged by the Commission, Helms and Kaelin also directly offered and sold the securities to investors in person at the Austin office and through emails and phone calls.

Helms and Kaelin formed Vendetta Partners in or about 2009. At or about that time, Vendetta Partners acquired certain oil and gas royalty interests, along with limited partners, from another limited partnership associated with Helms and Kaelin. Subsequently, Defendants raised approximately \$23,200,000 through the offer and sale of limited partnership interests to the public. In this regard, the forensic accountants engaged by the Receiver have identified 121 investors in Vendetta Partners and related entities commencing in January 2009. Total equity

inflows from these investors were approximately \$23,200,000 in cash and approximately \$7,800,000 in non-cash contributed capital. Thus, a total of \$31,000,000 appears to have been contributed to Vendetta Partners by its investors. A full analysis has not been completed of equity outflows as there were significant movements of assets between and among the related entities. At this juncture, however, it appears that the total equity outflow is approximately \$9,000,000.

The Receivership Estate is comprised of all of the assets of the entity Defendants (including claims which may be asserted by the Receivership entities) and the assets of the individual Defendants who have been placed in Receivership. The portfolio of oil and gas interests held by Vendetta Partners and related entities is, by far, the most significant asset of the Receivership Estate and the likeliest source of recovery for and distribution to investors.

II. The Oil and Gas Portfolio of Vendetta Partners and Related Entities

A. The Royalty Interests.

As an initial matter, it must be noted that the records related to the portfolio of oil and gas interests owned by Vendetta Partners and other related Receivership entities (the “Vendetta Partners Portfolio”) -- and recordkeeping generally at the Cameron Road offices in Austin -- were incomplete, inadequate and not current. As a consequence, definitive determination as to the value of interests in the Vendetta Partners Portfolio will be difficult.

At this juncture, the assets in the portfolio cannot be definitively stated; recordkeeping and oversight of acquisitions and dispositions of oil and gas assets was random at best. The Receiver has extensively interviewed the personnel most knowledgeable about the contents and status of the portfolio. They are unable to state with certainty whether some transfers (which were “in the pipeline”) were ever concluded or appropriately titled to the entities to which they

were supposedly destined. Moreover, there are unanswered questions raised by transfers between and among the various entities. In any case, third parties engaged by Vendetta Partners have indicated that the Vendetta Partners Portfolio consists of approximately 9,000 producing properties and approximately 1,200 potential other properties located primarily in various Texas counties but encompassing properties across approximately 16 states. Clearly, the most substantial asset recoveries will lie with the oil and gas royalty interests.

B. Haley Oil Company, Inc.

The net asset value of Haley Oil is more problematic both as to valuation and as to very substantial potential liabilities associated with its operations.

Haley Oil is an Illinois corporation formed on or about January 3, 2011, doing business in Illinois as the owner/assignee and operator of working interests in oil and gas production leases. Haley Oil acquired working interests which required it to operate the mineral leases it purchased.

Defendant Helms was Haley Oil's president, although day-to-day operations in Illinois were conducted from Mattoon, Illinois by Charles Martin "Marty" Kaelin, the husband of Defendant Kaelin. Haley Oil's registered agent was Diana Ratts, Defendant Helms' mother, who lives in Mattoon, Illinois. The Secretary of State of Illinois involuntarily dissolved Haley Oil on June 14, 2013 for failure to file an annual report and pay annual franchise taxes as required by the Illinois Business Corporations Act. *See* 805 I.L.C.S. 5/12.35(a). Accordingly, the dissolution of Haley Oil terminated its corporate existence and the principals thereafter carried on its business operations unlawfully and without the authority to do so. *See* 805 I.L.C.S. 5/12.40(c).

Haley Oil purchased working interests in approximately 22 oil and gas production leases in Christian, Clay, Coles and Shelby counties in Illinois (the "Haley properties"). For each of the

Haley properties, it has purchased working interests of approximately 87%. However, Haley did not receive 87% of the proceeds from these leases or distribute them *pro rata* to investors (who are also investors in Vendetta Partners). Rather, Haley assigned overriding royalty interests of approximately 40-43% to those investors. Haley also assigned overriding royalty interests of approximately 7-8% to Receivership Entity Barefoot Minerals, an entity which supposedly was created to hold interest owned by Helms and Kaelin. These assignments reduced Haley's working interest to approximately 30-34%, but did not reduce its obligation to operate the Haley properties and pay related expenses. The Receiver's representative traveled to Illinois on January 8, 2014 to inspect the Haley properties and interview contract employees and trade creditors regarding Haley's properties and operations.

Receivership entity records and interviews with trade creditors indicate that Haley liabilities were often paid by Vendetta Partners and Barefoot Minerals; in some instances utility accounts in Illinois were placed in the name of Barefoot Minerals. The Receiver and his forensic accountants are investigating the use of investor funds by Haley. Furthermore, several trade creditors have outstanding balances with Haley Oil; to date, approximately ten trade creditors in Illinois and Oklahoma have indicated they will submit claims against the Receivership Estate totaling approximately \$30,000. Haley has been charged with various environmental violations also exposing it to substantial liabilities.

III. Projected Business Operations Pending Marketing and Sale of the Assets

In undertaking his review of the oil and gas portfolio and assets of the Receivership entities, the Receiver has met extensively with professionals who previously were engaged to conduct engineering/cash flow and title analyses of the portfolio. The Receiver also has met with and interviewed administrative personnel of the Receivership entities bearing responsibility

for monitoring and collecting royalty payments and for maintaining extensive updated data tracking the royalty interests and receipts associated with those interests. These ongoing operations are essential in order to maintain the salability of the portfolio. The Receiver has engaged key employees on a contractual basis to continue these essential activities.

The Receiver also has taken steps (1) to minimize the disruption of cash flow from the asset base; and (2) to initiate a resumption of professional services related to the engineering and title work which will be essential in attempting to maximize the value of the Vendetta Partners Portfolio upon liquidation. In this regard, the following steps have been taken since the inception of the Receivership on December 3, 2013:

1. Post office boxes and mail service associated with the entities have been maintained without change to avoid disruption of delivery of a substantial volume of correspondence (including royalty payments in varying denominations).
2. Vendetta Partners' business premises have been retained -- at least for now -- per arrangements with the landlord for payment of rent going forward.
3. Although all Vendetta Partners personnel were initially terminated upon inception of the Receivership on December 3, the Receiver has since that date undertaken interviews and assessments of various personnel and has engaged -- on a contract basis -- five individuals who have been determined to be essential to maintaining and servicing the oil and gas portfolio. These efforts include tracking of royalty interest and payments and inputting data into generally recognized electronic services presenting data to subscribers.
4. The Receiver has engaged Scott Marshall, the engineering professional previously engaged to analyze and evaluate the oil and gas portfolio, to resume his evaluation

- activities with a view to the anticipated sale of the portfolio pursuant to procedures which will be recommended by the Receiver to this Court. In or about April 2012, Vendetta Partners had engaged Mr. Marshall, a third-party oil and gas engineering analyst, to perform an independent economic valuation of the Vendetta Partners Portfolio in preparation for its sale. Mr. Marshall had been working on his valuation of the Vendetta Partners Portfolio for approximately 21 months when this Court placed the Defendants into Receivership on December 3, 2013. The Receiver has interviewed and met with Mr. Marshall on multiple occasions, is satisfied that Mr. Marshall is well qualified to perform the analysis for which he was engaged and for which he had completed a significant amount of his economic evaluation.
5. The Receiver's representative inspected the Haley properties in Illinois and has interviewed Haley contract employees and trade creditors with regard to its operations. The Receiver and his representatives have further reviewed Haley records to evaluate the feasibility, benefits and costs to the Receivership Estate of commencing Haley operations on some very limited basis pending sale of the Haley assets. At this juncture a resumption of production would not be practicable or prudent given the associated risks.
 6. In tandem with the efforts of personnel engaged on a contract basis by the Receiver to maintain data tracking and preparation of the oil and gas portfolio for sale, the Receiver has initiated discussions with major oil and gas marketing organizations with a view toward undertaking a comprehensive effort to sell the entire oil and gas portfolio. To date, the Receiver has either received in person or in writing presentations from four organizations which hold the credentials and expertise to

conduct the necessary marketing efforts. Although proposals vary somewhat, each of the marketing organizations under consideration would undertake the following:

- a. Review and analyze the asset characteristics of the portfolio and assess which of the assets can be packaged to advantage and which might be more beneficially sold separately;²
- b. Recommend transaction structure, determine valuation parameters and establish a timeline for presentation of the properties;
- c. In conjunction with Mr. Marshall and Vendetta Partners personnel already engaged in the valuation of the assets, accumulate, organize, validate and present data leading to an efficient and accurate valuation process;
- d. Develop a comprehensive executive summary of the assets for review by potential purchasers and construct some form of virtual data room and documentary presentation for prospective buyers;
- e. Publish the proposed offering of the assets and distribution of notification of the proposed transactions to a broad audience of potential individuals and institutional purchasers and response to inquiries;
- f. Assist the Receiver in successfully negotiating the terms of a final transaction and facilitation of due diligence requests;
- g. Provide the Receiver with the support necessary to successfully close the deal.

The Order Appointing Receiver is likely sufficient to authorize Receiver to enter into a marketing agreement along the lines set forth above. It is the Receiver's view, however, that


² For example, it likely would be the advice of a preponderance of experts to market the working interests owned by Vendetta Partners and related entities separately from the oil and gas royalty interests.

prior to execution of such a marketing agreement it should be presented to this Court for review and approval. In this regard, the Receiver will endeavor to present to the Court a definitive form of agreement for marketing services no later than 45 days from this date. At the same time, the Receiver will propose specific mechanics for sale/s of the assets conforming to the requirements of 28 U.S.C. §§ 2001, 2002 and 2004.

March 3, 2014

Respectfully submitted,

Thomas L. Taylor III, Receiver

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COUNSEL FOR RECEIVER

CERTIFICATE OF SERVICE

On March 3, 2014, I electronically submitted the foregoing *Receiver's Proposed Liquidation Plan* with the clerk of court for the U.S. District Court, Western District of Texas, using the electronic case filing system. I hereby certify that I have provided copies to all counsel of record electronically or by another manner authorized by Federal Rule of Civil Procedure 5(b)(2).

/s/ Andrew M. Goforth
Andrew M. Goforth