

# HARD COPY

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION



In the Matter of:

JAMES A. WINKELMANN, SR. AND  
BLUE OCEAN PORTFOLIOS, LLC,

Respondents.

ADMINISTRATIVE PROCEEDING  
File No. 3-17253

## MOTION FOR LEAVE TO ADD ADDITIONAL EVIDENCE

Pursuant to SEC Rule of Practice 452, Respondents James A. Winkelmann, Sr. and Blue Ocean Portfolios, LLC (“Blue Ocean” or the “Firm”) hereby file this Motion for Leave to add additional evidence and supplement the record before the Commission. In support, Respondents state as follows:

### I. BACKGROUND

On March 20, 2017, Respondents were served with the Initial Decision in this matter. Relevant to this Motion for Leave, the Initial Decision found that Respondents failed to prove that they relied on the advice and counsel of their attorneys, Greensfelder Hemker & Gale, P.C. (“Greensfelder”), that they could sell royalty units to advisory clients without violating their fiduciary duties. Specifically, the Initial Decision held that there was insufficient evidence of Greensfelder’s consideration and advice on this topic. Further, the Initial decision found that it was “not conceivable” that the Greensfelder attorneys would have “blessed” the offering without documentation.<sup>1</sup> The Initial Decision rested heavily on the conclusion that no such documentary evidence exists.<sup>2</sup>

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<sup>1</sup> Initial Decision p. 61.

<sup>2</sup> *Id.*

Respondents disagree with the above finding, and will address the issue fully on appeal. To do so, however, Respondents request leave to supplement the record with a color copy of a March 29, 2011 email and attachment, consisting of a redlined MS Word file document, sent by Mike Morgan, a former partner (now deceased) with the Greensfelder law firm, to Respondents (the “Redlined Letter,” attached as Exhibit A).

A version of the Redlined Letter already has been admitted into evidence and appears in the record at RX-106 pp. 397-401. (Exhibit B)<sup>3</sup>. Pages 399-400 of RX-106 is an email from Mr. Morgan to Mr. Winkelmann attaching a draft cover letter addressed to an advisory client of Blue Ocean. That attached letter (p. 401) is a letter dated March 24, 2011 and conspicuously marked as a “DRAFT.”

The letter begins, “Dear Jay, thanks to *clients* like you...,” and goes on to discuss Blue Ocean’s recent performance. The letter then closes as follows:

Because of the fiduciary relationship we have with you, I cannot recommend that you or your family participate in this offering due to the potential conflict that such a recommendation will create, and this letter is not an offer. Nonetheless I wanted to make you aware of this situation and can provide you with offering materials should your interest warrant. Please do not hesitate to call should you have any questions or comments.

Respondents’ position is that the above exchange evidences not only Greensfelder’s knowledge that Mr. Winkelmann was planning on including existing advisory clients in the offering, but its “blessing” of the same.<sup>4</sup> Nevertheless, to underscore both points, Respondents wish also to introduce another version of the same document, also emailed from Mr. Morgan to Mr. Winkelmann, that displays the redlined changes that Mr. Morgan inserted. The final version of the document displays the paragraph, above, as follows:

<sup>3</sup> RX-106 is a very long exhibit. Only the relevant two pages (pp. 399 and 400) are attached hereto.

<sup>4</sup> Initial Decision pp. 61.

\_\_\_\_\_ Because of the fiduciary relationship we have with you, I cannot recommend that you or your family participate in this offering due to the potential conflict that such a recommendation will create, and this letter is not an offer. Nonetheless I wanted to make you aware of this offering-situation and will can provide you with a complete offering document materials should your interest warrant. Please do not hesitate to call should you have any questions or comments.

To ensure authenticity, Respondents also wish to introduce an affidavit from Kelly Hennessy, the former compliance manager at Blue Ocean Portfolios, affirming that the document is a true and accurate copy of the email and attachment transmitted and received from Greensfelder. (Exhibit C).

## II. ANALYSIS

### A. The Commission Should Allow Additional Evidence.

The Redlined Email qualifies for admission as additional evidence under Rule 452, which allows additional evidence where the moving party “show[s] with particularity that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence previously.” Rule of Practice 452, 17 C.F.R. § 201.452. This standard is easily met under the circumstances presented here.

The evidence is material because it demonstrates that, contrary to the findings in the Initial Decision, Mr. Winkelmann and Blue Ocean’s counsel, Mr. Morgan, was, in fact, specifically aware that Blue Ocean advisory clients would be included in the offering and that he “blessed” that activity. This information is a definitive defense to the Division’s claim – and the Initial Decision’s finding – that Mr. Winkelmann acted with scienter.

Moreover, it is reasonable that the Redlined Letter was not offered at trial. Mr. Morgan’s transmission of the final draft, with the redlines accepted, was admitted into evidence and reflected his knowledge of and participation in the offering to advisory clients of Blue Ocean. The un rebutted testimony of Mr. Winkelmann was that Mr. Morgan was well aware he

planned on including advisory clients in the offering – from the beginning – and that he saw no issues with that, because the offering was specifically designed to eliminate potential conflicts of interest<sup>5</sup>:

Q: Okay. When you and Mr. Morgan came up with the idea of raising capital for Blue Ocean Portfolios through his offering of Royalty Units, who at the time did you imagine would be your prospective investors?

A: Friends and clients.

Q: Client means advisory clients of Blue Ocean Portfolios?

A: Yes.

Q: Did you have any discussions with Mr. Morgan about the prospect of offering Royalty Units to your advisory clients?

A: Yes.

\*\*\*

Q: Tell us about conversations you had, if any, with Mr. Morgan about the propriety of offering the Royalty Units to advisory clients.

A: When I would bring this up with Mr. Morgan, he goes, "That's the beauty of the structure, Jim, because there is no conflict of interest."

Q: So did Mr. Morgan have an opinion on whether it was proper or not to offer Royalty Units to your advisory clients?

A: Yes.

Q: What was his opinion?

A: That under this structure, it would be appropriate. It would be no problem.

Q: Did you follow that advice?

A: Yes.

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<sup>5</sup> Tr. 1249:11-1250:16; 1251:5 – 20.

The redlined version of RX-106 p. 401 became important only in light of the Initial Decision's erroneous finding that "there is nothing at all in writing" demonstrating Mr. Morgan's awareness or advice.<sup>6</sup> Given the centrality that Mr. Morgan's knowledge played in the Initial Decision and, specifically, the finding relating to scienter, the prior versions of his draft letter are suddenly relevant as well.

It is also important to note why the Redlined Email was not included in Respondents' hearing exhibit. It was not made an exhibit for the simple reason that Respondents did not have it. They did not have it because it was not produced by Greensfelder in response to the subpoena issued to that firm during the examination in this case; as a result, the email was not included in the investigative file that the Division of Enforcement produced to Respondents in advance of the hearing.

The exhibits to Exhibit A contains the full email chain between Mr. Winkelmann and Greensfelder, including the Redlined Email and attachment. The chain reflects that there were transmission errors between Greensfelder and Mr. Winkelmann, before the draft was successfully sent. While the email chain was produced by Greensfelder in response to the SEC's subpoena, the attachment that accompanied the March 29, 2011 email (i.e., the Redlined Letter) was not produced. Respondents reasonably included the email chain produced by the Division in its hearing exhibits.

As a result, Respondents should be allowed to refer to this evidence in its briefings before the Commission.

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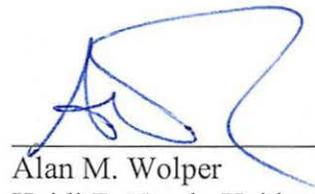
<sup>6</sup> Initial Decision p. 61.

### III. CONCLUSION

For the reasons stated above, Respondents respectfully request that the Commission accept Exhibit 1 hereto, the Redlined Letter, and the affidavit authenticating it into the record and allow the parties to use it in the briefings before this Commission. The new exhibits would be marked RX-126 and RX-127 respectively for the record.

Dated: May 19, 2017

ULMER & BERNE LLP

A handwritten signature in blue ink, appearing to be 'Alan M. Wolper', is written over a horizontal line.

Alan M. Wolper  
Heidi E. VonderHeide  
500 W. Madison Street  
Suite 3600  
Chicago, IL 60610  
Tel.: (312) 658-6500  
Fax: (312) 658-6501  
[awolper@ulmer.com](mailto:awolper@ulmer.com)  
[hvonderheide@ulmer.com](mailto:hvonderheide@ulmer.com)

**CERTIFICATE OF SERVICE**

I hereby certify that on May 19, 2017, I served a copy of the foregoing MOTION FOR  
LEAVE TO ADD ADDITIONAL EVIDENCE, as follows:

Original and three copies to:  
Via facsimile transmission and overnight mail  
delivery

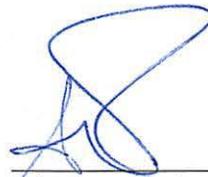
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-2557  
Fax: (202) 772 9324

One copy to:  
Via e-mail and overnight mail delivery

David F. Benson  
Benjamin J. Hanauer  
Division of Enforcement  
U.S. Securities and Exchange Commission  
175 W. Jackson Blvd., St. 900  
Chicago, IL 60604  
[bensond@sec.gov](mailto:bensond@sec.gov)  
[hanauerb@sec.gov](mailto:hanauerb@sec.gov)

One copy:  
Via e-mail and overnight mail delivery

Honorable Jason Patil  
Administrative Law Judge  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-2557  
[ALJ@sec.gov](mailto:ALJ@sec.gov)



---

Alan M. Wolper

# **EXHIBIT A**

**From:** [Jim](#)  
**To:** [mm](#)  
**Subject:** what about our accredited investors  
**Date:** Monday, March 28, 2011 7:05:25 PM  
**Attachments:** [Jay Shield BOP Royalty Cover.docx](#)

---

this is the letter I came up with ,,,,

would like to send this out to a handful of accredited investors - Schnucks, Shields, Holland, etc.

--

James A. Winkelmann, Principal

Blue Ocean Portfolios, LLC

Registered Investment Advisors

16020 Swingley Ridge, Suite 360

Chesterfield, MO 63017

Office: 636-530-9393

Cell: [REDACTED]

[www.BlueOceanPortfolios.com](http://www.BlueOceanPortfolios.com)

March 24, 2011

Jay Shields  
President  
Schaeffer Oil Company  
102 Barton Street  
Saint Louis, MO 63104

DRAFT

RE: Blue Ocean Portfolios

Dear Jay,

Thanks to clients like you we have been steadily growing our Blue Ocean Portfolios business. Since our launching the company in August of 2009 we have grown the AUM to approximately \$40 million and we are growing every day due to our effective radio advertising on KMOX , our weekly radio program on FM 97.1 –The Financial Coach Show and of course our compelling approach to portfolio management. We are spending about \$2,500 to land \$1million in new assets that generate approximately \$8,000 in recurring annual revenue. As you can see this business model and advertising system has the potential to create a very valuable cash flow.

I made the decision that once we had acquired about \$40 million in assets that we would expand the business. That threshold will be easily met and we will be raising up to \$1 million in new capital for our business to increase the advertising budget from \$6,000 per month to approximately \$25,000 per month and to hire a few more representatives to support the anticipated expanded activity. If we can maintain similar advertising efficiency we would expect the new customer portfolio assets to grow at a rate of \$4-6 million per month just in the St. Louis market. This advertising system could work all over the country. The cash flow from this recurring revenue model has the potential to be very valuable.

My idea for the new capital would be to sell Blue Ocean Royalty Units for \$25,000 each. Each one of these Blue Ocean Royalty units would give the purchaser rights to at least 0.25% of the cash receipts of Blue Ocean, LLC until the unit holder would be re-paid \$75,000. These payments would be made every quarter. Then the unit holder would have a warrant to purchase 0.25% of Blue Ocean Portfolios for \$25,000. We already have several units spoken for from friends and family members reserved. Because of the fiduciary relationship we have with you I cannot recommend that you or your family participate in this offering due to the potential conflict that such a recommendation will create. Nonetheless I wanted to make you aware of this offering and will provide you with a complete offering document should your interest warrant. Please do not hesitate to call should you have any questions or comments.

Sincerely yours,

Jim Winkelmann  
President

## Kelly Hennessy

---

**From:** Michael Morgan <mm@greensfelder.com>  
**Sent:** Tuesday, March 29, 2011 12:06 PM  
**To:** Jim  
**Subject:** Re: what about our accredited investors  
**Attachments:** ~\$CS-#1267320-v1-cover\_letter\_for\_accredited\_.doc

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

my comments

Michael Morgan  
Greensfelder, Hemker & Gale, P.C.  
10 S. Broadway, Suite 2000  
St. Louis, MO 63102

314-516-2637  
[REDACTED] (cell)  
314-241-9090 (main)

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>>> Jim <[jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com)> 3/28/2011 7:05 PM >>>  
this is the letter I came up with ,,,,

would like to send this out to a handful of accredited investors - Schnucks, Shields, Holland, etc.

—  
James A. Winkelmann, Principal

Blue Ocean Portfolios, LLC

Registered Investment Advisors

16020 Swingley Ridge, Suite 360

Chesterfield, MO 63017

Office: 636-530-9393

Cell: [REDACTED]

[www.BlueOceanPortfolios.com](http://www.BlueOceanPortfolios.com)

## Kelly Hennessy

---

**From:** Jim <jim@blueoceanportfolios.com>  
**Sent:** Tuesday, March 29, 2011 1:29 PM  
**To:** Michael Morgan  
**Subject:** Re: what about our accredited investors

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Mike - the file you sent is corrupted and/or won't open. Please resend.

----- Original Message -----

**From:** "Michael Morgan" <mm@greensfelder.com>  
**To:** "Jim" <jim@blueoceanportfolios.com>  
**Sent:** Tuesday, March 29, 2011 12:06:12 PM  
**Subject:** Re: what about our accredited investors

my comments

Michael Morgan  
Greensfelder, Hemker & Gale, P.C.  
10 S. Broadway, Suite 2000  
St. Louis, MO 63102

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## Kelly Hennessy

---

**From:** Michael Morgan <mm@greensfelder.com>  
**Sent:** Tuesday, March 29, 2011 1:47 PM  
**To:** jim@blueoceanportfolios.com  
**Subject:** Re: what about our accredited investors

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

#

-----Original Message-----

**From:** Jim <jim@blueoceanportfolios.com>  
**To:** Morgan, Michael <mm@greensfelder.com>

**Sent:** 3/29/2011 1:28:39 PM  
**Subject:** Re: what about our accredited investors

Mike - the file you sent is corrupted and/or won't open. Please resend.

----- Original Message -----

**From:** "Michael Morgan" <mm@greensfelder.com>  
**To:** "Jim" <jim@blueoceanportfolios.com>  
**Sent:** Tuesday, March 29, 2011 12:06:12 PM  
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**Sent:** Tuesday, March 29, 2011 1:51 PM  
**To:** Michael Morgan  
**Subject:** Re: what about our accredited investors

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

nothing attached

----- Original Message -----

**From:** "Michael Morgan" <mm@greensfelder.com>  
**To:** jim@blueoceanportfolios.com  
**Sent:** Tuesday, March 29, 2011 1:47:01 PM  
**Subject:** Re: what about our accredited investors

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**Subject:** Re: what about our accredited investors

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## Kelly Hennessy

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**From:** Jim <jim@blueoceanportfolios.com>  
**Sent:** Tuesday, March 29, 2011 2:23 PM  
**To:** Michael Morgan  
**Subject:** Re: what about our accredited investors

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

still nothing

----- Original Message -----

**From:** "Michael Morgan" <mm@greensfelder.com>  
**To:** jim@blueoceanportfolios.com  
**Sent:** Tuesday, March 29, 2011 1:51:28 PM  
**Subject:** Re: what about our accredited investors

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## Kelly Hennessy

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**Sent:** Tuesday, March 29, 2011 2:32 PM  
**To:** Jim  
**Subject:** Re: what about our accredited investors

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

It's lost. I am doing it. MM

Michael Morgan  
Greensfelder, Hemker & Gale, P.C.  
10 S. Broadway, Suite 2000  
St. Louis, MO 63102

314-516-2637  
[REDACTED] (cell)  
314-241-9090 (main)

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>>> Jim <[jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com)> 3/29/2011 2:22 PM >>>  
still nothing

----- Original Message -----

From: "Michael Morgan" <[mm@greensfelder.com](mailto:mm@greensfelder.com)>  
To: [jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com)  
Sent: Tuesday, March 29, 2011 1:51:28 PM  
Subject: Re: what about our accredited investors

-----Original Message-----

From: Jim <[jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com)>  
To: Morgan, Michael <[mm@greensfelder.com](mailto:mm@greensfelder.com)>

Sent: 3/29/2011 1:28:39 PM  
Subject: Re: what about our accredited investors

Mike - the file you sent is corrupted and/or won't open. Please resend.

----- Original Message -----

From: "Michael Morgan" <[mm@greensfelder.com](mailto:mm@greensfelder.com)>

To: "Jim" <[jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com)>

Sent: Tuesday, March 29, 2011 12:06:12 PM

Subject: Re: what about our accredited investors

my comments

Michael Morgan  
Greensfelder, Hemker & Gale, P.C.  
10 S. Broadway, Suite 2000  
St. Louis, MO 63102

314-516-2637

██████████ (cell)

314-241-9090 (main)

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>>> Jim <[jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com)> 3/28/2011 7:05 PM >>>

this is the letter I came up with ,,,,

would like to send this out to a handful of accredited investors - Schnucks, Shields, Holland, etc.

--

James A. Winkelmann, Principal

Blue Ocean Portfolios, LLC

Registered Investment Advisors

16020 Swingley Ridge, Suite 360

Chesterfield, MO 63017

Office: 636-530-9393

Cell: ██████████

[www.BlueOceanPortfolios.com](http://www.BlueOceanPortfolios.com)

--

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--

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[www.BlueOceanPortfolios.com](http://www.BlueOceanPortfolios.com)

## Kelly Hennessy

---

**From:** Michael Morgan <mm@greensfelder.com>  
**Sent:** Tuesday, March 29, 2011 2:39 PM  
**To:** Jim  
**Subject:** Re: what about our accredited investors  
**Attachments:** Jay Shield BOP Royalty Cover.docx

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

second try

Michael Morgan  
Greensfelder, Hemker & Gale, P.C.  
10 S. Broadway, Suite 2000  
St. Louis, MO 63102

314-516-2637  
[REDACTED] (cell)  
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Office: 636-530-9393

Cell: [REDACTED]

[www.BlueOceanPortfolios.com](http://www.BlueOceanPortfolios.com)

March 24, 2011

Jay Shields  
President  
Schaeffer Oil Company  
102 Barton Street  
Saint Louis, MO 63104

DRAFT

RE: Blue Ocean Portfolios

Dear Jay,

Thanks to clients like you we have been steadily growing our Blue Ocean Portfolios business. Since our launching the company in August of 2009 we have grown the AUM to approximately \$40 million and we are growing every day due to our effective radio advertising on KMOX , our weekly radio program on FM 97.1 –The Financial Coach Show and of course our compelling approach to portfolio management. We are spending about \$2,500 to land \$1million in new assets that generate approximately \$8,000 in recurring annual revenue. As you can see this business model and advertising system has the potential to create a very valuable cash flow.

I made the decision that once we had acquired about \$40 million in assets that we would expand the business. That threshold will be easily met and we will be raising up to \$1 million in new capital for our business to increase the advertising budget from \$6,000 per month to approximately \$25,000 per month and to hire a few more representatives to support the anticipated expanded activity. If we can maintain similar advertising efficiency we would expect the new customer portfolio assets to grow at a rate of \$4-6 million per month just in the St. Louis market. This advertising system could work all over the country. The cash flow from this recurring revenue model has the potential to be very valuable.

My idea for the new capital ~~would be~~ to ~~sell~~ privately place up to 40 Blue Ocean Royalty Units for \$25,000 each. Each one of these Blue Ocean Royalty units would give the purchaser-unit holder rights to at least 0.25% of the cash receipts of Blue Ocean, LLC until the unit holder would be re-paid \$75,000. These payments would be made every quarter. Then the unit holder would have a warrant to purchase 0.25% of Blue Ocean Portfolios for \$25,000. We already have several units spoken for from friends and family members ~~reserved~~.

Because of the fiduciary relationship we have with you, I cannot recommend that you or your family participate in this offering due to the potential conflict that such a recommendation will create, and this letter is not an offer. Nonetheless I wanted to make you aware of this offering-situation and will can provide you with a complete offering document materials should your interest warrant. Please do not hesitate to call should you have any questions or comments.

Sincerely yours,

Jim Winkelmann  
President

## Kelly Hennessy

---

**From:** Jim <jim@blueoceanportfolios.com>  
**Sent:** Tuesday, March 29, 2011 3:34 PM  
**To:** Michael Morgan  
**Subject:** Re: what about our accredited investors

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

great - picking up the proof today.

----- Original Message -----

From: "Michael Morgan" <mm@greensfelder.com>  
To: "Jim" <jim@blueoceanportfolios.com>  
Sent: Tuesday, March 29, 2011 2:39:04 PM  
Subject: Re: what about our accredited investors

second try

Michael Morgan  
Greensfelder, Hemker & Gale, P.C.  
10 S. Broadway, Suite 2000  
St. Louis, MO 63102

314-516-2637  
[REDACTED] (cell)  
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>>> Jim <jim@blueoceanportfolios.com> 3/28/2011 7:05 PM >>>  
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Cell: [REDACTED]

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--

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Cell: [REDACTED]

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# **EXHIBIT B**

**Kelly Hennessy**

---

**From:** Michael Morgan <mm@greensfelder.com>  
**Sent:** Tuesday, March 29, 2011 12:06 PM  
**To:** Jim  
**Subject:** Re: what about our accredited investors  
**Attachments:** ~\$CS-#1267320-v1-cover\_letter\_for\_accredited\_s\_.doc

my comments

Michael Morgan  
Greensfelder, Hemker & Gale, P.C.  
10 S. Broadway, Suite 2000  
St. Louis, MO 63102

314-516-2637  
[REDACTED] (cell)  
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>>> Jim <jim@blueoceanportfolios.com> 3/28/2011 7:05 PM >>>  
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James A. Winkelmann, Principal

**Blue Ocean Portfolios, LLC**

**Registered Investment Advisors**

**16020 Swingley Ridge, Suite 360**

**Chesterfield, MO 63017**

**Office: 636-530-9393**

**Cell: [REDACTED]**

**[www.BlueOceanPortfolios.com](http://www.BlueOceanPortfolios.com)**

**From:** Michael Morgan [mm@greensfelder.com]  
**Sent:** Tuesday, March 29, 2011 2:39 PM  
**To:** Jim  
**Subject:** Re: what about our accredited investors  
**Attachments:** Jay Shield BOP Royalty Cover.docx

second try

Michael Morgan  
Greensfelder, Hemker & Gale, P.C.  
10 S. Broadway, Suite 2000  
St. Louis, MO 63102

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Cell [REDACTED]

[www.BlueOceanPortfolios.com](http://www.BlueOceanPortfolios.com)

March 24, 2011

Jay Shields  
President  
Schaeffer Oil Company  
102 Barton Street  
Saint Louis, MO 63104

DRAFT

RE: Blue Ocean Portfolios

Dear Jay,

Thanks to clients like you we have been steadily growing our Blue Ocean Portfolios business. Since our launching the company in August of 2009 we have grown the AUM to approximately \$40 million and we are growing every day due to our effective radio advertising on KMOX, our weekly radio program on FM 97.1 –The Financial Coach Show and of course our compelling approach to portfolio management. We are spending about \$2,500 to land \$1million in new assets that generate approximately \$8,000 in recurring annual revenue. As you can see this business model and advertising system has the potential to create a very valuable cash flow.

I made the decision that once we had acquired about \$40 million in assets that we would expand the business. That threshold will be easily met and we will be raising up to \$1 million in new capital for our business to increase the advertising budget from \$6,000 per month to approximately \$25,000 per month and to hire a few more representatives to support the anticipated expanded activity. If we can maintain similar advertising efficiency we would expect the new customer portfolio assets to grow at a rate of \$4-6 million per month just in the St. Louis market. This advertising system could work all over the country. The cash flow from this recurring revenue model has the potential to be very valuable.

My idea for the new capital is to privately place up to 40 Blue Ocean Royalty Units for \$25,000 each. Each one of these Blue Ocean Royalty units would give the unit holder rights to at least 0.25% of the cash receipts of Blue Ocean, LLC until the unit holder would be re-paid \$75,000. These payments would be made every quarter. Then the unit holder would have a warrant to purchase 0.25% of Blue Ocean Portfolios for \$25,000. We already have several units spoken for from friends and family members.

Because of the fiduciary relationship we have with you, I cannot recommend that you or your family participate in this offering due to the potential conflict that such a recommendation will create, and this letter is not an offer. Nonetheless I wanted to make you aware of this situation and can provide you with offering materials should your interest warrant. Please do not hesitate to call should you have any questions or comments.

Sincerely yours,

Jim Winkelmann  
President

# **EXHIBIT C**

UNITED STATE OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

**In the Matter of:**

**JAMES A. WINKELMANN, SR. AND  
BLUE OCEAN PORTFOLIOS, LLC,**

**Respondents.**

ADMINISTRATIVE PROCEEDING  
File No. 3-17253

**AFFIDAVIT OF KELLY M. HENNESSY**

1. My name is Kelly M. Hennessy. I currently provide compliance, accounting and technology consulting work to Blue Ocean Portfolios, LLC (“Blue Ocean”). From March 2011 through January 2016, I was employed by Blue Ocean as the Compliance and Accounting Manager. Prior to this, I also performed compliance and portfolio administration consulting work for Blue Ocean since its inception in 2009. I have personal knowledge of the facts set forth in this Affidavit.

2. I understand that in the above-captioned proceeding, the Securities and Exchange Commission (the “Commission”) brought charges against James A. Winkelmann, Sr. and Blue Ocean related to four royalty unit offerings that occurred between March 2011 and February 2013 (the “Offerings”).

3. During the offering period, Blue Ocean used two outside vendors to send, receive and store the company’s email records. A company called Red Tail was used through August 2012 and thereafter Blue Ocean used another company called Sherweb. In my capacity, I have had access to Blue Ocean’s archived email records from its inception.

4. The document attached as Exhibit 1 (consisting of 26 pages) to this Affidavit is a true and correct copy of a series of email exchanges (with accompanying attachments) between Jim Winkelmann of Blue Ocean and Mike Morgan of the Greensfelder law firm beginning with an email that Mr. Winkelmann sent to Mr. Morgan on March 28, 2011 at 7:05 PM.

5. The attachment to that March 28, 2011 email – which is marked as Exhibit 2 to this Affidavit – is an MS Word document named “Jay Shield BOP Royalty Cover.docx,” a draft of a letter to one of the Blue Ocean advisory clients.

6. The document attached as Exhibit 3 to this Affidavit is a true and correct copy of the printed version of the MS Word document attached to the March 28, 2011 email reflecting edits to that MS Word document with the same name, i.e., “Jay Shield BOP Royalty Cover.docx,” that Mr. Morgan emailed to Mr. Winkelmann on March 29, 2011 at 2:39 PM.

Keley M. Hennery  
Affiant

Subscribed and sworn before me this 19<sup>th</sup> day of May, 2017.

Francene M. Mertens  
Notary Public

My Commission Expires June 30, 2017



# **EXHIBIT 1**

**From:** [Jim](#)  
**To:** [mm](#)  
**Subject:** what about our accredited investors  
**Date:** Monday, March 28, 2011 7:05:25 PM  
**Attachments:** [Jay Shield BOP Royalty Cover.docx](#)

---

this is the letter I came up with ,,,,

would like to send this out to a handful of accredited investors - Schnucks, Shields, Holland, etc.

--

James A. Winkelmann, Principal

Blue Ocean Portfolios, LLC

Registered Investment Advisors

16020 Swingley Ridge, Suite 360

Chesterfield, MO 63017

Office: 636-530-9393

Cell: [REDACTED]

[www.BlueOceanPortfolios.com](http://www.BlueOceanPortfolios.com)

March 24, 2011

Jay Shields  
President  
Schaeffer Oil Company  
102 Barton Street  
Saint Louis, MO 63104

RE: Blue Ocean Portfolios

DRAFT

Dear Jay,

Thanks to clients like you we have been steadily growing our Blue Ocean Portfolios business. Since our launching the company in August of 2009 we have grown the AUM to approximately \$40 million and we are growing every day due to our effective radio advertising on KMOX , our weekly radio program on FM 97.1 –The Financial Coach Show and of course our compelling approach to portfolio management. We are spending about \$2,500 to land \$1million in new assets that generate approximately \$8,000 in recurring annual revenue. As you can see this business model and advertising system has the potential to create a very valuable cash flow.

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My idea for the new capital would be to sell Blue Ocean Royalty Units for \$25,000 each. Each one of these Blue Ocean Royalty units would give the purchaser rights to at least 0.25% of the cash receipts of Blue Ocean, LLC until the unit holder would be re-paid \$75,000. These payments would be made every quarter. Then the unit holder would have a warrant to purchase 0.25% of Blue Ocean Portfolios for \$25,000. We already have several units spoken for from friends and family members reserved. Because of the fiduciary relationship we have with you I cannot recommend that you or your family participate in this offering due to the potential conflict that such a recommendation will create. Nonetheless I wanted to make you aware of this offering and will provide you with a complete offering document should your interest warrant. Please do not hesitate to call should you have any questions or comments.

Sincerely yours,

Jim Winkelmann  
President

## Kelly Hennessy

---

**From:** Michael Morgan <mm@greensfelder.com>  
**Sent:** Tuesday, March 29, 2011 12:06 PM  
**To:** Jim  
**Subject:** Re: what about our accredited investors  
**Attachments:** ~\$CS-#1267320-v1-cover\_letter\_for\_accredited\_.doc

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

my comments

Michael Morgan  
Greensfelder, Hemker & Gale, P.C.  
10 S. Broadway, Suite 2000  
St. Louis, MO 63102

314-516-2637  
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>>> Jim <[jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com)> 3/28/2011 7:05 PM >>>  
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James A. Winkelmann, Principal  
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Office: 636-530-9393

Cell: [REDACTED]

[www.BlueOceanPortfolios.com](http://www.BlueOceanPortfolios.com)

## Kelly Hennessy

---

**From:** Jim <jim@blueoceanportfolios.com>  
**Sent:** Tuesday, March 29, 2011 1:29 PM  
**To:** Michael Morgan  
**Subject:** Re: what about our accredited investors

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Mike - the file you sent is corrupted and/or won't open. Please resend.

----- Original Message -----

**From:** "Michael Morgan" <mm@greensfelder.com>  
**To:** "Jim" <jim@blueoceanportfolios.com>  
**Sent:** Tuesday, March 29, 2011 12:06:12 PM  
**Subject:** Re: what about our accredited investors

my comments

Michael Morgan  
Greensfelder, Hemker & Gale, P.C.  
10 S. Broadway, Suite 2000  
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## Kelly Hennessy

---

**From:** Michael Morgan <mm@greensfelder.com>  
**Sent:** Tuesday, March 29, 2011 1:47 PM  
**To:** jim@blueoceanportfolios.com  
**Subject:** Re: what about our accredited investors

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

#

-----Original Message-----

From: Jim <jim@blueoceanportfolios.com>  
To: Morgan, Michael <mm@greensfelder.com>

Sent: 3/29/2011 1:28:39 PM  
Subject: Re: what about our accredited investors

Mike - the file you sent is corrupted and/or won't open. Please resend.

----- Original Message -----

From: "Michael Morgan" <mm@greensfelder.com>  
To: "Jim" <jim@blueoceanportfolios.com>  
Sent: Tuesday, March 29, 2011 12:06:12 PM  
Subject: Re: what about our accredited investors

my comments

Michael Morgan  
Greensfelder, Hemker & Gale, P.C.  
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## Kelly Hennessy

---

**From:** Jim <jim@blueoceanportfolios.com>  
**Sent:** Tuesday, March 29, 2011 1:51 PM  
**To:** Michael Morgan  
**Subject:** Re: what about our accredited investors

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

nothing attached

----- Original Message -----

**From:** "Michael Morgan" <[mm@greensfelder.com](mailto:mm@greensfelder.com)>  
**To:** [jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com)  
**Sent:** Tuesday, March 29, 2011 1:47:01 PM  
**Subject:** Re: what about our accredited investors

#

-----Original Message-----

**From:** Jim <[jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com)>  
**To:** Morgan, Michael <[mm@greensfelder.com](mailto:mm@greensfelder.com)>

**Sent:** 3/29/2011 1:28:39 PM  
**Subject:** Re: what about our accredited investors

Mike - the file you sent is corrupted and/or won't open. Please resend.

----- Original Message -----

**From:** "Michael Morgan" <[mm@greensfelder.com](mailto:mm@greensfelder.com)>  
**To:** "Jim" <[jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com)>  
**Sent:** Tuesday, March 29, 2011 12:06:12 PM  
**Subject:** Re: what about our accredited investors

my comments

Michael Morgan  
Greensfelder, Hemker & Gale, P.C.  
10 S. Broadway, Suite 2000  
St. Louis, MO 63102

314-516-2637  
[REDACTED] (cell)  
314-241-9090 (main)

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>>> Jim <[jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com)> 3/28/2011 7:05 PM >>>  
this is the letter I came up with ,,,,

would like to send this out to a handful of accredited investors - Schnucks, Shields, Holland, etc.

--

James A. Winkelmann, Principal

Blue Ocean Portfolios, LLC

Registered Investment Advisors

16020 Swingley Ridge, Suite 360

Chesterfield, MO 63017

Office: 636-530-9393

Cell: [REDACTED]

[www.BlueOceanPortfolios.com](http://www.BlueOceanPortfolios.com)

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**Office: 636-530-9393**

**Cell: [REDACTED]**

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## Kelly Hennessy

---

**From:** Michael Morgan <mm@greensfelder.com>  
**Sent:** Tuesday, March 29, 2011 1:51 PM  
**To:** jim@blueoceanportfolios.com  
**Subject:** Re: what about our accredited investors

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

-----Original Message-----

From: Jim <[jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com)>  
To: Morgan, Michael <[mm@greensfelder.com](mailto:mm@greensfelder.com)>

Sent: 3/29/2011 1:28:39 PM  
Subject: Re: what about our accredited investors

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----- Original Message -----

From: "Michael Morgan" <[mm@greensfelder.com](mailto:mm@greensfelder.com)>  
To: "Jim" <[jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com)>  
Sent: Tuesday, March 29, 2011 12:06:12 PM  
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## Kelly Hennessy

---

**From:** Jim <jim@blueoceanportfolios.com>  
**Sent:** Tuesday, March 29, 2011 2:23 PM  
**To:** Michael Morgan  
**Subject:** Re: what about our accredited investors

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

still nothing

----- Original Message -----

From: "Michael Morgan" <mm@greensfelder.com>  
To: jim@blueoceanportfolios.com  
Sent: Tuesday, March 29, 2011 1:51:28 PM  
Subject: Re: what about our accredited investors

-----Original Message-----

From: Jim <jim@blueoceanportfolios.com>  
To: Morgan, Michael <mm@greensfelder.com>

Sent: 3/29/2011 1:28:39 PM  
Subject: Re: what about our accredited investors

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To: "Jim" <jim@blueoceanportfolios.com>  
Sent: Tuesday, March 29, 2011 12:06:12 PM  
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## Kelly Hennessy

---

**From:** Michael Morgan <mm@greensfelder.com>  
**Sent:** Tuesday, March 29, 2011 2:32 PM  
**To:** Jim  
**Subject:** Re: what about our accredited investors

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

It's lost. I am doing it. MM

Michael Morgan  
Greensfelder, Hemker & Gale, P.C.  
10 S. Broadway, Suite 2000  
St. Louis, MO 63102

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[REDACTED] 1 (cell)  
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**From:** "Michael Morgan" <[mm@greensfelder.com](mailto:mm@greensfelder.com)>  
**To:** [jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com)  
**Sent:** Tuesday, March 29, 2011 1:51:28 PM  
**Subject:** Re: what about our accredited investors

-----Original Message-----

**From:** Jim <[jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com)>  
**To:** Morgan, Michael <[mm@greensfelder.com](mailto:mm@greensfelder.com)>

**Sent:** 3/29/2011 1:28:39 PM  
**Subject:** Re: what about our accredited investors

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To: "Jim" <[jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com)>

Sent: Tuesday, March 29, 2011 12:06:12 PM

Subject: Re: what about our accredited investors

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Office: 636-530-9393

Cell ██████████

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## Kelly Hennessy

---

**From:** Michael Morgan <mm@greensfelder.com>  
**Sent:** Tuesday, March 29, 2011 2:39 PM  
**To:** Jim  
**Subject:** Re: what about our accredited investors  
**Attachments:** Jay Shield BOP Royalty Cover.docx

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

second try

Michael Morgan  
Greensfelder, Hemker & Gale, P.C.  
10 S. Broadway, Suite 2000  
St. Louis, MO 63102

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March 24, 2011

Jay Shields  
President  
Schaeffer Oil Company  
102 Barton Street  
Saint Louis, MO 63104

DRAFT

RE: Blue Ocean Portfolios

Dear Jay,

Thanks to clients like you we have been steadily growing our Blue Ocean Portfolios business. Since our launching the company in August of 2009 we have grown the AUM to approximately \$40 million and we are growing every day due to our effective radio advertising on KMOX , our weekly radio program on FM 97.1 –The Financial Coach Show and of course our compelling approach to portfolio management. We are spending about \$2,500 to land \$1million in new assets that generate approximately \$8,000 in recurring annual revenue. As you can see this business model and advertising system has the potential to create a very valuable cash flow.

I made the decision that once we had acquired about \$40 million in assets that we would expand the business. That threshold will be easily met and we will be raising up to \$1 million in new capital for our business to increase the advertising budget from \$6,000 per month to approximately \$25,000 per month and to hire a few more representatives to support the anticipated expanded activity. If we can maintain similar advertising efficiency we would expect the new customer portfolio assets to grow at a rate of \$4-6 million per month just in the St. Louis market. This advertising system could work all over the country. The cash flow from this recurring revenue model has the potential to be very valuable.

My idea for the new capital ~~would be~~ to sell privately place up to 40 Blue Ocean Royalty Units for \$25,000 each. Each one of these Blue Ocean Royalty units would give the ~~purchaser~~ unit holder rights to at least 0.25% of the cash receipts of Blue Ocean, LLC until the unit holder would be re-paid \$75,000. These payments would be made every quarter. Then the unit holder would have a warrant to purchase 0.25% of Blue Ocean Portfolios for \$25,000. We already have several units spoken for from friends and family members ~~reserved~~.

\_\_\_\_\_ Because of the fiduciary relationship we have with you, I cannot recommend that you or your family participate in this offering due to the potential conflict that such a recommendation will create, and this letter is not an offer. Nonetheless I wanted to make you aware of this offering situation and will can provide you with a complete offering document materials should your interest warrant. Please do not hesitate to call should you have any questions or comments.

Sincerely yours,

Jim Winkelmann  
President

## Kelly Hennessy

---

**From:** Jim <jim@blueoceanportfolios.com>  
**Sent:** Tuesday, March 29, 2011 3:34 PM  
**To:** Michael Morgan  
**Subject:** Re: what about our accredited investors

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

great - picking up the proof today.

----- Original Message -----

**From:** "Michael Morgan" <mm@greensfelder.com>  
**To:** "Jim" <jim@blueoceanportfolios.com>  
**Sent:** Tuesday, March 29, 2011 2:39:04 PM  
**Subject:** Re: what about our accredited investors

second try

Michael Morgan  
Greensfelder, Hemker & Gale, P.C.  
10 S. Broadway, Suite 2000  
St. Louis, MO 63102

314-516-2637  
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# **EXHIBIT 2**

March 24, 2011

Jay Shields  
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102 Barton Street  
Saint Louis, MO 63104

RE: Blue Ocean Portfolios

DRAFT

Dear Jay,

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My idea for the new capital would be to sell Blue Ocean Royalty Units for \$25,000 each. Each one of these Blue Ocean Royalty units would give the purchaser rights to at least 0.25% of the cash receipts of Blue Ocean, LLC until the unit holder would be re-paid \$75,000. These payments would be made every quarter. Then the unit holder would have a warrant to purchase 0.25% of Blue Ocean Portfolios for \$25,000. We already have several units spoken for from friends and family members reserved. Because of the fiduciary relationship we have with you I cannot recommend that you or your family participate in this offering due to the potential conflict that such a recommendation will create. Nonetheless I wanted to make you aware of this offering and will provide you with a complete offering document should your interest warrant. Please do not hesitate to call should you have any questions or comments.

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Jim Winkelmann  
President

# **EXHIBIT 3**

March 24, 2011

Jay Shields  
President  
Schaeffer Oil Company  
102 Barton Street  
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President