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10 Attorneys for Receiver
11 THOMAS HEBRANK

12 **UNITED STATES DISTRICT COURT**
13 **CENTRAL DISTRICT OF CALIFORNIA**

14 SECURITIES AND EXCHANGE
15 COMMISSION,

16 Plaintiff,

17 v.

18 PACIFIC WEST CAPITAL GROUP,
INC.; ANDREW B CALHOUN IV;
19 PWCG TRUST; BRENDA CHRISTINE
BARRY; BAK WEST, INC.; ANDREW B
20 CALHOUN JR.; ERIC CHRISTOPHER
CANNON; CENTURY POINT, LLC;
21 MICHAEL WAYNE DOTTA; and
CALEB AUSTIN MOODY (dba SKY
22 STONE),

23 Defendants.

Case No. 2:15-cv-02563-FMO (FFMx)

**RECEIVER'S SECOND INTERIM
REPORT AND
RECOMMENDATIONS**

Ctrm.: 6D
Judge: Hon. Fernando M. Olguin

1 Thomas C. Hebrank ("Receiver"), the Court-appointed permanent receiver for
2 PWCG Trust pursuant to the Judgment as to Defendant PWCG Trust ("Appointment
3 Order") (Dkt. No. 145), hereby submits this Second Interim Report and
4 Recommendations. This report covers the time period from April 1, 2018, through
5 June 30, 2018.

6 I. EXECUTIVE SUMMARY

7 Pursuant to the powers, authority, and directives contained in the Appointment
8 Order, the Receiver has taken control and management of the assets of PWCG Trust,
9 including its bank accounts, life insurance policies ("Policies"), and books and
10 records. Pursuant to the Court's order authorizing the Receiver to engage ITM
11 Twentyfirst, Inc. ("21st") to perform portfolio management and valuation services
12 (Dkt. No. 161), the Receiver has transitioned management services for PWCG
13 Trust's portfolio from Trustee Mills, Potoczak & Company ("MPC") to 21st.

14 21st is also gathering the necessary medical records for the insureds and
15 generating the required life expectancy reports ("LE Reports") to provide to the
16 Receiver such that the Receiver can establish values for the policies and formulate a
17 long-term proposal for paying future policy premiums to address the problem of
18 insufficient reserves to pay policy premiums. The Receiver plans to file his proposal
19 with the Court before the end of September.

20 In the meantime, the Receiver has stabilized the portfolio, with the Court's
21 permission, by borrowing from existing premium reserves to cover premium
22 payments for which there are no reserves or insufficient reserves. The Court has
23 granted the Receiver permission to pay unfunded premiums in this manner through
24 October 31, 2018, to allow the Receiver time to obtain the LE Reports, value the
25 policies and the portfolio and formulate a long-term proposal. Dkt. No. 161.

26 II. RECEIVER'S WORK TO IMPLEMENT APPOINTMENT ORDER

27 The Receiver's focus during the early portion of the second quarter was on
28 obtaining proposals from providers of management and valuation services in order to

1 reduce management expenses and obtain the necessary valuation data, including LE
2 reports. Several proposals were received, at which point the Receiver followed up on
3 each of them to negotiate terms of a contract for servicing as well as to provide LE
4 and valuation related services. Through that process, 21st was selected as presenting
5 the best overall value to the receivership estate.

6 Once the Receiver was granted authority to engage 21st, his focus has been on
7 transitioning portfolio management services from MPC to 21st, assisting 21st in the
8 collection of premium optimization schedules from insurers and medical records
9 from insureds, and monitoring the ongoing progress. During the transition period,
10 the Receiver has also continued to monitor and supervise the management of the
11 portfolio, including making sure premium payments are timely made, tracking policy
12 maturities, and ensuring receipt of death benefits.

13 Throughout this period, the Receiver has also worked to gather documents and
14 records important for his accounting and analysis of receivership estate assets,
15 including but not limited to documents associated with the claims asserted by third
16 parties and potential claims to recover funds from third parties. This work has
17 included gathering voluminous records from MPC, BroadRiver Asset Management,
18 and Defendants Pacific West Capital Group, Inc. and Andrew B. Calhoun, IV. Work
19 to gather documents, as well as to review and analyze key documents, is ongoing. It
20 should be noted that the Receiver's accounting and document analysis will ultimately
21 be key to establishing allowed amount of each investor's claims and a plan for
22 distribution of recovered assets.

23 III. PENDING LITIGATION

24 At the time of the Receiver's appointment, PWCG Trust had been named as a
25 defendant in four lawsuits pending in Los Angeles Superior Court. These lawsuits
26 had all been filed by one or more investors, either individually or as a putative class.
27 The Receiver filed notice of the Appointment Order and the litigation stay contained
28 therein in each case and also contacted counsel for the other parties. As a result, the

litigation stay has been observed by the state court and the parties in each case. The Los Angeles Superior Court has held several case management conferences over the last 90 days in an effort to determine whether the cases can proceed against the other defendants in light of the stay of all claims as to PWCG Trust.

IV. INVESTOR COMMUNICATIONS

The Receiver has established a dedicated web page on his website which will be used to provide case information, regular updates, and answers to frequently asked questions to investors and creditors. The Internet address for the webpage is as follows: <http://www.ethreadvisors.com/cases/pwcg/>. The Receiver mailed a letter to all investors in the week following his appointment to inform them of the receivership and direct them to the website to obtain further notices and updates. The Receiver has posted the Appointment Order and other filings relating to the receivership on the webpage and will continue to update it with relevant filings and orders of the Court. Investors and creditors can sign up at the webpage to receive email updates about the case. To date, a total of 482 investors have signed up to receive such updates. To ensure receipt of future notices, investors and creditors should promptly contact the Receiver's office at pwcg@ethreadvisors.com if their contact information changes and provide their new contact information.

V. SUMMARY OF RECEIPTS AND DISBURSEMENTS

The following table reflects the starting balance in PWCG Trust's accounts as of the Receiver's appointment and a summary of the receipts and disbursements for the receivership estate from April 1, 2018, through June 30, 2018:

Balance as of 3/31/18	\$7,980,330.14
Policy Premium Payments	(\$2,009,156.00)
Death Benefits Received	\$5,073,731.00
Interest earned	\$625.00
Ending Balance as of 6/30/18	\$11,045,530.14

1 In addition, the Standardized Fund Accounting Report for the receivership
2 estate for the time period April 1, 2018, through June 30, 2018, is attached hereto as
3 Exhibit A. Finally, as the table above reflects, several policies have matured and the
4 associated death benefits have been received. These funds will be held until such
5 time as the Court authorizes the Receiver to use these proceeds to pay premiums or
6 to make administrative expense payments and distributions to investors and creditors
7 with allowed claims.

8 VI. RECOMMENDATIONS

9 The Receiver's efforts to investigate and analyze assets, gather records, and
10 analyze potential claims against third parties are ongoing. The Receiver and his
11 professionals make the following recommendations with regard to their efforts to
12 implement the Appointment Order.

13 A. Document Recovery Efforts

14 The Receiver will obtain records from MPC, Pacific West, Calhoun,
15 BroadRiver, and all financial institutions where PWCG Trust maintained accounts.
16 As noted above, the Receiver has issued several subpoenas and will issue additional
17 subpoenas as necessary to obtain relevant documents, assets, and information. As
18 noted above, if the persons and entities subpoenaed, including Calhoun, do not
19 comply and produce the requested documents, the Receiver will seek to compel their
20 compliance through one or more motions to the Court. It may also be necessary to
21 take the depositions of certain individuals to obtain critical information.

22 B. Receivership Asset Recovery Efforts and Investigation

23 The Receiver will seek to locate any presently unaccounted for receivership
24 assets that may exist and to pursue any improper transfers to third parties. The
25 Receiver will take appropriate steps to secure such assets and preserve their value.

26 C. Accounting

27 Once the Receiver has obtained bank records and records held by third parties,
28 the Receiver will complete his accounting to establish the sources and uses of funds

1 by PWCG Trust, determine the proper amount of investor and creditor claims, and
 2 identify potential improper transfers to third parties.

3 **D. Provide Reports to the Court on a Quarterly Basis**

4 The Receiver will continue to provide reports to the Court on a quarterly basis,
 5 as well as seeking Court approval of fee and costs on a quarterly basis.

6 **E. Claims Review and Distribution Plan**

7 As the Receiver progresses, the Receiver will evaluate the appropriate method
 8 for receiving and verifying investor and creditor claims, as well as the equitable and
 9 efficient manner of distribution assets to those with valid claims. At the appropriate
 10 time, the Receiver will seek Court approval of procedures for determining claims and
 11 a plan of distribution. As noted above, the Receiver plans to file a long-term
 12 proposal for addressing the lack of sufficient reserves to pay Policy premiums before
 13 the end of September 2018 (to be heard prior to the end of October 2018), once the
 14 life expectancy and other Policy valuation information necessary for the proposal has
 15 been obtained.

16
 17 Dated: September 13, 2018

ALLEN MATKINS LECK GAMBLE
 MALLORY & NATSIS LLP

18
 19 By: /s/ Edward G. Fates

EDWARD G. FATES
 Attorneys for Receiver
 THOMAS HEBRANK

EXHIBIT A

Thomas C. Hebrank, Receiver
E3 Advisors
401 West A Street, Suite 1830
San Diego, CA 92101
(619) 567-7223

STANDARDIZED FUND ACCOUNTING REPORT

CIVIL - RECEIVERSHIP FUND

SECURITIES AND EXCHANGE COMMISSION,
Plaintiff,

v.

PACIFIC WEST CAPITAL GROUP, INC.; ANDREW B CALHOUN IV; PWCG TRUST; et
al, Defendants

Case No. 2:15-cv-02563 FMO (FFMx)

REPORTING PERIOD 04/01/18 TO 06/30/18

Case No. 2:15-cv-02563 FMO (FFMx)

Reporting Period 04/01/18 to 06/30/18

FUND ACCOUNTING (See instructions):			
		<u>Detail</u>	<u>Subtotal</u>
			<u>Grand Total</u>
Line 1	Beginning Balance (As of 04/01/18):	7,980,330	7,980,330
	<i>Increases in Fund Balance:</i>		
Line 2	Business Income		-
Line 3	Policy Maturities	5,073,731	5,073,731
Line 4	Interest/Dividend Income	625	625
Line 5	Business Asset Liquidation		-
Line 6	Personal Asset Liquidation		-
Line 7	Third-Party Litigation Income		-
Line 8	Misc - Insurance & Prop Tax Refunds		-
	Total Funds Available (Lines 1 - 8):	13,054,686	13,054,686
	<i>Decreases in Fund Balance:</i>		
Line 9	Disbursements to Investors	-	-
Line 10	Disbursements to Receivership Operations		
Line 10a	Disbursement to Receiver or Other Professionals		-
Line 10b	Business Asset Expenses	(2,009,156)	(2,009,156)
Line 10c	Personal Asset Expenses	-	-
Line 10d	Investment Expenses	-	-
Line 10e	Third-Party Litigation Expenses	-	-
	1. Attorney Fees	-	-
	2. Litigation Expenses	-	-
	Total Third-Party Litigation Expenses	-	-
Line 10f	Tax Administrator Fees and Bonds	-	-
Line 10g	Federal and State Tax Payments	-	-
	Total Disbursements for Receivership Operations		(2,009,156)
Line 11	Disbursements for Distribution Expenses Paid by the Fund:		
Line 11a	Distribution Plan Development Expenses:		
	1. Fees:		
	Fund Administrator.....	-	-
	Independent Distribution Consultant (IDC).....	-	-
	Distribution Agent.....	-	-
	Consultants.....	-	-
	Legal Advisors.....	-	-
	Tax Advisors.....	-	-
	2. Administrative Expenses	-	-
	3. Miscellaneous	-	-
	Total Plan Developmental Expenses		-
Line 11b	Distribution Plan Implementation Expenses:		
	1. Fees:		
	Fund Administrator.....	-	-
	IDC.....	-	-
	Distribution Agent.....	-	-
	Consultants.....	-	-
	Legal Advisors.....	-	-
	Tax Advisors.....	-	-
	2. Administrative Expenses	-	-
	3. Investor Identification:		
	Notice/Publishing Approved Plan.....	-	-
	Claimant Identification.....	-	-
	Claims Processing.....	-	-
	Web Site Maintenance/Call Center.....	-	-
	4. Fund Administrator Bond	-	-
	5. Miscellaneous	-	-
	6. Federal Account for Investor Restitution (FAIR) Reports Expenses	-	-
	Total Plan Implementation Expenses		-
	Total Disbursements for Distribution Expenses Paid by the Fund		-
Line 12	Disbursements to Court/Other:		
Line 12a	Investment Expenses/Court Registry Investment System (CRIS) Fees	-	-
Line 12b	Federal Tax Payments	-	-
	Total Disbursement to Court/Other:		-
	Total Funds Disbursed (Lines 9 - 11):		(2,009,156)
Line 13	Ending Balance (As of 06/30/2018):		11,045,530

Case No. 2:15-cv-02563-FMO (FFMx)
Reporting Period 04/01/18 to 06/30/18

Line 14	Ending Balance of Fund - Net Assets:		
Line 14a	Cash & Cash Equivalents		11,045,530
Line 14b	Investments		-
Line 14c	Other Assets or Uncleared Funds		-
	Total Ending Balance of Fund - Net Assets		11,045,530

OTHER SUPPLEMENTAL INFORMATION:			
	<u>Detail</u>	<u>Subtotal</u>	<u>Grand Total</u>
Report of Items NOT to be Paid by the Fund:			
Line 15	Disbursement for Plan Administration Expenses Not Paid by the Fund:		
Line 15a	Plan Development Expenses Not Paid by the Fund:		
1. Fees:			
Fund Administrator.....	-		-
IDC.....	-		-
Distribution Agent.....	-		-
Consultants.....	-		-
Legal Advisors.....	-		-
Tax Advisors.....	-		-
2. Administrative Expenses	-		-
3. Miscellaneous	-		-
	Total Plan Developmental Expenses Not Paid by the Fund		-
Line 15b	Plan Implementation Expenses Not Paid by the Fund		
1. Fees:			
Fund Administrator.....	-		-
IDC.....	-		-
Distribution Agent.....	-		-
Consultants.....	-		-
Legal Advisors.....	-		-
Tax Advisors.....	-		-
2. Administrative Expenses	-		-
3. Investor Identification			
Notice/Publishing Approved Plan.....	-		-
Claimant Identification.....	-		-
Claims Processing.....	-		-
Web Site Maintenance/Call Center.....	-		-
4. Fund Administrator Bond	-		-
5. Miscellaneous	-		-
6. FAIR Reporting Expenses	-		-
	Total Plan Implementation Expenses Not Paid by the Fund		-
Line 15c	Tax Administrator Fees & Bonds Not Paid by the Fund		-
	Total Disbursements for Plan Administration Expenses Not Paid by the Fund		-
Line 16	Disbursements to Court/Other Not Paid by the Fund:		
Line 16a	Investment Expenses/CRIS Fees	-	-
Line 16b	Federal Tax Payments	-	-
	Total Disbursement to Court/Other Not Paid by the Fund:		-
Line 17	DC & State Tax Payments	-	-
Line 18	No. of Claims:		
Line 18a	# of Claims Received This Reporting Period.....		0
Line 18b	# of Claims Received Since Inception of Fund.....		0
Line 19	No. of Claimants/Investors:		
Line 19a	# of Claimants/Investors Paid this Reporting Period.....		0
Line 19b	# of Claimants/Investors Paid Since Inception of Fund.....		0

Receiver:

By:

Thomas C. Hebrank

Court-Appointed Receiver

Date:

8/20/18