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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-DDP-FFM

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

Ctrm.: 9C
Judge: Hon. Dean D. Pregerson

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 Ninth Interim Report and
4 Recommendations. This report covers the Receiver's activities during the first
5 quarter of 2020.

6 I. EXECUTIVE SUMMARY

7 Pursuant to the powers, authority, and directives contained in the Appointment
8 Order, the Receiver has continued his work to preserve and protect the assets of
9 PWCG Trust, including its life insurance policies ("Policies") and cash reserves.
10 Pursuant to the Court's orders, the Receiver has pooled the cash reserves and, with
11 assistance from ITM Twentyfirst ("21st"), has continued to manage the portfolio of
12 Policies, make all required premium payments to keep the Policies in force, and
13 tracked and collected death benefits from Policy maturities.

14 With respect to the administration of claims against the receivership estate,
15 and pursuant to the Court's orders, the Receiver is planning to send claim notices to
16 investors in early to mid-June. As discussed further below, once the process of
17 resolving and approving investor claims has been completed, and in light of recent
18 Policy maturities, the Receiver anticipates being able to make a meaningful
19 distribution to investors with allowed claims.

20 II. SUMMARY OF RECEIVER'S WORK

21 The Receiver's focus during the first quarter was on managing and servicing
22 the portfolio of Policies, which currently contains a total of 72 active Policies with
23 death benefits totaling approximately \$136.2 million. Throughout this period, the
24 Receiver also completed his accounting and analysis of funds transferred to PWCG
25 Trust by investors, as well as amounts distributed by PWCG Trust to investors. It
26 should be noted that the Receiver's accounting of investor deposits into PWCG Trust
27 and disbursements from PWCG Trust will be key to establishing the allowed amount
28 of each investor's claim and a plan for distribution of receivership assets.

1 With that accounting completed, the Receiver filed a motion to establish
2 procedures for the administration of claims against the receivership estate. Dkt. 290.
3 The proposed procedures are designed to make the claims administration process as
4 simple and efficient as possible, while providing claimants with the right to have
5 their claims decided by the Court in the event of a dispute that cannot otherwise be
6 resolved. The Receiver anticipates that the number of disputed claims, if any, will be
7 very low.

8 The motion was granted (Dkt. 312) and, as noted above, the Receiver is
9 planning to mail claim notices to investors in early to mid-June. Investors have 90
10 days to review their claim notices and respond if they dispute the amount of their
11 claims as stated in the notices. The Receiver will work through the disputed claims
12 directly with the applicable investors, resolve as many disputes as possible, and file a
13 motion seeking approval of all undisputed claim amounts and resolution of any
14 remaining disputed claims. The Receiver also plans to seek approval a proposed
15 plan for distributing receivership estate funds to those with allowed claims. As
16 discussed further below in Section VII, based on recent Policy maturities, the
17 Receiver now expects to be able to make a meaningful initial distribution to investors
18 with allowed claims once all claims against the receivership estate have been
19 resolved and a distribution plan has been approved.

20 III. PENDING LITIGATION

21 At the time of the Receiver's appointment, PWCG Trust had been named as a
22 defendant in four lawsuits pending in Superior Court in Los Angeles.¹ These
23 lawsuits had each been filed by one or more investors, either individually or as a
24 putative class. The Receiver filed notice of the Appointment Order and the litigation
25 stay contained therein in each case and contacted counsel for the other parties. As a
26

27 ¹ One of these cases, known as the *Rhyme* case, has since been dismissed. Two
28 other cases, known as the *Shechter* and *Applebaum* cases, have been related
before the same court.

1 result, the litigation stay has been observed by the state court and the parties in each
2 case. The Superior Court has held several case management conferences in an effort
3 to determine whether the cases can proceed against the other defendants in light of
4 the stay of all claims as to PWCG Trust. At present, each of the lawsuits have been
5 stayed subject to review by the state courts in the coming months.

6 The Receiver has also been in communication with the investor plaintiffs,
7 through their counsel, about the claims involved in the pending cases, the Receiver's
8 claims against MPC, and the most cost-efficient way to pursue such claims. The
9 Receiver and MPC have signed a tolling agreement as to all statutes of limitations
10 and other time-based defenses to such potential claims. As noted above, the
11 Receiver, the putative investor class, and MPC have engaged in preliminary
12 settlement discussions.

13 The Receiver sought and obtained authority from the Court to remove MPC as
14 Trustee of PWCG Trust. Dkt. 145. The Receiver, therefore, amended the Trust
15 Agreement to remove MPC and substitute himself, as Receiver, as the successor
16 Trustee. The Receiver also transitioned all remaining Trustee-related functions that
17 MPC was handling to himself, his staff, and his consultant, 21st.

18 On May 5, 2020, the Receiver filed his motion for authority to pursue claims
19 against MPC. The motion is set to be heard on June 8, 2020. Although the Receiver
20 believes it is in the best interests of the receivership estate to move forward with his
21 motion and the proposed action against MPC, he continues to discuss a possible
22 settlement with MPC and counsel for the putative investors class.

23 **IV. COOK STREET MASTER TRUST CLAIMS**

24 As discussed in prior filings, after the Securities and Exchange Commission
25 filed this case, but prior to the Receiver's appointment, Defendant Pacific West
26 Capital Group, Inc. ("Pacific West") sold its purported fractionalized interests in the
27 Policies held by PWCG Trust to an entity called Cook Street Master Trust
28 ("CSMT"), which is managed by BroadRiver Asset Management. CSMT also

1 allegedly acquired Pacific West's rights with respect to future "forfeited"
2 fractionalized interests of investors who failed to pay amounts demanded in cash
3 calls. CSMT made certain payments to PWCG Trust. Presumably, the payments
4 were for premiums associated with its fractionalized interests in Policies, and for
5 premiums associated with fractionalized interests that it believed would be
6 "forfeited" by investors in the future. The total amount paid by CSMT to PWCG
7 Trust is believed to be approximately \$2.35 million.

8 The Receiver and CSMT, through their respective counsel, have been in
9 communication about the treatment of CSMT's claims against the receivership estate
10 and a potential resolution of such claims. To date, an agreement has not been
11 reached, but the parties continue to discuss these issues.

12 V. INVESTOR COMMUNICATIONS

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

26 VI. SUMMARY OF RECEIPTS AND DISBURSEMENTS

27 The following table reflects a summary of the receipts and disbursements for
28 the receivership estate from January 1, 2020, through March 31, 2020:

1	Balance as of 1/1/20	\$13,599,540
2	Policy Maturities	\$1,000,000
3	Misc. Income	\$17,284
4	Disbursements to Receiver/Professionals	(\$177,029)
5	Policy Premium Pmts & Business Asset Expenses	(\$2,117,750)
6		
7	Ending Balance as of 3/31/20	\$12,322,045

8 In addition, the Standardized Fund Accounting Report for the receivership
9 estate for the time period January 1, 2020, through March 31, 2020, is attached
10 hereto as Exhibit A.

11 Although not reflected above, there have been several recent maturities for
12 Policies with death benefits totaling approximately \$20 million. These death benefits
13 are expected to be received in the next 60 days. Not only will this substantially
14 increase the cash balance in the receivership estate, but these maturities also reduce
15 the Policy premium payments that were expected to be needed over the next 6 years
16 by over \$9 million. The Receiver is currently assessing the overall impact of these
17 maturities on the cash flow projections for the entire portfolio of Policies, but he now
18 anticipates being able to make meaningful initial distributions to investors with
19 allowed claims shortly after the claims process is completed.

20 VII. RECOMMENDATIONS

21 The Receiver's efforts to investigate and analyze assets, gather records, and
22 analyze potential claims against third parties are ongoing. The Receiver and his
23 professionals make the following recommendations.

24 A. Document Recovery Efforts

25 The Receiver has obtained records from MPC, Pacific West, Calhoun,
26 BroadRiver, and financial institutions where PWCG Trust maintained accounts. As
27 noted above, the Receiver has issued several subpoenas and will issue additional
28 subpoenas as necessary to obtain relevant documents, assets, and information.

1 **B. Provide Reports to the Court on a Quarterly Basis**

2 The Receiver will continue to provide reports to the Court on a quarterly basis,
3 as well as seeking Court approval of fees and costs on a quarterly basis.

4 **C. Claims Review and Distribution Plan**

5 The Receiver will proceed with the Court-approved procedures for the
6 administration of claims against the receivership estate, including reviewing,
7 resolving, and seeking approval of investor claims. The Receiver also plans to seek
8 approval of a plan for distributing receivership estate assets, as discussed above.

9
10 Dated: June 2, 2020

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

11 By: /s/ Edward G. Fates

12 EDWARD G. FATES
13 Attorneys for Receiver
14 THOMAS HEBRANK
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EXHIBIT A

Thomas C. Hebrank, Receiver
E3 Advisors
501 West Broadway, Suite 290
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 01/01/20 TO 03/31/20

FUND ACCOUNTING (See instructions):			
	Detail	Subtotal	Grand Total
Line 1 Beginning Balance (As of 01/01/20):	13,599,540		13,599,540
<i>Increases in Fund Balance:</i>			
Line 2 Business Income			-
Line 3 Policy Maturities	1,000,000		1,000,000
Line 4 Interest/Dividend Income	17,284		17,284
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):	14,616,824		14,616,824
<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	(177,029)		(177,029)
Line 10b Business Asset Expenses	(2,117,750)		(2,117,750)
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	-		(2,294,779)
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):			(2,294,779)
Line 13 Ending Balance (As of 03/31/20):			12,322,045

Line 14	Ending Balance of Fund - Net Assets:			
Line 14a	Cash & Cash Equivalents			12,322,045
Line 14b	Investments			-
Line 14c	Other Assets or Uncleared Funds			-
	Total Ending Balance of Fund - Net Assets			12,322,045

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: Thomas C Hebrank
By: Thomas C. Hebrank
Thomas C. Hebrank
Court-Appointed Receiver

Date: 5/1/20

PWCG Trust

Quarterly Operating Report - Financial Summaries

	RR#1	RR#2	RR#3	RR#4	RR#5	RR#6	RR#7	RR#8	RR#9
Beginning Cash	8,760,000	7,980,330	11,045,530	8,362,202	5,457,403	5,751,008	9,729,685	14,384,676	13,599,540
<u>Receipts</u>									
Policy Maturities	-	5,073,731	-	-	1,332,296	5,508,404	6,260,814	904,808	1,000,000
Interest Income	204	625	735	550	370	6,438	25,207	20,908	17,284
Miscellaneous - Other					129				
Policy Sales	-	-	-	-	850,000	258,408	11,408	-	-
Total Receipts	204	5,074,356	735	550	2,182,795	5,773,249	6,297,429	925,717	1,017,284
<u>Disbursements</u>									
Disbursements to Receiver/Professionals	-	-	(126,945)	(129,623)	(80,615)	(55,623)	(115,473)	-	(177,029)
Business Asset Expenses	(779,874)	(2,009,156)	(2,557,118)	(2,775,727)	(1,808,575)	(1,679,249)	(1,526,965)	(1,709,724)	(2,117,750)
Litigation Expenses								(450)	-
Net Business Asset Expenses	(779,874)	(2,009,156)	(2,684,062)	(2,905,350)	(1,889,190)	(1,734,873)	(1,642,438)	(1,710,174)	(2,294,779)
Federal and State Tax Payments	-	-	-	-	-	(59,700)		(679)	-
Total Disbursements	(779,874)	(2,009,156)	(2,684,062)	(2,905,350)	(1,889,190)	(1,794,573)	(1,642,438)	(1,710,853)	(2,294,779)
Ending Cash	7,980,330	11,045,530	8,362,202	5,457,403	5,751,008	9,729,685	14,384,676	13,599,540	12,322,045
<u>Bank Statements</u>									
Checking		160,970	191,907	91,557	52,497	128,712	47,681	96,829	117,050
PWCG Trust #1		6,868,818	2,966,029	2,599,589	2,466,436	2,036,614	1,536,979	1,181,919	556,980
PWCG Trust #2		4,015,743	5,204,266	2,766,256	3,232,076	2,049,881	1,931,300	1,431,411	741,488
CD							5,329,347	5,329,347	5,329,347
CBB						5,514,478	5,539,369	5,560,034	5,577,181
	-	11,045,530	8,362,202	5,457,403	5,751,008	9,729,685	14,384,676	13,599,540	12,322,045