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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 TENTH 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 Tenth Interim Report and  
4 Recommendations. This report covers the Receiver's activities during the second  
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 sent claim notices to investors in  
16 June 2020. As discussed further below, once the process of resolving and approving  
17 investor claims has been completed, and in light of recent Policy maturities, the  
18 Receiver anticipates being able to make a meaningful distribution to investors with  
19 allowed claims.

## 20 II. SUMMARY OF RECEIVER'S WORK

21 The Receiver's focus during the second quarter was on managing and servicing  
22 the portfolio of Policies, which currently contains a total of 65 active Policies with  
23 death benefits totaling approximately \$122.5 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 sent claims notices to all  
2 investors and known creditors pursuant to the Court-approved procedures for the  
3 administration of claims against the receivership estate. The proposed procedures  
4 are designed to make the claims administration process as simple and efficient as  
5 possible, while providing claimants with the right to have their claims decided by the  
6 Court in the event of a dispute that cannot otherwise be resolved. The Receiver  
7 anticipates that the number of disputed claims, if any, will be very low.

8 Investors have 90 days from the date of their claims notices to review their  
9 claim notices and respond if they dispute the amount of their claims as stated in the  
10 notices. For the majority of claimants who were mailed notices, the 90-day period  
11 will expire in September 2020. 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.<sup>1</sup> 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  
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27 <sup>1</sup> Two of these cases, known as the *Rhyme* and *Names* cases, have since been  
28 dismissed. The two 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 former trustee, Mills Potoczak & Company ("MPC"), and the most  
9 cost-efficient way to pursue such claims. On May 5, 2020, the Receiver filed his  
10 motion for authority to pursue claims against MPC, which motion was granted on  
11 July 31, 2020. Dkt. 335, 357. The Receiver filed his Complaint against MPC (along  
12 with a Notice of Related Action to have the case assigned to this Court) on  
13 September 3, 2020. Although the Receiver believes it is in the best interests of the  
14 receivership estate to move forward with his action against MPC, he continues to  
15 discuss a possible settlement with MPC and counsel for the putative investor class.

#### 16 **IV. COOK STREET MASTER TRUST CLAIMS**

17 As discussed in prior filings, after the Securities and Exchange Commission  
18 filed this case, but prior to the Receiver's appointment, Defendant Pacific West  
19 Capital Group, Inc. ("Pacific West") sold its purported fractionalized interests in the  
20 Policies held by PWCG Trust to an entity called Cook Street Master Trust  
21 ("CSMT"), which is managed by BroadRiver Asset Management. CSMT also  
22 allegedly acquired Pacific West's rights with respect to future "forfeited"  
23 fractionalized interests of investors who failed to pay amounts demanded in cash  
24 calls. CSMT made certain payments to PWCG Trust. Presumably, the payments  
25 were for premiums associated with its fractionalized interests in Policies, and for  
26 premiums associated with fractionalized interests that it believed would be  
27 "forfeited" by investors in the future. The total amount paid by CSMT to PWCG  
28 Trust is believed to be approximately \$2.35 million.

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

## 5 **V. INVESTOR COMMUNICATIONS**

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

## 19 **VI. SUMMARY OF RECEIPTS AND DISBURSEMENTS**

20 The following table reflects a summary of the receipts and disbursements for  
21 the receivership estate from April 1, 2020, through June 30, 2020:

22 Balance as of 4/1/20	\$12,322,045
23 Policy Maturities	\$3,363,529
24 Misc. Income	\$96,109
25 Disbursements to Receiver/Professionals	(\$122,729)
26 Policy Premium Pmts & Business Asset 27 Expenses	(\$1,792,004)
28 Ending Balance as of 6/30/20	\$13,866,950

1 In addition, the Standardized Fund Accounting Report for the receivership  
2 estate for the time period April 1, 2020, through June 30, 2020, is attached hereto as  
3 Exhibit A.

4 Although not reflected above, there have been several recent maturities for  
5 Policies with death benefits totaling approximately \$34.9 million outstanding as of  
6 June 30, 2020. Some of these death benefits have been received and others are  
7 expected to be received in the next 60 days. Not only will this substantially increase  
8 the cash balance in the receivership estate, but these maturities also reduce the Policy  
9 premium payments that were expected to be needed over the next several years. The  
10 Receiver is currently assessing the overall impact of these maturities on the cash flow  
11 projections for the entire portfolio of Policies, but he now anticipates being able to  
12 make meaningful initial distributions to investors with allowed claims shortly after  
13 the claims process is completed.

## 14 VII. RECOMMENDATIONS

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

### 18 A. Document Recovery Efforts

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

### 23 B. Provide Reports to the Court on a Quarterly Basis

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

### 26 C. MPC Litigation

27 The Receiver will continue to pursue claims against MPC on behalf of PWCG  
28 Trust, will coordinate efforts with counsel for the putative investor class, and will

1 seek Court approval of any proposed settlement reached between and among the  
2 parties.

3 **D. Claims Review and Distribution Plan**

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

8  
9 Dated: September 22, 2020

ALLEN MATKINS LECK GAMBLE  
MALLORY & NATSIS LLP

10 By: /s/ Edward G. Fates

11 EDWARD G. FATES  
12 Attorneys for Receiver  
13 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**

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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 04/01/20 TO 06/30/20

FUND ACCOUNTING (See instructions):			
	Detail	Subtotal	Grand Total
Line 1 Beginning Balance (As of 04/01/20):	12,322,045		12,322,045
<i>Increases in Fund Balance:</i>			
Line 2 Business Income			-
Line 3 Policy Maturities	3,363,529		3,363,529
Line 4 Interest/Dividend Income	96,109		96,109
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):	15,781,683		15,781,683
<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	(122,729)		(122,729)
Line 10b Business Asset Expenses	(1,792,004)		(1,792,004)
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	-		(1,914,733)
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):			(1,914,733)
Line 13 Ending Balance (As of 06/30/20):			13,866,950

Case No. 2:15-cv-02563 FMO (FFMx)  
Reporting Period 04/01/20 to 06/30/20

<b>Line 14 Ending Balance of Fund - Net Assets:</b>			
Line 14a Cash & Cash Equivalents			13,866,950
Line 14b Investments			-
Line 14c Other Assets or Uncleared Funds			-
Total Ending Balance of Fund - Net Assets			13,866,950
<b>OTHER SUPPLEMENTAL INFORMATION:</b>			
<b>Report of Items NOT to be Paid by the Fund:</b>	<b>Detail</b>	<b>Subtotal</b>	<b>Grand Total</b>
<b>Line 15 Disbursement for Plan Administration Expenses Not Paid by the Fund:</b>			
<b>Line 15a Plan Development Expenses Not Paid by the Fund:</b>			
1. Fees:			
Fund Administrator.....	-		-
IDC.....	-		-
Distribution Agent.....	-		-
Consultants.....	-		-
Legal Advisors.....	-		-
Tax Advisors.....	-		-
2. Administrative Expenses	-		-
3. Miscellaneous	-		-
<b>Total Plan Developmental Expenses Not Paid by the Fund</b>			-
<b>Line 15b Plan Implementation Expenses Not Paid by the Fund</b>			
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	-		-
<b>Total Plan Implementation Expenses Not Paid by the Fund</b>			-
<b>Line 15c Tax Administrator Fees &amp; Bonds Not Paid by the Fund</b>			-
<b>Total Disbursements for Plan Administration Expenses Not Paid by the Fund</b>			-
<b>Line 16 Disbursements to Court/Other Not Paid by the Fund:</b>			
Line 16a Investment Expenses/CRIS Fees	-		-
Line 16b Federal Tax Payments	-		-
<b>Total Disbursement to Court/Other Not Paid by the Fund:</b>			-
<b>Line 17 DC &amp; State Tax Payments</b>	-		-
<b>Line 18 No. of Claims:</b>			
Line 18a # of Claims Received This Reporting Period.....			0
Line 18b # of Claims Received Since Inception of Fund.....			0
<b>Line 19 No. of Claimants/Investors:</b>			
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:

9-3-20



**PWCG Trust**  
**Quarterly Operating Report - Financial Summaries**

	RR#6	RR#7	RR#8	RR#9	RR#10
Beginning Cash	5,751,008	9,729,685	14,384,676	13,599,540	12,322,045
<u>Receipts</u>					
Policy Maturities	5,508,404	6,260,814	904,808	1,000,000	3,363,529
Interest Income	6,438	25,207	20,908	17,284	96,108
Miscellaneous - Other					
Policy Sales	258,408	11,408	-	-	-
Total Receipts	5,773,249	6,297,429	925,717	1,017,284	3,459,637
<u>Disbursements</u>					
Disbursements to Receiver/Professionals	(55,623)	(115,473)	-	(177,029)	(122,729)
Business Asset Expenses	(1,679,249)	(1,526,965)	(1,709,724)	(2,117,750)	(1,792,004)
Litigation Expenses			(450)	-	-
Net Business Asset Expenses	(1,734,873)	(1,642,438)	(1,710,174)	(2,294,779)	(1,914,733)
Federal and State Tax Payments	(59,700)		(679)	-	-
Total Disbursements	(1,794,573)	(1,642,438)	(1,710,853)	(2,294,779)	(1,914,733)
Ending Cash	9,729,685	14,384,676	13,599,540	12,322,045	13,866,950
<u>Bank Statements</u>					
Checking	128,712	47,681	96,829	117,050	112,317
PWCG Trust #1	2,036,614	1,536,979	1,181,919	556,980	1,450,470
PWCG Trust #2	2,049,881	1,931,300	1,431,411	741,488	1,301,583
CD		5,329,347	5,329,347	5,329,347	5,418,254
CBB	5,514,478	5,539,369	5,560,034	5,577,181	5,584,327
	9,729,685	14,384,676	13,599,540	12,322,045	13,866,950