

1 ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
2 DAVID R. ZARO (BAR NO. 124334)
865 South Figueroa Street, Suite 2800
3 Los Angeles, California 90017-2543
Phone: (213) 622-5555
4 Fax: (213) 620-8816
E-Mail: dzaro@allenmatkins.com

5 ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
6 EDWARD G. FATES (BAR NO. 227809)
One America Plaza
7 600 West Broadway, 27th Floor
8 San Diego, California 92101-0903
Phone: (619) 233-1155
9 Fax: (619) 233-1158
E-Mail: tfates@allenmatkins.com

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(ASx)

**RECEIVER'S TWENTY-FIRST
INTERIM REPORT, RESPONSE
TO MINUTE ORDER AND
RECOMMENDATIONS
[Docket No. 547]**

Ctrm.: 9C
Judge: Hon. Dean D. Pregerson
Date: June 5, 2023

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 Twenty-First Interim Report and
 4 Recommendations in response to the Court's Minute Order dated May 4, 2023. Doc.
 5 No. 547. This report covers the Receiver's activities during the first quarter of 2023.

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. The Receiver has also
 14 reached a settlement of the receivership estate's claims and the investor class claims
 15 against Mills Potoczak & Company ("MPC"), which settlement is subject to approval
 16 by the Los Angeles Superior Court ("LASC") and this Court. Preliminary approval
 17 of the class settlement has been granted by the LASC and a hearing on final approval
 18 has been set for August 30, 2023. The Receiver anticipates seeking approval of the
 19 settlement from this Court in September, 2023, once final approval has been granted
 20 by the LASC.

21 II. SUMMARY OF THE RECEIVER'S WORK AND POLICIES

22 A. The Status of the Policies.

23 The Receiver's primary focus during the first quarter was on managing and
 24 servicing the portfolio of Policies, which currently contains a total of 51 active
 25 Policies with death benefits totaling approximately \$106.6 million. As of 2018, it
 26 looked as though the Receiver would need to borrow against the portfolio to cover
 27 Policy premiums until sufficient death benefits were received from Policy maturities
 28 to make interim distributions. Fortunately that turned out not be the case, and not

1 only did the Receiver not have to borrow (or incur any costs associated therewith),
2 but in 2021, the Receiver was able to issue an initial round of interim distribution
3 checks in the aggregate amount of \$37 million to investors with allowed claims.¹
4 This interim distribution reduced the total allowed investor net loss claims in the
5 receivership from approximately \$106 million to approximately \$69 million.

6 The Receiver has monitored and reevaluated the portfolio, including, with the
7 assistance of 21st, obtaining updated medical records and life expectancy report ("LE
8 Reports") on each of the insureds. The data obtained to date indicates that the
9 recovery for investors will be substantially greater if the Receiver continues to hold
10 the Policies until maturity as opposed to selling them in the near term. The existing
11 projections (which are in the process of being updated by 21st) indicate that
12 \$35 million of the \$106 million in death benefits from remaining Policies will be
13 received by the end of 2024 and that the total net recovery from the portfolio (after
14 all Policies have matured) could be in the range of \$81 million (not including the
15 \$37 million already distributed or the MPC settlement funds discussed below). That
16 would mean the Receiver could pay investor claims in full and then some, although it
17 is projected to take until 2032 to achieve that result. A table showing the projected
18 death benefits recovered by year (and the projected net recovery therefrom after
19 payment of Policy premiums) is as follows:

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28 ¹ The Receiver believes the fact that certain policies matured earlier than projected,
making borrowing unnecessary and a first interim distribution possible earlier
than expected, was due primarily to the COVID-19 pandemic.

	Premium Payments	Policy Maturities	Net Recoveries
2023 ²	\$(6,905,599)	\$28,828,158	\$21,922,559
2024	\$(4,975,878)	\$6,150,000	\$1,174,122
2025	\$(4,831,975)	\$7,159,600	\$2,327,625
2026	\$(4,212,907)	\$25,722,852	\$21,509,945
2027	\$(2,643,634)	\$16,630,000	\$13,986,366
2028	\$(1,019,260)	\$13,654,719	\$12,635,459
2029	\$(218,498)	\$5,000,000	\$4,781,502
2030	\$(30,470)	\$3,000,000	\$2,969,530
2031-32	\$(16,438)	\$500,000	\$483,562
Total	\$(24,854,659)	\$106,645,329	\$81,790,670

It is important to remember that these are only projections and that the actual results could vary quite greatly.

In comparison, when a sale valuation of the Policies was done in late 2021, the estimated sale price for the portfolio was in the range of \$20 million and \$25 million. Therefore, if the Policies were sold in the near term, investor claims would not be paid in full and, in all likelihood, a substantial portion of the claims would be left unpaid.

Considering that the timing of a final distribution to investors and close of the receivership is tied to the maturity of Policies, it is difficult to predict a specific date when a final distribution will be made. Presently, the last Policy is projected to mature in 2032, but it is unlikely the Receiver would wait until the last Policy matures and would likely look to sell when a relatively small number of Policies remain, which is projected to occur around 2028 (if not sooner).

² Policies with pre-2023 maturity dates that have not yet matured are included in 2023 projected maturities. 2023 Premium Payments include premiums payments for late-maturing policies through December 2023.

1 The alternative to having the Receiver continue to manage the portfolio and
 2 make distributions to investors through the receivership would be to establish a
 3 liquidating trust with the Receiver as trustee and the investors as beneficiaries. The
 4 receivership would then close upon establishment of the liquidation trust and the
 5 portfolio management and distribution process would proceed outside of court (note,
 6 this could not happen until the MPC settlement approval motion, which the Receiver
 7 plans to file in September (as discussed below), has been resolved). The Receiver is
 8 not recommending this alternative, but presents it in recognition of the fact that this
 9 receivership will take longer than most to be completed due to the unique nature of
 10 the assets involved.

11 The Receiver will continue to closely monitor the performance of the
 12 portfolio, including a periodic evaluation of whether it is best to hold or sell the
 13 remaining Policies. The Receiver is presently awaiting the results of renewed LE
 14 Reports and an updated sale valuation of the Policies. Once those are completed, the
 15 Receiver and 21st will again evaluate and report to the Court as to cost/benefits of
 16 selling or holding the portfolio of Policies. Pursuant to the Court-approved
 17 Distribution Plan, the Receiver will make further rounds of interim distributions to
 18 investors with allowed claims at such times as when, as a result of Policy maturities,
 19 cash has accumulated in the receivership estate to allow the Receiver to safely make
 20 such distributions.

21 **B. MPC Settlement**

22 At the time of the Receiver's appointment, PWCG Trust had been named as a
 23 defendant in four lawsuits pending in the LASC.³ These lawsuits had each been filed
 24 by one or more investors, either individually or as a putative class. The Receiver
 25 filed notice of the Appointment Order and the litigation stay contained therein in
 26

27 _____
 28 ³ Two of these cases, known as the *Rhyme* and *Names* cases, have since been
 dismissed. The two other cases, known as the *Shechter* and *Applebaum* cases,
 have been related before the same court.

1 each case and contacted counsel for the other parties. As a result, the litigation stay
2 has been observed by the LASC and the parties in each case.

3 The Receiver also communicated with the investor plaintiffs, through their
4 counsel, about the claims involved in the pending cases, the Receiver's claims against
5 former trustee MPC, and the most cost-efficient way to pursue such claims. On
6 May 5, 2020, the Receiver filed his motion for authority to pursue claims against
7 MPC, which motion was granted on July 31, 2020. Dkt. 335, 357. The Receiver
8 then filed his Complaint against MPC (along with a Notice of Related Action to have
9 the case assigned to this Court) on September 3, 2020. MPC filed its Answer to the
10 Receiver's Complaint on November 19, 2020.

11 The Receiver, through counsel, continued to discuss a possible settlement with
12 MPC and counsel for the putative investor class. MPC attended a mediation with its
13 insurance carriers regarding the carriers' positions as to coverage of the Receiver and
14 investor class claims in November 2021. The Receiver, the putative investor class,
15 MPC, and MPC's insurance carriers then attended a private mediation on January 13,
16 2022.

17 The cases did not settle at mediation; the insurance carriers' position on
18 coverage of the claims asserted by the Receiver and by the investors against MPC
19 continued to be disputed and remained an obstacle to a potential resolution of the
20 cases. MPC filed an action in the Central District on January 14, 2022, seeking
21 declaratory relief as to coverage of the Receiver and investor claims under the
22 applicable insurance policies purchased by MPC. The MPC coverage action was
23 then transferred to this Court as a related case.

24 In March 2022, the Receiver, the investor class, and MPC reached a settlement
25 in principle, subject to the settlement being approved by this Court and the LASC.
26 The settlement terms are very favorable, recovering \$9.75 million out of the
27 \$10 million in available insurance coverage. As noted above, preliminary approval
28 of the settlement has been granted by the LASC and a hearing on final approval has

1 been set for August 30, 2023. The Receiver (acting as administrator for the class
 2 settlement) has recently sent out the required class notices to the investor class
 3 members. The Receiver plans to seek approval of the settlement from this Court
 4 once final approval has been granted by the LASC. Once all required approvals of
 5 the settlement have been obtained, the Receiver anticipates making a distribution of
 6 the net settlement funds (after payment of proposed fees for class counsel
 7 (\$1,462,500) and proposed service awards for class representatives (\$30,000)), which
 8 amount totals \$8,257,500.

9 **C. Investor Communications**

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

23 **III. SUMMARY OF RECEIPTS AND DISBURSEMENTS**

24 The following table reflects a summary of the receipts and disbursements for
 25 the receivership estate from January 1, 2023, through March 31, 2023:
 26
 27
 28

1	Balance as of 1/1/23	\$1,641,900
2	Policy Maturities	\$2,762,970
3	Misc. Income	\$1,555
4	Disbursements to Receiver/Professionals	\$71,477
5	Policy Premium Pmts & Business Asset Expenses	(\$2,094,026)
6	Federal & State Taxes	\$0
7	Investor Distributions	
8	Ending Balance as of 3/31/23	\$2,240,922

10
11 In addition, the Standardized Fund Accounting Report for the receivership
12 estate for the corresponding time period of January 1, 2023, through March 31, 2023,
13 is attached hereto as Exhibit A. It should be noted that another \$2.5 million in death
14 benefits from Policy maturities is expected to be received soon.

15 IV. RECOMMENDATIONS

16 The Receiver's efforts to investigate and analyze assets, pursue claims and
17 maximize recoveries for the receivership estate are ongoing. The Receiver and his
18 professionals make the following recommendations.

19 A. Life Expectancy and Cash Flow Analysis

20 The Receiver with the assistance of 21st shall obtain LE Reports and evaluate
21 the benefits of holding versus selling the Policies. The Receiver will report his
22 findings to the Court in August 2023.

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 As noted above, the Receiver, the investor class, and MPC have reached a
28 settlement, subject to approval by this Court and the LASC. The Receiver plans to

1 seek approval of the settlement from this Court once final approval has been granted
2 by the LASC.

3 **D. Claims and Distributions**

4 As discussed above, the Receiver will continue to closely monitor the
5 performance of the portfolio and, pursuant to the Court-approved Distribution Plan,
6 will make further rounds of interim distributions to investors with allowed claims at
7 such times as when, as a result of Policy maturities, cash has accumulated in the
8 receivership estate such that the Receiver can safely make such distributions.

9
10 Dated: May 18, 2023

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 01/01/23 TO 03/31/23

STANDARDIZED FUND ACCOUNTING REPORT for PWCG Trust - Cash Basis

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

Reporting Period 01/01/23 to 03/31/23

FUND ACCOUNTING (See instructions):				
		Detail	Subtotal	Grand Total
Line 1	Beginning Balance (As of 01/01/23):	1,641,900		1,641,900
	<i>Increases in Fund Balance:</i>			
Line 2	Business Income			-
Line 3	Policy Maturities	2,762,970		2,762,970
Line 4	Interest/Dividend Income	1,555		1,555
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):	4,406,425		4,406,425
	<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	(71,477)		(71,477)
Line 10b	Business Asset Expenses	(2,094,026)		(2,094,026)
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	-		(2,165,503)
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):			(2,165,503)
Line 13	Ending Balance (As of 03/31/23):			2,240,922

STANDARDIZED FUND ACCOUNTING REPORT for PWCG Trust - Cash Basis

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

Reporting Period 01/01/23 to 03/31/23

Line 14	Ending Balance of Fund - Net Assets:			
Line 14a	Cash & Cash Equivalents			2,240,922
Line 14b	Investments			-
Line 14c	Other Assets or Uncleared Funds			-
	Total Ending Balance of Fund - Net Assets			2,240,922

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.....		1,548
Line 18b	# of Claims Received Since Inception of Fund.....		1,548
Line 19	No. of Claimants/Investors:		
Line 19a	# of Claimants/Investors Paid this Reporting Period.....		1,548
Line 19b	# of Claimants/Investors Paid Since Inception of Fund.....		1,548

Receiver:

By:

Thomas C. Hebrank

Court-Appointed Receiver

Date:

5/12/23

PWCG Trust

Quarterly Operating Report - Financial Summaries

	RR#17 03/31/22	RR#18 06/30/22	RR#19 09/30/22	RR#20 12/31/22	RR#21 03/31/23
Beginning Cash	4,750,494	4,894,224	2,997,673	3,800,349	1,641,900
<u>Receipts</u>					
Policy Maturities	2,014,712	304,225	2,540,962	-	2,762,970
Investor Recoveries	-	-	-	-	-
Interest Income	280	353	562	1,208	1,555
Miscellaneous - Other	-	2,202	-	-	-
Policy Sales	-	-	-	-	-
Total Receipts	2,014,992	306,780	2,541,524	1,208	2,764,525
<u>Disbursements</u>					
Disbursements to Receiver/Professionals	-	(127,886)	-	(237,935)	(71,477)
Business Asset Expenses	(1,857,459)	(2,000,462)	(1,718,147)	(1,913,442)	(2,094,027)
Investor Distributions	(13,802)	(39,984)	(20,700)	(8,280)	-
Litigation Expenses	-	-	-	-	-
Net Business Asset Expenses	(1,871,262)	(2,168,332)	(1,738,847)	(2,159,657)	(2,165,503)
Federal and State Tax Payments	-	(35,000)	-	-	-
Total Disbursements	(1,871,262)	(2,203,332)	(1,738,847)	(2,159,657)	(2,165,503)
Ending Cash	4,894,224	2,997,673	3,800,349	1,641,900	2,240,922
<u>Bank Statements</u>					
Checking	88,235	69,888	101,742	95,365	129,884
PWCG Trust #1	1,941,629	1,088,076	2,079,094	674,126	885,657
PWCG Trust #2	2,275,698	1,290,761	1,090,789	350,812	702,293
CD	-	-	-	-	-
CBB	-	-	-	-	-
Western Alliance	588,661	548,947	528,724	521,597	523,088
	4,894,224	2,997,672	3,800,349	1,641,900	2,240,922