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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(ASx)

**RECEIVER'S TWENTY-SECOND
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 Twenty-Second Interim Report and
 4 Recommendations. This report covers the Receiver's activities during the second
 5 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. Final approval of the
 17 class settlement has been granted by the LASC and the Receiver's motion for
 18 approval of the settlement in this Court is set for hearing on October 2, 2023.

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

20 A. The Status of the Policies.

21 The Receiver's primary focus during the second quarter was on managing and
 22 servicing the portfolio of Policies, which currently contains a total of 49 active
 23 Policies with death benefits totaling approximately \$101.3 million. As of 2018, it
 24 looked as though the Receiver would need to borrow against the portfolio to cover
 25 Policy premiums until sufficient death benefits were received from Policy maturities
 26 to make interim distributions. Fortunately that turned out not be the case, and not
 27 only did the Receiver not have to borrow (or incur any costs associated therewith),
 28 but in 2021, the Receiver was able to issue an initial round of interim distribution

1 checks in the aggregate amount of \$37 million to investors with allowed claims.¹
2 This interim distribution reduced the total allowed investor net loss claims in the
3 receivership from approximately \$106 million to approximately \$69 million.

4 As discussed in prior reports, the Receiver has monitored and reevaluated the
5 portfolio, including, with the assistance of 21st, obtaining updated medical records
6 and life expectancy report ("LE Reports") on each of the insureds. The data obtained
7 to date indicates that the recovery for investors will be substantially greater if the
8 Receiver continues to hold the Policies until maturity as opposed to selling them in
9 the near term. The existing projections (which are in the process of being updated by
10 21st) indicate that \$35 million of the \$101 million in death benefits from remaining
11 Policies will be received by the end of 2024 and that the total net recovery from the
12 portfolio (after all Policies have matured) could be in the range of \$81 million (not
13 including the \$37 million already distributed or the MPC settlement funds discussed
14 below). That would mean the Receiver could pay investor claims in full and then
15 some, although it is projected to take until 2032 to achieve that result.

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

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

1 **B. MPC Settlement**

2 At the time of the Receiver's appointment, PWCG Trust had been named as a
3 defendant in four lawsuits pending in the LASC.² These lawsuits had each been filed
4 by one or more investors, either individually or as a putative class. The Receiver
5 filed notice of the Appointment Order and the litigation stay contained therein in
6 each case and contacted counsel for the other parties. As a result, the litigation stay
7 has been observed by the LASC and the parties in each case.

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

16 The Receiver, through counsel, continued to discuss a possible settlement with
17 MPC and counsel for the putative investor class. MPC attended a mediation with its
18 insurance carriers regarding the carriers' positions as to coverage of the Receiver and
19 investor class claims in November 2021. The Receiver, the putative investor class,
20 MPC, and MPC's insurance carriers then attended a private mediation on January 13,
21 2022.

22 The cases did not settle at mediation; the insurance carriers' position on
23 coverage of the claims asserted by the Receiver and by the investors against MPC
24 continued to be disputed and remained an obstacle to a potential resolution of the
25 cases. MPC filed an action in the Central District on January 14, 2022, seeking
26

27 _____
28 ² 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 declaratory relief as to coverage of the Receiver and investor claims under the
2 applicable insurance policies purchased by MPC. The MPC coverage action was
3 then transferred to this Court as a related case.

4 In March 2022, the Receiver, the investor class, and MPC reached a settlement
5 in principle, subject to the settlement being approved by this Court and the LASC.
6 The settlement terms are very favorable, recovering \$9.75 million out of the
7 \$10 million in available insurance coverage. Preliminary approval of the settlement
8 was granted by the LASC in March and final approval was granted on August 31,
9 2023. The Receiver recently filed his motion for approval of the settlement from this
10 Court, which is set for hearing on October 2, 2023. Once all required approvals of
11 the settlement have been obtained, the Receiver anticipates making a distribution of
12 the net settlement funds (after payment of proposed fees for class counsel
13 (\$1,462,500) and proposed service awards for class representatives (\$30,000)), which
14 amount totals \$8,257,500.

15 **C. Investor Communications**

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

III. SUMMARY OF RECEIPTS AND DISBURSEMENTS

The following table reflects a summary of the receipts and disbursements for the receivership estate from April 1, 2023, through June 30, 2023:

Balance as of 04/01/23	\$2,240,922
Policy Maturities	\$2,515,216
Misc. Income	\$1,788
Disbursements to Receiver/Professionals	(\$47,656)
Policy Premium Pmts & Business Asset Expenses	(\$2,166,572)
Federal & State Taxes	\$0
Investor Distributions	(\$22,809)
Ending Balance as of 06/30/23	\$2,520,889

In addition, the Standardized Fund Accounting Report for the receivership estate for the corresponding time period of April 1, 2023, through June 30, 2023, is attached hereto as Exhibit A. It should be noted that another \$4.8 million in death benefits from Policy maturities was received in August 2023.

IV. RECOMMENDATIONS

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

A. Life Expectancy and Cash Flow Analysis

The Receiver with the assistance of 21st will continue to monitor the portfolio and evaluate the benefits of holding versus selling the Policies.

B. Provide Reports to the Court on a Quarterly Basis

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

C. MPC Litigation

As noted above, the Receiver, the investor class, and MPC have reached a settlement, subject to approval by this Court and the LASC. The Receiver plans to seek approval of the settlement from this Court once final approval has been granted by the LASC.

D. Claims and Distributions

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

Dated: September 13, 2023

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

By: /s/ Edward G. Fates

EDWARD G. FATES
Attorneys for Receiver
THOMAS HEBRANK

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 04/01/23 TO 06/30/23

STANDARDIZED FUND ACCOUNTING REPORT for PWC Trust - Cash Basis

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

Reporting Period 04/01/23 to 06/30/23

FUND ACCOUNTING (See instructions):			
	Detail	Subtotal	Grand Total
Line 1 Beginning Balance (As of 04/01/23):	2,240,922		2,240,922
<i>Increases in Fund Balance:</i>			
Line 2 Business Income			-
Line 3 Policy Maturities	2,515,216		2,515,216
Line 4 Interest/Dividend Income	1,788		1,788
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):	4,757,926		4,757,926
<i>Decreases in Fund Balance:</i>			
Line 9 Disbursements to Investors	(22,809)		(22,809)
Line 10 Disbursements to Receivership Operations			
Line 10a Disbursement to Receiver or Other Professionals	(47,656)		(47,656)
Line 10b Business Asset Expenses	(2,166,572)		(2,166,572)
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	-		(2,214,228)
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):			(2,237,037)
Line 13 Ending Balance (As of 06/30/23):			2,520,889

STANDARDIZED FUND ACCOUNTING REPORT for PWCG Trust - Cash Basis

Case No. 2:15-cv-02563 FMO (FFMx)
Reporting Period 04/01/23 to 06/30/23

Line 14	Ending Balance of Fund - Net Assets:			
Line 14a	Cash & Cash Equivalents			2,520,889
Line 14b	Investments			-
Line 14c	Other Assets or Uncleared Funds			-
	Total Ending Balance of Fund - Net Assets			2,520,889

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:

9/8/23

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	RR#22 03/31/23
Beginning Cash	4,750,494	4,894,224	2,997,673	3,800,349	1,641,900	2,240,922
<u>Receipts</u>						
Policy Maturities	2,014,712	304,225	2,540,962	-	2,762,970	2,515,216
Investor Recoveries	-	-	-	-	-	-
Interest Income	280	353	562	1,208	1,555	1,788
Miscellaneous - Other	-	2,202	-	-	-	-
Policy Sales	-	-	-	-	-	-
Total Receipts	2,014,992	306,780	2,541,524	1,208	2,764,525	2,517,004
<u>Disbursements</u>						
Disbursements to Receiver/Professionals	-	(127,886)	-	(237,935)	(71,477)	(47,656)
Business Asset Expenses	(1,857,459)	(2,000,462)	(1,718,147)	(1,913,442)	(2,094,027)	(2,166,573)
Investor Distributions	(13,802)	(39,984)	(20,700)	(8,280)	-	(22,809)
Litigation Expenses	-	-	-	-	-	-
Net Business Asset Expenses	(1,871,262)	(2,168,332)	(1,738,847)	(2,159,657)	(2,165,503)	(2,237,037)
Federal and State Tax Payments	-	(35,000)	-	-	-	-
Total Disbursements	(1,871,262)	(2,203,332)	(1,738,847)	(2,159,657)	(2,165,503)	(2,237,037)
Ending Cash	4,894,224	2,997,673	3,800,349	1,641,900	2,240,922	2,520,889
<u>Bank Statements</u>						
Checking	88,235	69,888	101,742	95,365	129,884	135,666
PWCG Trust #1	1,941,629	1,088,076	2,079,094	674,126	885,657	310,669
PWCG Trust #2	2,275,698	1,290,761	1,090,789	350,812	702,293	1,572,532
CD	-	-	-	-	-	-
CBB	-	-	-	-	-	-
Western Alliance	588,661	548,947	528,724	521,597	523,088	502,022
	4,894,224	2,997,672	3,800,349	1,641,900	2,240,922	2,520,889