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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-SEVENTH
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-Seventh Interim Report and
4 Recommendations. This report covers the Receiver's activities during the third
5 quarter of 2024.

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 distributed the proceeds from the settlement of the receivership estate's claims and
15 the investor class claims against Mills Potoczak & Company ("MPC"), which
16 settlement was approved by the Los Angeles Superior Court ("LASC"), and this
17 Court.

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

19 A. The Status of the Policies.

20 The Receiver's primary focus during the third quarter was on managing and
21 servicing the portfolio of Policies, which currently contains a total of 42 active
22 Policies with death benefits totaling approximately \$91.5 million. In 2018, it looked
23 as though the Receiver would need to borrow against the portfolio to cover Policy
24 premiums until sufficient death benefits were received from Policy maturities to
25 make interim distributions. Fortunately that turned out not be the case, and not only
26 did the Receiver not have to borrow (or incur any costs associated therewith), but in
27 2021, the Receiver was able to issue an initial round of interim distribution checks in
28

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

4 The Receiver obtained updated medical records and life expectancy reports
5 ("LE Reports") on each of the insureds from 21st in September 2023. The data
6 obtained indicates that the recovery for investors will be substantially greater if the
7 Receiver continues to hold the Policies until maturity, as opposed to selling them in
8 the near term. The updated LE Reports and projections indicate that the total net
9 recovery from the portfolio (after all Policies have matured) could be in the range of
10 \$64 million (not including the \$37 million already distributed or the MPC settlement
11 funds discussed below). That would mean that, factoring in the distribution of MPC
12 settlement funds, it is possible that the net recovery from the remaining portfolio may
13 be sufficient to pay investor net loss claims in full, although it is projected to take
14 until 2032 to achieve that result.

15 The Receiver will continue to closely monitor the performance of the
16 portfolio, including a periodic evaluation of whether it is best to hold or sell the
17 remaining Policies. Pursuant to the Court-approved Distribution Plan, the Receiver
18 will make further rounds of interim distributions to investors with allowed claims at
19 such times as when, as a result of Policy maturities, cash has accumulated in the
20 receivership estate to allow the Receiver to safely make 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.² These lawsuits had each been filed
24 by one or more investors, either individually or as a putative class. The Receiver
25

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

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 filed notice of the Appointment Order and the litigation stay contained therein in
2 each case and contacted counsel for the other parties. As a result, the litigation stay
3 has been observed by the LASC and the parties in each case.

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

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

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

25 In March 2022, the Receiver, the investor class, and MPC reached a settlement
26 in principle, subject to the settlement being approved by this Court and the LASC.
27 The settlement terms are very favorable, recovering \$9.75 million out of the
28 \$10 million in available insurance coverage. Preliminary approval of the settlement

1 was granted by the LASC in March and final approval was granted on August 31,
2 2023. This Court then approved the settlement on October 17, 2023. Dkt. 586.
3 During the fourth quarter of 2023, the Receiver received the full settlement payments
4 from MPC's insurance carriers and began the process of distributing the net
5 settlement funds of \$8,257,500 (after payment of approved fees for class counsel
6 (\$1,462,500) and approved service awards for class representatives (\$30,000)). The
7 distribution process was completed in 2024 and, pursuant to the Settlement
8 Agreement, the residual net settlement funds from investor checks that were not
9 cashed were turned over to the California Unclaimed Property Fund under the names
10 of the applicable claimants. The Receiver then provided settlement class counsel
11 with a final report on the class settlement distributions, which class counsel filed
12 with the LASC in September 2024.

13 **C. Investor Communications**

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

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

2 The following table reflects a summary of the receipts and disbursements for
3 the receivership estate from July 1, 2024, through September 30, 2024:

4 Balance as of 07/01/24	\$3,834,280
5 Policy Maturities	\$2,164,247
6 Class Action Settlement Proceeds	\$0
7 Misc. Income	\$1,443
8 Disbursements to Receiver/Professionals	(\$24,362)
9 Policy Premium Pmts & Business Asset Expenses	(\$1,743,966)
10 Federal & State Tax Refunds	\$0
11 Investor Distributions	(\$170,942)
12 Ending Balance as of 09/30/24	\$4,060,700

13
14
15 In addition, the Standardized Fund Accounting Report for the receivership
16 estate for the corresponding time period of July 1, 2024, through September 30,
17 2024, is attached hereto as Exhibit A.

18 **IV. RECOMMENDATIONS**

19 The Receiver's efforts to maximize recoveries for the receivership estate are
20 ongoing. The Receiver and his professionals make the following recommendations.

21 **A. Life Expectancy and Cash Flow Analysis**

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

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

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

1 **C. Future Distributions**

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

7
8 Dated: November 12, 2024

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

9 By: /s/ Edward G. Fates

10 EDWARD G. FATES
11 Attorneys for Receiver
12 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 07/01/24 TO 09/30/24

STANDARDIZED FUND ACCOUNTING REPORT for PWCG Trust - Cash Basis

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

Reporting Period 07/01/24 to 09/30/24

FUND ACCOUNTING (See instructions):			
Line		Detail	Grand Total
Line 1	Beginning Balance (As of 07/01/24):	3,834,280	3,834,280
	<i>Increases in Fund Balance:</i>		
Line 2	Business Income		-
Line 3	Policy Maturities	2,164,247	2,164,247
Line 4	Interest/Dividend Income	1,443	1,443
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):	5,999,970	5,999,970
	<i>Decreases in Fund Balance:</i>		
Line 9	Disbursements to Investors	(170,942)	(170,942)
Line 10	Disbursements to Receivership Operations		
Line 10a	Disbursement to Receiver or Other Professionals	(24,362)	(24,362)
Line 10b	Business Asset Expenses	(1,743,966)	(1,743,966)
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	-	(1,768,328)
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):	-	(1,939,270)
Line 13	Ending Balance (As of 09/30/24):		4,060,700

STANDARDIZED FUND ACCOUNTING REPORT for PWCG Trust - Cash Basis
 Case No. 2:15-cv-02563 FMO (FFMx)
 Reporting Period 07/01/24 to 09/30/24

Line 14	Ending Balance of Fund - Net Assets:			
Line 14a	Cash & Cash Equivalents			4,060,700
Line 14b	Investments			-
Line 14c	Other Assets or Uncleared Funds			-
	Total Ending Balance of Fund - Net Assets			4,060,700

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
 Thomas C. Hebrank
 Court-Appointed Receiver

Date: 10/25/24

PWCG Trust
Quarterly Operating Report - Financial Summaries

	RR#23 09/30/23	RR#24 12/31/23	RR#24 03/31/24	RR#25 06/30/24	RR#26 09/30/24
Beginning Cash	2,520,889	5,317,934	4,480,227	5,866,640	3,834,280
<u>Receipts</u>					
Policy Maturities	4,822,704	-	3,935,064	-	2,164,247
Investor Recoveries	-	8,257,500	-	-	-
Interest Income	1,800	22,292	5,458	2,732	1,443
Miscellaneous - Other	1,490	215	-	38,375	-
Policy Sales	-	-	-	-	-
Total Receipts	4,825,994	8,280,007	3,940,522	41,107	2,165,690
<u>Disbursements</u>					
Disbursements to Receiver/Professionals	(65,636)	(59,429)	(104,055)	(30,946)	(24,362)
Business Asset Expenses	(1,913,286)	(1,815,198)	(1,777,460)	(1,722,539)	(1,743,965)
Investor Distributions	(50,026)	(7,280,770)	(672,595)	(319,982)	(170,942)
Litigation Expenses	-	-	-	-	-
Net Business Asset Expenses	(2,028,949)	(9,155,397)	(2,554,109)	(2,073,467)	(1,939,269)
Federal and State Tax Payments/Refunds	-	37,683	-	-	-
Total Disbursements	(2,028,949)	(9,117,714)	(2,554,109)	(2,073,467)	(1,939,269)
Ending Cash	5,317,934	4,480,227	5,866,640	3,834,280	4,060,700
<u>Bank Statements</u>					
Checking	158,233	71,863	34,990	66,505	48,178
PWCG Trust #1	2,383,741	1,333,801	3,673,932	1,909,005	498,277
PWCG Trust #2	2,322,245	1,622,294	1,372,329	1,390,738	215,763
CD	-	-	-	-	3,000,000
CBB	-	-	-	-	-
Western Alliance	453,714	1,452,269	785,389	468,031	298,482
	5,317,934	4,480,227	5,866,640	3,834,280	4,060,700