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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-FMO (FFMx)

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

Ctrm.: 6D
Judge: Hon. Fernando M. Olguin

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 Fourth Interim Report and
 4 Recommendations. This report covers the time period from October 1, 2018,
 5 through December 31, 2018.

6 I. EXECUTIVE SUMMARY

7 Pursuant to the powers, authority, and directives contained in the Appointment
 8 Order, the Receiver has taken control and management of the assets of PWCG Trust,
 9 including its bank accounts, life insurance policies ("Policies"), and books and
 10 records. Pursuant to the Court's order authorizing the Receiver to engage ITM
 11 Twentyfirst, Inc. ("21st") to perform portfolio management and valuation services
 12 (Dkt. No. 161), the Receiver has transitioned management services for PWCG
 13 Trust's portfolio from Trustee Mills, Potoczak & Company ("MPC") to 21st.

14 21st has gathered the necessary medical records for the insureds and generated
 15 the required life expectancy reports ("LE Reports"), Policy valuations, and premium
 16 optimization schedules such that the Receiver could formulate a long-term proposal
 17 for paying future policy premiums to address the problem of insufficient reserves to
 18 pay Policy premiums. The Receiver's motion seeking approval of his proposal was
 19 filed on November 15, 2018 ("Motion") and approved by the Court on December 7,
 20 2018. Dkt. Nos. 227, 229.

21 Based on the Court's order, including approval of the proposed pooling of
 22 assets, the Receiver is now paying premiums for all Policies from the pooled funds,
 23 has sold certain Negative Value Policies (as defined below) and surrendered others to
 24 the insurance carriers, and is in the process of contacting prospective lenders
 25 regarding a line of credit to provide additional funding.

26 II. RECEIVER'S WORK TO IMPLEMENT APPOINTMENT ORDER

27 The Receiver's focus during the fourth quarter was on servicing the Policies
 28 and working with 21st and Clearlife to complete the analysis necessary to formulate

1 his long term proposal to maximize the recovery from the PWCG Trust portfolio.
2 This included valuing the Policies in order to isolate Negative Value Policies (i.e.
3 Policies for which the projected premium payments to carry the Policies to maturity
4 exceed the expected death benefits), running certain projections and simulations to
5 determine whether additional funding would be needed to support the remaining
6 portfolio, and, if so, the anticipated impact of borrowing to cover additional funding
7 needs. As noted above, once these projections were completed, the Receiver filed
8 his proposal, which was approved by the Court on December 7, 2018.

9 Since December 7, 2018, the Receiver has worked with 21st to market the
10 34 Negative Value Policies identified in the Motion to potentially interested parties
11 in the life settlements industry. In early February 2019, the Receiver completed a
12 sale of nine Negative Value Policies for a purchase price of \$850,000. The death
13 benefits associated with these Policies totaled approximately \$25.5 million. The
14 Receiver is also in discussions with another prospective purchaser regarding a sale of
15 three other Negative Value Policies. Having marketed the Negative Value Policies
16 to the most likely purchasers in the industry, and with large premium payments due,
17 the Receiver decided to allow eight Negative Value Policies to lapse, thereby
18 reducing the drain on cash flow associated with these Policies. The death benefits
19 associated with these policies totaled approximately \$17.7 million.

20 With respect to maturities, a total of nine Policies have matured since the
21 Receiver's appointment, including one in December 2018. The death benefits
22 associated with these Policies total approximately \$6.5 million, including
23 \$1.5 million expected to be received shortly from the Policy that matured in
24 December. After subtracting the Negative Value Policies that were sold and lapsed,
25 as well as the Policies that have matured, the portfolio now contains a total of
26 100 Policies (including the 17 remaining Negative Value Policies) with death
27 benefits totaling approximately \$190 million.

28

1 Throughout this period, the Receiver also worked to gather and analyze
2 documents and records important for his accounting and analysis of receivership
3 estate assets. It should be noted that the Receiver's accounting and document
4 analysis will ultimately be key to establishing allowed amount of each investor's
5 claims and a plan for distribution of recovered assets.

6 **III. PENDING LITIGATION**

7 At the time of the Receiver's appointment, PWCG Trust had been named as a
8 defendant in four lawsuits pending in Los Angeles Superior Court. These lawsuits
9 had each been filed by one or more investors, either individually or as a putative
10 class. The Receiver filed notice of the Appointment Order and the litigation stay
11 contained therein in each case and also contacted counsel for the other parties. As a
12 result, the litigation stay has been observed by the state court and the parties in each
13 case. The Los Angeles Superior Court has held several case management
14 conferences in an effort to determine whether the cases can proceed against the other
15 defendants in light of the stay of all claims as to PWCG Trust. The Receiver has also
16 been in communication with the plaintiffs, through counsel, about the claims
17 involved in the cases, potential claims the Receiver is analyzing/evaluating, and the
18 most cost-efficient way to pursue such claims. At present, each of the lawsuits have
19 been stayed subject to review by the state courts in the coming months.

20 **IV. INVESTOR COMMUNICATIONS**

21 The Receiver has established a dedicated web page on his website which is
22 being used to provide case information, regular updates, and answers to frequently
23 asked questions to investors and creditors. The Internet address for the webpage is as
24 follows: <http://www.ethreeadvisors.com/cases/pwcg/>. The Receiver mailed a letter
25 to all investors in the week following his appointment to inform them of the
26 receivership and direct them to the website to obtain further notices and updates.
27 The Receiver has posted the Appointment Order and other filings relating to the
28 receivership on the webpage and will continue to update it with relevant filings and

orders of the Court. Investors and creditors can sign up at the webpage to receive monthly email updates about the case. To date, a total of 766 investors have signed up to receive such updates. To ensure receipt of future notices, investors and creditors should promptly contact the Receiver's office at pwcg@ethreadvisors.com if their contact information changes and provide their new contact information.

V. SUMMARY OF RECEIPTS AND DISBURSEMENTS

The following table reflects a summary of the receipts and disbursements for the receivership estate from October 1, 2018, through December 31, 2018:

Balance as of 10/1/18	\$8,362,202
Policy Premium Pmts & Business Asset Expenses	(\$2,775,727)
Disbursements to Receiver & Professionals	(\$129,623)
Death Benefits Received	\$0
Interest earned	\$551
Ending Balance as of 12/31/18	\$5,457,403

In addition, the Standardized Fund Accounting Report for the receivership estate for the time period October 1, 2018, through December 31, 2018, is attached hereto as Exhibit A.

VI. RECOMMENDATIONS

The Receiver's efforts to investigate and analyze assets, gather records, and analyze potential claims against third parties are ongoing. The Receiver and his professionals make the following recommendations with regard to their efforts to implement the Appointment Order.

A. Document Recovery Efforts

The Receiver will obtain records from MPC, Pacific West, Calhoun, BroadRiver, and all financial institutions where PWCG Trust maintained accounts.

1 As noted above, the Receiver has issued several subpoenas and will issue additional
 2 subpoenas as necessary to obtain relevant documents, assets, and information. It
 3 may also be necessary to take the depositions of certain individuals to obtain critical
 4 information.

5 **B. Receivership Asset Recovery Efforts and Investigation**

6 The Receiver will seek to locate any presently unaccounted for receivership
 7 assets that may exist and to pursue any improper transfers to third parties. The
 8 Receiver will take appropriate steps to secure such assets and preserve their value.

9 **C. Accounting**

10 Once the Receiver has obtained bank records and records held by third parties,
 11 the Receiver will complete his accounting to establish the sources and uses of funds
 12 by PWCG Trust, determine the proper amount of investor and creditor claims, and
 13 identify potential improper transfers to third parties.

14 **D. Provide Reports to the Court on a Quarterly Basis**

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

17 **E. Claims Review and Distribution Plan**

18 As the receivership progresses, the Receiver will evaluate the appropriate
 19 method for receiving and verifying investor and creditor claims, as well as the
 20 equitable and efficient manner of distributing assets to those with valid claims. At
 21 the appropriate time, the Receiver will seek Court approval of procedures for
 22 determining claims and a plan of distribution.

23
 24 Dated: February 28, 2018

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
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San Diego, CA 92101
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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 10/01/18 TO 12/31/18

FUND ACCOUNTING (See instructions):			
	Detail	Subtotal	Grand Total
Line 1 Beginning Balance (As of 10/01/18):	8,362,202		8,362,202
<i>Increases in Fund Balance:</i>			
Line 2 Business Income			-
Line 3 Policy Maturities	-		-
Line 4 Interest/Dividend Income	551		551
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):	8,362,753		8,362,753
<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	(129,623)		(129,623)
Line 10b Business Asset Expenses	(2,775,727)		(2,775,727)
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			(2,905,350)
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):			(2,905,350)
Line 13 Ending Balance (As of 12/31/2018):			5,457,403

Line 14	Ending Balance of Fund - Net Assets:			
Line 14a	Cash & Cash Equivalents			5,457,403
Line 14b	Investments			-
Line 14c	Other Assets or Uncleared Funds			-
	Total Ending Balance of Fund - Net Assets			5,457,403

OTHER SUPPLEMENTAL INFORMATION:				
		Detail	Subtotal	Grand Total
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:

By: 
 Thomas C. Hebrank
 Court-Appointed Receiver

Date: 2/19/19