

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-FMO (FFMx)

**RECEIVER'S REPLY IN SUPPORT
OF MOTION FOR AUTHORITY
TO:**

**(A) ENGAGE PORTFOLIO
MANAGEMENT AND
VALUATION CONSULTANT;**

**(B) TERMINATE MILLS,
POTOCZAK & COMPANY; AND**

**(C) USE PWCG TRUST RESERVE
FUNDS TO COVER UNFUNDED
PREMIUM PAYMENTS FOR AN
ADDITIONAL FIVE MONTHS**

Date: May 31, 2018
Time: 10:00 a.m.
Ctrm.: 6D
Judge: Hon. Fernando M. Olguin

1 Thomas C. Hebrank ("Receiver"), the Court-appointed receiver for Defendant
2 PWCG Trust, hereby submits this reply to the responses received to his Motion for
3 Authority to: (A) Engage Portfolio Management and Valuation Consultant;
4 (B) Terminate Mills, Potoczak & Company; and (C) Use PWCG Trust Reserve
5 Funds To Cover Unfunded Premium Payments for an Additional Five Months
6 ("Motion").

7 With respect to the response filed by Mills, Potoczak & Company ("MPC")
8 (Dkt. No. 155), the Receiver has met and conferred with MPC and is in agreement
9 that for the time-being MPC shall remain in its role as Trustee of PWCG Trust.
10 Assuming the Motion is granted, MPC will assist with the transition of portfolio
11 management services to 21st, after which the Receiver anticipates the services
12 required from MPC will be minimal. As stated in the Motion, MPC's fees for all
13 post-receivership work will be on an hourly basis, subject to Court approval of the
14 actual fees and costs. Concurrently herewith, the Receiver has lodged an Amended
15 Proposed Order clarifying that MPC's management services will be terminated, but
16 it will remain in its role as Trustee.

17 With respect to the response filed by Cook Street Master Trust ("CSMT")
18 (Dkt. No. 156), the Receiver has met and conferred with its Manager, BroadRiver
19 Asset Management, L.P. ("BroadRiver"). As discussed in the Motion, the Receiver
20 has discontinued the issuance of cash calls to investors to cover unfunded premium
21 payments due to concerns with representations made to investors when they
22 invested. Although BroadRiver has offered to pay its share of unfunded premium
23 payments based on the fractionalized interests in Policies it acquired under its
24 July 2017 agreement with Pacific West and Calhoun, BroadRiver's offer is based on
25 the assumption that it has the right to \$32 million in death benefits to the exclusion
26 of all other investors, including those who interests were "forfeited" and transferred
27 to BroadRiver because they did not pay cash calls. The Receiver has genuine
28 concerns regarding BroadRiver's assumptions with regard to ownership of fractional

1 interests. Among other things, accepting BroadRiver's assumption would likely
2 mean that investors who collectively invested millions in PWCG Trust (but
3 subsequently failed to pay cash calls after the SEC case was filed) would recover
4 nothing on account of their substantial losses. This is especially concerning
5 considering these investors were very likely misled by Pacific West and Calhoun
6 about the risks associated with their investments. For these reasons, the Receiver
7 does not believe it would be fair or equitable to accept funds from CSMT or any
8 other investors at this time.

9 Based on the foregoing, the Receiver requests authority to (a) engage 21st on
10 the terms and conditions described in the Motion and the proposed servicing
11 contract attached to the Hebrank Declaration as Exhibit B, (b) terminate the
12 management services of MPC, but allow MPC to continue in its role as Trustee of
13 PWCG Trust, to be paid on an hourly basis for its post-receivership work, subject to
14 Court approval of the actual fees and costs, and (c) use existing reserve funds held
15 by PWCG Trust to make Unfunded Premium Payments that come due during the
16 months of June through October 2018. The Receiver further requests that 21st be
17 protected by the stay contained in Section VI of the Appointment Order as to legal
18 proceedings or other legal actions by investors or other third parties related to the
19 services provided to PWCG Trust and/or the receivership estate under the proposed
20 servicing contract.

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Dated: May 17, 2018

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

By: /s/ Edward G. Fates

EDWARD G. FATES
Attorneys for Receiver
THOMAS HEBRANK

PROOF OF SERVICE

Securities and Exchange Commission v. Pacific West Capital Group, Inc., et al.
United States District Court, Central District of California,
Case No. 2:15-cv-02563-FMO (FFMx)

I am employed in the County of San Diego, State of California. I am over the age of 18 and not a party to the within action. My business address is One America Plaza, 600 West Broadway, 27th Floor, San Diego, California 92101-0903.

On May 17, 2018, I served the within document(s) described as

- ◀ **RECEIVER'S REPLY IN SUPPORT OF MOTION FOR AUTHORITY TO: (A) ENGAGE PORTFOLIO MANAGEMENT AND VALUATION CONSULTANT; (B) TERMINATE MILLS, POTOCZAK & COMPANY; AND (C) USE PWCG TRUST RESERVE FUNDS TO COVER UNFUNDED PREMIUM PAYMENTS FOR AN ADDITIONAL FIVE MONTHS**

on the interested parties in this action:

BY ELECTRONIC NOTICE THROUGH THE COURT'S ECF SYSTEM:

- **Cory A Baskin** - cb@witkowlaw.com
- **Todd Steven Brilliant** - brilliantt@sec.gov
- **John B Bulgozdy** - bulgozdyj@sec.gov, lawjo@sec.gov, haackk@sec.gov, LAROFiling@sec.gov, longoa@sec.gov, irwinma@sec.gov
- **Edward G Fates** - tfates@allenmatkins.com, bcrfilings@allenmatkins.com, jholman@allenmatkins.com, mlyons@allenmatkins.com, thsu@allenmatkins.com, bpetre@allenmatkins.com
- **Jason M Hopkins** - jason.hopkins@dlapiper.com, jen.westin@dlapiper.com
- **Kyle Michael Jones** - kylejones@paulhastings.com, lisavermeulen@paulhastings.com, lindayoung@paulhastings.com
- **Christopher M LaVigne** - lavignec@gtlaw.com
- **Marc A Legget** - leggetlaw@msn.com
- **Gary Y Leung** - leungg@sec.gov, longoa@sec.gov, larofiling@sec.gov, irwinma@sec.gov
- **Jason S Lewis** - jason.lewis@DLA Piper.com, jen.westin@dlapiper.com
- **James K Roosa** - jkr@roosalaw.com
- **Mathew S Rosengart** - rosengartm@gtlaw.com, lalitdock@gtlaw.com, coxj@gtlaw.com
- **Adam Siegler** - sieglera@gtlaw.com, gutierrezd@gtlaw.com

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- **Natalie D Thompson** - thompsonna@gtlaw.com
- **Brandon J Witkow** - bw@witkowlaw.com, tg@witkowlaw.com
- **Thomas A Zaccaro** - thomaszaccaro@paulhastings.com, melmanahan@paulhastings.com, lindayoung@paulhastings.com
- **David R Zaro** - dzaro@allenmatkins.com, mdiaz@allenmatkins.com

BY OVERNIGHT DELIVERY: I deposited in a box or other facility regularly maintained by FedEx, or delivered to a courier or driver authorized by said express service carrier to receive documents, a true copy of the foregoing document(s) in sealed envelopes or packages designated by the express service carrier, addressed as on the attached Service List on the above-mentioned date, with fees for overnight delivery paid or provided for.

I declare under penalty of perjury that I am employed in the office of a member of the bar of this Court at whose direction the service was made and that the foregoing is true and correct.

Executed on May 17, 2018 at San Diego, California.

Susan Salerno

 (Type or print name)

Susan L Salerno

 (Signature of Declarant)

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SERVICE LIST

Dennis J. Kelly, Esq.
DILLINGHAM & MURPHY LLC
383 Sacramento Street, Ste 2000
San Francisco, CA 94111-3675

Attorneys for Mills, Potoczak & Company
Via Overnight Mail

Michael S. Cryan, Esq.
Aram Ordubegian, Esq.
Jake Gilbert, Esq.
ARENT FOX LLP
555 W. 5th Street, 48th Floor
Los Angeles, California 90013

Attorneys for Cook Street Master Trust
Via Overnight Mail