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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 THIRD 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 Third Interim Report and
 4 Recommendations. This report covers the time period from July 1, 2018, through
 5 September 30, 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 proposal was filed on November 15, 2018 and
 19 approved by the Court on December 7, 2018. Dkt. Nos. 227, 229. Based on the
 20 Court's order, including approval of the proposed pooling of assets, the Receiver is
 21 now paying premiums for all Policies from the pooled funds, is in the process of
 22 contacting prospective lenders regarding a line of credit to provide additional
 23 funding, and, with the assistance of 21st, has started the process of
 24 selling/surrendering negative value policies.

25 II. RECEIVER'S WORK TO IMPLEMENT APPOINTMENT ORDER

26 The Receiver's focus during the third quarter was on servicing the policies and
 27 completing the transition of portfolio management services from MPC to 21st,
 28 assisting 21st in the collection of premium optimization schedules from insurers and

1 medical records from insureds, and monitoring the ongoing progress. During the
2 transition period, the Receiver also continued to monitor and supervise the
3 management of the portfolio, including making sure premium payments are timely
4 made.

5 Throughout this period, the Receiver also worked to gather documents and
6 records important for his accounting and analysis of receivership estate assets,
7 including but not limited to documents associated with the claims asserted by third
8 parties and potential claims to recover funds from third parties. This work included
9 gathering voluminous records from MPC, BroadRiver Asset Management, and
10 Defendants Pacific West Capital Group, Inc. and Andrew B. Calhoun, IV. Work to
11 gather documents, as well as to review and analyze key documents, is ongoing. It
12 should be noted that the Receiver's accounting and document analysis will ultimately
13 be key to establishing allowed amount of each investor's claims and a plan for
14 distribution of recovered assets.

15 **III. PENDING LITIGATION**

16 At the time of the Receiver's appointment, PWCG Trust had been named as a
17 defendant in four lawsuits pending in Los Angeles Superior Court. These lawsuits
18 had all been filed by one or more investors, either individually or as a putative class.
19 The Receiver filed notice of the Appointment Order and the litigation stay contained
20 therein in each case and also contacted counsel for the other parties. As a result, the
21 litigation stay has been observed by the state court and the parties in each case. The
22 Los Angeles Superior Court has held several case management conferences in an
23 effort to determine whether the cases can proceed against the other defendants in
24 light of the stay of all claims as to PWCG Trust. At present, each of the lawsuits
25 have been stayed subject to review by the state courts in the coming months.

26 **IV. INVESTOR COMMUNICATIONS**

27 The Receiver has established a dedicated web page on his website which is
28 being used to provide case information, regular updates, and answers to frequently

asked questions to investors and creditors. The Internet address for the webpage is as follows: <http://www.ethreadvisors.com/cases/pwcg/>. The Receiver mailed a letter to all investors in the week following his appointment to inform them of the receivership and direct them to the website to obtain further notices and updates. The Receiver has posted the Appointment Order and other filings relating to the 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 705 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 July 1, 2018, through September 30, 2018:

Balance as of 07/01/18	\$11,045,530
Policy Premium Pmts & Business Asset Expenses	(\$2,557,118)
Disbursements to Receiver & Professionals	(\$126,945)
Death Benefits Received	\$0
Interest earned	\$735
Ending Balance as of 09/30/18	\$8,362,202

In addition, the Standardized Fund Accounting Report for the receivership estate for the time period July 1, 2018, through September 30, 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. As noted above, the Receiver has issued several subpoenas and will issue additional subpoenas as necessary to obtain relevant documents, assets, and information. It may also be necessary to take the depositions of certain individuals to obtain critical information.

B. Receivership Asset Recovery Efforts and Investigation

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

C. Accounting

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

D. 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 fee and costs on a quarterly basis.

E. Claims Review and Distribution Plan

As the receivership progresses, the Receiver will evaluate the appropriate method for receiving and verifying investor and creditor claims, as well as the equitable and efficient manner of distribution assets to those with valid claims. At

1 the appropriate time, the Receiver will seek Court approval of procedures for
2 determining claims and a plan of distribution.

3
4 Dated: December 10, 2018

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

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6 By: /s/ Edward G. Fates

7 EDWARD G. FATES
8 Attorneys for Receiver
9 THOMAS HEBRANK
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EXHIBIT A

Thomas C. Hebrank, Receiver
E3 Advisors
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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 07/01/18 TO 09/30/18

STANDARDIZED FUND ACCOUNTING REPORT FOR FMOs (FFMx) - Cash Basis

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

Reporting Period 07/01/18 to 09/30/18

FUND ACCOUNTING (See instructions):			
	Detail	Subtotal	Grand Total
Line 1 Beginning Balance (As of 07/01/18):	11,045,530		11,045,530
<i>Increases in Fund Balance:</i>			
Line 2 Business Income			-
Line 3 Policy Maturities	-		-
Line 4 Interest/Dividend Income	735		735
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):	11,046,265		11,046,265
<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	(126,945)		(126,945)
Line 10b Business Asset Expenses	(2,557,118)		(2,557,118)
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			(2,684,063)
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):			(2,684,063)
Line 13 Ending Balance (As of 09/30/2018):			8,362,202

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

Reporting Period 07/01/18 to 09/30/18

Line 14	Ending Balance of Fund - Net Assets:		
Line 14a	Cash & Cash Equivalents		8,362,202
Line 14b	Investments		-
Line 14c	Other Assets or Uncleared Funds		-
	Total Ending Balance of Fund - Net Assets		8,362,202

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.....		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:

11/30/18