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 County of Los Angeles

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12 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**

13 **COUNTY OF LOS ANGELES, CENTRAL DISTRICT**

14 KONSTANTIN SHECHTER, Individually and as
 15 co-Trustee of the Shechter Family Trust dated
 May 22, 2009; SVETLANA AVERBUKH, an
 16 individual; on behalf of themselves and all others
 similarly situated,

Case No. **BC 621 512**
 Judge:
 Dept.

17 Plaintiffs,

18 v.

19 PACIFIC WEST CAPITAL GROUP, INC.;
 20 ANDREW B. CALHOUN IV, an individual, ;and
 21 MILLS, POTOCZAK & COMPANY, PC, as
 Trustee of the PWCG TRUST, and DOES 1
 22 through 30, inclusive,

23 Defendants.

24 **CLASS ACTION COMPLAINT FOR:**

- 1. Negligence;
- 2. Breach Of Contract
- 3. Violation Of California Corporations Code §§ 25401, 25110, 25503, And 25504;
- 4. Violation Of California Corporations Code § 25504.1;
- 5. Intentional Fraud;
- 6. Conspiring To Commit And Aiding And Abetting Intentional Fraud;
- 7. Deceit;
- 8. Conspiring To Commit And Aiding And Abetting Deceit;
- 9. Breach Of Fiduciary Duty;
- 10. Financial Elder Abuse;
- 11. Violation Of Business & Professions Code §17200, Et Seq.

25 **JURY TRIAL DEMANDED**

26

27

28

BY FAX

1 COME NOW Plaintiffs Konstantin Shechter, Individually and as co-trustee of the Shechter
2 Family Trust dated May 22, 2009, and Svetlana Averbukh, on behalf of themselves and all others
3 similarly situated, (“Plaintiffs”) who complain and allege under information and belief as follows:
4

5 **SUMMARY**

6 1. Plaintiffs Konstantin Shechter, individually and as co-trustee Shechter Family Trust
7 dated May 22, 2009 (“Shechter”) and Svetlana Averbukh (individually “Averbukh”; collectively
8 “Plaintiffs”) bring this class action alleging, among other things, negligence, breach of contract,
9 violations of the California Corporations Code and fraud in the sale of fractionalized interests in
10 universal life insurance policies, or “life settlements,” by Defendants Pacific West Capital Group,
11 Inc. (“Pacific West”) and Andrew B Calhoun IV (individually “Calhoun”). Plaintiffs also allege that
12 Mills, Potoczak, & Company, PC (“MPC”), among other things, aided and abetted Pacific West and
13 Calhoun as well as breached fiduciary duties to the Plaintiffs. MPC, Pacific West and Calhoun sell
14 investments structured around when life insurance policies “mature” (when the insured dies) and the
15 benefits are paid. Since Calhoun started Pacific West in 2004, they have raised approximately \$99.9
16 million from over 3,200 investors who purchased life settlements in approximately 125 life insurance
17 policies.

18 2. Pacific West and Calhoun have, among other things, misled investors about, *inter*
19 *alia*, their likely annual returns, the risks that investors would have to make future, out-of-pocket
20 payments to keep the policies in force to protect their principal, the amount of expected future
21 premiums, the data utilized in choosing investments, and that the investments had nothing to do with
22 Pacific West’s efforts and fortunes.

23 3. Moreover, beginning in 2012, Pacific West and Calhoun have used money received
24 from investors from the sale of new life settlements to pay premiums on life settlement investments
25 sold years earlier, which had not matured and had exhausted the “premium reserves” created by
26 Pacific West and Calhoun to keep the policies in force. Pacific West and Calhoun engaged in this
27 conduct to create the false appearance that the life settlements they structured and sold had minimal
28 risk and would pay off within the expected period, in order to continue to reel in investors, without

1 disclosing that all reserves had been exhausted on some older life settlements and those older life
2 settlements were only still viable because funds from new investors were being used to the pay
3 premiums on those older life settlements.

4 4. The securitized life settlements are issued by PWCG Trust (“Trust”). The trustee of
5 the Trust is MPC. Defendants Calhoun, Pacific West, and MPC will hereinafter collectively be
6 referred to as “Defendants.”

7 5. Plaintiffs only discovered the basis of the claims alleged herein after receipt of cash-
8 call letters from MPC (as discussed in more detail below) in or around August 2015.

9 **THE PARTIES**

10 6. Plaintiff Konstantin Shechter is an individual and is co-Trustee of the Shechter
11 Family Trust dated May 22, 1990. He resides in the State of California, in the County of Los
12 Angeles.

13 7. Plaintiff Svetlana Averbukh resides in the State of California, in the County of Los
14 Angeles.

15 8. Defendant Pacific West Capital Group, Inc. (“Pacific West”) is a privately-held
16 California corporation formed in 2004 with its principal place of business in Los Angeles, California.

17 9. Defendant Andrew B Calhoun IV (“Calhoun”) resides in Beverly Hills, California.
18 He is the founder, sole owner, and president of Pacific West.

19 10. The PWCG Trust (“Trust”) is an Ohio business trust formed in 2004, which operates
20 pursuant to the terms of an Amended and Restated Trust Agreement entered into on April 29, 2011.
21 The Trust purchases life insurance policies in its name as instructed by Pacific West and issues
22 interests in those policies to investors solicited by Pacific West. The Trust (through its trustee,
23 Defendant, MPC) also maintains a bank account which holds premium reserves and maintains books
24 and records accounting for those different reserves. Pacific West is the Grantor who formed the
25 Trust.

26 11. Defendant, Mills, Potoczak & Company (“MPC”), a public accounting firm, is an
27 Ohio corporation with its principal place of business in Beachwood, Ohio. Under information and
28 belief, Defendant MPC was intricately involved as both an escrow agent and as a professional trustee

1 in Defendants Pacific West and Calhoun’s marketing efforts to sell fractionalized interests in Life
2 Settlements.

3 12. Plaintiffs are unaware of the true names, identities and capacities of the Defendants
4 sued herein as Does 1 through 30. When a name or capacity is known, Plaintiffs will amend this
5 Complaint to allege the true names and capacities of Does 1 through 30. Plaintiffs are informed and
6 believe, and thereupon allege, that each of the Defendants sued herein as a DOE is legally
7 responsible in some manner for the events and happenings set forth herein, and have proximately
8 caused injuries and damages to Plaintiffs as set forth below.

9 13. Does 1 through 30 are identified generally as entities, institutions and individuals
10 who acted as Agents of Defendants. Upon further investigation and uncovering of facts justifying
11 naming the fictitiously named Defendants, Plaintiffs will amend this Complaint to allege the true
12 names and capacities of Does 1 through 30.

13 14. Defendants, and each of them, carried out their acts both directly and/or through the
14 acts and/or omissions of their agents, independent contractors, servants and/or employees, who at
15 all times were acting within the course and scope of said agency, independent contractor agreement
16 and/or employment and the acts and omissions of said agents, independent contractors, servants
17 and/or employees were authorized and ratified by all other said Defendants.

18 15. Whenever this Complaint references the acts, omissions or representations of any
19 Defendant or Defendants, such allegation shall be deemed to mean the act, omission or
20 representation of those Defendants named in the particular cause of action and each of them acting
21 individually, jointly, and severally and/or in concert with the other Defendant(s).

22 **JURISDICTION AND VENUE**

23 16. The Superior Court of Los Angeles has jurisdiction to hear this case because the
24 damages sought exceed the jurisdictional minimum necessary to constitute an unlimited civil case.

25 17. Moreover, the agreements between Plaintiffs and all putative class members and
26 Pacific West provides that: “A proceeding arising from or relating to this Agreement must be brought
27 in the Superior Court of California, County of Los Angeles, to the exclusion of any other court of
28 competent jurisdiction.”

1 18. Additionally, under 28 U.S.C. §1332(d)(4), no federal district court may exercise
2 jurisdiction if (1) greater than two-thirds of the members of the proposed Class and each subclass
3 are citizens of California, the state in which this action is hereby originally filed; (2) the principal
4 injuries resulting from the alleged conduct or any related conduct of each defendant were incurred
5 in California; and (3) no class action has been filed in the prior three years asserting the same or
6 similar factual allegations against any of the defendants on behalf of the same or other persons. Here,
7 greater than two-thirds of the proposed class members are citizens of California, at least one
8 Defendant, Calhoun, from whom significant relief is sought and whose alleged conduct forms the
9 significant basis for the claims sought by Plaintiffs, -is a citizen of California, the principal injuries
10 resulting from the alleged conduct occurred in the state; and no other class action asserting the same
11 claims has been filed in the last three years.

ALLEGATIONS

A. Pacific West’s Offer and Sale of Life Settlements

14 19. A Complaint was filed by the United States Securities and Exchange Commission
15 (“SEC”) against Defendants Calhoun individually, Pacific West Capital Group, and the Pacific West
16 Capital Group Trust (“Trust”) on April 7, 2015 in the Federal District Court for the Central District
17 of California, entitled *Securities and Exchange Commission v. Andrew Calhoun et al.*, Case No.
18 2:15-cv-02563-FMO-FFM (Pacer Document No. 1, filed 04/07/2015), herein after referred to as the
19 “SEC Litigation.”

20 20. Pacific West and Calhoun offered and arranged the sale of life settlements to
21 investors, which are fractional interests in universal life insurance policies. In the life settlements
22 offered and sold by Pacific West and Calhoun, investors’ money was pooled to buy a particular
23 insurance policy on the life of a person (the “Insured”). Pacific West represented to investors that
24 they offer and sell policies that they expect will mature in four to seven years, and pay a total
25 “guaranteed” return to the investor of at least 100 percent and up to 150 percent.

26 21. Life Settlements are classified a form of securities regulated by California
27 Corporations Code §25401. Under California Corporations Code Section 25102(q), a Life
28 Settlement is exempt from registration when (1) it is made to a qualified purchaser; (2) that purchaser

1 represents that the purchaser is purchasing for purchaser's own account; and (3) the purchaser has
2 at least five business days before the securities described are sold or commitment to purchase is
3 accepted from, and (4) certain information is provided to the investor in writing.

4 22. To pay the premiums necessary to keep a policy in force, Pacific West represented to
5 investors that it created three levels of reserves (a "Primary," "Secondary," and "Tertiary Premium
6 Reserve," which are collectively referred to herein after as "Reserves") to pay premiums during a
7 six to nine year period in which the insured was expected to die, set by Calhoun (the "Contract
8 Period"), during which time a policy was expected to mature when the insured actually died.

9 23. Calhoun and Pacific West determined the length of the Contract Period (the
10 remaining life expectancy of the insured) and the amount of investors' funds that was allocated to
11 the Primary Premium Reserve to pay the annual premiums for each policy during the length of the
12 Contract Period.

13 24. While Pacific West and Calhoun disclosed to potential investors that they would be
14 liable for their pro rata share of any premium payments if the three levels of Reserves ran out (a
15 "premium cash call"), the representations made in the Offering Circular utilized by Pacific West to
16 solicit new investors and in the Life Settlement Purchase Agreement ("Purchase Agreement") led
17 the consumer to believe that it was highly unlikely that a premium cash call would be made. And, in
18 some of the Life Settlement Disclosure Forms utilized by Pacific West ("Disclosure Form"), a
19 document that an investor had to review and sign (and a document incorporated by reference into
20 the Purchase Agreement), as phrased, Pacific West and Calhoun represented that the purported
21 annual premiums due on the policies would remain fixed indefinitely. In those particular Disclosure
22 Forms, such as the Disclosure Form provided to Plaintiff Konstantin Shechter, Pacific West and
23 Calhoun did not disclose that this annual premium could significantly rise, and that the investor
24 would be liable for his or her pro rata share of this increased annual premium. A true and correct
25 copy of Plaintiff Shechter's Purchase Agreement is attached hereto as **Exhibit A**. A true and correct
26 copy of Plaintiff Shechter's Disclosure Form is attached hereto as **Exhibit B**. A true and correct
27 copy of Plaintiff Averbukh's Purchase Agreement is attached hereto as **Exhibit C**. A true and correct
28 copy of Plaintiff Averbukh's Disclosure Form is attached hereto as **Exhibit D**.

1 25. Under information and belief, Plaintiffs allege that as compensation for offering and
2 selling the life settlements, Calhoun and Pacific West allocated approximately 45% of the funds
3 raised from investors to Pacific West as its “margin,” which referred to its profit realized on each
4 investment. Pacific West and Calhoun did not disclose to investors in the Offering Circular it utilized
5 to solicit investors, the Disclosure Form or the Purchase Agreement it signed with investors that they
6 were realizing a 45% margin on the life settlements they were arranging.

7 26. Pacific West and Calhoun effected the sales using an Offering Circular, the Purchase
8 Agreement between the investor and Pacific West, and Disclosure Form signed by the investor. The
9 investors deposited their funds in escrow with the Trust, received the Purchase Agreement and
10 Disclosure Form from Pacific West. Pacific West and Calhoun then directed the Trust to purchase
11 policies using the investors’ funds, book a certain amount of Primary Reserve to pay the policies’
12 premiums, and make the “margin” payments to Pacific West. The Trust, as a fiduciary to the
13 investors who were the beneficiaries of the Trust, purchased the policies, and maintained accounts
14 for the premium reserves. Under the terms of the agreement with the Trust, the Trust informed
15 Pacific West and Calhoun when the Primary Premium Reserve for a particular policy was depleted.
16 The Trust ultimately collected the death benefit when the policies matured and distributed a pro rata
17 share of the death benefits to the life settlement investors.

18 27. Calhoun controls Pacific West, and controlled all aspects of the process of its offer
19 and sale of Life Settlements, including identifying life insurance policies to be offered, determining
20 the amount of the Primary Premium Reserve by setting the Contract Period and the premiums paid
21 during that period, directing the Trust to use money from the sale of new Life Settlements to pay
22 premiums on older policies with depleted Primary Premium Reserves, and controlling the
23 information provided to investors through Sales Agent and other salespersons who used an Offering
24 Circular prepared by Pacific West to solicit class members to invest in Life Settlements. All sales
25 agents that solicited class members to invest in Pacific West Life Settlements utilizing the Offering
26 Circular, were, at all relevant times, acting within their course and scope of agency and/or
27 employment for Pacific West.

1 28. Pacific West and Calhoun have raised substantial funds from investors through the
2 sale of such Life Settlement securities. Under information and belief, Plaintiffs allege that from late
3 2004 through at least November 2014, Pacific West and Calhoun raised more than \$99.9 million
4 from over 3,200 investors who had purchased interests in approximately 125 policies. During that
5 period, approximately \$45.9 million, or about 46% of the total amount raised from investors, was
6 paid to Pacific West as its self-described “margin.”

7 29. For the period beginning January 2012 through at least November 2014, Pacific West
8 and Calhoun raised approximately \$37.3 million from investors. Of that amount, just over 15
9 percent, or about \$5.7 million, was used to purchase policies, and just less than 34 percent, or about
10 \$12.6 million, was used to fund the Primary Premium Reserves for those policies. About 4 percent,
11 or over \$1.5 million, was used to pay broker commissions and escrow fees. Pacific West directed
12 the Trust to pay it over \$17.2 million, or over 46 percent of the total amount raised from investors,
13 as its margin during this period.

14 30. Of the \$17.2 million that Pacific West received from January 2012 through
15 November 2014, Calhoun personally received approximately \$5.2 million – or about 13 percent of
16 the total amount raised from investors – in salary, commissions, and transfers. Another \$2.3 million
17 of Pacific West’s margin was paid to Pacific West’s sales agents as commissions during this period.
18 Finally, approximately \$1.9 million of Pacific West’s margin was used to pay premiums on older
19 policies that had depleted Primary Premium Reserves – or about 5 percent of all investor funds raised
20 from January 2012 through November 2014. The fact that Pacific West began in January of 2012 to
21 use part of its “margin” or profit on new Life Settlement sales to fund premium payments on older
22 Life Settlements which had exhausted their Primary Reserve was not disclosed by Pacific West in
23 the Offering Circular, Disclosure Form or Purchase Agreement utilized to solicit investors who were
24 solicited from and after January of 2012.

25 **i. Calhoun selected the policies to be offered to investors**

26 31. Pacific West and Calhoun sold fractionalized interests in a type of life insurance
27 policy called “universal life” or “flexible premium adjustable life” insurance. These types of policies
28 have an insurance component like a term life insurance policy, and a savings component like a whole

1 life insurance policy. The cost of the insurance component, referred to as the “premium” generally
2 increases each year as the insured ages. The policyholder can determine the amount of premium that
3 they wish to pay annually, but to keep the policy in force, a policyholder must pay an amount equal
4 to the insurance premium component. A universal life insurance policyholder may use a policy’s
5 accumulated cash value, if any, to subsidize and decrease the amount needed to be paid for the
6 insurance component each year to keep the policy in force, which has the effect of depleting the cash
7 value of the policy. Once the cash value reaches zero, it may no longer be used to subsidize annual
8 premium insurance component payments to keep a policy in force.

9 32. Calhoun personally selected each of the policies that Pacific West offered and sold
10 to investors as Life Settlements.

11 33. Pacific West and Calhoun represented to investors in the Offering Circular that
12 Pacific West selected only policies that were non-contestable, had been issued by A-rated life
13 insurance companies, and were on Insureds who were of “advanced ages and/or who typically
14 experience chronic or degenerative health conditions.” Pacific West and Calhoun, directly and
15 through their agents, also represented to investors in the Offering Circular that they “typically
16 purchase policies that have between a four- to seven-year life expectancy.” See **Exhibit E**, attached
17 hereto, which is a copy of a sample Offering Circular provided to investors. Pacific West and
18 Calhoun’s Offering Circular leads the potential investor to believe that Pacific West and Calhoun
19 utilized analyses from actuaries, representing that “[f]or most policies, [they] engage the services of
20 a third-party independent company to obtain life expectancy evaluations. [They] utilize premier
21 companies in the field of life expectancy evaluations and insurance underwriting.” See **Exhibit E**.
22 Pacific West and Calhoun further represent that these third parties “perform these evaluations based
23 on medical records, family history, and other information pertinent to an individual’s life. This
24 analysis enables the health professionals to create a more individualized statistical calculation than
25 standard mortality tables provide and determine a life expectancy on the insured of the policies
26 [Pacific West and Calhoun] consider for purchasing.” See **Exhibit E**. These written representations
27 in the Offering Circular were false.
28

1 34. Pacific West and Calhoun had no reasonable basis for their representation that the
2 policies Calhoun selects “typically” mature in four to seven years. Although Calhoun received some
3 life expectancy reports from third parties issued when the policies were initially issued, he did not
4 rely on any updated actuarial information to select the policies. Instead, Calhoun, who is not an
5 actuary or medical doctor, selected policies based on his judgment and estimates. In a life settlement
6 transaction, an actuarial-based estimate of an Insured’s life expectancy is a critical factor in
7 determining the present value of the policy and making a reasoned estimate of any premium reserve.

8 35. While Calhoun reviewed information about an Insured when selecting a policy,
9 Calhoun’s selection of a policy depended largely on the premium cost to keep the policy in force.
10 To determine that amount, Calhoun set a Contract Period based upon the Insured’s age, health, and
11 family history, and then calculated the amount necessary to keep a policy in force during the Contract
12 Period while using up the cash value of a policy. It was not disclosed in the Offering Circular that
13 the cash value of the policy would be used in addition to the Primary Premium Reserve to fund
14 premium payments. Calhoun then used this calculation to set the amount of the Primary Premium
15 Reserve. In general, at the end of the Contract Period, the cash value of the policy sold by Pacific
16 West was depleted. Calhoun and Pacific West generally used a Contract Period of six to nine years.

17 36. Since 2011, in connection with the selection and purchase of five policies, the
18 insurance broker offering the policy provided Pacific West and Calhoun with life expectancy reports
19 prepared by third parties as part of a package of materials provided to prospective buyers. However,
20 Plaintiffs are informed and believe that Calhoun never used actuarial charts or looked at life
21 expectancies in selecting the policies to purchase. Actually, the estimated life expectancies of the
22 insureds in the five reports provided to Pacific West and Calhoun were years longer than Contract
23 Periods set by Calhoun for the corresponding life settlements offered and sold by Pacific West.

24 **ii. Pacific West and Calhoun represented to investors that they have three levels of**
25 **reserves available to pay premiums**

26 37. Pacific West and Calhoun represented in the Offering Circular (**Exhibit E**) that there
27 were three levels of premium reserves protecting the investors’ investment: (i) a “Primary Premium
28 Reserve” which was to contain sufficient funds to pay premiums for a policy during the entire

1 Contract Period, funded from the proceeds of the sale of the fractional interests in the specific
2 underlying life insurance policy; (ii) a “Secondary Premium Reserve” which was a general reserve
3 available for all policies sold by Pacific West that was funded by 1 percent of all investment proceeds
4 from all life settlements sold by Pacific West; and (iii) a “Tertiary Premium Reserve” which was a
5 general reserve available for all policies sold by Pacific West and was funded by any unused Primary
6 Premium Reserves remaining on policies that matured before their primary reserves were depleted.

7 38. Calhoun was personally responsible for determining the method used by Pacific West
8 to set the amount of the “Primary Premium Reserves” for each life settlement offered and sold by
9 Pacific West.

10 **iii. Pacific West and Calhoun offered investors a “total fixed return” of at least 100**
11 **percent to 150 percent**

12 39. In their Offering Circulars¹ offering life settlements, and in the Purchase Agreement,
13 Pacific West and Calhoun offered “total fixed returns” of between 100 percent and 150 percent.

14 40. In the Offering Circular, Pacific West and Calhoun showed how an investor who
15 made a \$100,000 investment for a “100% total fixed return” would receive a payment when the
16 policy matured of \$200,000. Pacific West and Calhoun also provided examples showing a “simple
17 annual rate” of between 100 percent if the policy matured in one year, which decreased to a 20
18 percent annual return if the policy matured in 5 years, and decreased to 10 percent annual return if a
19 policy matured in ten years. See **Exhibit E**.

20 41. In the Disclosure Form signed by each putative class member it made a written
21 representation of what the investors “total fixed return” would be. For example in paragraph 9 of
22 Plaintiff Averbukh’s Disclosure Form it states: “The total fixed return on this purchase is 125%.” In
23 paragraph 9 of Plaintiff Shechter’s Disclosure Form it states: “The total fixed return on this purchase
24 is 150%.”

25 42. Nowhere in the Offering Circular, the Disclosure Form or in the Purchase Agreement
26 does it disclose that if a premium cash call is made, when the investment matures, the investor is not
27 receiving the total fixed return set forth in the Disclosure Form on the total amount invested.

28 _____
¹ When referring to Offering Circulars in the plural form, Plaintiffs are referring to both Exhibits E and F.

1 **iv. Pacific West’s sales process**

2 43. Defendants Pacific West and Calhoun utilized common Offering Circulars during the
3 Class Period to describe the investment in Life Settlements, and to solicit investments. Based on
4 informal discovery conducted to the date of the filing of this Complaint, during the Class Period of
5 2004 to April 30, 2016, Pacific West utilized two versions of the Offering Circular, **Exhibits E** and
6 **F**, respectively. When discovery discloses the dates when each version of the Offering Circular was
7 utilized, Plaintiffs will amend this Complaint to allege during which time period **Exhibit E** was
8 utilized and during which time period **Exhibit F** was utilized. It may be necessary to create separate
9 subclasses for investors who received the **Exhibit E** version of the Offering Circular and investors
10 who received the **Exhibit F** version of the Offering Circular because there are misrepresentations in
11 the **Exhibit E** version of the Offering Circular which are not contained in the **Exhibit F** version of
12 the Offering Circular. When an investor who had reviewed the Offering Circular and decided to
13 purchase a fractionalized interest in a policy from Pacific West, the investor was instructed to deposit
14 money in escrow with Defendant MPC acting as the “escrow holder.”

15 44. After an investor deposited funds with MPC as the escrow holder, Pacific West and
16 Calhoun disclosed specific information about the policy and transaction in a nine-page Purchase
17 Agreement between Pacific West as seller and the investor as purchaser, and a three-page Disclosure
18 Form.

19 45. The Purchase Agreement represented that Pacific West “has established a five (5)
20 level plan in order to provide that premium payments are made until the date of maturity of the
21 [underlying life insurance] policy.” One of those five levels of reserves was a “disability rider” that
22 did not have a practical effect on any policies sold by Pacific West. Three of the levels were the
23 Primary, Secondary, and Tertiary Premium Reserves. The fifth level was a premium cash call to
24 investors in a particular life settlement investment, in which investors would have to pay their pro
25 rata share of a premium to keep a policy in force.

26 46. It was not disclosed in the Offering Circulars, the Purchase Agreement or the
27 Disclosure Form that if other investors in a specific Life Settlement failed to make their pro rata
28 share of premium cash calls, and Pacific Trust could not find new investors to replace the defaulted

1 investors, the insurance policy could expire and wipe out the investment of all investors in that
2 particular Life Settlement.

3 47. In certain Disclosure Forms, which was required by the Corporation Code to be
4 reviewed and signed in order to purchase an interest in the policy, it represented the payment of
5 policy premiums due on an annual basis. For example, the Disclosure Form between Plaintiff
6 Shechter and Pacific West provided that “The premiums due on this policy are due or will become
7 due on an annual basis, on May 8, 2008 in the amount of \$8,152.” **Exhibit B.** Investors, including
8 Shechter, were led to believe that this annual amount (in Shechter’s case, \$8,152) is a fixed amount
9 that will apply indefinitely for the entire period of the investment, even after the Contract Period
10 expired. Thus, the investor believed that he or she is only liable for a pro rata share of that specified
11 annual amount. Therefore, for example, in the case of Shechter, because he owned 12.5 percent of
12 the policy, the maximum he believed a premium cash call to him would be is 12.5 percent of \$8,152,
13 which was \$1,019 annually. And, that such amount would only be sought after all Reserves were
14 exhausted—which he believed would be unlikely based on Pacific West’s representations in the
15 Offering Circular.

16 48. There was a disclosure in the Disclosure Form that if the Reserves were exhausted
17 there would be a cash call and the investor would be required to pay his or her pro rata share of the
18 premium cash call. However, neither Pacific West nor MPC disclosed to any of the investors the
19 extent to which the premium cash calls would rise in the future based on increased premium rates as
20 the insured aged. In other words, there was no disclosure as to what the cost of insurance (which
21 would affect the price of the premium) will be in the future based on the insured’s age to the extent
22 that the insured survives longer than the contract period. The investor then had five days after receipt
23 of the Purchase Agreement and Disclosure Form to rescind their investment.

24 **v. The Trust’s role**

25 49. Pacific West and Calhoun entered into a Trust Agreement with Defendant Mills,
26 Potoczak, & Company, PC (“MPC”) dated November 9, 2004 (“2004 Trust Agreement”), and an
27 Amended and Restated Trust Agreement dated April 29, 2011 (“2011 Trust Agreement”), with MPC
28 the trustee of the Trust.

1 50. Pacific West stated in its Offering Circular that all funds paid by investors to purchase
2 policies would be held in trust by MPC, a “professional trustee” with experience in acting as trustee
3 for Life Settlement Trusts. Plaintiffs are informed and believe that MPC reviewed Defendant Pacific
4 West’s business operations, including its policies and procedures for selecting which specific
5 insurance policies it would instruct MPC as trustee to purchase, and its policies and procedures for
6 calculating the Primary Reserve for each policy purchased. Plaintiffs are further informed and
7 believe, based on the deposition testimony of Defendant Calhoun in the SEC Litigation, that MPC
8 in its capacity as trustee reviewed and collaborated with Pacific West in preparing the Offering
9 Circular used by Pacific West to solicit investors.

10 51. The 2004 Trust Agreement and the 2011 Trust Agreement each provided, among
11 other things, that Pacific West will direct the payment by the trustee from the Premium Account of
12 all premiums required to keep the policies in force and to prevent the policies from lapsing or
13 terminating. The 2004 Trust Agreement and the 2011 Trust Agreement also provided that in the
14 event the funds on deposit in the Premium Account for a given policy are insufficient to pay a
15 premium that is due, then the trustee shall notify Pacific West, which then has the option to deposit
16 funds in the Premium Account sufficient to satisfy the deficiency, or instruct the trustee not to make
17 the payment if there is sufficient cash value in the policy, or instruct the trustee to make a cash call
18 to investors for funds sufficient to pay the premium due on the policy.

19 52. The 2004 Trust Agreement and 2011 Trust Agreement were not part of the offering
20 materials distributed by Pacific West.

21 53. As instructed by Pacific West and Calhoun, the Trust issued interests in a policy or
22 fractional shares in a policy to investors.

23 54. The Trust maintained a single bank account in which the Primary, Secondary, and
24 Tertiary Premium Reserves were commingled and maintained for all life settlements offered and
25 sold by Pacific West.

26 55. The Trust maintained a ledger showing the amounts in the Primary, Secondary, and
27 Tertiary Reserves.
28

1 56. Once Pacific West and Calhoun raised enough money from investors to purchase a
2 policy, Pacific West and Calhoun instructed MPC as trustee to purchase a policy, allocate funds to
3 the Primary and Secondary Premium Reserves as available, and pay some portion of the investors'
4 funds to Pacific West as its margin. MPC as trustee recorded a receivable in the full amount of the
5 Primary Premium Reserve based on Calhoun's calculation, and the Secondary Premium Reserve
6 based on a percentage of the funds raised. If all the interests in the life settlement have been sold,
7 the Trust then recorded the receipt of cash which was deposited into the single bank account that
8 holds all of the reserve funds.

9 57. Pacific West and Calhoun, in both the Offering Circular, and in the Purchase
10 Agreement state that the Life Settlements are securities. The Offering Circular, in particular, states
11 that "California Law Regulates Life Settlements as a Security" and that "Without a doubt...in
12 California, life settlements are considered securities and therefore are regulated by the securities
13 division of the CA Department of Corporations...." **Exhibits E, F.** Also, in the *SEC* Litigation,
14 Pacific West argued that the Life Settlements sold by Pacific West are securities governed by
15 California law.

16 58. In the *SEC* Litigation, the SEC retained Daniel Bauer as an expert witness on Life
17 Settlements. At page 5 of his expert report filed in the *SEC* Litigation (Pacer Doc. 106-103 Filed
18 03/24/16, pages 8-12 of 117) in Section IV, Mr. Bauer opined as follows.

19 a) "Brokers make actuarially-based life expectancy (LE) estimates for the insured(s)
20 available in life settlement transactions as a standard practice, and this is important
21 information that PWCG (Pacific West Capital Group) obtained or should have obtained.
22 As PWCG has acknowledged, it did not rely on actuarially-based estimates of policy
23 maturities (or life expectancies). Without relying on actuarially-based life expectancy
24 estimates, PWCG did not have a reasonable basis to determine the expected time to
25 maturity of a policy, the price to pay for a policy, sufficient reserves to keep a policy in
26 force, or the expected return on a policy.

27 b) "For policies that PWCG purchased where LE estimates were in their records, PWCG
28 set primary reserve periods that were shorter than the expected times to maturity given

1 the LE estimates of the insureds. Based on information regarding the health status of the
2 insured(s) and life expectancy estimates from reputable life expectancy providers that
3 were available to PWCG at the time when it purchased the policies and offered them for
4 sale to investors, for those policies, PWCG did not have a reasonable basis for
5 representing that it set primary reserves that would be sufficient to keep the policies in
6 force until maturity.

7 c) “PWCG represented to investors that: (i) PWCG selects policies that it expects to mature
8 in four to seven years; (ii) that the primary reserve period exceeds the expected time to
9 maturity for a policy; and (iii) that premium calls are unlikely. In contrast, I find that
10 PWCG’s policies are maturing on average at a much slower rate than necessary to be
11 consistent with the time set for the primary reserve period and PWCG’s representations
12 to investors about when its policies would mature. I reach this conclusion by comparing
13 the actual number of matured policies with the expected number of matured policies that
14 would be observed if the expected time to maturity equaled PWCG’s primary reserve
15 periods. I find that PWCG’s policies mature at only 28.9 percent of the expected rate of
16 maturity. This confirms that PWCG’s primary reserve periods are too short. Had PWCG
17 used this same analytic tool commonly used in the life settlement industry to evaluate the
18 lengths of its primary reserve periods, PWCG would have learned by October 31, 2010
19 at the latest that its policies have expected time to maturity greater than their primary
20 reserve periods. Furthermore, since at least late 2009 PWCG’s own experience should
21 have made it clear that there is no basis for PWCG’s purported belief that its policies will
22 mature in four to seven years. As detailed below, these observations are a key reason
23 why: (i) PWCG’s policy reserves are insufficient so that premium calls are likely to
24 become necessary; and (ii) there is no basis for PWCG’s representations about the return
25 that investors can expect.

26 d) “PWCG used its own method to calculate the amount needed for the primary reserve,
27 that is, the amount needed to keep a policy in force during the primary reserve period. In
28 my opinion, PWCG’s method tends to underestimate the amount needed for the primary

1 reserve because it fails to account for the increasing cost of insurance resulting from the
2 depletion of the policy's account value as it is being used to subsidize the premiums. I
3 note that PWCG's methodology also fails to account for interest earned on the decreasing
4 account value during the primary reserve period, but this aspect typically does not make
5 up for the increase in the cost of insurance.

6 e) "In the disclosure to investors for each policy, PWCG reports the annual premium it
7 determined was sufficient to keep the policy in force through the primary reserve period.
8 Because of PWCG's method for calculating the primary reserve premium and
9 specifically because of drawing down the account value, the premium needed to keep
10 policies in force increases sharply after the primary reserve period ends, relative to the
11 premium disclosed to investors at the time of sale.

12 f) "The secondary and tertiary reserves are insufficient and offer little protection to
13 investors when policies do not mature during the primary reserve period. As I point out
14 above, PWCG's policies will not mature consistently within the primary reserve period.
15 Therefore, PWCG's total premium reserves are not adequate and premium calls will be
16 required for many of PWCG's policies—and indeed PWCG started to make premium
17 calls. This is due in large part to the fact that the one percent of the proceeds contributed
18 to the secondary reserve plus the expected contributions to the tertiary reserve amount to
19 only a small fraction of the premium amount required to keep a policy in force after the
20 end of the primary reserve period.

21 g) "At the time of sale to investors, PWCG had no valid basis for its claims about the
22 expected performance of its policies or that premium calls would be highly unlikely to
23 occur. Because the actual average time to policy maturity will significantly exceed the
24 primary reserve periods and the (consequential) highly likely necessity of premium calls,
25 investors cannot expect to receive the total returns that PWCG advertised.

26 h) "PWCG takes out as its "margin" approximately 45 percent of the funds raised from
27 investors for a particular policy. While recent studies of the average returns on life
28 settlement investments comparable to those purchased by PWCG have found average

1 returns of around 5 percent to 8 percent, investors in PWCG’s policies could not
2 reasonably expect to realize annual returns as high as the market average—because of
3 PWCG’s high margin. I calculated expected returns for two of PWCG’s policies and
4 found that one of the policies has a negative expected rate of return and both policies
5 have much lower expected returns than PWCG’s statements suggest.

- 6 i) The returns of investors in the policies offered by PWCG and issued by the PWCG Trust
7 depend on the expertise of PWCG and Mr. Calhoun in arriving at accurate estimates for
8 the expected maturity of the policies selected and offered, as well an ongoing
9 management of the investments by PWCG, the PWCG Trust, and Mills Potoczak to keep
10 the policies in force. If a policy is not kept in force, investors will lose their entire
11 investment

12 **B. Pacific West’s and Calhoun’s Materially False and Misleading Statements, and**
13 **Omission of Material Facts**

14 **i. Pacific West and Calhoun misled investors about the risk of having to make**
15 **future, out-of-pocket, premium payments**

16 59. Pacific West and Calhoun made materially false and misleading statements, and
17 omitted material facts in the Offering Circulars, Purchase Agreement and Disclosure Form,
18 regarding the investors’ risk of having to make future, out-of-pocket, premium payments that would
19 be substantially higher than the premiums disclosed in the Disclosure Form. Pacific West and
20 Calhoun knew, or were reckless in not knowing, that these material misstatements and omissions
21 were false when made. In the Offering Circular attached hereto as **Exhibit E** a representation was
22 made that:

23 **“ADDITIONAL STEPS TO PROTECT INVESTOR WEALTH**

24 Even though no one can predict the actual longevity of a single individual,
25 we do take specific steps to gain the greatest understanding of the life expectancy
26 of an insured person.

27 For most policies, we engage the services of a third-party independent to
28 obtain life expectancy evaluations. We utilize premier companies in the field of life

1 expectancy evaluations and insurance underwriting. They perform these
2 evaluations based on medical records, family history, and other information
3 pertinent to an individual’s life. This analysis enables the health professionals to
4 create a more individualized statistical calculation than standard mortality tables
5 provide and determines a life expectancy on the insured of the policies we consider
6 for purchase.”

7 60. In certain of the Disclosure Forms, Pacific West and Calhoun stated the annual
8 premium amount and the Contract Period covered by the Primary Premium Reserve. Pacific West’s
9 Purchase Agreement and Disclosure Form stated that if the reserves were exhausted, then investors
10 were liable for their pro rata share of the annual premiums needed to keep a policy in force. However,
11 there is no disclosure in the Offering Circular attached hereto as **Exhibit E** that Pacific West and
12 Calhoun did not in fact retain independent third-party experts in determining life expectancy to
13 obtain information to establish reserves, and that Defendant Calhoun himself made the determination
14 what to pay for policies and what Primary Reserve to establish to minimize the potential of future
15 premium cash calls.

16 61. These disclosures were misleading because they omitted material information that if
17 there was a premium cash call, the premiums could be substantially higher than the premium
18 amounts disclosed in the Disclosure Form which disclosed the “annual premium.” The premiums
19 would be substantially higher because the premiums necessary to keep the policies in force increase
20 substantially over time; and Pacific West and Calhoun used up any cash value in the policies to
21 subsidize the disclosed premium amount.

22 62. Pacific West did not disclose to the investors the extent of the amount that could be
23 sought by a premium cash call based on increased annual premiums and decreased cash values in
24 some policies, which used the cash values to pay premiums.

25 63. Pacific West and Calhoun instructed the Trust to pay the rising insurance costs
26 during the six- to nine-year Contract Period. By using the cash value to subsidize the insurance costs,
27 which practice was not disclosed to potential investors, Pacific West and Calhoun could report to
28 investors low annual premiums that did not change year-to-year during the Contract Period. But by

1 the end of the Contract Periods, the cash values of the policies underlying the life settlements would
2 generally be depleted. With little or no cash value available at the end of the period to subsidize the
3 insurance costs and reduce the annual premiums, the premiums increase dramatically after the
4 expiration of the Contract Period established by Calhoun. So, to the extent investors are called upon
5 to pay premiums, the premiums would be substantially higher than the premiums disclosed to
6 investors in certain of the Disclosure Form.

7 64. Calhoun and Pacific West knew, or were negligent in not knowing, that premiums
8 would spike at the end of the Contract Period if the insured had not yet died. If an investor was
9 required to pay pro rata shares of a substantially higher premium, then that would negatively impact
10 the investor's "total fixed return". Pacific West and Calhoun did not disclose to investors the
11 potential for such a premium spike, the amount of the spike, or the potential reasons for spikes in
12 premium payments if an insured lived beyond the Contract Period.

13 65. Pacific West and Calhoun also misled investors by omitting material information
14 about the likelihood that investors will have to meet a premium cash call.

15 66. Information about the risks relating to the amount and likelihood of a premium call
16 was material to investors because, among other reasons, it could significantly impact the "total fixed
17 return" the investors received on their investments in the life settlements.

18 **ii. Pacific West and Calhoun made misleading statements and omitted material**
19 **information about the investors' annual returns and the maturity of the policies**

20 67. Pacific West and Calhoun made misleading statements and omissions to investors
21 about the investors' annual returns and the maturity of the policies that they offered and sold. Pacific
22 West and Calhoun knew that these material misstatements and omissions were false and misleading
23 when made.

24 68. Calhoun, and Pacific West in the Offering Circular attached hereto as **Exhibit E**
25 represented to potential investors that Pacific West selected policies that "typically" will mature
26 (e.g., pay a death benefit) in four to seven years. Pacific West and Calhoun omitted material
27 information in the Offering Circular that they had no reasonable basis to make those representations,
28 because they did not rely on life expectancies or other actuarial data in selecting policies or setting

1 Contract Periods. Pacific West and Calhoun misrepresented in the Offering Circular attached hereto
2 as **Exhibit E** that they “utilize premier companies in the field of life expectancy evaluations and
3 insurance underwriting” but they did not “utilize” such companies and any reports from such
4 companies.

5 69. Moreover, these representations in the Offering Circular attached hereto as **Exhibit**
6 **E** were also misleading because they omitted material information that only a small percentage of
7 the life settlements sold matured with seven years. As of November 2014, just 7.6 percent of the life
8 settlements sold during 2004 and 2007, representing just over 6 percent of the total face value,
9 matured within seven years.

10 **iii. Pacific West and Calhoun omitted material information relating to Pacific**
11 **West’s role in the life settlements.**

12 70. Pacific West and Calhoun falsely represented that the success of an investment in a
13 life settlement was completely independent of Pacific West’s efforts or fortunes, and omitted
14 material information regarding their continuing role in the success of the life settlements they offered
15 and sold. Pacific West and Calhoun knew that these misrepresentations and omissions were false
16 and misleading when made.

17 71. Pacific West’s Purchase Agreement stated “that the economic benefit derived from
18 the transaction(s) contemplated by this Agreement will result solely from the maturity of the life
19 insurance policy(ies) upon the death of the insured(s), and will not be derived from the efforts of any
20 person or entity employed by or associated with” Pacific West.

21 72. Pacific West represented to investors in the Offering Circular (**Exhibits E and F**) that
22 the life settlements will “prosper independent” of Pacific West.

23 73. The statements were false and misleading because the investors’ economic benefit is
24 dependent upon Calhoun’s and Pacific West’s ability to estimate a Contract Period and a sufficient
25 Primary Premium Reserve.

26 74. The statements were false and misleading, and omitted material facts, because the
27 investors’ economic benefit depends on Pacific West’s willingness to use a portion of new investor’s
28

1 funds to pay the Trust's fees and premiums on policies where the Primary Premium Reserve is
2 depleted.

3 75. In fact, Pacific West has paid the Trust's fees and expenses, and used approximately
4 \$1.9 million of its "margin" to pay premiums on older policies. If Pacific West went out of business,
5 then investors would have to pay these fees and premiums which would negatively affect the
6 investors' returns.

7 76. Information concerning risks relating to Pacific West's continuing role in the life
8 settlements, and the effect of Pacific West's going out of business, was material to investors.

9 77. At all relevant times with regard to the above-alleged false and misleading
10 statements, and omissions of material fact, Calhoun acted with knowledge or recklessness.
11 Calhoun's knowledge and recklessness are imputed to Pacific West.

12 **iv. Beginning in 2012, Pacific West and Calhoun Began Infusing Money in Order**
13 **to Further Conceal That The Policies It was Choosing Were Not Performing as**
14 **Marketed.**

15 78. Beginning no later than early 2012 and continuing to at least November 2014, an
16 increasing number of life settlements sold from 2004 through 2008 by Pacific West and Calhoun ran
17 out of funds in their Primary Premium Reserves. The Primary Premium Reserves were depleted
18 because Calhoun set up a Primary Premium Reserve that was insufficient to cover premiums
19 necessary to keep policies in force during the Contract Period, and/or because the Insureds had
20 outlived the Contract Period.

21 79. Beginning in 2012 and continuing through at least November 2014, Pacific West and
22 Calhoun directed MPC, the trustee of the Trust, to use a portion of Pacific West's margin from the
23 sale of new life settlements to pay premiums on older policies where the Primary Premium Reserve
24 account had been depleted. In order not to dissuade new investors, Pacific West and Calhoun did not
25 follow the disclosed protocol of drawing funds from the Secondary and Tertiary Premium Reserves,
26 and if those were depleted, then requiring investors to pay additional amounts consisting of their pro
27 rata share of premiums to keep policies in force. Instead Pacific West and Calhoun, with the
28

1 knowledge and acquiescence of MPC as trustee of the Trust, used its margin to pay premium
2 shortfalls rather than have to disclose to existing investors that the Reserves were exhausted.

3 80. Between January 1, 2012 and November 14, 2014, Pacific West and Calhoun directed
4 Defendant MPC, in its capacity as trustee of the Trust, to use approximately \$1.9 million of new
5 investor funds from the sale of life settlements during that period to pay premiums on policies they
6 had sold to investors between 2004 and 2008. The \$1.9 million represented approximately 5 percent
7 of all funds Pacific West and Calhoun raised from investors during that period, and approximately
8 11 percent of the approximately \$17.2 million that Pacific West received from the sale of life
9 settlements during that period. Defendant MPC failed to disclose this fact to Plaintiffs and other
10 class members, which, if it had been disclosed, would have dissuaded class members from investing
11 in Life Settlements offered by Defendant Capital West.

12 81. By paying the premiums from the margin generated from the sale of new life
13 settlements to investors, Pacific West and Calhoun avoided using any funds from the Secondary or
14 Tertiary Premium Reserves, and avoided making a premium cash call to any investor. In fact, the
15 Secondary and Tertiary Premium Reserves totaled slightly over \$1.1 million as of November 2014,
16 so that the contingent reserves were insufficient to pay the over \$1.9 million in premiums that Pacific
17 West and Calhoun paid from new investor money. If Pacific West and Calhoun had followed the
18 protocol disclosed to investors in the Offering Circulars, the Secondary and Tertiary Premium
19 Reserves would have been completely depleted, and they would have needed to make premium calls
20 for over \$780,000 to investors. Having to make premium cash calls to pay premiums on older Life
21 Settlements would have negatively impacted Pacific West's sales efforts and their ability to raise
22 money from new investors.

23 82. During the same period, Pacific West and Calhoun, continued to promote the
24 premium reserve system it had established, yet, failed to disclose that it was paying premiums from
25 the margins generated from new investors. Specifically, from at least early 2012 through at least
26 March 2014, Pacific West and Calhoun had not informed potential investors that Pacific West used
27 money from the sale of new life settlements to pay premiums on older policies sold from 2004 to
28 2008. Pacific West and Calhoun also failed to tell potential investors that in so doing, Pacific West

1 disregarded the disclosed procedure for paying premiums when the Primary Premium Reserve had
2 been depleted.

3 83. Pacific West and Calhoun engaged in this conduct to generate additional sales of life
4 settlements by creating the false appearance that they were successfully selecting policies that would
5 mature within the Contract Period, and failed to disclose that the life settlements they sold had not
6 matured during the Contract Period and additional premiums were needed.

7 84. Pacific West and Calhoun engaged in this conduct to create the false appearance that
8 Pacific West was successful in estimating sufficient amounts of Primary Premium Reserves, so that
9 there was a low risk that investors would need to pay additional sums as a consequence of a premium
10 cash call and thereby realize lower “total fixed returns”.

11 85. Pacific West and Calhoun engaged in this conduct to create the false appearance that
12 Pacific West did not have a continuing involvement in the life settlements after policies were
13 purchased by the Trust, and the life settlement investors would not be affected if Pacific West went
14 out of business.

15 86. In perpetrating this fraudulent scheme, Calhoun, acted with intent. As the control
16 person of Pacific West, Calhoun’s intent is imputed to Pacific West.

17 87. At all relevant times, Calhoun knowingly and recklessly perpetrated this fraudulent
18 scheme. As the founder, sole owner, and president of Pacific West, Calhoun’s knowledge and
19 recklessness are imputed to Pacific West.

20 88. Information that Pacific West and Calhoun were using new investor proceeds to pay
21 premiums on older policies was material because it evidenced Calhoun and Pacific West’s lack of
22 ability to “typically” choose policies that would mature in the Contract Period unilaterally
23 determined by Calhoun. Information about the accuracy of the estimates of when a policy would
24 mature was material to investors because it could significantly affect the length of time until an
25 investor received a return, the net annual return, the cost of the investment, and the risk that the life
26 settlement would expire before the policy paid a death benefit.

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28 ///

1 **C. DEFENDANT MPC ASSISTED PACIFIC WEST AND CALHOUN.**

2 89. Defendant MPC was involved in the drafting of Pacific West’s Offering Circulars
3 (**Exhibits E and F**). In the Offering Circulars, which MPC was involved in drafting and approved,
4 Pacific West made affirmative statements regarding its purported limited involvement in the Life
5 Settlement program, and contained many affirmative written statements regarding MPC’s purported
6 active involvement in monitoring the policies purchased by the Trust, which statements were
7 included to induce investors to invest in Pacific West’s Life Settlement program because a
8 “respected” independent third party, MPC, was protecting the interests of investors. Defendant MPC
9 knew and approved the fact that Defendant Pacific West in its Offering Circulars touted MPC’s
10 participation in Pacific West’s Life Settlement investment program. Defendant MPC also knew that
11 Defendants Pacific West and Calhoun would utilize the Offering Circulars, including representations
12 as to MPC’s involvement in Pacific West’s Life Settlement program to solicit potential investors to
13 invest money.

14 90. The Offering Circulars made the following representations regarding in purported
15 limited involvement of Defendants Pacific West and Calhoun in the Pacific West Life Settlement
16 program and Defendant MPC’s purported active involvement:

17 To maximize the protection of investors, large and small, all our financial
18 transactions take place through the Pacific West Capital Group Trust. The Trust
19 purchases the policies and establishes capital reserves. This means the Trust will
20 prosper independent of the life of PWCG.

21 . . .

22 **What if PWCG goes out of business?**

23 The prosperity of our company does not affect you at all. We never touch
24 your funds. Your money goes to an escrow agent and your investment is
25 implemented at the direction of the trustee before distributions are made to us. . .

26 91. The Offering Circulars made the following affirmative representations regarding
27 MPC’s purported active involvement in monitoring the Life Settlement program once the policies
28 were purchased:

- 1 a) Mills. Potoczak & Company was a CPA firm acting as Trustee of the PWCG Trust,
2 Licensed, bonded Escrow Agent with all investor funds held at U.S. Bank;
- 3 b) The Trust purchases the policies and establishes capital reserves. This means the Trust
4 will prosper independent of the life of PWCG;
- 5 c) The Trust purchases policies from the policy owners and is recorded as the
6 a. new owner and beneficiary of the policy;
- 7 d) Mills, Potoczak & Company, one of the most experienced trustees in the area
8 a. of life settlements, monitors the policy until the insured's death and handles all
9 b. investment distributions Throughout the process it provides all investors in the
10 c. Trust with complete documentation as to the policy, the insured, changes of
11 d. ownership and beneficiary, and all other information relevant to the investment;
- 12 e) No matter the funding source, investment dollars are deposited with
13 a. Mills, Potoczak & Company, a licensed and bonded escrow agent that has been a
14 b. significant participant in the life settlement industry since 1991;
- 15 f) Describing why it's business model works in the Offering Circular, explaining MPC's
16 involvement in the investment process: "Utilizing a Trust that makes investments
17 independent of our company; Creating reserve accounts to assure policy premiums are
18 paid; Employing an escrow agent to assure funds are implemented properly for every
19 transaction; and, Retaining a trustee known for meticulousness, experience and
20 excellence."

21 92. However, in the Trust Agreement between Pacific West as grantor and MPC as
22 trustee of the Trust, the parties sought to circumscribe and limit MPC's duties as trustee of the Trust
23 to simply purchasing policies when directed to by Pacific West, holding the Reserves, which were
24 solely determined by Calhoun and Pacific West, making premium payments on the policies, and
25 sending premium cash call letters to beneficiaries when the Reserves for individual policies were
26 depleted. However, in neither the Offering Circulars, the Disclosure Form nor the Purchase
27 Agreement was there any disclosure to Plaintiffs or the class members that Pacific West and MPC
28 had limited MPC's duties as trustee of the Trust to the beneficiaries.

1 93. MPC knew that allowing its name to be used in the Offering Circulars, especially
2 with the representation that it is one of the most experienced trustees in the area of life settlements,
3 would give the Pacific West life settlement investments an aura of legitimacy (and, thus, truthfulness
4 and completeness of the disclosures), which would induce potential investors to invest in Pacific
5 West Life Settlements. These written representations in the Offering Circulars, as well as MPC’s
6 involvement as the trustee, did induce Plaintiffs and members of the Class to invest in Pacific West’s
7 Life Settlement Program.

8 94. Because MPC participated in the drafting of, and approved, the Offering Circulars it
9 was aware of the misrepresentations and omissions of Pacific West and Calhoun made in the
10 Offering Circular about MPC’s involvement in Pacific West’s Life Settlement Program. With the
11 knowledge of the falsity of the representations regarding MPC’s involvement in Pacific West’s Life
12 Settlement Program in the Offering Circulars, MPC continued to allow Pacific West and Calhoun to
13 utilize its name and reputation in the Offering Circulars to solicit new investors.

14 95. MPC further actively participated in concealing from the public as well as investors
15 that the policies chosen by Pacific West and Calhoun were not performing as well as investors were
16 led to believe. Likewise, MPC actively participated in concealing that an investor will not receive
17 the promised “total fixed return” to the extent that premium cash calls would have been made but
18 for the fact that Pacific West was using a portion of its margin to make premium payments on
19 policies where the Primary Premium Reserve had been exhausted.

20 96. The Offering Circulars (which MPC approved) further provided that “Throughout the
21 process, [MPC] provides all investors in the Trust with complete documentation as to the policy, the
22 insured, changes of ownership and beneficiary, and all other information relevant to the investment.”
23 (**Exhibits E and F**). This was a misrepresentation that MPC allowed to be included in the Offering
24 Circulars that were received by Plaintiffs and class members. It was a misrepresentation because the
25 actual trust agreement between Pacific West as grantor of the Trust and MPC as trustee purported to
26 limit the duties and responsibilities of MPC as trustee to the beneficiaries of the Trust. This was a
27 misrepresentation because MPC did not provide “complete documentation as to the policy” and did
28 not provide “all other information relevant to the investment.” For example, MPC did not provide

1 the investors with information identifying the extent that the premiums might rise on the policy in
2 the future. MPC also failed to disclose to Plaintiffs and class members that the Primary Reserves
3 selected by Pacific West and Calhoun were not sufficient to pay premiums for the fully anticipated
4 Contract Period.

5 97. By 2015 Pacific West's Primary Reserves had collapsed, and MPC sent premium
6 cash call letters to over 150 investors to pay their pro rata share of the premiums. These premium
7 cash calls were higher than the premium levels Defendants Pacific West and Calhoun had originally
8 disclosed. As of December 2015, nearly one-third of the investors had not complied with the
9 premium calls. (Joint Motion for Summary Judgment in SEC Litigation, Document No. 105-1, page
10 2, lines 13-21.) If Pacific West cannot convince the other investors in those policies to pay more
11 than their share of the pro rata cash call, or solicit new investors to invest in place of the defaulting
12 investors, then even the investors who paid their share of premium cash calls will lose their entire
13 investment.

14 **D. FACTS PERTAINING TO PLAINTIFF SHECHTER**

15 98. Plaintiff Shechter was solicited by a Pacific West agent, Steve Garza, to invest in
16 Pacific West Life Settlements. At all relevant times, this sales agent was acting within his course
17 and scope of agency/employment for Pacific West and Calhoun. Mr. Garza provided Mr. Shechter
18 with a copy of Pacific West's Offering Circular. Mr. Shechter reviewed that Offering Circular, and
19 relied upon the factual statements in that Offering Circular in making his decision to invest in a Life
20 Settlement offered by Pacific West. He entered into the Life Settlement Purchase Agreement with
21 Pacific West on October 5, 2007. See **Exhibit A**. Shechter signed the Life Settlement Disclosure
22 Form on October 5, 2007. See **Exhibit B**. He invested \$25,000 for a "total fixed return" of 150
23 percent. It was represented in the Disclosure Form that "[t]he total fixed return on this purchase is
24 150%. Based on your purchase price in \$25,000 amount, you will receive \$62500 upon maturity."
25 In paragraph 9 of his Disclosure Statement, the following factual representation was made:

26 **"PAYMENT OF POLICY PREMIUMS**

27 The premiums due on this policy are due and will become due on an annual basis, on May
28 8, 2008, in the amount of \$8152."

1 99. Mr. Shechter relied upon these factual representations in his Disclosure Statement
2 referenced in the preceding paragraph in making his decision to invest in a Life Settlement issued
3 by Defendant Pacific West. He purchased 12.5 percent of a \$500,000 policy. Mr. Shechter was over
4 the age of sixty-five (65) at the time that he invested in a Life Settlement. In a letter dated August 1,
5 2015, addressed to Mr. Shechter, MPC made a premium cash call request on Shechter in the amount
6 of \$6,301.22 to maintain the policy for approximately one year. A true and correct copy of the
7 August 1, 2015 letter to Mr. Shechter is attached hereto as **Exhibit G**. Mr. Shechter paid the cash
8 call amount of \$6,301.22. In a letter dated April 29, 2016, addressed to Mr. Shechter, MPC made a
9 second premium cash call demand on Mr. Shechter in the amount of \$6,076.50. A true and correct
10 copy of that April 29, 2016 letter is attached hereto as **Exhibit H**.

11 **E. FACTS PERTAINING TO PLAINTIFF AVERBUKH**

12 100. Plaintiff Averbukh was solicited by a Pacific West agent, Brenda Barry, to invest in
13 Pacific West Life Settlements. At all relevant times, Brenda Barry was acting within her course and
14 scope of agency/employment for Pacific West and Calhoun. Ms. Barry provided Ms. Averbukh with
15 a copy of Pacific West’s Offering Circular prior to her investment in a Pacific West Life Settlement.
16 Ms. Averbukh read that Offering Circular and relied upon the factual statements in that document in
17 making her decision to invest in a Life Settlement offered by Pacific West. Plaintiff Averbukh
18 entered into the Life Settlement Purchase Agreement with Pacific West on June 30, 2006. See
19 **Exhibit C**. Ms. Averbukh signed the Life Settlement Disclosure Form on September 20, 2006. See
20 **Exhibit D**. She invested \$40,000 for a “total fixed return” of 125 percent. The Disclosure Form
21 presented to her represented that “[t]he total fixed return on this purchase is 125 percent. Based upon
22 your purchase in \$40,000 amount, you will receive \$90,000 upon maturity.” Plaintiff Averbukh
23 relied upon that factual representation in making her decision to invest in a Life Settlement offered
24 by Pacific West. She purchased 2.64 percent of a \$3,400,000 policy. In a letter dated August 1, 2015,
25 MPC made a premium cash call request on Ms. Averbukh’s IRA Administrator for \$4,621.87 to
26 maintain the policy for approximately one year. A true and correct copy of the August 1, 2015 letter
27 to Averbukh is attached hereto as **Exhibit I**. Averbukh paid the cash call amount of \$4,621.87. On
28

1 April 29, 2016 Defendant MPC sent a premium cash call request to the Administrator of Ms.
2 Averbukh's IRA for \$4,837.49; a copy of that letter is attached hereto as **Exhibit J**.

3 **F. CLASS ACTION ALLEGATIONS**

4 101. Plaintiffs bring this action on their own behalf, and on behalf of the following class
5 pursuant to California Code of Civil Procedure Section 382: All persons and entities who invested
6 in a life settlement through Pacific West between 2004 and the present ["the Claims Period"] and
7 who have yet to collect their investment or their promised "total fixed return" ("Class")

8 102. Plaintiffs seek to certify the following subclasses of the Class:

- 9 a) All persons and entities who invested in a life settlement through Pacific West during the
10 Claims Period and who received a premium cash call letter ("Cash Call Class")
- 11 b) All persons and entities who invested in a Pacific West life settlement during the Claims
12 Period after receiving the Offering Circular attached hereto as **Exhibit E**. (Offering
13 Circular **Exhibit E** Subclass)
- 14 c) All persons and entities who received a Disclosure Statement during the Claims Period
15 which failed to disclose (i) the insurance policy premiums and terms of premium
16 payments" and (2) the amount of the purchasers moneys that will be set aside to pay
17 premiums" as required by California Corporation Code §25102 (q)(3) subsections (O)
18 and (P) respectively. ("California Corporation Code §25102 (q)(3) subsections (O) and
19 (P) Subclass")
- 20 d) All persons and entities who invested in a life settlement with Pacific West after January
21 1, 2012 ("Post 2012 Class").
- 22 e) All persons and entities who invested in a life settlement with Pacific West, who were
23 over the age of 65 when the investment was made, and who have yet to collect from the
24 investment ("Elder Abuse Class").

25 103. Excluded from each of these classes/subclasses are the Defendants and any person,
26 corporation, or other entity related to, controlled by, or affiliated with, any Defendant. Also excluded
27 from the Class are the Court, the Court's spouse, all persons within the third degree of relationship
28 to the Court, and the spouses of such persons.

1 104. The members of the classes are so numerous that joinder of all members is
2 impracticable. While the exact number of Class members is unknown to Plaintiffs at this time and
3 can only be ascertained through appropriate discovery, Plaintiffs believe that there are at least two
4 thousand members, especially within the General Class. Absent members of the Class may be
5 identified from records maintained by Defendants and may be notified of the pendency of this action
6 by mail, using a form of notice similar to that customarily used in securities class actions.

7 105. Plaintiffs' claims are typical of the claims of the members of the Classes, as all
8 members of the Classes were similarly affected by Defendants' wrongful common course of conduct
9 complained of herein.

10 106. Plaintiffs will fairly and adequately protect the interests of the members of the Classes
11 and have retained counsel competent and experienced in class and securities litigation.

12 107. Common questions of law and fact exist as to the members of the Classes and
13 predominate over any questions solely affecting individual members of the Class. Among the
14 questions of law and fact common to the Classes are, *inter alia*:

15 a. General Class (and all subclasses):

- 16 i. Whether Pacific West, Calhoun and/or MPC were negligent in not utilizing
17 life expectancy reports to estimate the maturity of the policies it directed the
18 Trust to purchase for purposes of establishing the Primary Premium Reserve.
19 ii. Whether Pacific West, Calhoun and/or MPC were negligent in not disclosing
20 to investors in the Offering Circulars, Purchase Agreements and Life
21 Settlement Disclosure Form that the Primary Premium Reserves Calhoun was
22 establishing for each policy was not established using life expectancy studies
23 causing Pacific West to purchase policies for sale to the Trust without
24 utilizing or relying upon actuarially-based life expectancy estimates.
25 iii. Whether Pacific West, Calhoun and/or MPC were negligent in not knowing
26 that the Secondary Reserves and Tertiary Reserves ("Secondary Reserves")
27 established by Calhoun were not adequate.
28

- 1 iv. Whether Pacific West, Calhoun and/or MPC were negligent in making the
2 representation in Purchase Agreements from 2005-2007 that Pacific West had
3 placed sufficient funds in a premium reserve escrow account to pay premiums
4 for a minimum of “life expectancy plus two years” because Pacific West and
5 Calhoun did not rely on actuarially-based estimates of life expectancy in
6 establishing that premium reserve escrow account.
- 7 v. Whether Pacific West, Calhoun and/or MPC were negligent in not knowing
8 that the premiums on the policies would significantly increase at the end of
9 the Primary Reserve Period, causing the pro-rate share of premium cash calls
10 would be higher than stated in the Life Settlement Disclosure Form.
- 11 vi. Whether Pacific West, Calhoun and/or MPC were negligent in not disclosing
12 to class members that premiums on the policies would significantly increase
13 at the end of the Primary Reserve Period, causing the pro-rate share of
14 premium cash calls would be higher than stated in the Life Settlement
15 Disclosure Form.
- 16 vii. Whether MPC in its capacity as trustee of the Trust was grossly negligent in
17 failing to confirm that Pacific West and Calhoun were using actuarially-based
18 life expectancy estimates in determining which policies to purchase for sale
19 to the Trust.
- 20 viii. Whether MPC in its capacity as trustee of the Trust was grossly negligent in
21 failing to disclose to investors that Pacific West and Calhoun were not using
22 actuarially-based life expectancy estimates in determining which policies to
23 instruct the Trust to purchase.
- 24 ix. Whether MPC in its capacity as trustee of the Trust was grossly negligent in
25 failing to disclose to investors that Pacific West and Calhoun were not using
26 actuarially-based life expectancy estimates in determining the Primary
27 Premium Reserve.
- 28

- 1 x. Whether MPC in its capacity as trustee of the Trust was grossly negligent in
2 failing to disclose to potential investors that in February of 2012 two policies
3 in the Trust had gone beyond the Primary Premium Reserve period and
4 needed additional premiums to remain in force.
- 5 xi. Whether MPC in its capacity as trustee of the Trust was grossly negligent in
6 failing to disclose to potential investors beginning in February of 2012 that
7 two policies in the Trust had gone beyond the Primary Premium Reserve
8 period and Pacific West was advancing funds from its margins on new life
9 settlements to pay the premiums on policies that had exhausted their Primary
10 Premium Reserve.
- 11 xii. Whether MPC in its capacity as trustee of the Trust was grossly negligent in
12 failing to disclose to potential investors that beginning in December of 2014
13 the MPC as trustee was drawing on the Secondary Reserves to make premium
14 payments on policies owned by the Trust because the Primary Premium
15 Reserve on those policies established by Calhoun were exhausted.
- 16 xiii. Whether MPC in its capacity as trustee of the Trust was grossly negligent in
17 failing to disclose to potential investors that based on the actual payments of
18 premiums made by MPC that the method being utilized by Pacific West and
19 Calhoun to establish the Reserves, including the Primary Reserve, did not
20 accurately reflect the actual payment history MPC was making on prior
21 policies MPC caused the Trust to purchase.
- 22 xiv. Whether MPC as trustee of the Trust breached its fiduciary duty to Plaintiffs
23 and class members as beneficiaries of the Trust by purchasing insurance
24 policies from Pacific West and establishing reserves in the Trust to pay
25 premiums on the policies MPC purchased without confirming that Pacific
26 West was utilizing actuarially-based life expectancy estimates to establish the
27 Primary Reserve for the policies MPC caused the Trust to purchase.
28

1 xv. Whether MPC as trustee of the Trust breached its fiduciary duty to Plaintiffs
2 and class members as beneficiaries of the Trust by failing to disclose to new
3 beneficiaries of the Trust that based on past performance, it was apparent that
4 the Primary Reserves established by Pacific West to pay premiums during the
5 anticipated Contract Period were not sufficient to pay the premiums.

6 xvi. Whether the statement in the Offering Circular that “[u]sing an approach that
7 has been tested and proven reliable, we purchase select policies that meet our
8 high standards for investment and sell interests to qualified investors” was a
9 common misrepresentation.

10 xvii. Whether the factual statement in the Offering Circular that “In seeking to
11 achieve the investment objective, PWCG obtains life expectancy evaluations,
12 selects policies that are non-contestable, and only purchases policies that have
13 been issued by United States life insurance companies that are ‘A-rated’ or
14 better as determined by Standard & Poors” is a common factual
15 misrepresentation.

16 xviii. Whether the statement in the Offering Circular that “[f]or most policies, we
17 engage the services of a third-party independent company to obtain life
18 expectancy evaluations. We utilize premier companies in the field of life
19 expectancy evaluations and insurance underwriting. They perform these
20 evaluations based on medical records, family history, and other information
21 pertinent to an individual’s life. This analysis enables the health professionals
22 to create a more individualized statistical calculation than standard mortality
23 tables provide and determines a life expectancy on the insured of the policies
24 we consider for purchase[.]” was a common factual misrepresentation.

25 xix. Whether the statement in the Offering Circular that “Mills, Potoczak &
26 Company, one of the most experienced trustees in the area of life settlements,
27 monitors the policy until the insured’s death and handles all investment
28 distributions. Throughout the process it provides all investors in the Trust

1 with complete documentation as to the policy, the insured, changes of
2 ownership and beneficiary, and all other information relevant to the
3 investment” was a common factual misrepresentation.

4 xx. Whether the factual representation in the Offering Circular that “Policies
5 offered by PWCG have a minimum total fixed return of 100 percent, meaning
6 investors will double their money. In fact, many policies have paid a 150
7 percent total fixed return. Since PWCG purchases policies before offering
8 them, investors know exactly what the total return will be before purchasing
9 an interest in the specific policy or policies[.]” was a common factual
10 misrepresentation.

11 xxi. Whether the factual statement in the Offering Circular that “We typically
12 purchase policies that have between four- to seven-year life expectancy.
13 Along with the total fixed returns in policies offered by PWCG, this sets the
14 stage for phenomenal return potentials[.]” was a common factual
15 misrepresentation. Whether Pacific West and Calhoun knew that the
16 investments in Life Settlements did not “typically” mature in four to seven
17 years.

18 xxii. Whether Calhoun and Pacific West represented in the Offering Circular that
19 they utilized actuarial data in determining what policies to purchase.

20 xxiii. Whether Calhoun and Pacific West in fact utilized actuarial data in
21 determining which policies to purchase.

22 xxiv. Whether Calhoun and Pacific West represented in the Offering Circular that
23 they do not have a continuing involvement in the life settlements after the
24 policies were purchased.

25 xxv. Whether Calhoun and Pacific West had a continuing involvement in the life
26 settlements after the policies were purchased was false.

27 xxvi. Whether Calhoun and Pacific West failed to disclose in the Offering
28 Circulars, Purchase Agreement and Disclosure Form that if there was a

1 premium call, the premiums would be substantially higher than the premium
2 amount disclosed to investors.

3 xxvii. Whether Calhoun and Pacific West had knowledge that premiums would
4 likely spike in the future.

5 xxviii. Whether Calhoun and Pacific West misrepresented the likelihood that
6 investors would have to make a premium cash call.

7 xxix. Whether Calhoun and Pacific West violated Cal. Corp. Code § 25401.

8 xxx. Whether MPC aided and abetted Pacific West and Calhoun, in violation of
9 Cal. Corp. Code § 25504.1.

10 xxxi. Whether Calhoun and Pacific West made material misrepresentations.

11 xxxii. Whether Calhoun and Pacific West omitted disclosure of material facts.

12 xxxiii. Whether MPC aided and abetted Calhoun and Pacific West.

13 xxxiv. Whether MPC conspired with Calhoun and Pacific West.

14 xxxv. Whether MPC knew that Calhoun and Pacific West were making
15 misrepresentations and/or omitting material facts in the Offering Circular that
16 was being distributed to potential investors. and

17 xxxvi. the extent to which the members of the Class have sustained damages and the
18 proper measure of damages.

19 b. Common issues pertaining to Post 2012 Class:

20 i. Whether Calhoun and Pacific West disclosed to investors in the Offering
21 Circular, the Disclosure Statements or the Purchase Agreements that the
22 Secondary and Tertiary Premium Reserves had not been used to pay
23 premiums on policies whose Primary Reserves were exhausted because
24 Pacific West and Calhoun were using funds from the sale of new life
25 settlements to pay premiums on older policies to hide the fact that Pacific
26 West and Calhoun's method of determining the amount of the Primary
27 Reserve had not provided sufficient funds to pay premiums on policies held
28 by the Trust.

1 c. Common issues pertaining to the Premium Cash Call Class:

- 2 i. Whether the method utilized by Pacific West and Calhoun to determine the
3 amount of the Primary Reserve on policies purchased by Pacific West for
4 resale to the Trust, which the Trust in turn sold to investors, underestimated
5 the amount of premiums that would be necessary in the Primary Reserve to
6 pay premiums on policies the members of this sub-class invested in.
- 7 ii. Whether all reserves were exhausted before a premium cash call was made;
8 and
- 9 iii. Whether the annual premium that formed the basis of the cash call exceeded
10 the amount set forth in the Disclosure Form.

11 d. Common issues pertaining to the Elder Abuse Class:

- 12 i. Whether Calhoun and Pacific West took, secreted, appropriated or retained
13 real or personal property of the class members as part of the life settlement
14 investment scheme;
- 15 ii. Whether Calhoun and Pacific West took, secreted, appropriated or retained
16 real or personal property of the class members as part of the life settlement
17 investment scheme with the intent to defraud;
- 18 iii. Whether MPC assisted in secreting, appropriating or retaining real or personal
19 property of the class members as part of the life settlement investment
20 scheme;
- 21 iv. Whether MPC assisted in secreting, appropriating or retaining real or personal
22 property of the class members as part of the life settlement investment scheme
23 with intent to defraud.

24 108. A class action is superior to all other available methods for the fair and efficient
25 adjudication of this controversy, since joinder of all members is impracticable. The damages suffered
26 by individual Class members may be relatively small, the expense and burden of individual litigation
27 makes it virtually impossible as a practical matter for members of the Class to redress individually
28

1 the wrongs done to them. There will be no difficulty in the management of this action as a class
2 action.

3 109. The proposed class and subclasses are manageable.

4 **FIRST CAUSE OF ACTION**

5 **Negligence**

6 **(By Plaintiffs for Themselves and All Classes Against All Defendants)**

7 110. Plaintiffs reallege and incorporate by reference all preceding paragraphs, save and
8 except any allegations that could be interpreted and/or construed to mean intentional or willful
9 conduct. This cause of action is intended to only include negligent acts. Moreover, this cause of
10 action is pleaded in the alternative to the intentional torts alleged herein.

11 111. Defendants Pacific West and Calhoun held themselves out in the Offering Circulars
12 provided to all potential investors as having special expertise in the Life Settlements industry to
13 provide investors in evaluating and structuring life settlement transactions (“Life Settlements”) for
14 potential investment, and was required to exercise the skill and knowledge normally possessed by
15 individuals and companies offering investments in Life Settlements. Additionally, because Life
16 Settlements are securities regulated by the California Department of Corporations pursuant to
17 Corporations Code section 25401, Pacific West and Calhoun had a statutory duty to provide truthful,
18 accurate, and complete disclosures in the sale of Life Settlement investments. However, Defendants
19 Pacific West and Calhoun failed to use reasonable care, and their conduct fell below the reasonable
20 standard of care in soliciting funds from investors and in establishing Reserves, including the
21 Primary Reserve on each policy including, but not limited to the following:

- 22 a) Knowledgeable Brokers in Life Settlements following generally accepted standards of
23 care in the Life Settlement Industry make actuarially-based life expectancy (LE)
24 estimates for the insured(s) available to purchasers in life settlement transactions as a
25 standard practice, which in accordance with industry practice Pacific West should have
26 obtained on each policy it purchased and then securitized and sold as a Life Settlement.
27 Pacific West and Calhoun negligently failed to obtain and rely on actuarially-based life
28 estimates of policy maturities or life expectancies to determine the life expectancy of the

1 insured, which was necessary to ascertain the amount of the Primary Reserve fund needed
2 to keep the policies in force until the deaths of the insureds. Without relying on
3 actuarially-based life expectancy estimates for the insureds who owned the policies that
4 Pacific West was purchasing, Pacific West failed to meet the standard in the Life
5 Settlement industry and did not have a reasonable basis to determine (1) the expected
6 time to maturity of the policies it purchased, (2) the price to pay of the policies, (3)
7 sufficient reserves to keep the policies in force until the death of the insured, or (4) the
8 expected return on the policies that the offered to Plaintiffs and members of the Class.

9 b) For policies that Pacific West purchased where in-force policy illustrations and life
10 estimates were provided by the policy seller for Pacific West and Calhoun to review,
11 Pacific West and Calhoun negligently set Primary Reserve periods that were shorter than
12 the expected times to maturity given the life estimates of the insureds in the records in
13 Pacific West and Calhoun's possession.

14 c) Based on the information regarding the health status of the insured(s) and life expectancy
15 estimates from reputable insurance life expectancy providers that were available to
16 Pacific West and Calhoun at the time that Pacific West purchased the policies and offered
17 the policies for sale to investors, Pacific West and Calhoun failed to rely upon that
18 information and, therefore, were negligent in establishing the primary reserves necessary
19 to keep the policies in force until maturity.

20 d) When Pacific West and Calhoun used their own proprietary method to calculate the
21 amount needed to keep a policy in force during the primary reserve period, they failed to
22 account for the increasing cost of insurance resulting from the depletion of the policy's
23 cash value (account value) as it was being used to subsidize the premiums.

24 112. These acts and omissions were negligently performed by Pacific West and Calhoun,
25 and, as a proximate result, Pacific West did not have a reasonable basis to determine (1) the expected
26 time to the maturity of the policy, (2) the price to pay for a policy, (3) the Primary Reserves, or (4)
27 the expected return on a policy. Based on that negligence, Calhoun did not establish sufficient
28 Primary Reserves to pay the premiums needed for the reasonable life expectancy of the insureds,

1 which resulted in premium cash calls to Plaintiffs and members of the Class that would not have
2 been necessary had Calhoun and Pacific West used actuarially-based life expectancies for the
3 insureds in calculating the expected life of the insured and the Primary Reserve necessary to keep
4 the policies in force until maturity.

5 113. The premium cash calls necessitated by Pacific West and Calhoun’s negligence in
6 establishing the amount of the Primary Reserve have damaged Plaintiffs and members of the Class
7 in that they will not receive the “fixed return” that was represented to them in their Disclosure Forms.
8 Moreover, some members may be further damaged because if not all investors in specific policies
9 make their pro rata share of cash calls, the policies will lapse and the investors who made their pro
10 proportionate share of the premium cash calls will lose their entire investment.

11 114. The Offering Circulars (**Exhibits E and F**) utilized by Pacific West and Calhoun to
12 solicit investors made affirmative statements to investors about the role of MPC acting as escrow
13 agent and trustee of the Trust, including:

14 “To maximize the protection of investors, large and small, all our fractionalized
15 Transactions take place through Pacific West Capital Group Trust. The Trust
16 purchases the policies and *establishes capital reserves*. This means the Trust will
17 prosper independent of the life of PWCG.

18 . . .

19 Mills, Potoczak & Company, one of the most experienced trustees in the area of
20 life settlements, monitors the policy until the insureds death and handles all
21 investment distributions. Throughout the process it provides all investors in the
22 Trust with complete documentation as to the policy, the insured, changes of
23 ownership and beneficiary, and *all information relevant to the investment.*”

24 (Emphasis added.)

25 . . .

26 No matter what the funding source, investment dollars are deposited with Mills,
27 Potoczak & Company, a licensed and bonded escrow agent that has been a
28 significant participant in the life settlement industry since 1991.”

1 115. Defendant Calhoun has testified in a deposition in the SEC Litigation that Defendant
2 MPC was involved in the drafting of the Offering Circular. That Offering Circular in bold capital
3 letters states: “**HOW THE PWCG TRUST WORKS TO SERVE YOU.**” In the paragraph below
4 that bolded statement in the Offering Circular are representations that the Trust “establishes the
5 reserves” and that Defendant MPC, as trustee, will provide to investors who are beneficiaries of the
6 Trust, “all other relevant information to the investment.” A trust can only act through its trustee.

7 116. MPC, as trustee of the Trust, permitted Defendants Pacific West and Calhoun to make
8 representations in the Offering Circular that held MPC out as providing services to investors in a
9 profession, as a professional trustee of life settlement trusts, and, therefore, MPC was required in
10 acting as a trustee of the Trust to exercise the skill and knowledge normally possessed by members
11 of that profession. (Restatement 2nd of Torts, §299a.)

12 117. As a professional trustee with experience in administering life settlement trusts,
13 Defendant MPC had a duty to Plaintiffs and members of the Class, who were beneficiaries of the
14 Trust, to confirm that Pacific West and Calhoun were using actuarially-based life expectancy
15 estimates to establish the Reserves for the policies that the trustee was purchasing on behalf of the
16 Trust, which policies were for the beneficiaries of the Trust. Plaintiffs are informed and believe that
17 Defendant MPC was grossly negligent in failing to confirm that Calhoun and Pacific West were
18 utilizing actuarially-based life expectancy estimates in establishing the Primary Reserves on the
19 policies that the Trust was purchasing, monitoring and administrating on behalf of Plaintiffs and
20 members of the Class.

21 118. In December of 2014, MPC, as trustee, had to start withdrawing from the Secondary
22 and Tertiary Reserves held by the Trust to make premium payments on the policies owned by the
23 Trust. Defendant MPC was grossly negligent in failing to inform new potential investors during the
24 seven-day waiting period from and after December of 2014 that the Primary Reserves established
25 by Calhoun and Pacific West on certain policies held by the Trust, which MPC was administering,
26 had been exhausted, and MPC was required to draw on the Secondary and Tertiary reserves to make
27 premium payments. Eight months later, in August of 2015, all the Secondary and Tertiary reserves
28

1 were depleted, and MPC began to send premium cash call notifications to Plaintiffs and to certain
2 members of the Class.

3 119. Defendant MPC knew that Pacific West was making affirmative written
4 representations in the Offering Circulars that: (1) “The Trust purchases the policies and establishes
5 capital reserves. This means the Trust will prosper independent of the life of PWCP,” and (2) “MPC,
6 one of the most experienced trustees in the area of life settlements, monitors the policy, the insured,
7 changes the ownership and beneficiary, and all other information relevant to the investment.” With
8 that knowledge, and with a duty as trustee to the investors as beneficiaries of the Trust, Defendant
9 MPC was grossly negligent in the following respects:

- 10 a) MPC in its capacity as trustee of the Trust was grossly negligent in failing to confirm
11 that Pacific West and Calhoun were using actuarially-based life expectancy estimates in
12 determining which policies to purchase for sale to the Trust.
- 13 b) MPC in its capacity as trustee of the Trust was grossly negligent in failing to disclose to
14 investors that Pacific West and Calhoun were not using actuarially-based life expectancy
15 estimates in determining which policies to instruct the Trust to purchase.
- 16 c) MPC in its capacity as trustee of the Trust was grossly negligent in failing to disclose to
17 investors that Pacific West and Calhoun were not using actuarially-based life expectancy
18 estimates in determining the Primary Premium Reserve.
- 19 d) MPC in its capacity as trustee of the Trust was grossly negligent in failing to disclose to
20 potential investors that in February of 2012 two policies in the Trust had gone beyond
21 the Primary Premium Reserve period and needed additional premiums to remain in force.
- 22 e) MPC in its capacity as trustee of the Trust was grossly negligent in failing to disclose to
23 potential investors beginning in February of 2012 that two policies in the Trust had gone
24 beyond the Primary Premium Reserve period and Pacific West was advancing funds from
25 its margins on new life settlements to pay the premiums on policies that had exhausted
26 their Primary Premium Reserve.
- 27 f) MPC in its capacity as trustee of the Trust was grossly negligent in failing to disclose to
28 potential investors that beginning in December of 2014 the MPC as trustee was drawing

1 on the Secondary Reserves to make premium payments on polies owned by the Trust
2 because the Primary Premium Reserve on those policies established by Calhoun were
3 exhausted.

4 MPC in its capacity as trustee of the Trust was grossly negligent in failing to disclose to
5 potential investors that based on the actual payments of premiums made by MPC that the method
6 being utilized by Pacific West and Calhoun to establish the Reserves, including the Primary Reserve,
7 did not accurately reflect the actual payment history MPC was making on prior policies MPC caused
8 the Trust to purchase.

9 120. MPC's acts and omissions were grossly negligent in that it owed a duty to investors
10 not to permit its name and reputation as a "professional" trustee to be used in misleading marketing
11 materials which failed to disclose that MPC was not acting as an independent trustee to induce
12 investors to become beneficiaries of the Trust.

13 121. As a direct and proximate cause of Defendants Calhoun and Pacific West's negligent
14 acts, the grossly negligent acts of Defendant MPC and their omissions, Plaintiffs and the putative
15 class members were damaged in an amount to be proven at trial.

16 **SECOND CAUSE OF ACTION**

17 **Breach of Contract against Defendant**

18 **Pacific West Capital Group**

19 **(By Plaintiffs for Themselves and All Classes Against All Defendants)**

20 122. Plaintiffs reallege and incorporate by reference all preceding paragraphs.

21 123. Plaintiffs and all members of the Class entered into written contracts with Pacific
22 West. In each of those contracts, Pacific West agreed to pay to each class member a "total fixed
23 return."

24 124. Defendant Calhoun has testified in a sworn deposition in the SEC Litigation that
25 Pacific West has a contractual obligation to keep the policies it instructed the Trustee to purchase in
26 force through the end of the primary reserve period, such that if the Primary Premium Reserve
27 established by Pacific West were not sufficient to keep a policy in force through the end of the
28 primary reserve period, Pacific West would be contractually obligated to contribute funds to make

1 the premium payments. (Calhoun Deposition, 2013, pp. 84, 88, 148, 155; Calhoun Deposition, 2015,
2 p. 181.) Mr. Calhoun testified that in fact Pacific West provided funds to the Trustee of the Trust to
3 make premium payments from Pacific West’s margin. (Calhoun Deposition, 2013, pp. 88-89.)

4 125. Pacific West breached its contract with Plaintiffs and all class members by failing to
5 make premium payments on policies where the Primary Premium Reserve was exhausted, and as a
6 result, MPC as trustee commencing in August of 2015 commenced mailing premium cash call letter
7 to Plaintiffs and class members. Plaintiffs have responded to the first premium cash call letters by
8 making their pro rata share of the premiums, which in turn will decrease the amount of their return
9 such that they will not receive the “total fixed return” specified in their contracts.

10 126. Plaintiffs and all class members who have received premium cash call letters from
11 the Trustee have been damaged by (a) the amount of the premium cash calls they have made, and
12 (b) which will result in the failure of Pacific West to pay the “total fixed return” specified in their
13 contracts, according to proof at the time of trial. Plaintiffs and all class members who have received
14 premium cash call letters are entitled to pre-judgment interest on their contract damages.

15 **THIRD CAUSE OF ACTION**

16 **Violation of California Corporations Code §§ 25401, 25110, 25503, and 25504**

17 **(By Plaintiffs for themselves and All Classes Against Calhoun and Pacific West)**

18 127. Plaintiffs reallege and incorporate by reference paragraphs 1 through 109 and 123-
19 126 above.

20 128. California Corporations Code §25401 provides that it is unlawful for any person to
21 offer to sell or sell a security in California by means of any written or oral communication, which
22 includes an untrue statement of a material fact or omits to state a material fact necessary in order to
23 make the statements made, in light of the circumstances under which the statements were made, not
24 misleading.

25 129. Calhoun and Pacific West, by engaging in the conduct described above, in connection
26 with the purchase or sale of a security, by the use of written or oral communication made untrue
27 statements of material facts and/or omitted to state material facts necessary in order to make the
28

1 statements made, in light of the circumstances under which the statements were made, accurate and
2 not misleading.

3 130. Calhoun and Pacific West, among other things, misrepresented in the Offering
4 Circulars and Purchase Agreement:

- 5 a) Actuarial data was used in determining what policies to purchase, and in establishing the
6 Primary Premium Reserve for each policy;
- 7 b) The primary reserve period exceeded the expected time to maturity, i.e. the death of the
8 insured;
- 9 c) For every policy Pacific West and the Trust established a Primary Premium Reserve in
10 an amount equal to the cost of the premiums for a period of six-nine years with the exact
11 amount disclosed in the Life Settlement Policy Disclosure Form;
- 12 d) The investor would receive a “total fixed return” on their investment, which is always
13 known to the investor in advance;
- 14 e) The investor would receive “double your investment or more”;
- 15 f) Calhoun and Pacific West do not have a continued involvement in the life settlements
16 after the policies are purchased;
- 17 g) The annual premium amount in the event that there would be a premium cash call was
18 equal to the amount set forth in the Life Settlement Disclosure Form;
- 19 h) An investor would get a 100-150 percent “total fixed return” even though an investor
20 might be subject to a premium cash call which would reduce the “total fixed return”; and
- 21 i) MPC as trustee will provide “all investors in the Trust with complete documentation as
22 to the policy, the insured, changes of owner-ship and beneficiary, and all other
23 information relevant to the investment;”
- 24 j) In the Offering Circular attached as **Exhibit E**, the policies Pacific West selected to be
25 purchased by the Trust matured in four to seven years.

26 131. Defendants Calhoun and Pacific West in the Offering Circular made an affirmative
27 representation as to the amount of profit or “margin” Pacific West made on Life Settlement
28 transactions:

1 **“How does your company make money?”**

2 There are no fees or loads with us. We make a margin above: 1) what we pay for
3 the policy; and 2) costs of funding the premium accounts.

4 For example, if a \$1,000,000 face value policy costs us \$300,000 plus premium
5 reserves of \$100,000, we can sell shares for \$500,000 giving us a \$100,000 gross
6 margin.”

7 132. The above quoted language in the Offering Circular represents to the investor that
8 Pacific West made a ten percent profit or margin on a typical transaction. However, discovery in the
9 SEC Litigation confirmed that on average Pacific West made approximately 45 percent margin on
10 each life settlement transaction. (SEC Complaint, page 7, ¶21.) From late 2004 through at least
11 November 2014, Pacific West raised more than \$99.9 million from over 3,200 investors who
12 purchased interests in approximately 125 policies. During that period, approximately \$45.9 million,
13 or about 46 percent of the total amount raised was paid to Pacific West as its margin. (SEC
14 Complaint, page 8. ¶24.)

15 133. Calhoun and Pacific West, among other things, omitted to disclose material facts that:

- 16 a) A small percentage of the investments actually mature in four to seven years;
17 b) Actuarial data such as life expectancy estimates were not utilized in deciding what
18 policies to purchase;
19 c) In the event of a cash call, the premiums would be substantially high (including, but not
20 limited to failing to disclose in-force premium illustrations and maximum annual cost of
21 insurance);
22 d) Approximately 45 percent of the funds paid by investors was paid as profit or “margin”
23 to Pacific West, which was materially higher than the industry standard in the Life
24 Settlement industry.

25 134. Plaintiffs and the putative class members relied on Calhoun and Pacific West’s
26 misrepresentations as set forth in this Complaint, and relied upon the absence of omitted facts
27 necessary to make the facts represented not misleading in purchasing a Life Settlement from Pacific
28 West. Plaintiffs and the putative class members would not have purchased the Pacific West life

1 settlements had they known the true facts, and the facts that were not disclosed by Calhoun and
2 Pacific West.

3 135. Cal. Corp. Code § 25110 provides that it is “unlawful for any person to offer or sell
4 in this state any security in an issuer transaction ... unless such sale has been qualified ... or unless
5 such security or transaction is exempted or not subject to qualification....

6 136. The securities sold by Calhoun and Pacific West were not qualified, nor were the
7 securities sold by Calhoun and Pacific West exempted. Cal. Corp. Code § 25102 (q) identifies when
8 a Life Settlement security is exempt from Cal. Corp. Code § 25110. In order for a Life Settlement
9 security to be exempt from Cal. Corp. Code § 25110, certain criteria must be met, including, but not
10 limited to, providing to the purchaser, in writing, at least five business days before the securities are
11 sold or a commitment to purchase is accepted, “[t]he insurance policy premiums and terms of
12 premium payments” and “[t]he amount of the purchaser’s moneys that will be set aside to pay
13 premiums.” Cal. Corp. Code § 25102(q)(3)(o)-(p).

14 137. Calhoun and Pacific West did not provide to Plaintiffs or any putative class members,
15 at least five business days before the securities were sold or a commitment to purchase was accepted,
16 in writing, the insurance policy premiums and terms of premium payments and/or the amount of the
17 purchaser’s moneys that will be set aside to pay premiums. Therefore, the securities sold by Calhoun
18 and Pacific West were not exempt from Cal. Corp. Code § 25110.

19 138. As a direct and proximate result of Pacific West’s and Calhoun’s wrongful, deceptive
20 and/or fraudulent conduct (including the sale of non-exempt unregistered securities), Plaintiffs and
21 the putative class members are entitled to rescind their respective Pacific West life settlements, and
22 obtain return of their principal investments plus interest at the legal rate from the dates of said
23 investments less any return actually paid on those investments plus additional damages that they
24 have incurred. In the alternative, said Plaintiffs and the putative class members have sustained
25 economic harm, damage and loss, in amounts to be proved at trial.

26 139. To the extent that Pacific West and Calhoun take the position that it was their agents,
27 and not them who misrepresented/omitted material facts, Pacific West and Calhoun are liable under
28 principles of vicarious liability and respondeat superior. Nonetheless, Cal. Corp. Code § 25504

1 provides that “[e]very person who directly or indirectly controls a person liable under 25501
2 ((providing remedy for violation of § 25401) or 25503 (providing remedy for violation of § 25110)),
3 every partner in a firm so liable, every principal executive officer or director of a corporation so
4 liable, every person occupying a similar status or performing similar functions, every employee of a
5 person so liable who materially aids in the act or transaction constituting the violation, and every
6 broker-dealer or agent who materially aids in the act or transaction constituting the violation, are
7 also liable jointly and severally with and to the same extent as such person, unless the other person
8 who is so liable had no knowledge of or reasonable grounds to believe in the existence of the facts
9 by reason of which the liability is alleged to exist.”

10 **FOURTH CAUSE OF ACTION**

11 **Violation of California Corporations Code §§ 25504.1**

12 **(By Plaintiffs for themselves and all Classes Against MPC)**

13 140. Plaintiffs reallege and incorporate by reference paragraphs 1 through 109 and 123-
14 139 above.

15 141. California Corporations Code § 25504.1 provides that “Any person who materially
16 assists in any violation of section 25110, 25120, 25130, 25133, or 25401...with intent to deceive or
17 defraud, is jointly and severally liable with any other person liable under this chapter for such
18 violation.”

19 142. As alleged above, Pacific West and Calhoun violated California Corporations Code
20 § 25401 based on misrepresentations and omissions.

21 143. The Purchase Agreements and Disclosure Statements that Pacific West provided to
22 investors failed to disclose “[t]he insurance policy premiums and terms of premium payments” and
23 “[t]he amount of the purchaser’s moneys that will be set aside to pay premiums” as required
24 Cal.Corp. Code § 25102(q)(3)(o)-(p).

25 144. At all times when Pacific West and Calhoun were making these material
26 misrepresentations and omissions in the Offering Circular, MPC knew that Pacific West and
27 Calhoun were making such material misrepresentations and omissions. However, MPC approved
28 (and participated in the drafting of) the Offering Circulars that were used as marketing material by

1 Pacific West and Calhoun which contained such omissions and misrepresentations, including an
2 Offering Circular that created the aura of legitimacy (and, thus, truthfulness and completeness of the
3 disclosures) of the investment because it was represented that MPC, “one of the most experienced
4 trustees in the area of life settlements,” monitored the policies. Moreover, it was represented in the
5 Offering Circular (language that MPC assisted in drafting) that MPC would provide investors with
6 “complete documentation as to the policy” as well as “all other information relevant to the
7 investment.” MPC, however, did not provide Plaintiffs and class members with the complete
8 documentation as to the policy or all information relevant to the investment because Plaintiffs and
9 class members never received any information disclosing the extent of the amount that could be
10 sought for premium cash calls. MPC did not provide in-force premium illustrations or provide
11 information disclosing the maximum annual cost of insurance.

12 145. At all times when Pacific West and Calhoun were selling non-exempt securities,
13 MPC knew that Pacific West and Calhoun were selling non-exempt securities. However, MPC
14 approved (and participated in the drafting of) the Offering Circulars, Agreements, Disclosure Forms,
15 and any other relevant document provided to Plaintiffs and the putative class members that failed to
16 disclose the insurance policy premiums and terms of premium payments and/or the amount of the
17 purchaser’s moneys that will be set aside to pay premiums.

18 146. As a direct and proximate result of the above conduct by MPC, Plaintiffs and class
19 members were damaged in an amount to be proven at trial.

20 **FIFTH CAUSE OF ACTION**

21 **Intentional Fraud (Misrepresentation/Omission)**

22 **(By Plaintiffs for Themselves and All Classes Against Calhoun and Pacific West)**

23 147. Plaintiffs reallege and incorporate by reference paragraphs 1 through 109 and 123-
24 146 above.

25 148. Calhoun and Pacific West represented in the Offering Circular, **Exhibit E**, and/or
26 Disclosure Form that the following material facts were true:

- 27 a) “[F]or most policies” Pacific West and Calhoun engaged the services of a third party
28 independent company to obtain life expectancy evaluations that Pacific West utilized

1 premier companies in the field of life expectancy evaluations and insurance underwriting,
2 which companies performed evaluations based on insureds' medical records, family
3 history, and other information pertinent to the insureds lives, and the resulting analysis
4 enable the health professionals to create individualized statistical evaluations than
5 standard mortality tables provided and these "individualized statistical calculations" were
6 used by Pacific West in determining which insurance policies to purchase for later sale
7 to the Trust.

8 b) Pacific West utilized an "approach" to purchasing policies to be sold to the Trust "that
9 has been tested and proven reliable . . ."

10 c) Pacific West typically purchased policies on the lives of insureds that had between a four
11 to seven year life expectancy.

12 d) Based on the combination of the acts set forth in subparagraphs a, b and c, immediately
13 above, that Pacific West allegedly undertook that "along with the total fixed returns in
14 policies offered by PWCG, this sets the stage for phenomenal return potential."

15 e) Calhoun and Pacific West did not have a continued involvement in the life settlements
16 after the policies are purchased; and,

17 f) An investor would get a 100-150 percent "total fixed return" even though an investor
18 may be subject to a premium cash call which would reduce the "total fixed return"; and

19 g) MPC will provide "all investors in the Trust with complete documentation as to the
20 policy, the insured, changes of owner-ship and beneficiary, and all other information
21 relevant to the investment."

22 149. Each of these aforementioned representations made in the Offering Circular and/or
23 Disclosure Forms were false.

24 150. Pacific West and Calhoun knew that these representations were false when they made
25 them, or made such representations recklessly and without regard for its truth.

26 151. Calhoun and Pacific West, among other things, failed to disclose the following
27 material facts:
28

- 1 a) A small percentage of the investments based on policies purchased by Pacific West for
2 sale to the Trust actually matured in four to seven years;
- 3 b) Actuarially-based life expectancy estimates prepared by independent third parties were
4 not utilized by Pacific West and Calhoun in deciding what policies to purchase for sale
5 to the Trust;
- 6 c) Actuarially-based life expectancy estimates prepared by independent third parties were
7 not utilized by Pacific West and Calhoun in establishing the amount of the Primary
8 Reserve to be held by the Trust;
- 9 d) Defendant Calhoun, who had little or no background, experience or training on actuarial
10 matters concerning life expectancy of insureds, unilaterally made the decision as to which
11 life insurance policies to purchase for sale to the Trust, and also unilaterally made the
12 decision as to the amount of the Primary Premium Reserve;
- 13 e) In the event of a cash call, the premiums would be substantially high (including, but not
14 limited to failing to disclose in-force premium illustrations and maximum annual cost of
15 insurance); and
- 16 f) The Secondary and Tertiary Premium Reserves had not been used to pay premiums on
17 policies held by the Trust where the Primary Reserve had been exhausted because Pacific
18 West and Calhoun were using such funds from the sale of new life settlements to pay
19 premiums on older policies so that Pacific West could continue to assert that .

20 152. Pacific West and Calhoun intended that Plaintiffs and the rest of the putative class
21 members rely on these representations and omissions in the Offering Circular and Disclosure Form.

22 153. Plaintiffs and the rest of the putative class members did in fact rely on such
23 representations and omissions and would not have invested in a Pacific West Life Settlement had
24 the truth been disclosed.

25 154. Plaintiffs and the rest of the putative class members were harmed as a result of these
26 representations and omissions. Plaintiffs and the rest of the putative class members would not have
27 purchased life settlements with Pacific West had it not been for these representations and omissions.
28

1 160. MPC substantially assisted, or at the very least, encouraged the misrepresentations
2 and omissions because it assisted in the drafting of the Offering Circular, which contained the
3 misrepresentations and omissions. MPC additionally approved of (and assisted in the drafting of)
4 the Offering Circular, which created the aura of legitimacy (and, thus, truthfulness and completeness
5 of the disclosures) of the investment because it was represented MPC, “one of the most experienced
6 trustees in the area of life settlements,” monitored the policies. Moreover, it was represented in the
7 Offering Circular (language that was approved by MPC) that MPC will provide investors with
8 “complete documentation as to the policy” as well as “all other information relevant to the
9 investment.” MPC, however, did not provide Plaintiffs and class members with the complete
10 documentation as to the policy or all information relevant to the investment because Plaintiffs and
11 class members never received any information disclosing the extent of the amount that could be
12 sought for premium cash calls. MPC neither provided in-force premium illustrations nor did it
13 provide information disclosing the maximum annual cost of insurance. By failing to provide such
14 information (as well other relevant information), Plaintiffs as well as other class members did not
15 know that premium cash call payments could be significant.

16 161. At all times, MPC had actual knowledge that misrepresentations/omissions in the
17 Offering Circular were being made by Calhoun and Pacific West to investors, and aided and abetted
18 in Pacific West and Calhoun’s scheme to sell Life Settlements to Plaintiffs and members of the
19 Class. At all times, MPC intended to aid in Calhoun and Pacific West’s commission, especially
20 because, as the escrow holder and trustee of the Trust, MPC earned significant sums of money as
21 escrow holder and trustee. If MPC had not aided and abetted Pacific West and Calhoun in marketing
22 Life Investments in the Offering Circular, Pacific West would not have been as successful in
23 marketing its Life Settlements. Thus, MPC had incentive to aid and abet Pacific West and Calhoun
24 to convince more investors to invest with Pacific West, so that MPC would earn greater income as
25 the escrow agent and trustee.

26 162. As a direct and proximate result of the above conduct by MPC, Plaintiffs and class
27 members were damaged in an amount to be proven at trial.
28

1 167. Calhoun and Pacific West represented that the following important facts contained in
2 the Offering Circulars **Exhibits E and F** were true:

- 3 a) The methodology in the preceding subparagraph was used by Pacific West in determining
4 the amount of the Primary Premium Reserve to be held by MPC as trustee of the Trust
5 such that there would be sufficient reserves to pay the premiums during the remaining
6 life of the insured;
- 7 b) Calhoun and Pacific West would not have a continued involvement in the life settlements
8 after the policies are purchased;
- 9 c) An investor would get a 100-150percent “total fixed return” even though an investor may
10 be subject to a premium cash call which would reduce the “total fixed return”;
- 11 d) MPC would provide “all investors in the Trust with complete documentation as to the
12 policy, the insured, changes of owner-ship and beneficiary, and all other information
13 relevant to the investment.”; and,
- 14 e) Pacific West’s margin as discussed in the Offering Circular was approximately ten
15 percent of the funds invested by investors to purchase a policy.

16 Each of these aforementioned representations was false.

17 168. Pacific West and Calhoun knew that these representations were false when they made
18 them, or made such representations recklessly and without regard for its truth.

19 169. Calhoun and Pacific West, among other things, failed to disclose the following
20 material facts:

- 21 a) A small percentage of the investments actually mature in four to seven years;
- 22 b) Actuarial data analyzed by independent third parties was not utilized in deciding what
23 policies to purchase;
- 24 c) Actuarial data analyzed by independent third parties was not utilized in deciding what
25 the amount of the Primary Reserve was to be for each policy purchased by Pacific West
26 for sale to the Trust;
- 27
- 28

- 1 d) Defendant Calhoun, who had limited or no background, experience or training in
2 actuarial issues related to determining life expectancies, made the decision as to which
3 insurance policies to purchase;
- 4 e) Defendant Calhoun, who had limited or no background, experience or training in
5 actuarial issues related to determining life expectancies, made the decision as to the
6 amount of the Primary Reserve to be established for each policy sold to the Trust;
- 7 f) In the event of a cash call, the premiums would be substantially high (including, but not
8 limited to failing to disclose in-force premium illustrations and maximum annual cost of
9 insurance); and
- 10 g) The Secondary and Tertiary Premium Reserves had not been used because Pacific West
11 and Calhoun were using such funds from the sale of new life settlements to pay premiums
12 on older policies.; and,
- 13 h) The margin taken by Pacific West from investors' proceeds to purchase a policy was
14 approximately 45 percent of the total funds invested.

15 170. MPC, as the trustee of the Trust, owed a fiduciary duty to the beneficiaries of the
16 Trust. The beneficiaries of the Trust were the investors, such as Plaintiffs and members of the Class.
17 MPC, as trustee, had a duty of disclosure to the beneficiaries of the trust (e.g., Plaintiffs and the class
18 members), but suppressed relevant facts that were likely to deceive for want of communication of
19 such facts. For example, among other things, MPC did not disclose information to the Plaintiffs and
20 class members to determine the extent of the amounts that could be sought for premium cash calls
21 if the Reserves were not properly established and fully funded. The Trust actually purchased the
22 policies designated by Pacific West from the former owners of the policies, and became the legal
23 owner of the policies held in the Trust. As the owner, the trustee was entitled to all the documentation
24 related to the policies, including the applications that described the insureds' medical histories,
25 family medical histories, illustrations provided by the insurance companies describing the features
26 of the policies, including cash values, and increases in premiums as the insured aged. These
27 documents would have enabled the beneficiaries to get an independent third party opinion as to the
28 life expectancy of the named insured, which in turn would have provided information on the likely

1 increases in premiums as the insured aged. With that information, the insureds could have obtained
2 an independent opinion as to amount of likely future premium increases, and the amount needed to
3 fully fund a reasonable Primary Premium Reserve.

4 171. MPC did not provide to potential investors in-force premium illustrations nor did it
5 provide information disclosing the maximum annual cost of insurance, or the potential for future
6 premium increases. By failing to provide such information (as well other relevant information),
7 Plaintiffs as well as other class members did not know that premium cash call payments could be
8 significant.

9 172. Defendants intended that Plaintiffs and the rest of the putative class members rely on
10 these representations and omissions.

11 173. Plaintiffs and the rest of the putative class members did in fact rely on such deceit
12 and would not have, at the very least, invested in a Pacific West Life Settlement had there been no
13 deceit. Or, if the deceit was discovered sooner, Plaintiffs would have taken steps earlier to protect
14 their rights.

15 174. Plaintiffs and the rest of the putative class members were harmed as a result of
16 Defendants' deceit. Plaintiffs and the rest of the putative class members, at the very least, would not
17 have purchased life settlements with Pacific West had it not been such deceit. Or, if the deceit was
18 discovered sooner, Plaintiffs would have taken steps earlier to protect their rights.

19 175. Plaintiffs' and the rest of the putative class members' reliance on Defendants' deceit
20 were a substantial factor in causing them harm.

21 176. By performing the foregoing acts, Defendants acted with the intent to injure Plaintiffs
22 and acted with malice, oppression, and/or fraud. Alternatively, the acts of the Defendants were
23 despicable and in conscious disregard of the probability of damage to Plaintiffs and the rest of the
24 putative class members, and, thus, the conduct alleged herein support an award of punitive damages
25 pursuant to Civil Code section 3294 in an amount designed to punish Calhoun and Pacific West and
26 to deter such conduct in the future. To the extent that such acts by Defendants were conducted
27 through their employees, those employees were either its officers, directors or managing agents of
28 Defendants, or such officers, directors or managing agents were aware in advance that such conduct

1 would occur, exhibited conscious disregard for the rights of others in employing the employee, or
2 directed or ratified such conduct by its employee(s).

3 **EIGHTH CAUSE OF ACTION**

4 **Conspiring to Commit and Aiding and Abetting Deceit**

5 **(By Plaintiffs for Themselves and All Classes Against MPC)**

6 177. Plaintiffs reallege and incorporate by reference paragraphs 1 through 109 and 123-
7 176 above.

8 178. As identified above, Calhoun and Pacific West deceived Plaintiffs and putative class
9 members.

10 179. At all times when Pacific West and Calhoun were making these material
11 misrepresentations and omissions, MPC knew that Pacific West and Calhoun were deceiving
12 investors and substantially assisted, or, at the very least, encouraged such deceit. MPC, having
13 participated in the drafting of the materials sent to investors, including but not limited to the Purchase
14 Agreements, Disclosure Forms, and Offering Circulars, and having access to all of the policy
15 information as well as access to the financial information of the various reserves, had actual
16 knowledge that Pacific West and Calhoun were deceiving Plaintiffs and putative class members.

17 180. MPC substantially assisted, or at the very least, encouraged the deception because it
18 participated in the drafting of the information within which the deceptions were contained. MPC
19 additionally approved of the offering circular that created the aura of legitimacy (and thus
20 truthfulness and completeness of the disclosures) of the investment because it was represented MPC,
21 “one of the most experienced trustees in the area of life settlements,” monitored the policies.
22 Moreover, it was represented in the offering circular (language that was approved by MPC) that
23 MPC will provide investors with “complete documentation as to the policy” as well as “all other
24 information relevant to the investment.” MPC, however, did not provide Plaintiffs and class
25 members with the complete documentation as to the policy or all information relevant to the
26 investment because Plaintiffs and class members never received any information disclosing the
27 extent of the amount that could be sought for premium cash calls. MPC did not provide in-force
28 premium illustrations nor did it provide information disclosing the maximum annual cost of

1 insurance. By failing to provide such information (as well other relevant information), Plaintiffs as
2 well as other class members did not know that premium cash call payments could be significant.

3 181. At all times, MPC had actual knowledge that deceptive representations/omissions
4 were being made by Calhoun and Pacific West to Investors and concurred in Pacific West and
5 Calhoun's scheme. At all times, MPC intended to aid in Calhoun and Pacific West's commission,
6 especially because, as the Trustee, MPC earned significant sums of money. Thus, MPC had incentive
7 for Pacific West and Calhoun to convince more investors to invest with Pacific West, so that MPC
8 would earn greater income as the trustee.

9 182. As a direct and proximate result of the above conduct by MPC, Plaintiffs and class
10 members were damaged in an amount to be proven at trial.

11 183. By performing the foregoing acts, MPC acted with the intent to injure Plaintiffs and
12 acted with malice, oppression, and/or fraud. Alternatively, the acts MPC performed were despicable
13 and in conscious disregard of the probability of damage to Plaintiffs and the rest of the putative class
14 members, and, thus, the conduct alleged herein supports an award of punitive damages pursuant to
15 Civil Code section 3294 in an amount designed to punish MPC and to deter such conduct in the
16 future. To the extent that such acts by MPC were conducted through its employees, those employees
17 were either its officers, directors or managing agents of MPC, or such officers, directors or managing
18 agents were aware in advance that such conduct would occur, exhibited conscious disregard for the
19 rights of others in employing the employee, or directed or ratified such conduct by its employee(s).

20 **NINTH CAUSE OF ACTION**

21 **Breach of Fiduciary Duty**

22 **(By Plaintiff Shechter for himself and the Class and for the Post-2012 Class Against MPC)**

23 184. Plaintiffs reallege and incorporate by reference paragraphs 1 through 109 and 123-
24 183 above.

25 185. MPC, as the trustee of the PWCG Trust, owed a fiduciary duty to the beneficiaries of
26 the trust. The beneficiaries of the trust were the investors, such as Plaintiffs. MPC had a duty of good
27 faith and full disclosure of all material facts and to act in the best interest of the beneficiaries. MPC,
28

1 however, breached its fiduciary duty by failing to disclose to investors and potential investors,
2 among other things, that:

- 3 a) MPC as trustee of the Trust was not utilizing Policy Documents on policies it was
4 purchasing to make a life expectancy analysis in “establishing capital reserves” for the
5 policies that the trustee was causing the Trust to purchase on behalf of the
6 investors/beneficiaries of the Trust;
- 7 b) “[F]or most policies” Pacific West was not engaging “the services of a third party
8 independent company to obtain life expectancy evaluations” as represented in the
9 Offering Circulars to establish Primary Reserves;
- 10 c) Pacific West was not as represented in the Offering Circular utilizing “premier companies
11 in the field of life expectancy evaluations and insurance underwriting” to perform life
12 expectancy evaluations based on medical records, family history and other information
13 pertinent to establishing an individual’s life expectancy for purposes of establishing
14 Primary Reserves for policies it was purchasing;
- 15 d) After March 2014, not all policies matured before their primary reserves were exhausted;
- 16 e) Prior to March 2014 Pacific West was using a portion of its margin on new Life
17 Settlement investments to pay premiums on older Life Settlement investments because
18 the Primary Reserve on those older Life Settlements had been exhausted;
- 19 f) A small percentage of the policies purchased by the Trust actually matured in four to
20 seven years;
- 21 g) Actuarial data was not utilized by either Pacific West or MPC in deciding what policies
22 to purchase, or in determining the amount of Primary Reserve to be established by the
23 Trust;
- 24 h) In the event of a cash call, the premiums would be substantially higher than disclosed in
25 the investor’s Disclosure Statement (including, but not limited to failing to disclose in-
26 force premium illustrations and maximum annual cost of insurance); and
- 27
28

1 i) The Secondary and Tertiary Premium Reserves had not been used on some policies
2 because Pacific West and Calhoun were using such funds from the sale of new life
3 settlements to pay premiums on older policies.

4 186. MPC likewise failed to disclose to Plaintiffs and class members that Pacific West and
5 Calhoun had made the following misrepresentations which were false:

- 6 a) Investments “typically” mature in four to seven years;
- 7 b) Actuarial data was used in determining what policies to purchase;
- 8 c) Calhoun and Pacific West did not have a continued involvement in the life settlements
9 after the policies are purchased;
- 10 d) The annual premium amount in the event that there would be a cash call was equal to the
11 amount set forth in the Life Settlement Disclosure Form; and
- 12 e) It was unlikely an investor would have to make a premium cash call;
- 13 f) An investor would get a 100-150percent “total fixed return” even though an investor may
14 be subject to a premium cash call, which would reduce the “total fixed return”; and
- 15 g) MPC would provide “all investors in the Trust with complete documentation as to the
16 policy, the insured, changes of owner-ship and beneficiary, and all other information
17 relevant to the investment.”

18 187. As a direct and proximate result of the above conduct by MPC, Plaintiffs and class
19 members were damaged in an amount to be proven at trial.

20 188. By performing the foregoing acts, MPC acted with the intent to injure Plaintiffs and
21 acted with malice, oppression, and/or fraud. Alternatively, the acts MPC performed was despicable
22 and in conscious disregard of the probability of damage to Plaintiffs and the rest of the putative class
23 members, and, thus, the conduct alleged herein supports an award of punitive damages pursuant to
24 Civil Code section 3294 in an amount designed to punish MPC and to deter such conduct in the
25 future. To the extent that such acts by MPC were conducted through its employees, those employees
26 were either its officers, directors or managing agents of MPC, or such officers, directors or managing
27 agents were aware in advance that such conduct would occur, exhibited conscious disregard for the
28 rights of others in employing the employee, or directed or ratified such conduct by its employee(s).

1 **TENTH CAUSE OF ACTION**

2 **Financial Elder Abuse—California Welfare & Institutions Code § 15600, et. Seq.**
3 **(By Plaintiff Shechter for himself and the Elder Abuse Class Against All Defendants)**

4 189. Plaintiff Shechter realleges and incorporates by reference paragraphs 1 through 109
5 and 123-188 above.above.

6 190. At all relevant times, California Welfare and Institutions Code §15610.30(a)(1), (2)
7 were in effect and provided that “financial abuse” of an elder or dependent adult occurs when a
8 person or entity (1) takes, secretes, appropriates, or retains real or personal property of an elder or
9 dependent adult to a wrongful use or with intent to defraud, or both; or (2) assists in taking, secreting,
10 appropriating, obtaining, or retaining real or personal property of an elder or dependent adult for a
11 wrongful use or with intent to defraud or both.

12 191. At the time the acts alleged in this Complaint occurred, Class Action Named Plaintiff
13 Shechter was age 65 or older and a resident of the State of California, an “elder” within the meaning
14 of California Welfare & Institutions Code §15610, et seq. At all times referenced in this Complaint,
15 the other members of the Elder Abuse Class were “elders” within the meaning of California Welfare
16 & Institutions Code § 15610, et seq., or similar elder abuse statues in the Market States in which
17 they resided.

18 192. At all times herein mentioned, the acts and omissions of Defendants, by and through
19 their agents as alleged in this Complaint, constituted financial elder abuse or assisting in financial
20 elder abuse within the meaning of Welfare & Institutions Code §15610.30. Pacific West and
21 Calhoun, either directly, or through the actions of their appointed and authorized agents engaged in
22 acts of taking, secreting, appropriating, and/or retaining of personal property, i.e., cash, of Class
23 Action Named Plaintiff Shechter and the other members of the Elder Abuse Class to a wrongful use,
24 or with an intent to defraud, or assisted in such acts.

25 193. MPC either directly, or through the actions of their appointed and authorized agents,
26 engaged in acts of assisting the taking, secreting, appropriating, and/or retaining of personal
27 property, i.e., cash, of Class Action Named Plaintiff Shechter and the other members of the Elder
28 Abuse Class to a wrongful use, or with an intent to defraud, or assisted in such acts.

1 194. At all times herein mentioned, Pacific West and Calhoun retained the funds of Class
2 Action Named Plaintiff Shechter and the members of the Elder Abuse Class, which Class Action
3 Named Plaintiff Shechter and the members of the Elder Abuse Class invested based on
4 misrepresentations and/or material omissions by Pacific West and Calhoun and/or the agents
5 affiliated with them. As alleged above, MPC assisted Pacific West and Calhoun.

6 195. Pacific West and Calhoun and their agents made representations to Class Action
7 Named Plaintiff Shechter and members of the Elder Abuse Class as alleged herein above, without
8 having a reasonable basis for making said representations to Class Action Named Plaintiff Shechter
9 and to members of the Elder Abuse Class.

10 196. As a direct result of Class Action Named Plaintiff Shechter and members of the Elder
11 Abuse Subclass' reliance on the written representations made by Pacific West and Calhoun and their
12 agents, and the assistance of MPC, Class Action Named Plaintiff Shechter and the other members
13 of the Elder Abuse Subclass have suffered and continue to suffer economic injury, namely the loss
14 of property right.

15 197. Under Welfare and Institutions Code §15657.5, Defendants, and each of them, are
16 liable for reasonable attorneys' fees and costs, including reasonable fees for the services of counsel,
17 for Class Action Named Plaintiff Shechter and members of the Elder Abuse Subclass, expended in
18 connection with the litigation of this claim.

19 198. Pursuant to California Civil Code §3345, Defendants, and each of them, are liable for
20 treble damages and penalties because: (i) Defendants, and each of them, knew or should have known
21 that they or their agents were marketing the Pacific West Life Settlements to senior citizens; (ii) the
22 conduct of Defendants and/or their agents in making written representations to Class Action Named
23 Plaintiff Shechter and members of the Elder Abuse Subclass, caused those individuals who were age
24 65 or older when they entered into Contracts with Pacific West, to suffer substantial loss of their
25 funds (including those set aside for retirement and essential to their health and welfare); and (iii)
26 Class Action Named Plaintiff Shechter and members of the Elder Abuse Subclass are senior citizens
27 whom the state legislatures, which adopted Elder Abuse statues, determined were substantially more
28 vulnerable than other members of the public to the type of omissions and representations made by

1 Defendants and their Agents because of their age, impaired understanding, impaired health and/or
2 restricted mobility, and Class Action Named Plaintiff Shechter and members of the Elder Abuse
3 Subclass actually suffered substantial economic damages resulting from Defendants’ and their
4 agents’ misrepresentations and omissions.

5 199. Pursuant to Cal. Prob. Code § 859, Plaintiff Shechter and the members of the Elder
6 Abuse Class are entitled to double damages.

7 **ELEVENTH CAUSE OF ACTION**

8 **Violation of the Unfair Competition Law—California Business & Professions Code § 17200,**

9 *et. seq.*

10 **(By Plaintiffs for Themselves and All Classes Against MPC)**

11 200. Plaintiffs reallege and incorporate by reference paragraphs 1 through 109 and 123-
12 199 above.

13 201. At all times relevant hereto, California Business and Professions Code §§17200, et
14 seq., were in full force and effect. Section 17200 of the Business and Professions Code provides, in
15 relevant part, that “unfair competition shall mean and include any unlawful, unfair, or fraudulent
16 business act or practice. . .”

17 202. MPC has engaged in an unfair, unlawful, and deceptive business practice in which it
18 assisted Pacific West and Calhoun in the sale of Life Settlement through means of deception and
19 fraud in order to generate for itself more trustee work, and thus, more revenue.

20 203. Plaintiffs and putative class members have suffered injury in fact and have lost money
21 as a direct and proximate result of MPC’s unfair, unlawful, and deceptive business practice.

22 **PRAYER FOR RELIEF**

23 WHEREFORE, Plaintiff prays for judgment, as follows:

24 **FOR THE FIRST AND SECOND CAUSES OF ACTION**

- 25 1. For special damages according to proof, all in a sum to be determined at time of trial;
26 2. For general damages according to proof, all in a sum to be determined at time of trial;
27 3. For other economic and consequential damages according to proof, all in a sum to be
28 determined at trial.

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FOR THE THIRD AND FOURTH CAUSES OF ACTION

1. For special damages according to proof, all in a sum to be determined at time of trial;
2. For general damages according to proof, all in a sum to be determined at time of trial;
3. For other economic and consequential damages according to proof, all in a sum to be determined at trial;
4. For rescission, to the extent applicable; and
5. For punitive and exemplary damages according to proof.

FOR THE FIFTH, SIXTH, SEVENTH, EIGHTH AND NINTH CAUSES OF ACTION

1. For special damages according to proof, all in a sum to be determined at time of trial;
2. For general damages according to proof, all in a sum to be determined at time of trial;
3. For other economic and consequential damages according to proof, all in a sum to be determined at trial; and
4. For punitive damages and exemplary damages according to proof.

FOR THE TENTH CAUSE OF ACTION

1. For special damages according to proof, all in a sum to be determined at trial;
2. For general damages according to proof, all in a sum to be determined at trial;
3. For relief consistent with Cal. Probate. Code § 859
4. For relief consistent with Cal. Civ. Code § 3345;
5. For punitive damages and exemplary damages according to proof; and,
6. For reasonable attorneys' fees and costs.

FOR THE ELEVENTH CAUSE OF ACTION

1. An order, ordering MPC and its agents, servants, and employees, and all persons acting, directly or indirectly, in concert with them, to restore all funds acquired by means of any act or practice declared by this Court to be unlawful, unfair, or fraudulent and therefore constitute unfair competition under Section 17200, et seq. of the California Business and Professions Code;
2. For injunctive relief pursuant to California Business & Professions Code § 17203, consisting of, inter alia: (a) a declaration that MPC has engaged in unlawful and unfair and

1 fraudulent business acts and practices in violation of California Business & Professions Code §
2 17200, et seq.; (b) a preliminary and/or permanent injunction enjoining MPC and its respective
3 successors, agents, servants, officers, directors, employees and all other persons acting in concert
4 with them from pursuing the policies, acts and practices complained of herein and prohibiting
5 MPC from continuing such acts of unfair and illegal business practices;

- 6 3. For an equitable accounting; and,
- 7 4. Restitution, or restitution like recovery.

8 **FOR ALL CAUSES OF ACTION**

- 9 1. For an order certifying the case as a class action naming Plaintiffs as Class
10 Representatives and Plaintiffs' counsel as Class Counsel;
- 11 2. For prejudgment interest;
- 12 3. For attorneys' fees pursuant to applicable law, including Civ. Code §1021;
- 13 4. For costs of suit; and,
- 14 5. For such other relief as may be appropriate.

15
16 DATED this 23rd day of May, 2016

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18 **FOLEY BEZEK BEHLE & CURTIS, LLP**
19 **DONAHOO & ASSOCIATES, PC**

20
21 _____
22 By: Thomas G. Foley, Jr., SBN 65812
23 Richard E. Donahoo, SBN 186957
24 Attorneys for Plaintiffs and the putative class

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JURY DEMAND

Plaintiffs demand a trial by Jury for all issues which may be so resolved.

DATED this 23rd day of May, 2016

FOLEY BEZEK BEHLE & CURTIS, LLP
DONAHOO & ASSOCIATES, PC

By: Thomas G. Foley, Jr., SBN 65812
Richard E. Donahoo, SBN 186957
Attorneys for Plaintiffs and the putative class

EXHIBIT A

EXHIBIT A



PACIFIC WEST CAPITAL GROUP, INC.
LIFE SETTLEMENT PURCHASE AGREEMENT

No modifications to this Contract may be made without the written consent of the Parties

THIS LIFE SETTLEMENT PURCHASE AGREEMENT ("Agreement") is made this 5th day of Oct, 2007, by and between Pacific West Capital Group, Inc. ("PWCG" or the "Seller"), and

Konstantine & Valentina Schecter (the "Purchaser"). This Agreement covers the purchase of one or more interests in the death benefits of a life insurance policy insuring the life of an individual who is at least seventy-five (75) years old, or life settlement interests ("Interests").

WHEREAS, the Purchaser has reviewed and approves and adopts the criteria utilized by the Seller to purchase said Interests; and

WHEREAS, the Purchaser acknowledges that the economic benefit derived from the transaction(s) contemplated by this Agreement will result solely from the maturity of the life insurance policy(ies) upon the death of the insured(s), and will not be derived from the efforts of any person or entity employed by or associated with the Seller, and the Purchaser expressly waives any and all claims to the contrary; and

NOW THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, each party hereby represents that it or its representatives has/have the requisite authority to enter into this Agreement and hereby agree as follows:

1. THE PURCHASE

(a) The Purchaser hereby agrees to deposit the sum of Twenty Five Thousand Dollars (\$25,000) to acquire an Interest from the Seller.

Upon maturity, Purchaser will receive payment of 150% total fixed return.

(b) The Purchaser's deposit will be made simultaneous with the delivery of this executed Agreement to Seller, by delivering a check, or effecting a wire transfer, made payable to Seller's Escrow Agent, Mills Potoczak & Co. The Purchaser's deposit does not constitute a purchase or a commitment to purchase until five (5) business days after the Purchaser has received all of the disclosures required by California law.

(c) Beginning on the date Seller receives both this executed agreement and the purchase deposit, the Seller will provide, when available, information regarding life insurance policies which meet the requirements of Seller and Purchaser on a Life Settlement Disclosure Form. If after reviewing this information the Purchaser wishes to purchase the described Interests the Purchaser will sign and return the Life Settlement Disclosure Form.

K.S.
Purchaser's Initials

(d) Upon Seller's receipt of the executed Life Settlement Disclosure Form, but in no event sooner than five (5) days after Purchaser's receipt of the Life Settlement Disclosure Form, the Seller will obtain confirmation of the recording of a change of ownership of such Policy to PWCG Trust ("PWCG") and a confirmation of irrevocable beneficiary. In the case of a Group Policy, the Seller will obtain a confirmation of the recording of an absolute assignment of such Group Policy to the PWCG Trust and a confirmation of the recording of a change of beneficiary under such Policy naming as beneficiary the PWCG Trust. To the extent that the Seller does not at the date of this Agreement have available such policies, the Seller shall use its reasonable efforts to obtain a suitable policy(ies) as soon as practicable after the date of this Agreement.

(e) Upon the maturity of the life insurance policy(ies) in which Purchaser has purchased a life settlement interest, the Seller's Post Closing Services Company shall file a claim for the death benefits with the appropriate insurance company. When the PWCG Trust receives payment of such claim, the Purchaser will be paid its pro rata share of the death benefits.

(f) The owner of the life insurance policy in which you will obtain an interest will be a trust. The current trust is PWCG Trust. The current Trustee of the PWCG Trust is Mills Potoczak & Co. The Trustee's sole responsibilities are to maintain accounts for the purpose of making the premium payments as more fully described in Section 2(d) of this Purchase Agreement, to be the beneficiary for the death benefits of the life insurance policy in which you obtain an Interest and to disburse the death benefits in accordance with the assignments of benefits relating to that policy. PWCG has contracted with Mill Potoczak & Co. to perform a certain post closing services as the Trustee, as more fully set forth in Paragraph 3(n) herein.

(g) The Seller's Escrow Agent is Mills Potoczak & Co., 27600 Chagrin Blvd./ Suite 200 Cleveland, OH 44122.

(h) The responsibilities of the Escrow Agent are:

1. To hold the funds forwarded by the Purchaser pursuant to this Agreement.
2. To hold the documents received from the Seller of a policy when required.
3. To receive and review written confirmation that the insurance company has accepted, recognized and/or noted on its books and records the transfer of the policy ownership and the change of beneficiary(ies).
4. To make disbursements at the direction of the Trustee.

(i) The Escrow Agent is not representing the Purchaser in this transaction and has no responsibility to the Purchaser with regard to this transaction other than to hold the funds in escrow in accordance with Section 1h.

(j) Purchaser recognizes that the Trustee and Escrow Agent shall not incur any liability to the Seller or to Purchaser for any damages, losses or expenses which either party may sustain or incur, unless the same is a direct result of the gross negligence or intentional misconduct of Trustee or Escrow Agent. Trustee and Escrow Agent shall be protected in any action taken or omitted in good faith with respect to their duties and responsibilities. Trustee and Escrow Agent shall be entitled to rely on any document(s) which Trustee and Escrow Agent

reasonably believe satisfy the terms and conditions of the escrow. The Seller and Purchaser each hereby agree to indemnify and hold harmless Trustee and Escrow Agent from and against all losses, except those caused by gross negligence or intentional misconduct, claims, damages, liabilities and expenses which it may sustain or incur hereunder, including, without limitation, reasonable attorney's fees, which may be imposed upon Trustee or Escrow Agent or incurred by Trustee and Escrow Agent in connection with the performance of their duties.

(k) Seller may from time to time make available for purchase an Interest in a "second to die" life insurance policy. These policies typically insure the life of a husband and wife, and do not mature until both insureds have died.

2. THE SELLER'S OBLIGATIONS TO THE PURCHASER

(a) The Seller represents and warrants to the Purchaser that:

(1) The Insured's attending physician shall confirm in writing that the Insured is of sound mind and under no constraint or undue influence for the life insurance policies in which an Interest is being purchased.

(2) The life insurance policies in which an Interest is being purchased must be in effect and beyond their respective contestability and suicide periods.

(3) The insurance company that issued the policies must have, at the time Seller is provided the Life Settlement Disclosure Form, a rating of "A" or better as determined by Standard & Poors.

(b) Seller has established a five (5) level plan in order to provide that premium payments are made until the date of maturity of the policy. The first level involves the placement of funds for each policy's premiums in a premium escrow account sufficient to pay premiums for a period of time as disclosed in the Life Settlement Policy Disclosure Form. Second, some policies have a disability waiver rider that pays premiums in the event the insured becomes disabled. Third, an initial general premium reserve is established to pay premiums on policies not fully paid by levels one and two. The money for the additional premium reserve comes from the distribution of 1% of all purchase money received by the Escrow Agent. Fourth, an additional general premium reserve is established to pay premiums on policies not fully paid at levels one, two and three. The money for this premium reserve comes from unused premiums of matured policies and interest earned on the active premium escrow account. In the event all of the premium escrow accounts are depleted, in order to safeguard the policy against a lapse in coverage, it will become the responsibility of the Purchaser to make pro rata premium payments on any policy in which they have an Interest. In that event the Trustee shall notify the Purchaser no less than 90 days before any premium payment becomes due.

(c) The Seller shall obtain a written release signed by all the present owners and beneficiaries under the Policy(ies), waiving any and all present and/or future rights to ownership and beneficial interests under the Policy(ies) and provide this information to the Trustee;

(d) Seller shall obtain and provide to the Trustee the following documents:

SELLER'S/PA.CA#8
Draft dated 10/5/2007
Page 3


Purchaser's Initials

1. Change of Ownership
2. Change of Beneficiary

(e) In order to protect the confidentiality and privacy of insureds, their names will not be disclosed to the Purchasers. Insureds will be given a code number which will be recorded and maintained in the records of the Seller and the servicing company's databases. Any insurance company documents provided to the Purchaser will have any identifying information regarding the insured redacted and replaced with this code number.

(f) Except as set forth in this Agreement, the Seller makes no representations or warranties of any kind, nature or description whatsoever and Purchaser expressly acknowledges that no representations or warranties have been made. The Seller is not liable or bound in any manner by express or implied warranties, guaranties, promises, statements or representations, not included within this Agreement, that are made or furnished by any broker, agent, employee, servant or other person purporting to represent the Seller.

3. DISCLOSURES TO LIFE SETTLEMENT PURCHASERS

(a) The Seller is Pacific West Capital Group, Inc., whose principal business and mailing address is 12400 Wilshire Blvd., Suite 1210 Los Angeles California 90025 and whose phone number is 310-578-6343.

(b) The suitability standards for prospective purchasers, set forth at California Corporations Code §25102(q)(1), are as follows:

(1) Sales of securities described in this subdivision are made only to qualified purchasers or other persons the issuer reasonably believes, after reasonable inquiry, to be qualified purchasers. A corporation, partnership, or other organization specifically formed for the purpose of acquiring the securities offered by the issuer in reliance upon this exemption may be a qualified purchaser only if each of the equity owners of the corporation, partnership, or other organization is a qualified purchaser. Qualified purchasers include the following:

(A) A person designated in Section 260.102.13 of Title 10 of the California Code of Regulations.

(B) A person designated in subdivision (i) or any rule of the commissioner adopted thereunder.

(C) A pension or profit-sharing trust of the issuer, a self-employed individual retirement plan, or an individual retirement account, if the investment decisions made on behalf of the trust, plan, or account are made solely by persons who are qualified purchasers.

(D) An organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, each with total assets in excess of five million dollars (\$5,000,000) according to its most recent audited financial statements.

(E) A natural person who is either an individual or an individual jointly with their spouse, they warrant that they (i) have a minimum net worth of one hundred fifty thousand dollars (\$150,000) and have, during the immediately preceding tax year, gross income in excess of one hundred thousand dollars (\$100,000) and reasonably expect gross income in excess of one hundred thousand dollars (\$100,000) during the current tax year or (ii) have a minimum net worth of two hundred fifty thousand dollars (\$250,000). "Net worth" shall be determined exclusive of home, home furnishings, and automobiles. Other assets included in the computation of net worth may be valued at fair market value.

Each natural person specified above, by reason of his or her business or financial experience, or the business or financial experience of his or her professional advisor, who is unaffiliated with and who is not compensated, directly or indirectly, by the Issuer of any affiliate or selling agent of the Issuer, can be reasonably assumed to have the capacity to protect his or her interests in connection with the transaction. The amount of investment of each natural person shall not exceed 10 percent of the net worth, as determined by this subdivision, of that natural person.

(F) Any other purchaser designated as qualified by rule of the commissioner.

- (c) PWCG is a corporation incorporated in the State of California.
- (d) PWCG is in the business of facilitating the sale of interests in life settlements.
- (e) Andrew Calhoun is the President, director and sole shareholder of PWCG.

(f) Under Section 25508.5 of the California Corporations Code, a person who purchases a life settlement contract or a fractionalized or pooled interest therein may rescind or cancel the purchase at any time before seven (7) calendar days after the date the person remits the required consideration to the issuer or the issuer's agent by giving written notice of rescission or cancellation to the issuer or the issuer's agent. No specific form is required for the rescission or cancellation. The notice is effective when personally delivered, deposited in the United States mail, or deposited with a commercial courier or delivery service. If the Purchaser rescinds or cancels the purchase, the Seller shall refund all of the Purchaser's money within seven (7) calendar days after receipt of the notice of rescission or cancellation.

(g) The life expectancy of any particular insured and the annual rate of return on a life settlement contract are only estimates and cannot be guaranteed. The annualized rate of return would be higher if the actual life expectancy turns out to be less than the estimated life expectancy of the insured. The annualized rate of return would be lower if the actual life expectancy turns out to be more than the estimated life expectancy of the insured.

(h) The purchase of the death benefit of one or more life insurance policies should not be considered a liquid purchase. It is impossible to predict the exact time of the insured's death. No fixed date for the payment of the death benefit to Purchaser has been or can be determined at this time. Purchaser's funds are illiquid and will not be available until after the death of the insured. Purchaser acknowledges that he/she has sufficient financial resources to bear the risk associated with the purchase.

(i) The Purchaser's annual rate of return on purchase decreases as the life of the insured continues. The Purchaser's annual rate of return on purchase may be further adversely affected by, without limitation, (i) the financial stability of the insurance companies issuing the Policies, or (ii) the payment limitations in effect from time to time set by the State Guarantee Funds of the states where the Policies were issued.

(j) Each Purchaser should consult with his or her own tax advisor regarding the tax consequences of the purchase of a life settlement interest. If the Purchaser is using retirement funds or accounts for the purchase, he should ask his or her tax advisor whether or not any adverse tax consequences might result from the use of those funds for this purchase.

(k) Purchasers should be aware that some types of group life insurance policies may contain limitations or caps in the amount of coverage that may be converted. Also, the conversion of a group policy to an individual policy may result in additional premium payments.

(l) The Trustee is responsible for making the premium payments as outlined in Section 2(b) of this Agreement. The current Trustee is Mills, Potoczak & Co., 27600 Chagrin Boulevard, Suite 200, Cleveland, Ohio 44122.

(m) A Life Settlement Disclosure Form containing specific information regarding the insurance policy(ies) in which the Purchaser may obtain an interest will be provided to the Purchaser at least five (5) business days prior to the closing of any purchase. The commitment to purchase an interest in the death benefits of a specific policy shall not be final until the Purchaser has received this information and been given the opportunity to advise the Seller if he/she wishes to decline the purchase.

(n) There are certain post-closing servicing activities that must be undertaken, but are not performed by Seller. These servicing activities include but are not limited to maintaining contact with the insured, tracking the health status of the insured, monitoring the status of disability claims by insured, converting group policies to individual plans of insurance, and filing claims for benefits and death certificates with the insurance companies. The Seller currently uses Mills Potoczak & Co. to perform the above-described activities. Mills Potoczak & Co. is located at 27600 Chagrin Blvd, Suite 200, Cleveland, OH 44122.

4. REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller that:

(a) Purchaser is a resident of the State of California and the address and other information set forth herein are true and correct.

(b) The Interest(s) is/are being acquired solely for the Purchaser's own account and not with a view to or for sale in connection with the distribution of the security.

(c) Other than the Seller's agent, Purchaser has not dealt with any broker or finder in connection with the transaction set forth in this Agreement.

(d) He/she is sophisticated in financial matters or has access to professional advice, has adequate means for providing for current financial needs and possible personal contingencies, is capable of evaluating the merits and risks of obtaining an Interest and also acknowledges that, once the transaction closes, the funds committed are not liquid and will not be available until the policy matures.

(e) The Purchaser has been furnished with such information by the Seller as Purchaser requires and has requested regarding the Interest and has had any questions arising from such review answered by the Seller to Purchaser's satisfaction. Purchaser acknowledges, however, that Purchaser has not and will not be furnished with any information regarding the identity of the Insured(s) and purchases this Interest(s) with the expectation that the identity of the Insured will not be known. Purchaser has full legal capacity to enter into this Agreement.

(f) Purchaser acknowledges that the Seller is willing to provide additional information regarding this transaction and the business of the Seller beyond that contained in any documentation previously provided. The Purchaser also acknowledges that he/she has also had the opportunity to evaluate the merits and risks of this transaction.

(g) Purchaser acknowledges that he/she understands the meaning and legal consequences of the above representations and warranties and that the Seller has relied on these representations and warranties in entering into this Agreement. Purchaser agrees to indemnify and hold harmless the Seller and its principals, agents, and employees from any damage or liability due to or arising out of a breach of any representation or warranty made herein by Purchaser.

(h) Purchaser authorizes the Seller to enter into any agreements or contracts which may be necessary in order to effectuate the purchase of Interests on behalf of the Purchaser.

(i) Purchaser represents that he/she has completed a Suitability Questionnaire and that he/she understands that Seller will rely upon the representations made in that Suitability Questionnaire for the purpose of determining if the Purchaser is qualified.

(j) Purchaser acknowledges that the economic benefit derived from the transaction(s) contemplated by this Agreement will result solely from the maturity of the life insurance

policy(ies) upon the death of the insured(s), and will not be derived from the efforts of any person or entity employed by or associated with the Seller.

5. MISCELLANEOUS.

(a) **Entire Agreement.** This Agreement constitutes the entire agreement between the Seller and Purchaser. No change, modification, termination or amendment of this Agreement shall be valid unless it is in writing and signed by both the Seller and Purchaser.

(b) **Section Headings.** The section headings contained in this Agreement are for reference only and shall not in any way affect the meaning or interpretation of this Agreement.

(c) **Gender.** Pronouns shall be deemed to include masculine, feminine and neuter genders and singular or plural numbers as appropriate.

(d) **Applicable Law.** This Agreement shall be construed and enforced in accordance with, and governed by, without exception, the laws of California. A proceeding arising from or relating to this Agreement must be brought in the Superior Court of California, County of Los Angeles, to the exclusion of any other court of competent jurisdiction.

(e) **No Third Party Benefitted.** This Agreement is solely for the benefit of the parties hereto, and no other person or entity shall have any right, benefit, priority or interest under this Agreement, or because of the existence of this Agreement.

(f) **Notices.** Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and if sent by registered or certified mail or recognized overnight delivery service to the parties at their respective addresses set forth below or to such other address as either party may designate by notice given in accordance with this Agreement.

Seller
Pacific West Capital Group, Inc.
12400 Wilshire Blvd, Suite 1210
Los Angeles, CA 90025

Purchaser
Konstantine & Valentina Schecter
828 Lincoln Blvd. #7
Santa Monica, CA 90403

(g) **Non Waiver.** No failure on the Seller's part to exercise, and no delay in exercising, any right, power or remedy under this Agreement or under applicable law shall operate as a waiver thereof, nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right. All of Purchaser's rights and remedies under this Agreement or arising under applicable law are separate and cumulative and may be pursued separately, successively or concurrently, or not pursued, without affecting or limiting any other right of Purchaser.

(h) **Invalidity and Severability.** If any provisions of this Agreement are held invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of this Agreement, and to that extent, the provisions of this Agreement are intended to be and shall be deemed severable.

(i) **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the heirs, legal and personal representatives, successors, and assignees of the Purchaser.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

PACIFIC WEST CAPITAL GROUP, INC.

By: _____

Date: _____

LIFE SETTLEMENT PURCHASER(S)

Signature

Printed Name

Social Security or Tax ID#

Address

City, State, Zip

Telephone Number

Facsimile Number

LIFE SETTLEMENT PURCHASER(S)

Signature

Printed Name

Social Security or Tax ID#

Address

City, State, Zip

Telephone Number

Facsimile Number

EXHIBIT B

EXHIBIT B

PACIFIC WEST CAPITAL GROUP, INC

LIFE SETTLEMENT DISCLOSURE FORM

SET FORTH BELOW IS INFORMATION REQUIRED BY CALIFORNIA LAW TO BE DISCLOSED TO PURCHASERS OF LIFE SETTLEMENT INTERESTS. ADDITIONAL REQUIRED DISCLOSURES ARE CONTAINED IN THE PURCHASE AGREEMENT THAT YOU HAVE EXECUTED.

1. INFORMATION ABOUT THE INSURED

The insureds are currently an 80 year old Female (DOB: 11/19/1926) and an 83 year old Male (DOB: 12/3/1923).

2. INFORMATION ABOUT THE INSURANCE COMPANY ISSUING THE POLICY

The insurance company that issued the policy that is described below is as follows:

ING/Reliastar Life Insurance Company (AA as rated by Standard & Poors)
5780 Powers Ferry Road NW
Atlanta, GA 30327-4390
1-612-372-5432

3. INFORMATION ABOUT THE REGULATOR OF THIS INSURANCE COMPANY

The state or foreign country regulator of the insurance company that issued the policy is:

Arizona Department of Insurance
2910 N. 44th St.
Suite 210
Phoenix, AZ 85018-7269
(602) 364-3100

4. GENERAL INSURANCE POLICY INFORMATION

The insurance policy number is RL3040626D
This policy was originally issued on 5/8/2005
This policy is a Universal Life policy.

5. INSURANCE FACE VALUE, POLICY OWNERSHIP & PURCHASE INFORMATION

The total face value of this policy is \$ 500,000.

You are purchasing 12.5% of the death benefit payable under this policy.

6. INFORMATION APPLICABLE IF THIS IS A GROUP POLICY

- This policy is not a group policy.
- This policy is a group policy. The name, address, and telephone number of the group is as follows:

Name _____
Address _____
Telephone () _____

- You should be aware that material terms and conditions govern the conversion of this group policy to an individual policy. This information is as follows:

Should premiums on this policy increase upon such conversion, the premiums due on this policy would increase from \$ _____ on a(n) _____ basis to \$ _____ on a(n) _____ basis upon any such conversion. This information is based on current conversion rates that apply to this policy, which may be different at the time of any such conversion.

Material terms and conditions of which you should be aware are as follows:

7. INFORMATION APPLICABLE IF THIS IS A TERM POLICY

- This policy is not a term policy.
- This policy is a term policy. The term of this policy is _____ and the person responsible for renewing this policy, if necessary, is as follows:

8. INFORMATION APPLICABLE IF THIS IS A "SECOND TO DIE" POLICY

- This policy is not a "second to die" policy.
- This policy is a "second to die" policy that will not reach maturity until both insureds have died.

The total fixed return on this purchase is 150%. Based upon your purchase in \$25,000 amount, you will receive \$62,500 upon maturity.

9. PAYMENT OF POLICY PREMIUMS

The premiums due on this policy are due or will become due on an annual basis, on May 8, 2008 in the amount of \$ 8152.

Funds will be escrowed to pay the premiums due on this policy for 7 years and will be paid by the Trustee, Mills Potoczak & Co., in accordance with the terms set forth in the Life Settlement Purchase Agreement.

SELLERS.CA Disclosure Statement

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Page 2 of 3

In the event that the premium reserves described in the Life Settlement Purchase Agreement are exhausted, only then will you be responsible for a payment of your pro-rata share of any unpaid premiums that become due to keep this policy in force.

10. INFORMATION ABOUT CONTESTABILTY OF THIS POLICY

This policy is beyond the state statute for contestability because the required amount of time has elapsed since the original date of issue of this policy or the insurance company that issued this policy has waived the contestability provision in writing.

11. POLICY OWNER

This policy will be owned by:

PWCG TRUST, MILLS POCZAK & CO. - TRUSTEE
27600 CHAGRIN BLVD.
CLEVELAND, OH 44122
(216) 464-7481

I have reviewed this Life Settlement Disclosure Form and wish to purchase the Interest described herein.

LIFE SETTLEMENT PURCHASER(S)

K. Schechter
Signature

Konstantine Schechter
Printed Name

828 Lincoln Blvd. #7
Address

Santa Monica, CA 90403
City, State, Zip

310.451.4714/562.244.6639
Telephone Number

Facsimile Number

10-5-07
Date

LIFE SETTLEMENT PURCHASER(S)

V. Schechter
Signature

Valentina Schechter
Printed Name

828 Lincoln Blvd. #7
Address

Santa Monica, CA 90403
City, State, Zip

310.451.4714/562.244.6639
Telephone Number

Facsimile Number

10/5/07
Date

EXHIBIT C

EXHIBIT C



PACIFIC WEST CAPITAL GROUP, INC.
LIFE SETTLEMENT PURCHASE AGREEMENT

No modifications to this Contract may be made without the written consent of the Parties

THIS LIFE SETTLEMENT PURCHASE AGREEMENT (“Agreement”) is made this 30 day of June 2006, by and between **Pacific West Capital Group, Inc.** (“PWCG” or the “Seller”), and

Svetlana Averbukh (the “Purchaser”). This Agreement covers the purchase of one or more interests in the death benefits of a life insurance policy insuring the life of an individual who is at least seventy-five (75) years old, or life settlement interests (“Interests”).

WHEREAS, the Purchaser has reviewed and approves and adopts the criteria utilized by the Seller to purchase said Interests; and

WHEREAS, the Purchaser acknowledges that the economic benefit derived from the transaction(s) contemplated by this Agreement will result solely from the maturity of the life insurance policy(ies) upon the death of the insured(s), and will not be derived from the efforts of any person or entity employed by or associated with the Seller, and the Purchaser expressly waives any and all claims to the contrary; and

NOW THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, each party hereby represents that it or its representatives has/have the requisite authority to enter into this Agreement and hereby agree as follows:

1. THE PURCHASE

(a) The Purchaser hereby agrees to deposit the sum of Forty thousand (\$40,000) to acquire an Interest from the Seller.

Upon maturity, Purchaser will receive payment of 125 % total fixed return.

(b) The Purchaser’s deposit will be made simultaneous with the delivery of this executed Agreement to Seller, by delivering a check, or effecting a wire transfer, made payable to Seller’s Escrow Agent, Mills Potoczak & Co. The Purchaser’s deposit does not constitute a purchase or a commitment to purchase until five (5) business days after the Purchaser has received all of the disclosures required by California law.

(c) Beginning on the date Seller receives both this executed agreement and the purchase deposit, the Seller will provide, when available, information regarding life insurance policies which meet the requirements of Seller and Purchaser on a Life Settlement Disclosure Form. If after reviewing this information the Purchaser wishes to purchase the described Interests the Purchaser will sign and return the Life Settlement Disclosure Form.

(d) Upon Seller's receipt of the executed Life Settlement Disclosure Form, but in no event sooner than five (5) days after Purchaser's receipt of the Life Settlement Disclosure Form, the Seller will obtain confirmation of the recording of a change of ownership of such Policy to PWCG Trust ("PWCG") and a confirmation of irrevocable beneficiary. In the case of a Group Policy, the Seller will obtain a confirmation of the recording of an absolute assignment of such Group Policy to the PWCG Trust and a confirmation of the recording of a change of beneficiary under such Policy naming as beneficiary the PWCG Trust. To the extent that the Seller does not at the date of this Agreement have available such policies, the Seller shall use its reasonable efforts to obtain a suitable policy(ies) as soon as practicable after the date of this Agreement.

(e) Upon the maturity of the life insurance policy(ies) in which Purchaser has purchased a life settlement interest, the Seller's Post Closing Services Company shall file a claim for the death benefits with the appropriate insurance company. When the PWCG Trust receives payment of such claim, the Purchaser will be paid its pro rata share of the death benefits.

(f) The owner of the life insurance policy in which you will obtain an interest will be a trust. The current trust is PWCG Trust. The current Trustee of the PWCG Trust is Mills Potoczak & Co. The Trustee's sole responsibilities are to maintain accounts for the purpose of making the premium payments as more fully described in Section 2(d) of this Purchase Agreement, to be the beneficiary for the death benefits of the life insurance policy in which you obtain an Interest and to disburse the death benefits in accordance with the assignments of benefits relating to that policy. PWCG has contracted with Mill Potoczak & Co. to perform a certain post closing services as the Trustee, as more fully set forth in Paragraph 3(n) herein.

(g) The Seller's Escrow Agent is Mills Potoczak & Co., 27600 Chagrin Blvd./ Suite 200 Cleveland, OH 44122.

(h) The responsibilities of the Escrow Agent are:

1. To hold the funds forwarded by the Purchaser pursuant to this Agreement.
2. To hold the documents received from the Seller of a policy when required.
3. To receive and review written confirmation that the insurance company has accepted, recognized and/or noted on its books and records the transfer of the policy ownership and the change of beneficiary(ies).
4. To make disbursements at the direction of the Trustee.

(i) The Escrow Agent is not representing the Purchaser in this transaction and has no responsibility to the Purchaser with regard to this transaction other than to hold the funds in escrow in accordance with Section 1h.

(j) Purchaser recognizes that the Trustee and Escrow Agent shall not incur any liability to the Seller or to Purchaser for any damages, losses or expenses which either party may sustain or incur, unless the same is a direct result of the gross negligence or intentional misconduct of Trustee or Escrow Agent. Trustee and Escrow Agent shall be protected in any action taken or omitted in good faith with respect to their duties and responsibilities. Trustee and Escrow Agent shall be entitled to rely on any document(s) which Trustee and Escrow Agent

reasonably believe satisfy the terms and conditions of the escrow. The Seller and Purchaser each hereby agree to indemnify and hold harmless Trustee and Escrow Agent from and against all losses, except those caused by gross negligence or intentional misconduct, claims, damages, liabilities and expenses which it may sustain or incur hereunder, including, without limitation, reasonable attorney's fees, which may be imposed upon Trustee or Escrow Agent or incurred by Trustee and Escrow Agent in connection with the performance of their duties.

(k) Seller may from time to time make available for purchase an Interest in a "second to die" life insurance policy. These policies typically insure the life of a husband and wife, and do not mature until both insureds have died.

2. THE SELLER'S OBLIGATIONS TO THE PURCHASER

(a) The Seller represents and warrants to the Purchaser that:

(1) The Insured's attending physician shall confirm in writing that the Insured is of sound mind and under no constraint or undue influence for the life insurance policies in which an Interest is being purchased.

(2) The life insurance policies in which an Interest is being purchased must be in effect and beyond their respective contestability and suicide periods.

(3) The insurance company that issued the policies must have, at the time Seller is provided the Life Settlement Disclosure Form, a rating of "A" or better as determined by Standard & Poors.

(b) Seller has established a five (5) level plan in order to provide that premium payments are made until the date of maturity of the policy. The first level involves the placement of funds for each policy's premiums in a premium escrow account sufficient to pay premiums for a minimum of "life expectancy plus two years". Second, some policies have a disability waiver rider that pays premiums in the event the insured becomes disabled. Third, an initial general premium reserve is established to pay premiums on policies not fully paid by levels one and two. The money for the additional premium reserve comes from the distribution of 1% of all purchase money received by the Escrow Agent. Fourth, an additional general premium reserve is established to pay premiums on policies not fully paid at levels one, two and three. The money for this premium reserve comes from unused premiums of matured policies and interest earned on the active premium escrow account. In the event all of the premium escrow accounts are depleted, in order to safeguard the policy against a lapse in coverage, it will become the responsibility of the Purchaser to make pro rata premium payments on any policy in which they have an Interest. In that event the Trustee shall notify the Purchaser no less than 90 days before any premium payment becomes due.

(c) The Seller shall obtain a written release signed by all the present owners and beneficiaries under the Policy(ies), waiving any and all present and/or future rights to ownership and beneficial interests under the Policy(ies) and provide this information to the Trustee;

(d) Seller shall obtain and provide to the Trustee the following documents:

1. Change of Ownership
2. Change of Beneficiary

(e) In order to protect the confidentiality and privacy of insureds, their names will not be disclosed to the Purchasers. Insureds will be given a code number which will be recorded and maintained in the records of the Seller and the servicing company's databases. Any insurance company documents provided to the Purchaser will have any identifying information regarding the insured redacted and replaced with this code number.

(f) Except as set forth in this Agreement, the Seller makes no representations or warranties of any kind, nature or description whatsoever and Purchaser expressly acknowledges that no representations or warranties have been made. The Seller is not liable or bound in any manner by express or implied warranties, guaranties, promises, statements or representations, not included within this Agreement, that are made or furnished by any broker, agent, employee, servant or other person purporting to represent the Seller.

3. DISCLOSURES TO LIFE SETTLEMENT PURCHASERS

(a) The Seller is Pacific West Capital Group, Inc., whose principal business and mailing address is 12400 Wilshire Blvd., Suite 1210 Los Angeles California 90025 and whose phone number is 310-578-6343.

(b) The suitability standards for prospective purchasers, set forth at California Corporations Code §25102(q)(1), are as follows:

(1) Sales of securities described in this subdivision are made only to qualified purchasers or other persons the issuer reasonably believes, after reasonable inquiry, to be qualified purchasers. A corporation, partnership, or other organization specifically formed for the purpose of acquiring the securities offered by the issuer in reliance upon this exemption may be a qualified purchaser only if each of the equity owners of the corporation, partnership, or other organization is a qualified purchaser. Qualified purchasers include the following:

(A) A person designated in Section 260.102.13 of Title 10 of the California Code of Regulations.

(B) A person designated in subdivision (i) or any rule of the commissioner adopted thereunder.

(C) A pension or profit-sharing trust of the issuer, a self-employed individual retirement plan, or an individual retirement account, if the investment decisions made on behalf of the trust, plan, or account are made solely by persons who are qualified purchasers.

(D) An organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, each with total assets in excess of five million dollars (\$5,000,000) according to its most recent audited financial statements.

(E) A natural person who is either an individual or an individual jointly with their spouse, they warrant that they (i) have a minimum net worth of one hundred fifty thousand dollars (\$150,000) and have, during the immediately preceding tax year, gross income in excess of one hundred thousand dollars (\$100,000) and reasonably expect gross income in excess of one hundred thousand dollars (\$100,000) during the current tax year or (ii) have a minimum net worth of two hundred fifty thousand dollars (\$250,000). "Net worth" shall be determined exclusive of home, home furnishings, and automobiles. Other assets included in the computation of net worth may be valued at fair market value.

Each natural person specified above, by reason of his or her business or financial experience, or the business or financial experience of his or her professional advisor, who is unaffiliated with and who is not compensated, directly or indirectly, by the Issuer of any affiliate or selling agent of the Issuer, can be reasonably assumed to have the capacity to protect his or her interests in connection with the transaction. The amount of investment of each natural person shall not exceed 10 percent of the net worth, as determined by this subdivision, of that natural person.

(F) Any other purchaser designated as qualified by rule of the commissioner.

- (c) PWCG is a corporation incorporated in the State of California.
- (d) PWCG is in the business of facilitating the sale of interests in life settlements.
- (e) Andrew Calhoun is the President, director and sole shareholder of PWCG.

(f) Under Section 25508.5 of the California Corporations Code, a person who purchases a life settlement contract or a fractionalized or pooled interest therein may rescind or cancel the purchase at any time before seven (7) calendar days after the date the person remits the required consideration to the issuer or the issuer's agent by giving written notice of rescission or cancellation to the issuer or the issuer's agent. No specific form is required for the rescission or cancellation. The notice is effective when personally delivered, deposited in the United States mail, or deposited with a commercial courier or delivery service. If the Purchaser rescinds or cancels the purchase, the Seller shall refund all of the Purchaser's money within seven (7) calendar days after receipt of the notice of rescission or cancellation.

(g) The life expectancy of any particular insured and the annual rate of return on a life settlement contract are only estimates and cannot be guaranteed. The annualized rate of return would be higher if the actual life expectancy turns out to be less than the estimated life expectancy of the insured. The annualized rate of return would be lower if the actual life expectancy turns out to be more than the estimated life expectancy of the insured.

(h) The purchase of the death benefit of one or more life insurance policies should not be considered a liquid purchase. It is impossible to predict the exact time of the insured's death. No fixed date for the payment of the death benefit to Purchaser has been or can be determined at this time. Purchaser's funds are illiquid and will not be available until after the death of the insured. Purchaser acknowledges that he/she has sufficient financial resources to bear the risk associated with the purchase.

(i) The Purchaser's annual rate of return on purchase decreases as the life of the insured continues. The Purchaser's annual rate of return on purchase may be further adversely effected by, without limitation, (i) the financial stability of the insurance companies issuing the Policies, or (ii) the payment limitations in effect from time to time set by the State Guarantee Funds of the states where the Policies were issued.

(j) Each Purchaser should consult with his or her own tax advisor regarding the tax consequences of the purchase of a life settlement interest. If the Purchaser is using retirement funds or accounts for the purchase, he should ask his or her tax advisor whether or not any adverse tax consequences might result from the use of those funds for this purchase.

(k) Purchasers should be aware that some types of group life insurance policies may contain limitations or caps in the amount of coverage that may be converted. Also, the conversion of a group policy to an individual policy may result in additional premium payments.

(l) The Trustee is responsible for making the premium payments as outlined in Section 2(b) of this Agreement. The current Trustee is Mills, Potoczak & Co., 27600 Chagrin Boulevard, Suite 200, Cleveland, Ohio 44122.

(m) A Life Settlement Disclosure Form containing specific information regarding the insurance policy(ies) in which the Purchaser may obtain an interest will be provided to the Purchaser at least five (5) business days prior to the closing of any purchase. The commitment to purchase an interest in the death benefits of a specific policy shall not be final until the Purchaser has received this information and been given the opportunity to advise the Seller if he/she wishes to decline the purchase.

(n) There are certain post-closing servicing activities that must be undertaken, but are not performed by Seller. These servicing activities include but are not limited to maintaining contact with the insured, tracking the health status of the insured, monitoring the status of disability claims by insured, converting group policies to individual plans of insurance, and filing claims for benefits and death certificates with the insurance companies. The Seller currently uses Mills Potoczak & Co. to perform the above-described activities. Mills Potoczak & Co. is located at 27600 Chagrin Blvd, Suite 200, Cleveland, OH 44122.

4. REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller that:

(a) Purchaser is a resident of the State of California and the address and other information set forth herein are true and correct.

(b) The Interest(s) is/are being acquired solely for the Purchaser's own account and not with a view to or for sale in connection with the distribution of the security.

(c) Other than the Seller's agent, Purchaser has not dealt with any broker or finder in connection with the transaction set forth in this Agreement.

(d) He/she is sophisticated in financial matters or has access to professional advice, has adequate means for providing for current financial needs and possible personal contingencies, is capable of evaluating the merits and risks of obtaining an Interest and also acknowledges that, once the transaction closes, the funds committed are not liquid and will not be available until the policy matures.

(e) The Purchaser has been furnished with such information by the Seller as Purchaser requires and has requested regarding the Interest and has had any questions arising from such review answered by the Seller to Purchaser's satisfaction. Purchaser acknowledges, however, that Purchaser has not and will not be furnished with any information regarding the identity of the Insured(s) and purchases this Interest(s) with the expectation that the identity of the Insured will not be known. Purchaser has full legal capacity to enter into this Agreement.

(f) Purchaser acknowledges that the Seller is willing to provide additional information regarding this transaction and the business of the Seller beyond that contained in any documentation previously provided. The Purchaser also acknowledges that he/she has also had the opportunity to evaluate the merits and risks of this transaction.

(g) Purchaser acknowledges that he/she understands the meaning and legal consequences of the above representations and warranties and that the Seller has relied on these representations and warranties in entering into this Agreement. Purchaser agrees to indemnify and hold harmless the Seller and its principals, agents, and employees from any damage or liability due to or arising out of a breach of any representation or warranty made herein by Purchaser.

(h) Purchaser authorizes the Seller to enter into any agreements or contracts which may be necessary in order to effectuate the purchase of Interests on behalf of the Purchaser.

(i) Purchaser represents that he/she has completed a Suitability Questionnaire and that he/she understands that Seller will rely upon the representations made in that Suitability Questionnaire for the purpose of determining if the Purchaser is qualified.

(j) Purchaser acknowledges that the economic benefit derived from the transaction(s) contemplated by this Agreement will result solely from the maturity of the life insurance

policy(ies) upon the death of the insured(s), and will not be derived from the efforts of any person or entity employed by or associated with the Seller.

5. MISCELLANEOUS.

(a) **Entire Agreement.** This Agreement constitutes the entire agreement between the Seller and Purchaser. No change, modification, termination or amendment of this Agreement shall be valid unless it is in writing and signed by both the Seller and Purchaser.

(b) **Section Headings.** The section headings contained in this Agreement are for reference only and shall not in any way affect the meaning or interpretation of this Agreement.

(c) **Gender.** Pronouns shall be deemed to include masculine, feminine and neuter genders and singular or plural numbers as appropriate.

(d) **Applicable Law.** This Agreement shall be construed and enforced in accordance with, and governed by, without exception, the laws of California. A proceeding arising from or relating to this Agreement must be brought in the Superior Court of California, County of Los Angeles, to the exclusion of any other court of competent jurisdiction.

(e) **No Third Party Benefitted.** This Agreement is solely for the benefit of the parties hereto, and no other person or entity shall have any right, benefit, priority or interest under this Agreement, or because of the existence of this Agreement.

(f) **Notices.** Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and if sent by registered or certified mail or recognized overnight delivery service to the parties at their respective addresses set forth below or to such other address as either party may designate by notice given in accordance with this Agreement.

Seller
Pacific West Capital Group, Inc.
12400 Wilshire Blvd, Suite 1210
Los Angeles, CA 90025

Purchaser
Svetlana Averbukh
2109 Atwood Way
Torrance, CA 95053

(g) **Non Waiver.** No failure on the Seller's part to exercise, and no delay in exercising, any right, power or remedy under this Agreement or under applicable law shall operate as a waiver thereof, nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right. All of Purchaser's rights and remedies under this Agreement or arising under applicable law are separate and cumulative and may be pursued separately, successively or concurrently, or not pursued, without affecting or limiting any other right of Purchaser.

(h) **Invalidity and Severability.** If any provisions of this Agreement are held invalid or unenforceable, such invalidity or unenforceability shall not effect the other provisions of this Agreement, and to that extent, the provisions of this Agreement are intended to be and shall be deemed severable.

(i) **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the heirs, legal and personal representatives, successors, and assignees of the Purchaser.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

PACIFIC WEST CAPITAL GROUP, INC.

By: Brenda Baum

Date: _____

LIFE SETTLEMENT PURCHASER(S)

Averbukh
Signature

Svetlana Averbukh
Printed Name

220-92-2520
Social Security or Tax ID#

2109 Atwood Way
Address

Torrance, CA 95053
City, State, Zip

310-890-1897
Telephone Number

Facsimile Number

LIFE SETTLEMENT PURCHASER(S)

Signature

Printed Name

Social Security or Tax ID#

Address

City, State, Zip

Telephone Number

Facsimile Number

EXHIBIT D

EXHIBIT D

PACIFIC WEST CAPITAL GROUP, INC

LIFE SETTLEMENT DISCLOSURE FORM

SET FORTH BELOW IS INFORMATION REQUIRED BY CALIFORNIA LAW TO BE DISCLOSED TO PURCHASERS OF LIFE SETTLEMENT INTERESTS. ADDITIONAL REQUIRED DISCLOSURES ARE CONTAINED IN THE PURCHASE AGREEMENT THAT YOU HAVE EXECUTED.

1. INFORMATION ABOUT THE INSURED

The insureds are currently a 78 year old Female (DOB: 9/26/1927) and an 84 year old Male (DOB: 4/19/1922).

2. INFORMATION ABOUT THE INSURANCE COMPANY ISSUING THE POLICY

The insurance company that issued the policy that is described below is as follows:

Jefferson Pilot Financial Insurance Company (AA rating; recently merged with Lincoln Financial Group)
One Granite Place
Concord, NH 03301
(603) 226-5000

3. INFORMATION ABOUT THE REGULATOR OF THIS INSURANCE COMPANY

The state or foreign country regulator of the insurance company that issued the policy is:

California Department of Insurance
300 Capitol Mall
Suite 1600
Sacramento, CA 95814
(800) 927-4357

4. GENERAL INSURANCE POLICY INFORMATION

The insurance policy number is 536001378
This policy was originally issued on 1/16/2001
This policy is a Variable Life policy.

5. INSURANCE FACE VALUE, POLICY OWNERSHIP & PURCHASE INFORMATION

The total face value of this policy is \$ 3,400,000.

You are purchasing _____% of the death benefit payable under this policy.

6. INFORMATION APPLICABLE IF THIS IS A GROUP POLICY

- X This policy is not a group policy.
- This policy is a group policy. The name, address, and telephone number of the **group** is as follows:

Name _____
Address _____
Telephone () _____

- You should be aware that material terms and conditions govern the conversion of this group policy to an individual policy. This information is as follows:

Should premiums on this policy increase upon such conversion, the premiums due on this policy would increase from \$ _____ on a(n) _____ basis to \$ _____ on a(n) _____ basis upon any such conversion. This information is based on current conversion rates that apply to this policy, which may be different at the time of any such conversion.

Material terms and conditions of which you should be aware are as follows:

7. INFORMATION APPLICABLE IF THIS IS A TERM POLICY

- X This policy is not a term policy.
- This policy is a term policy. The term of this policy is _____ and the person responsible for renewing this policy, if necessary, is as follows:

8. INFORMATION APPLICABLE IF THIS IS A 'SECOND TO DIE' POLICY

- This policy is not a "second to die" policy.
- X This policy is a "second to die" policy that will not reach maturity until both insureds have died.

The total fixed return on this purchase is 125%. Based upon your purchase in \$ _____ amount, you will receive \$ _____ upon maturity.

9. PAYMENT OF POLICY PREMIUMS

The premiums on this policy are paid-up for eight years.

In the event that the premium reserves described in the Life Settlement Purchase Agreement are exhausted, only then will you be responsible for a payment of your pro-rata share of any unpaid premiums that become due to keep this policy in force.

10. INFORMATION ABOUT CONTESTABILITY OF THIS POLICY

This policy is beyond the state statute for contestability because the required amount of time has elapsed since the original date of issue of this policy or the insurance company that issued this policy has waived the contestability provision in writing.

11. POLICY OWNER

This policy will be owned by:

PWCG TRUST, MILLS POTOCZAK & CO. - TRUSTEE
27600 CHAGRIN BLVD.
CLEVELAND, OH 44122
(216) 464-7481

I have reviewed this Life Settlement Disclosure Form and wish to purchase the Interest described herein.

LIFE SETTLEMENT PURCHASER(S)

Averbukh
Signature

SVETLANA AVERBUKH
Printed Name

2109 Atwood Way
Address

VORRANCE, CA 90503
City, State, Zip

(310) 890-1897
Telephone Number

(310) 206-9830
Facsimile Number

9/20/06
Date

LIFE SETTLEMENT PURCHASER(S)

Signature

Printed Name

Address

City, State, Zip

Telephone Number

Facsimile Number

Date

EXHIBIT E

EXHIBIT E

EXHIBIT E

EXHIBIT E



INVESTMENT \$25000
IN LIFE INSURANCE
10-5-2007



"We stand strong on integrity and earn investor trust with every transaction."

PacificWest CAPITAL GROUP



PacificWest
CAPITAL GROUP

“We stand strong on integrity and earn investor trust with every transaction.”

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INVESTMENT OBJECTIVE

To achieve mid- to long-term capital growth for qualifying investors through life settlement investments.

THE STRENGTH OF SELECTED LIFE SETTLEMENTS

Pacific West Capital Group (PWCG) purchases interests in the proceeds of life insurance policies at a discount to face value where the insureds are 75 years of age or older with reduced life expectancies due to health complications. This translates into an opportunity for returns higher than those offered by traditional investment vehicles.

POLICIES CHOSEN TO MEET OUR HIGH STANDARDS...

In seeking to achieve the investment objective, PWCG obtains life expectancy evaluations, selects policies that are non-contestable, and only purchases policies that have been issued by United States life insurance companies that are “A-rated” or better as determined by Standard & Poors.

...TO PROTECT AND NURTURE YOUR WEALTH

PWCG then sells interests in these policies to qualified investors allowing them to participate in the profits.

INVESTMENT ADMINISTRATION

PACIFIC WEST CAPITAL GROUP, INC.

Offering company facilitating life settlement investments

12400 Wilshire Blvd.
Suite 1210
Los Angeles, CA 90025
800 588-8000
310 578-6343
Fax 310 578-6443
www.pwcapital.net

MILLS, POTOCZAK & COMPANY

CPA firm acting as Trustee for PWCG Trust Licensed, bonded Escrow Agent with all investor funds held at U.S. Bank

27600 Chagrin Blvd., Suite 200
Cleveland, OH 44122
216 464-7481
Fax 216 464-7581
www.mpccpa.com

ENTRUST IRA SERVICES

IRA Account Custodian

201 Wilshire Blvd., Suite 308
Santa Monica, CA 90401
800 392-9653
Fax 310 899-3822
www.entrustira.com



Dear Investor,

We are pleased to send information explaining Pacific West Capital Group's opportunities for investors, large and small, to take advantage of the profitable and growing market in life settlement investments.

We encourage you to read this material thoroughly as it describes both the life settlement industry and how we provide opportunities for qualified investors with \$20,000 minimum investments.

Many investors have found this vehicle to be a desirable diversification for their current investment portfolios. The offering is qualified for cash investments as well as IRA transfers and 401k rollovers.

Life settlements serve as a great defensive strategy since the return is not dependent on or affected by the ups and downs of the stock market, interest rate fluctuations, domestic and world economy instabilities, or unexpected global events. They offer prudence while producing a minimum 100% total fixed return, meaning you double your money. Some policies even pay as much as 150% total fixed return, more than twice your investment!

The investment's integrity is enhanced by regulation in the state of California and the fact that your payout comes from the largest, most financially stable life insurance companies in the world.

Our investors consistently find that the life settlement vehicle provides peace of mind and confidence. We at Pacific West Capital Group believe that you will discover it produces above average returns for your investment dollars.

We hope this material expands your awareness of investment opportunities and provides many good reasons for you to move forward with a life settlement investment. If you have any questions, we always welcome your call.





A BUSINESS BUILT ON A BEDROCK OF BENEFIT AND A WIN-WIN SCENARIO

Toward the end of the last century, a change occurred in the life insurance arena that had dramatic benefits for life insurance policy holders and investors. This change laid the foundation for the business of our company.

Originally, only one avenue existed to collect on a life insurance policy before it matured: the insured could surrender the policy to the issuing company for a small fraction of its face value. If the insured wanted to cash out his/her policy to cut expenses, to acquire funds to help with medical or living expenses, or just to improve quality of remaining life, he/she could not expect to receive a great deal.

For example, if a policy had a \$1,000,000 face value, the policy holder might hope to receive \$100,000 from the issuing insurance company.

A New Opportunity Emerges

In the late 1980s, a trend emerged whereby people could sell their existing life insurance policies to investors at a more equitable settlement than the life insurance companies were willing to offer. The development of this secondary market meant good news for people in certain challenging circumstances.

Now, instead of being able to receive only \$100,000 on a \$1,000,000 policy, the insured might expect to receive \$250,000 from investors. The investors would then hold the policy until the insured passed away, at which point the policy would mature and the investors would collect the face value of \$1,000,000.

That type of transaction was known as a "viatical settlement," defined as the purchase of an insurance policy from an insured with a diagnosis of a terminal illness.

Expanding the Range of Opportunity and Benefit

In the mid-90s, another step in this evolution took place. The industry recognized the ability for seniors who do not necessarily have terminal illnesses, but in many cases, have significant chronic or degenerative conditions, to benefit from the same type of transaction. This transaction became known as a "life settlement," the type of investment PWCG now provides.

The life settlement transaction rapidly gained popularity with investors. While the time frame of a viatical settlement could potentially extend far beyond investor expectations due to misdiagnoses and medical advances, life settlements provided a more finite window because, simply stated, there is no cure for old age.

Also, life settlements were attractive to senior policy holders for two primary reasons: 1) many seniors needed money to meet rising medical costs; and 2) more seniors found themselves over-insured due to changes in estate tax laws. In both cases, seniors found strong motivation to seek life settlement solutions and enjoyed substantial benefit as a result. More than just a better alternative than surrender value, they found life settlements to be a good deal.

A Fast-Growing Market with Plenty of Room to Expand

Because its attractiveness to both investors and seniors makes it a true win-win situation, the life settlement market grew to approximately \$5 billion by the turn of the century. With approximately \$500 billion of outstanding life insurance on people 65 or older, the market is in its infancy and is poised for rapid growth.

What is the minimum investment?

Can I use my IRA or 401k or any type of qualified vehicle to fund a life settlement investment?

The minimum investment is \$20,000. You have many choices for funding a life settlement investment with PWCG. These range from cash to retirement accounts such as IRA (Traditional, SEP, Roth) and 401K, 403B, etc.

We use a third party administrator, Entrust IRA Services, to act as custodian for our IRA accounts. Upon opening an account with Entrust you would transfer/rollover funds from your existing retirement account into a new IRA. Once funds are received, the investment is then placed with your IRA account, which then owns the investment.

CALIFORNIA LAW REGULATES LIFE SETTLEMENTS AS A SECURITY

Because life settlements are unique in that they involve both investors and insureds, no clear regulatory entity originally governed the transaction. It was vague as to whether life settlements were a security transaction or an insurance product. Even today, no federal law pertains to life settlements; so each state is responsible for its own laws and regulations concerning these transactions.

California is on the forefront for regulations and legislation protecting investors within the state in these transactions. It became one of the first states to enact defined laws with regard to life settlements. As a California corporation offering this investment to California residents, Pacific West Capital Group strictly abides by the following legislation: Senate Bill 1837.

For additional information, please visit the following Web site:
www.leginfo.ca.gov/pub/99-00/bill/sen/sb_1801-1850/sb_1837_bill_20000927_chaptered.html

PACIFIC WEST CAPITAL GROUP

We stand strong on integrity and earn investor trust with every transaction

Pacific West Capital Group, Inc. is a California corporation that facilitates the sale of interests in life settlements. Using an approach that has been tested and proven reliable, we purchase select policies that meet our high standards for investment and sell interests to qualified investors.

We work with respected brokers who have an extensive network of insurance agents to supply us with an inventory of quality policies. Each policy submitted to us undergoes rigorous scrutiny using a predetermined set of criteria, and we select the most desirable from approximately \$50 to \$80 million worth of policies per month.

Upon selecting policies that meet our quality-based criteria, we raise capital from investors to fund them. Our investors include corporations, foundations, and institutions that may purchase an entire portfolio of policies as well as individual investors who may purchase interest in a single policy. Through the investment Trust, the Pacific West Capital Group Trust, we offer policies for purchase in fractional interests by qualified individual investors.

HOW THE PWCG TRUST WORKS TO SERVE YOU

Pacific West Capital Group specializes in serving investors whose portfolio or IRA account supports investments starting as low as \$20,000. To maximize the protection of investors, large and small, all our fractional transactions take place through the Pacific West Capital Group Trust. The Trust purchases the policies and establishes capital reserves. This means the Trust will prosper independent of the life of PWCG.

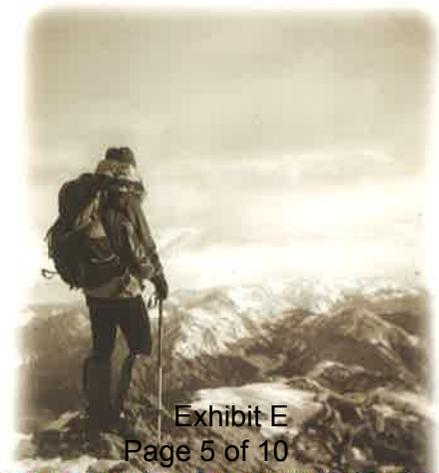
Another advantage to using a Trust applies to IRA and 401k investments. Whereas with a cash investment, the life insurance company pays the benefit directly to the investor, life insurance companies cannot pay benefits into an IRA account. However, under this highly efficient and reliable Trust structure, the death benefit from the policy is paid into the Trust and the Trust can legally distribute the money into the IRA. In other words, the Trust opens this profitable market to investors whose funds are in IRAs and 401ks.

The way the PWCG Trust works is simple and direct. The Trust purchases policies from the policy owners and is recorded as the new owner and beneficiary of the policy. When the change of ownership and beneficiary have been officially recorded and recognized by the life insurance company, PWCG then sells fractional interests to the investors giving them a percentage of the face value as their beneficiary designation. The trustee, Mills, Potoczak & Company, then issues an assignment of death benefit confirming the beneficiary designation within a specific policy.

Are life settlement transactions regulated?

By whom?

Yes. Without a doubt. In California, life settlements are considered securities and therefore are regulated by the securities division of the CA Department of Corporations, as set forth through legislation in Senate Bill 1837.





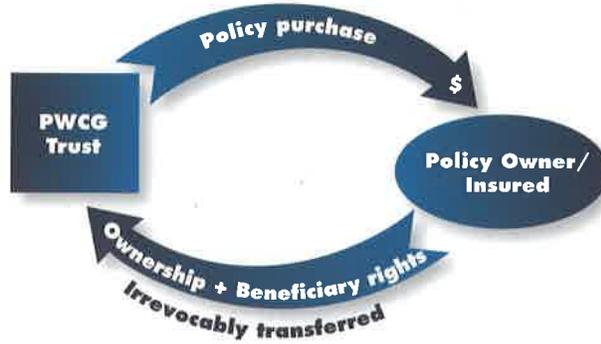
Oh, I've heard of this. Isn't this a viatical settlement?

No. A viatical settlement applies only to policies of people who have a terminal illness. Such people could be of any age. Life settlement policies are based on the insured's advanced age alone.

We focus on life settlements because we don't want to expose our investors to risk due to the subjectivity of health diagnosis. With a viatical settlement, an unexpected cure, a new drug, or a new treatment could result in the insured living for years or even decades beyond the expectation. Since we buy policies from seniors, the time frame is much narrower because there simply is no cure for old age.

Mills, Potoczak & Company, one of the most experienced trustees in the area of life settlements, monitors the policy until the insured's death and handles all investment distributions. Throughout the process it provides all investors in the Trust with complete documentation as to the policy, the insured, changes of ownership and beneficiary, and all other information relevant to the investment. When the policy matures, the life insurance company pays the investor—or the Trust for distribution to an IRA account—its beneficiary designation.

IN A NUTSHELL, HERE'S HOW THE PROCESS WORKS:



- PWCG purchases policies for the established Trust
- Trust pays policy owner
- Policy owner transfers ownership and beneficiary rights to Trust
- Investor purchases beneficiary interest from the Trust using the services of the licensed, bonded escrow agent
- Trust and insurance company issue beneficiary designation to investor !!
- Trustee keeps track of the insured and assures premium payments are made, etc.
- Insurance company pays cash investors or, in the case of IRA investors, the Trust when the policy matures.



TAKING STEPS TO ASSURE MAXIMUM PROTECTION

PWCG goes the extra mile to assure policies are protected. For example, for every policy we establish a primary premium reserve escrow account with an amount equal to the cost of premiums for a period of six-nine years with the exact amount disclosed in the Life Settlement Policy Disclosure Form. (Some policies already have sufficient cash value within the policy to keep it in force for an even longer !! time frame.) In addition, some policies have a disability waiver rider that pays premiums in the event the insured becomes disabled.

We have also established two other general reserve accounts that can be used to pay premiums should the primary reserve account become depleted. The first general reserve account is funded from 1% of all investor money for all policies. The second general reserve account is funded from excess or unused premium dollars from any primary reserve account due to the policy maturing before the primary premium reserve account becomes depleted. In addition, interest on all of the premium reserve accounts is accrued and added into the second general reserve account.

Exhibit E

A CLEAN, CLEAR APPROACH TO BUILDING WEALTH

As a qualified investor with a \$20,000 minimum investment per policy, an investor may purchase a share of as many policies as are available. The process is simple and straightforward.

The investor can fund the investment with cash or retirement accounts such as an IRA transfer or 401k rollover. No matter what the funding source, investment dollars are deposited with Mills, Potoczak & Company, a licensed and bonded escrow agent that has been a significant participant in the life settlement industry since 1991.

For an investment to be implemented, an investor must also complete a purchase agreement, policy disclosure form and purchaser suitability questionnaire.

- The **purchase agreement** covers the purchase of an interest in the death benefit of a life insurance policy. It identifies the terms of the agreement, the amount invested, and the total fixed return percentage.
- The **policy disclosure** form gives details required by California law about the specific policy in which the investor is acquiring an interest. Most importantly, the investor gets information about the age and gender of the insured, the life insurance company, the total fixed return percentage, and dollar amount to be received upon maturity.
- The **purchaser suitability questionnaire** provides information to PWCG that allows us to confirm that the investor is a qualified purchaser of an interest in a life settlement investment in accordance with California law.

Upon funding and return of these completed documents to PWCG, Mills, Potoczak will implement an investment into the policy the investor has designated. Mills, Potoczak then issues a beneficiary designation to the investor. After passing of the insured, the life insurance company will pay the investor the amount of designation, or for an IRA account, the insurance company will pay the Trust, which in turn pays the IRA custodian.

ASSESSING RISK VS. RETURN

Principal Risk

Unlike most traditional investment vehicles, PWCG's life settlement investments are not directly affected by stock market volatility, interest rate fluctuations, variations in the economy, or foreign instability. The factors that do affect these investments are few, and we consider them carefully before we act.

Two of the major factors PWCG considers when purchasing policies for the Trust are:

- The financial strength of the underwriting companies, and
- Possible loopholes that could affect the full payout of a policy.

To minimize risk regarding the first concern above, all policies involved in the PWCG Trust must be issued by "A-rated" or better insurance companies as rated by Standard & Poors. These companies are typically well-known and reputable companies such as John Hancock, MetLife, AIG, or New York Life. Consequently, investors can feel confident that their payout sources are some of the largest and most stable companies in the world.

Regarding loopholes, through extensive analysis and experience, we have established a set of guidelines that anticipate loophole situations and eliminate policies that are vulnerable to them. These loopholes include contestability of the policy and the legal rights the previous owner or beneficiary may have to the policy benefit.

What documentation do I get to show for my investment?

As evidence of an investor's holdings, you will receive copies of your signed purchase agreement and policy disclosure form, a deposit receipt from the escrow company, a copy of the recorded changes of ownership and beneficiary rights, and an assignment of death benefit showing your beneficiary designation issued by the Trustee.



Exhibit E
Page 7 of 10



Can I put my money over more than one policy?

Sure. You can place your money in as many policies as you wish depending upon availability. For example, you can invest \$100,000 in a single policy or invest a minimum of \$20,000 per policy in several policies.

Contestability issues, for example, would be if an insured individual did not fully disclose his/her past medical history and died from a related ailment, or if he/she committed suicide. As long as the death occurs after the contestable period, the life insurance company must legally pay the full face amount of the policy to the PWCG Trust. We select only policies that are beyond any contestable or suicide clause period. (For most policies, the contestability period is two years from the date of issue.)

PWCG addresses risks of legal recourse from the previous owner and beneficiary by requiring two documents before a life insurance policy is purchased from a senior: 1) the policy owner must supply a statement from his/her physician that he/she is of sound mental capacity and able to enter into a contract; 2) the beneficiaries also must sign a statement that they are aware the sale of the policy will rescind any future rights they may have to the policy benefits. An insurance policy is only purchased for the PWCG Trust after both signed statements have been received.

Term Risk

Policies offered by PWCG have a minimum total fixed return of 100%, meaning investors will double their money. In fact, many policies have paid a 150% total fixed return. Since PWCG purchases policies before offering them, investors know exactly what the total return will be before purchasing an interest in the specific policy or policies. This return is paid in full upon the maturity of the policy.

Obviously, no one can predict exactly when the insured will pass away and the policy will mature. Because the exact date of passing is the single factor that determines the annual rate of return, the shorter the longevity of the insured, the higher the annual rate of return. In contrast, the longer the actual longevity, the lower the annual rate of return. The chart below illustrates the rate of return for two scenarios: 100% Total Return, 150% Total Return.

FACTORS INFLUENCING PERCENTAGE OF RETURN

Based on our previous purchases of policies, we most often have been able to negotiate a discount in purchase price while still providing the insured with substantially more money than the surrender value on the policy. Factors such as age of the insured, life expectancy, and whether a policy is a single-life or survivorship policy can affect the total fixed return percentage.

Since PWCG already has purchased the policy, the total return is always known by the investor in advance.

HYPOTHETICAL ANNUAL RATES OF RETURN

(Minimum \$20,000 investment; illustration based on a \$100,000 investment)

POLICY WITH 100% TOTAL FIXED RETURN

Years to Maturity	Amount Invested	Amount Returned	Simple Annual Rate
1	\$100,000	\$200,000	100%
2	\$100,000	\$200,000	50%
3	\$100,000	\$200,000	33.33%
4	\$100,000	\$200,000	25%
5	\$100,000	\$200,000	20%
6	\$100,000	\$200,000	16.66%
7	\$100,000	\$200,000	14.28%
8	\$100,000	\$200,000	12.5%
9	\$100,000	\$200,000	11.11%

POLICY WITH 150% TOTAL FIXED RETURN

Years to Maturity	Amount Invested	Amount Returned	Simple Annual Rate
1	\$100,000	\$250,000	150%
2	\$100,000	\$250,000	75%
3	\$100,000	\$250,000	50%
4	\$100,000	\$250,000	37.5%
5	\$100,000	\$250,000	30%
6	\$100,000	\$250,000	25%
7	\$100,000	\$250,000	21.42%
8	\$100,000	\$250,000	18.75%
9	\$100,000	\$250,000	16.66%
10	\$100,000	\$250,000	15%

ADDITIONAL STEPS TO PROTECT INVESTOR WEALTH

Even though no one can predict the actual longevity of a single individual, we do take specific steps to gain the greatest understanding of the life expectancy of an insured person.

For most policies, we engage the services of a third-party independent company to obtain life expectancy evaluations. We utilize premier companies in the field of life expectancy evaluations and insurance underwriting. They perform these evaluations based on medical records, family history, and other information pertinent to an individual's life. This analysis enables the health professionals to create a more individualized statistical calculation than standard mortality tables provide and determines a life expectancy on the insured of the policies we consider for purchase.

We typically purchase policies that have between a four- to seven-year life expectancy. Along with the total fixed returns in policies offered by PWCG, this sets the stage for phenomenal return potentials.

IN SUMMARY...

Pacific West Capital Group has built a reputation for thoroughness and integrity in the field of facilitating life settlements. We are proud of the methodology we have devised for supporting preservation of principal and capital and maximizing return potential for our investors. It works reliably because it includes:

- Buying policies issued only by "A-rated" U.S. companies;
- Selecting policies with insureds being at least 75 years old with chronic or degenerative health conditions;
- Engaging industry leaders in life expectancy evaluations;
- Utilizing a Trust that makes the investments independent of our company;
- Creating reserve accounts to assure policy premiums are paid;
- Employing an escrow agent to assure funds are implemented properly for every transaction;
- Retaining a trustee known for meticulousness, experience and excellence; and
- Knowing our market and always seeking a win-win outcome.

How Do I Get Started?

It's easy. Call your representative at PWCG who will assist you in completing the paperwork in the back of this booklet. This will start the ball rolling to provide you with everything you need to invest in our life settlement program.



ANSWERS TO FREQUENTLY ASKED QUESTIONS

Can I buy this through my stock broker, financial planner, or bank?

No. This vehicle is a proprietary offering. If you invest into it, you would do so through the offering company (PWCG), whether you use cash or an IRA to fund the vehicle.

What annual rate of return should I expect?

You don't receive annual payments, so there is no annual rate of return as such. You do receive a 100% total fixed return or higher.

Your hypothetical annual rate of return is determined by the duration between purchase of the investment and when the investment pays off. For example, with a policy paying a 100% total fixed return, if that term is five years, your annual return would be 20%. If it's six years, your return would be 16-17%. We buy policies our experts estimate will mature in four to seven years, but, as you know, these things can not be specifically determined. However, we know the amount you will receive upon the policy's maturity is double your investment or more.

How long after I give you money is the investment placed?

After funds go to the escrow agent, the investment can usually be implemented within a couple of business days. However, there is a five-day waiting period after the policy disclosure form has been received and is being reviewed by you.

What kind of policies does your company buy for this investment?

We select only Universal Life, also known as Flexible Premium Adjustable Life policies. We never buy any type of term policy.

Can I put this investment in my company's name, living trust name, etc.?

Yes. Virtually any entity that has a tax I.D. number or social security number can invest into our life settlement investments.

Can I roll my annuity into this investment?

If you use annuity money, it would be subject to taxes on the portion rolled out, and any applicable penalties the government would impose if you are younger than 59 1/2 would apply. However, if your annuity is held within your IRA account, penalties would not apply because the investment would be an IRA to IRA transfer.

What information do I get about the policy and the insured?

Per California laws, strict disclosures exist as to the information you must receive before any investment can be made and money distributed from escrow. You receive this information in the policy disclosure form that you sign, which designates the policy that your money is invested in. You also receive the name of the life insurance company, policy number, face value amount of the policy, annual premiums for the policy, type of policy, life insurance company rating, age of the insured, and sex of the insured.

How do I know if the policy is in force?

Premiums are paid through the policy premium reserve structure we have established. However, we can supply you with a verification of coverage from the life insurance company.

If I die before the investment pays out, what happens?

The investment would transfer to your heirs per your will or living trust. Your heirs would be required to contact the Trustee, Mills, Potoczak & Co., to re-register the asset to the new assignee.

How do I know I'll get paid my return?

This is exactly why we use licensed, bonded entities to process all the money through the transaction. Mills, Potoczak & Co. has extensive experience and a flawless reputation as an escrow agent and trustee in this industry. In addition, Mills, Potoczak is a founding member of the largest nationwide organization pertaining to life settlements. And remember, the life insurance company, which will be at least an "A-rated" U.S. company, is going to be paying the beneficiary designation directly.

What if someone sues the trustee, escrow agent, or Pacific West Capital Group?

Investment assets, such as the policies and the premium accounts, are owned by the PWCG Trust. If someone were to sue Pacific West Capital Group, the trustee, or the escrow agent, he/she could not attach the assets of the Trust as they are not owned by any of the three entities.

How does your company make money?

There are no fees or loads from us. We make a margin above:
1) what we pay for the policy; and 2) costs of funding the premium accounts.

For example, if a \$1,000,000 face value policy costs us \$300,000 plus premium reserves of \$100,000, we can sell shares for \$500,000 giving us a \$100,000 gross margin. The investors who put up the \$500,000 will be paid the full \$1,000,000 face value from the life insurance company, giving them a 100% total fixed return. If a policy costs us less money, or if the premiums are not as high, for example, we could sell shares for \$400,000, giving the investor a 150% total return, and still preserve our margin percentage.

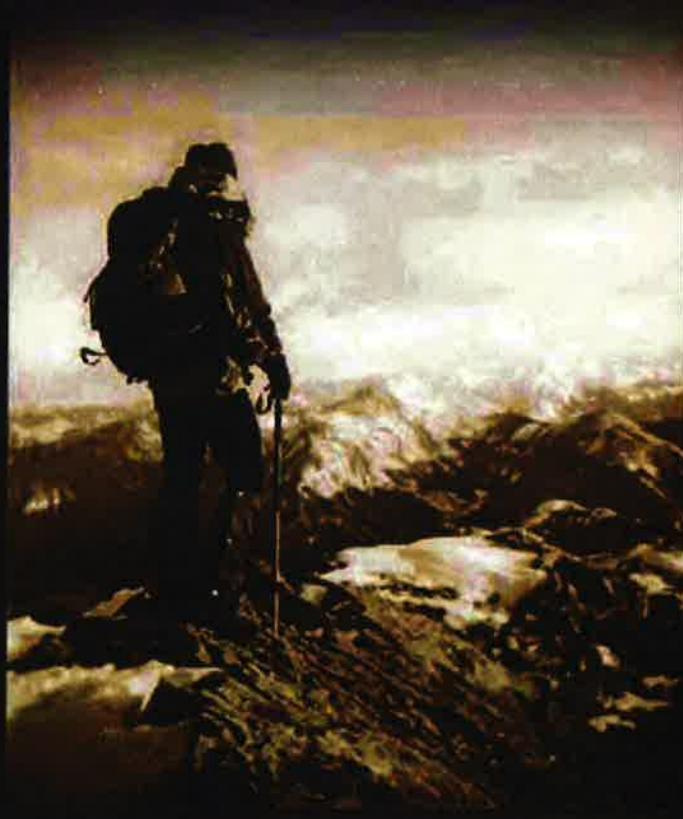
What if PWCG goes out of business?

The prosperity of our company does not affect you at all. We never touch your funds. Your money goes to an escrow agent and your investment is implemented at the direction of the trustee before distributions are made to us. Once the investment is implemented, as an investor, the source of your payout is the life insurance company. That is why we use "A-rated" and better life insurance companies—we have great confidence that they will be in business and available to make the payout regardless of how our company is doing.

We hope this answers most of the questions you may have. If you have other questions that are not addressed here, please feel free to call us any time.

EXHIBIT F

EXHIBIT F



"We stand strong on integrity and earn investor trust with every transaction."

GOVERNMENT
EXHIBIT AM
39
10-23-13 LAM/MS

PacificWest CAPITAL GROUP



"We stand strong on integrity and earn investor trust with every transaction."

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INVESTMENT OBJECTIVE

To achieve mid- to long-term capital growth for qualifying investors through life settlement investments.

THE STRENGTH OF SELECTED LIFE SETTLEMENTS

Pacific West Capital Group (PWCG) purchases interests in the proceeds of life insurance policies at a discount to face value where the insureds are 75 years of age or older typically with a reduced life outlook due to chronic and degenerative health complications. This translates into an opportunity for returns higher than those offered by traditional investment vehicles.

POLICIES CHOSEN TO MEET OUR HIGH STANDARDS...

In seeking to achieve the investment objective, PWCG reviews over \$250 million of face value policies each month, selects policies that are non-contestable, and only purchases policies that have been issued by United States life insurance companies that are "A-rated" or better as determined by Standard & Pools.

...TO PROTECT AND NURTURE YOUR WEALTH

PWCG then sells interests in these policies to qualified investors allowing them to participate in the profits.

INVESTMENT ADMINISTRATION

PACIFIC WEST CAPITAL GROUP, INC.

Offering company facilitating life settlement investments

1901 Avenue of the Stars
 Suite 680
 Los Angeles, CA 90067
 800 588-8000
 310 578-6343
 Fax 310 578-6443
 www.pwcapital.net

MILLS, POTOCZAK & COMPANY

- CPA firm acting as Trustee for PWCG Trust
- Bonded Escrow Agent

27600 Chagrin Blvd., Suite 200
 Cleveland, OH 44122
 216 464-7481
 Fax 216 464-7581
 www.mpccpa.com

ENTRUST IRA SERVICES

IRA Account Custodian

520 Broadway, Suite 350
 Santa Monica, CA 90401
 Phone 310 496-4216
 Fax 310 899-3822
 www.theentrustgroup.com



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WWW.LISASSOCIATION.ORG

PWCG000002



Dear Investor,

We are pleased to send information explaining Pacific West Capital Group's opportunities for investors, large and small, to take advantage of the profitable and growing market in life settlement investments.

We encourage you to read this material thoroughly as it describes both the life settlement industry and how we provide opportunities for qualified investors with \$20,000 minimum investments.

We have worked with thousands of qualified California investors who have found this vehicle to be a desirable diversification for their current investment portfolios. The offering is qualified for cash investments as well as IRA transfers and 401k rollovers.

Investments in life settlements serve as a great defensive strategy since the return is not dependent on or affected by the ups and downs of the stock market, interest rate fluctuations, domestic and world economy instabilities, or unexpected global events. With Pacific West Capital Group's structure, the investment offers prudence while producing a minimum 100% total fixed return, meaning you double your money. Some policies even pay as much as 150% total fixed return, more than twice your investment!

The investment's integrity is enhanced by regulation in the State of California and the fact that your payout comes from the largest, most financially stable life insurance companies in the world.

Our investors consistently find that the life settlement investment vehicle provides peace of mind and confidence. We at Pacific West Capital Group believe that you will discover it produces above average returns for your investment dollars.

We hope this material expands your awareness of investment opportunities and provides many good reasons for you to move forward with a life settlement investment. If you have any questions, we always welcome your call.



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PWCG000003



What is the minimum investment?

Can I use my IRA or 401k or any type of qualified vehicle to fund a life settlement investment?

The minimum investment is \$20,000. You have many choices for funding a life settlement investment with PWCG. These range from cash to retirement accounts such as IRA (Traditional, SEP, Roth) and 401K, 403B, etc.

We use a third party administrator, Entrust IRA Services, to act as custodian for our IRA accounts. Upon opening an account with Entrust you would transfer/rollover funds from your existing retirement account into a new IRA. Once funds are received, the investment is then placed with your IRA account, which then owns the investment.

A BUSINESS BUILT ON A BEDROCK OF BENEFIT AND A WIN-WIN SCENARIO

Toward the end of the last century, a change occurred in the life insurance arena that had dramatic benefits for life insurance policy holders and investors. This change laid the foundation for the business of our company.

Originally, only one avenue existed to collect on a life insurance policy before it matured: the insured could surrender the policy to the issuing company for a small fraction of its face value. If the insured wanted to cash out his/her policy to cut expenses, to acquire funds to help with medical or living expenses, or just to improve quality of remaining life, he/she could not expect to receive a great deal.

For example, if a policy had a \$1,000,000 face value, the policy holder might hope to receive \$100,000 from the issuing insurance company.

A New Opportunity Emerges

In the late 1980s, a trend emerged whereby people could sell their existing life insurance policies to investors at a more equitable settlement than the life insurance companies were willing to offer. The development of this secondary market meant good news for people in certain challenging circumstances.

Now, instead of being able to receive only \$100,000 on a \$1,000,000 policy, the insured might expect to receive \$250,000 from investors. The investors would then hold the policy until the insured passed away, at which point the policy would mature and the investors would collect the face value of \$1,000,000.

That type of transaction was known as a "viatical settlement," defined as the purchase of an insurance policy from an insured with a diagnosis of a terminal illness.

Expanding the Range of Opportunity and Benefit

In the mid-90s, another step in this evolution took place. The industry recognized the ability for seniors who do not necessarily have terminal illnesses, but in many cases, have significant chronic or degenerative conditions, to benefit from the same type of transaction. This transaction became known as a "life settlement," the type of investment PWCG now provides.

The life settlement transaction rapidly gained popularity with investors. While the time frame of a viatical settlement could potentially extend far beyond investor expectations due to misdiagnoses and medical advances, life settlements provided a more finite window because, simply stated, there is no cure for old age.

Also, life settlements were attractive to senior policy holders for two primary reasons: 1) many seniors needed money to meet rising medical costs; and 2) more seniors found themselves over-insured due to changes in estate tax laws. In both cases, seniors found strong motivation to seek life settlement solutions and enjoyed substantial benefit as a result. More than just a better alternative than surrender value, they found life settlements to be a good deal.

A Fast-Growing Market with Plenty of Room to Expand

Because its attractiveness to both investors and seniors makes it a true win-win situation, the life settlement market grew to approximately \$5 billion by the turn of the century. With approximately \$500 billion of outstanding life insurance on people 65 or older, the market is in its infancy and is poised for rapid growth.

CALIFORNIA LAW REGULATES INVESTMENTS IN LIFE SETTLEMENTS AS A SECURITY

Because life settlements are unique in that they involve both investors and life insurance, in the past, there was no clear regulatory agency originally exercising regulatory oversight of the transaction. Then, it was unclear as to whether life settlements were a security transaction or an insurance product, or both. Individual states are responsible for laws and regulations concerning investments in these transactions.

California is on the forefront for regulations and legislation protecting investors within the state in these transactions. It became one of the first states to enact defined laws with regard to regulating investments in life settlements as a security. As a California corporation offering the sale of investments in life settlements only to California residents who are qualified purchasers, Pacific West Capital Group strictly abides by the following legislation which allows for an exemption from qualification of its offering with the CA Department of Corporations: Senate Bill 1837.

For additional information, please visit the following Web site:
www.leginfo.ca.gov/pub/99-00/bill/sen/sb_1801-1850/sb_1837_bill_20000927_chaptered.html

PACIFIC WEST CAPITAL GROUP

We stand strong on integrity and earn investor trust with every transaction

Pacific West Capital Group, Inc. is a California corporation that facilitates the sale of interests in the life settlements. We have an "A+" rating from the Better Business Bureau and are the most reputable and most experienced company offering life settlement investments to qualified California investors. Using an approach that has been tested and proven reliable, we purchase select policies that meet our high standards for investment and sell interests to qualified investors.

We work with respected and licensed brokers who have an extensive network of insurance agents to supply us with an inventory of quality policies. Each policy submitted to us undergoes rigorous scrutiny using a predetermined set of criteria, and we select the most desirable from approximately \$250+ million worth of policies per month.

Upon selecting policies that meet our quality-based criteria, we raise capital from investors to fund them. Our investors include corporations, foundations, and institutions that may purchase an entire portfolio of policies as well as individual investors who may purchase interest in a single policy. Through the investment Trust, the PWCG Trust, we offer policies for purchase in fractional interests by qualified individual investors.

HOW THE PWCG TRUST WORKS TO SERVE YOU

Pacific West Capital Group specializes in serving investors whose portfolio or IRA account supports investments starting as low as \$20,000. To maximize the protection of investors, large and small, all our fractional transactions take place through the Pacific West Capital Group Trust. The Trust purchases the policies and establishes capital reserves. This means the Trust will prosper independent of the life of Pacific West Capital Group, Inc.

Another advantage to using a Trust applies to those investors looking to utilize qualified retirement account funds, such as money in an IRA or 401K. Life insurance companies cannot pay benefits into an IRA account. However, under this highly efficient and reliable Trust structure, the death benefit from the policy is paid into the Trust and the Trust can legally distribute the money into the IRA. In other words, the Trust opens this profitable market to investors whose funds are in IRAs and 401ks.

The way the PWCG Trust works is simple and direct. The Trust purchases policies from the policy owners and is recorded as the new owner and beneficiary of the policy. When the change of ownership and beneficiary have been officially recorded and recognized by the life insurance company, Pacific West Capital Group then sells fractional interests to the investors giving them a percentage of the face value as their beneficiary designation. The trustee, Mills, Potoczak & Company, then issues an assignment of death benefit confirming the beneficiary designation within a specific policy.

Are life settlement transactions regulated?

By whom?

Yes. Without a doubt. In California, investments in life settlements are considered securities and therefore are regulated by the Securities Division of the CA Department of Corporations, as set forth through legislation with the passage of Senate Bill 1837. This legislation allows for Pacific West Capital Group to offer and sell investments in life settlements to qualified investors under an exemption from qualification of its offering with the CA Department of Corporations.



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FOIA CONFIDENTIAL TREATMENT REQUESTED

PWCG000005

Exhibit 7 Page 209

Exhibit F
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Oh, I've heard of this. Isn't this a viatical settlement?

No. A viatical settlement applies only to policies of people who have a terminal illness. Such people could be of any age. Life settlement policies are based on the insured's advanced age alone.

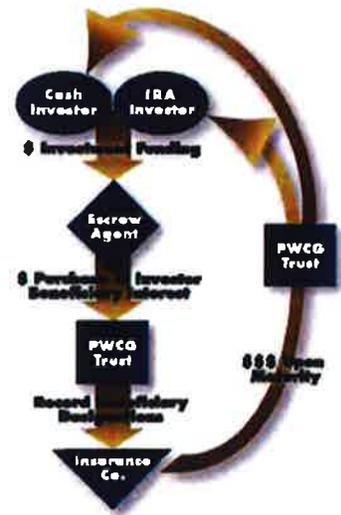
We focus on life settlements because we don't want to expose our investors to risk due to the subjectivity of health diagnosis. With a viatical settlement, an unexpected cure, a new drug, or a new treatment could result in the insured living for years or even decades beyond the expectation. Since we buy policies from seniors, the time frame is much narrower because there simply is no cure for old age.

Mills, Potoczak & Company, one of the most experienced trustees in the area of life settlements, monitors the policy until the insured's death and handles all investment distributions. Throughout the process it provides all investors in the Trust with complete documentation as to the policy, the insured, changes of ownership and beneficiary, and all other information relevant to the investment. When the policy matures, the life insurance company pays the PWCG Trust, which then distributes the beneficiary designation to the cash investor or to the investor's IRA.

IN A NUTSHELL, HERE'S HOW THE PROCESS WORKS:



- PWCG purchases policies for the established Trust
- Trust pays policy owner
- Policy owner transfers ownership and beneficiary rights to Trust
- Investor purchases beneficiary interest from the Trust using the services of the bonded escrow agent
- Trust and insurance company issue beneficiary designation to investor
- Trustee keeps track of the insured and assures premium payments are made, etc.
- Insurance company pays PWCG Trust when the policy matures, and Trustee sends check to IRA or cash investors.



TAKING STEPS TO ASSURE MAXIMUM PROTECTION

PWCG goes the extra mile to assure policies are protected. For example, for every policy we establish a primary premium reserve with an amount equal to the cost of premiums for a period of six to nine years with the exact amount disclosed in the Life Settlement Disclosure Form (some policies already have sufficient cash value within the policy to keep it in force for an even longer time frame). In addition, some policies have a disability waiver rider that pays premiums in the event the insured becomes disabled.

We have also established two other general reserves that can be used to pay premiums should the primary reserve become depleted. The first general reserve is funded from 1% of all investor money for all policies. The second general reserve is funded from excess or unused premium dollars from any primary reserve due to the policy maturing before the primary premium reserve becomes depleted. In addition, interest on all of the premium reserves account is accrued and added into the second general reserve.

We have established this plan to pay premiums so that every policy is kept in force. For further explanation, please refer to the Life Settlement Purchase Agreement.

A CLEAN, CLEAR APPROACH TO BUILDING WEALTH

As a qualified investor with a \$20,000 minimum investment per policy, an investor may purchase a share of as many policies as are available. The process is simple and straightforward.

The investor can fund the investment with cash or retirement accounts such as an IRA transfer or 401k rollover. No matter what the funding source, investment dollars are deposited with Mills, Potoczak & Company, a bonded escrow agent that has been a significant participant in the life settlement industry since 1991.

For an investment to be implemented, an investor must also complete a purchase agreement, policy disclosure form and purchaser suitability questionnaire.

- The **Purchase Agreement** covers the purchase of an interest in the death benefit of a life insurance policy. It identifies the terms of the agreement, the amount invested, and the total fixed return percentage.
- The **Policy Disclosure Form** gives details required by California law about the specific policy in which the investor is acquiring an interest. Most importantly, the investor gets information about the age and gender of the insured, the life insurance company, the total fixed return percentage, and dollar amount to be received upon maturity.
- The **Purchaser Suitability Questionnaire** provides information to PWCG that allows us to confirm that the investor is a qualified purchaser of an interest in a life settlement investment in accordance with California law.

Upon funding and return of these completed documents to PWCG, Mills, Potoczak will implement an investment into the policy the investor has designated. Mills, Potoczak then issues a beneficiary designation to the investor. After passing of the insured, the life insurance company will pay the PWCG Trust the amount of the designation. The PWCG Trustee will then pay a cash investor the amount of their beneficiary designation or for an IRA investor, the Trustee pays the IRA custodian for the benefit of the investor.

ASSESSING RISK VS. RETURN

Principal Risk

Unlike most traditional investment vehicles, PWCG's life settlement investments are not directly affected by stock market volatility, interest rate fluctuations, variations in the economy, or foreign instability. The factors that do affect these investments are few, and we consider them carefully before we act.

Two of the major factors PWCG considers when purchasing policies for the Trust are:

- The financial strength of the underwriting companies, and
- Possible loopholes that could affect the full payout of a policy.

To minimize risk regarding the first concern above, all policies involved in the PWCG Trust must be issued by "A-rated" or better insurance companies as rated by Standard & Poors. These companies are typically well-known and reputable companies such as John Hancock, MetLife, or New York Life. Consequently, investors can feel confident that their payout sources are some of the largest and most stable companies in the world.

Regarding loopholes, through extensive analysis and experience, we have established a set of guidelines that anticipate loophole situations and eliminate policies that are vulnerable to them. These loopholes include contestability of the policy and the legal rights the previous owner or beneficiary may have to the policy benefit.

What documentation do I get to show for my investment?

As evidence of an investor's holdings, you will receive copies of your signed purchase agreement and policy disclosure form, a deposit receipt from the escrow company, a copy of the recorded changes of ownership and beneficiary rights, and an assignment of death benefit showing your beneficiary designation issued by the Trustee.





Can I put my money into more than one policy?

Sure. You can place your money in as many policies as you wish depending upon availability. For example, you can invest \$100,000 in a single policy or invest a minimum of \$20,000 per policy in several policies.

Contestability Issues, for example, would be if an insured individual did not fully disclose his/her past medical history and died from a related ailment, or if he/she committed suicide. As long as the death occurs after the contestable period, the life insurance company must legally pay the full face amount of the policy to the PWCG Trust. We select only policies that are beyond any contestable or suicide clause period. (For most policies, the contestability period is two years from the date of issue.)

PWCG addresses risks of legal recourse from the previous owner and beneficiary by requiring two documents before a life insurance policy is purchased from a senior: 1) the policy owner must supply a statement from his/her physician that he/she is of sound mental capacity and able to enter into a contract; 2) the beneficiaries also must sign a statement that they are aware the sale of the policy will rescind any future rights they may have to the policy benefits. An insurance policy is only purchased for the PWCG Trust after both signed statements have been received.

Term Risk

Policies offered by PWCG have a minimum total fixed return of 100%, meaning investors will double their money. In fact, many policies have paid a 150% total fixed return. Since PWCG purchases policies before offering them, investors know exactly what the total return will be before purchasing an interest in the specific policy or policies. This return is paid in full upon the maturity of the policy.

No one can predict exactly when the insured will pass away and the policy will mature. Because the exact date of passing is the single factor that determines the effective annual rate of return, the shorter the longevity of the insured, the higher the effective annual rate of return. In contrast, the longer the actual longevity, the lower the effective annual rate of return. The chart below illustrates the effective rate of return for two scenarios: 100% Total Return, 150% Total Return.

FACTORS INFLUENCING PERCENTAGE OF RETURN

Based on our previous purchases of policies, we most often have been able to negotiate a discount in purchase price while still providing the insured with substantially more money than the surrender value on the policy. Factors such as age of the insured, life expectancy, and whether a policy is a single-life or survivorship policy can affect the total fixed return percentage.

Since PWCG already has purchased the policy, the total return is always known by the investor in advance.

HYPOTHETICAL EFFECTIVE ANNUAL RATES OF RETURN

(Minimum \$20,000 investment; illustration based on a \$100,000 investment)

POLICY WITH 100% TOTAL FIXED RETURN

Years to Maturity	Amount Invested	Amount Returned	Simple Annual Rate
1	\$100,000	\$200,000	100%
2	-	\$200,000	50%
3	-	\$200,000	33.33%
4	-	\$200,000	25%
5	-	\$200,000	20%
6	-	\$200,000	16.66%
7	-	\$200,000	14.28%
8	-	\$200,000	12.5%
9	-	\$200,000	11.11%
10	-	\$200,000	10%

POLICY WITH 150% TOTAL FIXED RETURN

Years to Maturity	Amount Invested	Amount Returned	Simple Annual Rate
1	\$100,000	\$250,000	150%
2	-	\$250,000	75%
3	-	\$250,000	50%
4	-	\$250,000	37.5%
5	-	\$250,000	30%
6	-	\$250,000	25%
7	-	\$250,000	21.42%
8	-	\$250,000	18.75%
9	-	\$250,000	16.66%
10	-	\$250,000	15%

ADDITIONAL STEPS TO PROTECT INVESTOR WEALTH

Even though no one can predict the actual longevity of a single individual, which ultimately determines the length of the investment, we take specific steps to gain an understanding of the life of an insured person.

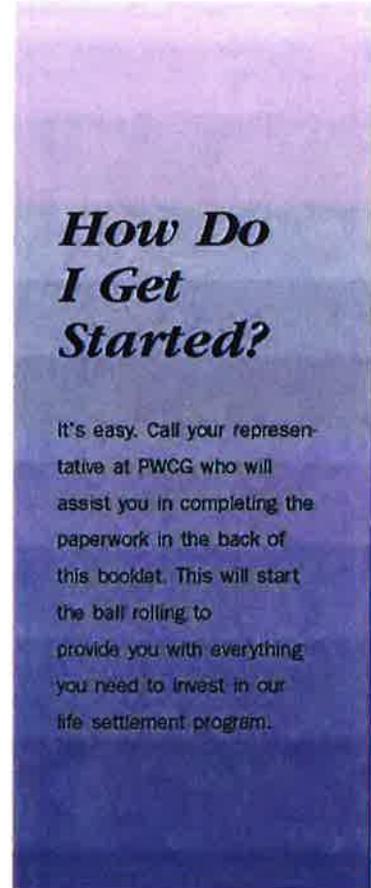
After meeting our minimum requirement for an insured person of 75 years of age, we further review and qualify policies based on the insureds' health conditions and lifestyles. Because we review well over \$250 million of face value policies every month, we are able to select and purchase those policies with insureds of advanced ages and/or who typically experience chronic or degenerative health conditions.

Along with the total fixed returns in policies offered by PWCG, this sets the stage for phenomenal return potentials. Our objective is to assist investors in achieving their investment goal and continue their relationship with Pacific West Capital Group.

IN SUMMARY...

Pacific West Capital Group has built a reputation for thoroughness and integrity in the field of facilitating life settlements. We are proud of the methodology we have devised for supporting preservation of principal and capital and maximizing return potential for our investors. It works reliably because it includes:

- Buying policies issued only by "A-rated" U.S. companies;
- Selecting policies with insureds being at least 75 years old with chronic or degenerative health conditions;
- Utilizing a Trust that makes the investments independent of our company;
- Creating reserves in an escrow account to ensure policy premiums are paid;
- Employing an escrow agent to assure funds are implemented properly for every transaction;
- Retaining a trustee known for meticulousness, experience and excellence; and
- Knowing our market and always seeking a win-win outcome.






ANSWERS TO FREQUENTLY ASKED QUESTIONS

Can I buy this through my stock broker, financial planner, or bank?

No. This vehicle is a proprietary offering. If you invest into it, you would do so through the offering company (PWCG), whether you use cash or an IRA to fund the vehicle.

What annual rate of return should I expect?

You don't receive annual payments, so there is no annual rate of return as such. You do receive a 100% total fixed return or higher. Your hypothetical annual rate of return is determined by the duration between purchase of the investment and when the investment pays off. For example, with a policy paying a 100% total fixed return, an investment of \$100,000 in the policy will return \$200,000 upon maturity. If that term is five years, your annual rate of return would, in effect, be 20%. If it's six years, your return would be 16-17%. We buy policies from insureds 75 years of age and older with chronic or degenerative health conditions. As you know, we cannot predict exactly when an insured will pass away, but upon policy maturity you will receive double your investment amount or higher, depending on the policy in which you invest.

How long after I give you money is the investment placed?

After funds go to the escrow agent, the investment can usually be implemented within a couple of business days. However, there is a five-day waiting period after the policy disclosure form has been received and is being reviewed by you.

What kind of policies does your company buy for this investment?

We select only Universal Life, also known as Flexible Premium Adjustable Life policies. We never buy any type of term policy.

Can I put this investment in my company's name, living trust name, etc.?

Yes. Virtually any entity that has a tax I.D. number or social security number can invest into our life settlement investments.

Can I roll my annuity into this investment?

If you use annuity money, it would be subject to taxes on the portion rolled out, and any applicable penalties the government would impose if you are younger than 59 1/2 would apply. However, if your annuity is held within your IRA account, penalties would not apply because the investment would be an IRA to IRA transfer.

What information do I get about the policy and the insured?

Per California laws, strict disclosures exist as to the information you must receive before any investment can be made and money distributed from escrow. You receive this information in the policy disclosure form that you sign, which designates the policy that your money is invested in. You also receive the name of the life insurance company, policy number, face value amount of the policy, annual premiums for the policy, type of policy, life insurance company rating, age of the insured, and sex of the insured.

How do I know if the policy is in force?

Premiums are paid through the policy premium reserve structure we have established. However, we can supply you with a verification of coverage from the life insurance company.

If I die before the investment pays out, what happens?

The investment would transfer to your heirs per your will or living trust. Your heirs would be required to contact the Trustee, Mills, Potoczak & Co., to re-register the asset to the new assignee.

How do I know I'll get paid my return?

This is exactly why we use licensed, bonded entities to process all the money through the transaction. Mills, Potoczak & Co. has extensive experience and a flawless reputation as an escrow agent and trustee in this industry. In addition, Mills, Potoczak is a founding member of the largest nationwide organization pertaining to life settlements. And remember, the life insurance company, which will be at least an "A-rated" U.S. company, is going to be paying the beneficiary designation directly.

What if someone sues the trustee, escrow agent, or Pacific West Capital Group?

Investment assets, such as the policies and the premium accounts, are owned by the PWCG Trust. If someone were to sue Pacific West Capital Group, the trustee, or the escrow agent, he/she could not attach the assets of the Trust as they are not owned by any of the three entities.

How does your company make money?

There are no fees or loads from us. We make a margin above: 1) what we pay for the policy; and 2) costs of funding the premium accounts.

For example, if a \$1,000,000 face value policy costs us \$300,000 plus premium reserves of \$100,000, we can sell shares for \$500,000 giving us a \$100,000 gross margin. The investors who put up the \$500,000 will be paid the full \$1,000,000 face value from the life insurance company, giving them a 100% total fixed return. If a policy costs us less money, or if the premiums are not as high, for example, we could sell shares for \$400,000, giving the investor a 150% total return, and still preserve our margin percentage.

What if PWCG goes out of business?

The prosperity of our company does not affect you at all. We never touch your funds. Your money goes to an escrow agent and your investment is implemented at the direction of the trustee before distributions are made to us. Once the investment is implemented, as an investor, the source of your payout is the life insurance company. That is why we use "A-rated" and better life insurance companies—we have great confidence that they will be in business and available to make the payout regardless of how our company is doing.

We hope this answers most of the questions you may have. If you have other questions that are not addressed here, please feel free to call us any time.

FOIA CONFIDENTIAL TREATMENT REQUESTED

PWCG000010

PacificWest CAPITAL GROUP



"We stand strong on integrity and earn investor trust with every transaction"

1901 Avenue of the Stars, Suite 680, Los Angeles, California 90067
800 588-8000
www.pwcapital.net

EXHIBIT G

EXHIBIT G

Mark G. Mills
William M. Potoczak

August 1, 2015

The Shechter Family Trust dtd 05/22/09
Konstantin & Valentina Shechter TTEE
828 Lincoln Blvd. #7
Santa Monica, CA 90403

RE: RL3040626D

Dear Investor:

As the trustee of the PWCG Trust associated with your purchase of the life settlement benefit referenced above, we are contacting you with regard to the status of the funds reserved at the time you made your purchase to pay premiums on the policy related to your benefits. According to our records, the insured for the policy in which you purchased a beneficiary interest is still living.

As you know, funds in an amount sufficient to pay premiums in accordance with your Life Settlement Disclosure Form as a part of your Life Settlement Purchase Agreement (the "Reserve Period") were set aside when you made your purchase ("Primary Reserve"). In addition, reserves were set up in accordance to Section 2 (b) ("Secondary Reserves"). The contractual Primary Reserve period is completed and the Secondary Reserves are now exhausted. To preserve the value of the policy benefits you own, premiums on the policy must continue to be paid in a timely fashion. Failure to pay premiums when due will cause the policy to lapse resulting in the loss of your interest in the policy and any ability for you to receive any money upon the death of the insured. Therefore, it is necessary to replenish the premium reserve funds used to pay premiums on your policy.

We are contacting you in accordance with Section 2 (b) of your Life Settlement Purchase Agreement to request that you **pay a sum of \$6,301.22** (see attachment) to the premium reserve fund for which we serve as Trustee. This amount represents your share of the total amount necessary to maintain the policy for approximately one year. Your amount due is based upon the most current premium illustration available at the time of this calculation. Should the policy benefits be paid prior to the expiration of this additional one year period, your pro rata share of any remaining unpaid premiums will be refunded to you. **Please be advised, that additional payments necessary for premiums on the policy may be required in the future.**

As stated above, it is crucial that the premium reserve fund used to pay your premium on the policy be replenished because failure to pay the premiums when due on the policy will cause it to lapse. Lapse of the policy will result in the loss of your interest in the policy and any ability for you to receive any money upon the death of the insured. Where there are multiple interest holders on a particular policy, all interest holders must pay their respective share of the outstanding premiums, and we are asking all joint holders of all policies on which the premium reserve fund has been depleted to pay their *pro rata* share of the outstanding premiums. If any interest holders on the jointly owned policy elects not to make the premium payment due, that interest holder will be deemed to have relinquished his/her interest in the policy. Among other possible methods, if an interest holder does not make their pro-rata share of the premium amount, the face value of the policy could then be reduced to reflect the level of the unpaid interest holder's premium.

IF YOUR INTEREST WAS PURCHASED USING QUALIFIED FUNDS, PAYMENT MUST BE REMITTED TO YOUR IRA CUSTODIAN WITH A COPY OF THE ENCLOSED INVOICE. If your interest was purchased with NONQUALIFIED FUNDS, please make your check payable to PWCG Trust, **Mills, Potoczak & Company, Trustee** and mail it to MILLS, POTOZAK & COMPANY, 27600 Chagrin Boulevard, Suite 200, Cleveland, Ohio 44122.

We are requesting that your payment in full arrive not later than thirty days from the date of this letter. Partial payments will be returned.

If you have any questions concerning the calculation of the amount or how to make the payment, please contact Linda Lee at (216) 682-0847.

Any other questions you have regarding your investment should be directed to Pacific West Capital Group at (800) 588-8000.

Very truly,

**MILLS, POTOZAK & COMPANY, Trustee
PWCG Trust**



By: William M. Potoczak
President

Sender's e-mail address: wpotoczak@mpccpa.com
Sender's direct dial: 216-682-0847

PWCG Trust Premium Invoice

Mills, Potoczak & Company
 27600 Chagrin Blvd. #200
 Cleveland, OH 44122
 Phone: (216) 464-7481 Fax: (216) 464-7581

Invoice

Date	Invoice #
8/1/2015	479

Investor

The Shechter Family Trust dtd 05/22/09
 Konstantin Shechter
 828 Lincoln Blvd., #7
 Santa Monica, CA 90403

Other Address

					Due Date
					9/1/2015
Viator Code	Policy Information	Annual Premium	Beneficiary Inte...	Period Covered	Amount
RL3040626D	ReliaStar Life Insurance Co. Policy #RL3040626D	50,409.78	0.125	08/01/15 - 07/31/16	6,301.22

ATTN: IRA INVESTORS ONLY:
 Please sign and return this invoice with your payment to your IRA Custodian
 I hereby authorize the payment of this invoice from my investment account.

Customer Signature

Total	\$6,301.22
Payments/Credits	\$0.00
Balance Due	\$6,301.22

Mills, Potoczak & Company
27600 Chagrin Blvd. #200
Cleveland, OH 44122

EXHIBIT H

EXHIBIT H

Mark G. Mills
William M. Potoczak

April 29, 2016

The Shechter Family Trust dtd 05/22/09
Konstantin & Valentina Shechter TTBE
828 Lincoln Blvd. #7
Santa Monica, CA 90403

RE: RL3040626D

Dear Investor:

As the trustee of the PWCG Trust associated with your purchase of the life settlement benefit referenced above, we are contacting you with regard to the status of the funds reserved at the time you made your purchase to pay premiums on the policy related to your benefits. According to our records, the insured for the policy in which you purchased a beneficiary interest is still living.

As you know, funds in an amount sufficient to pay premiums in accordance with your Life Settlement Disclosure Form as a part of your Life Settlement Purchase Agreement (the "Reserve Period") were set aside when you made your purchase ("Primary Reserve"). In addition, reserves were set up in accordance to Section 2 (b) ("Secondary Reserves"). The contractual Primary Reserve period is completed and the Secondary Reserves are now exhausted. To preserve the value of the policy benefits you own, premiums on the policy must continue to be paid in a timely fashion. Failure to pay premiums when due will cause the policy to lapse resulting in the loss of your interest in the policy and any ability for you to receive any money upon the death of the insured. Therefore, it is necessary to replenish the premium reserve funds used to pay premiums on your policy.

We are contacting you in accordance with Section 2 (b) of your Life Settlement Purchase Agreement to request that you pay a sum of \$6,076.50 (see attachment) to the premium reserve fund for which we serve as Trustee. This amount represents your share of the total amount necessary to maintain the policy for approximately one year. Your amount due is based upon the most current premium illustration and annual statement available at the time of this calculation. The estimated premium requirement through the next 5 years is also attached. Should the policy benefits be paid prior to the expiration of this additional one year period, your pro rata share of any remaining unpaid premiums will be refunded to you. **Please be advised, that additional payments necessary for premiums on the policy may be required in the future.**

As stated above, it is crucial that the premium reserve fund used to pay your premium on the policy be replenished because failure to pay the premiums when due on the policy will cause it to lapse. Lapse of the policy will result in the loss of your interest in the policy and any ability for you to receive any money upon the death of the insured. Where there are multiple interest holders on a particular policy, all interest holders must pay their respective share of the outstanding premiums, and we are asking all joint holders of all policies on which the premium reserve fund has been depleted to pay their *pro rata* share of the outstanding premiums. If any interest holders on the jointly owned policy elects not to make the premium payment due, that interest holder will be deemed to have relinquished his/her interest in the policy.

IF YOUR INTEREST WAS PURCHASED USING QUALIFIED FUNDS, PAYMENT MUST BE REMITTED TO YOUR IRA CUSTODIAN WITH A COPY OF THE ENCLOSED INVOICE. If your interest was purchased with NONQUALIFIED FUNDS, please make your check payable to PWCG Trust, Mills, Potoczak & Company, Trustee and mail it to MILLS, POTOZAK & COMPANY, 27600 Chagrin Boulevard, Suite 200, Cleveland, Ohio 44122.

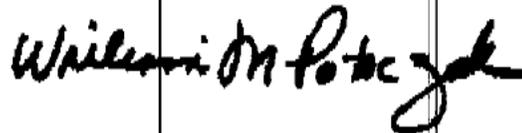
We are requesting that your payment in full arrive not later than thirty days from the date of this letter. If your payment is not received within the first thirty days, additional notices will be sent until the ninety day contractual period has closed. Partial payments will be returned.

If you have any questions concerning this invoice or how to make the payment, please contact William Potoczak at wpotoczak@mpccpa.com or at (216) 682-0847.

Any other questions you have regarding your investment should be directed to Pacific West Capital Group at (800) 588-8000.

Very truly,

MILLS, POTOZAK & COMPANY, Trustee
PWCG Trust



By: William M. Potoczak
President

Sender's e-mail address: wpotoczak@mpccpa.com
Sender's direct dial: 216-682-0847

EXHIBIT I

EXHIBIT I

Mark G. Mills
William M. Potoczak

August 1, 2015

01 The Entrust Group Inc., FBO
Svetlana Averbukh IRA 31759LA
555 12th St., Suite 1250
Oakland, CA 94607

RE: 536001378

Dear Investor:

As the trustee of the PWCG Trust associated with your purchase of the life settlement benefit referenced above, we are contacting you with regard to the status of the funds reserved at the time you made your purchase to pay premiums on the policy related to your benefits. According to our records, the insured for the policy in which you purchased a beneficiary interest is still living.

As you know, funds in an amount sufficient to pay premiums in accordance with your Life Settlement Disclosure Form as a part of your Life Settlement Purchase Agreement (the "Reserve Period") were set aside when you made your purchase ("Primary Reserve".) In addition, reserves were set up in accordance to Section 2 (b) ("Secondary Reserves"). The contractual Primary Reserve period is completed and the Secondary Reserves are now exhausted. To preserve the value of the policy benefits you own, premiums on the policy must continue to be paid in a timely fashion. Failure to pay premiums when due will cause the policy to lapse resulting in the loss of your interest in the policy and any ability for you to receive any money upon the death of the insured. Therefore, it is necessary to replenish the premium reserve funds used to pay premiums on your policy.

We are contacting you in accordance with Section 2 (b) of your Life Settlement Purchase Agreement to request that you **pay a sum of \$4,621.87** (see attachment) to the premium reserve fund for which we serve as Trustee. This amount represents your share of the total amount necessary to maintain the policy for approximately one year. Your amount due is based upon the most current premium illustration available at the time of this calculation. Should the policy benefits be paid prior to the expiration of this additional one year period, your pro rata share of any remaining unpaid premiums will be refunded to you. **Please be advised, that additional payments necessary for premiums on the policy may be required in the future.**

As stated above, it is crucial that the premium reserve fund used to pay your premium on the policy be replenished because failure to pay the premiums when due on the policy will cause it to lapse. Lapse of the policy will result in the loss of your interest in the policy and any ability for you to receive any money upon the death of the insured. Where there are multiple interest holders on a particular policy, all interest holders must pay their respective share of the outstanding premiums, and we are asking all joint holders of all policies on which the premium reserve fund has been depleted to pay their *pro rata* share of the outstanding premiums. If any interest holders on the jointly owned policy elects not to make the premium payment due, that interest holder will be deemed to have relinquished his/her interest in the policy. Among other possible methods, if an interest holder does not make their pro-rata share of the premium amount, the face value of the policy could then be reduced to reflect the level of the unpaid interest holder's premium.

IF YOUR INTEREST WAS PURCHASED USING QUALIFIED FUNDS, PAYMENT MUST BE REMITTED TO YOUR IRA CUSTODIAN WITH A COPY OF THE ENCLOSED INVOICE. If your interest was purchased with NONQUALIFIED FUNDS, please make your check payable to PWCG Trust, Mills, Potoczak & Company, Trustee and mail it to MILLS, POTOZAK & COMPANY, 27600 Chagrin Boulevard, Suite 200, Cleveland, Ohio 44122.

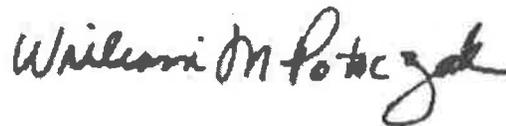
We are requesting that your payment in full arrive not later than thirty days from the date of this letter. Partial payments will be returned.

If you have any questions concerning the calculation of the amount or how to make the payment, please contact Linda Lee at (216) 682-0847.

Any other questions you have regarding your investment should be directed to Pacific West Capital Group at (800) 588-8000.

Very truly,

MILLS, POTOZAK & COMPANY, Trustee
PWCG Trust



By: William M. Potoczak
President

Sender's e-mail address: wpotoczak@mpccpa.com

Sender's direct dial: 216-682-0847

EXHIBIT J

EXHIBIT J



Certified Public Accountants and Business Advisors

27600 Chagrin Boulevard
Suite 200
Cleveland, Ohio 44122-4464
Phone: 216.464.7481
Fax: 216.464.7581
www.mpccpa.com

Mark G. Mills
William M. Potoczak

April 29, 2016

01 The Entrust Group Inc., FBO
Svetlana Averbukh IRA 31759LA
555 12th St., Suite 1250
Oakland, CA 94607

RE: 536001378

Dear Investor:

As the trustee of the PWCG Trust associated with your purchase of the life settlement benefit referenced above, we are contacting you with regard to the status of the funds reserved at the time you made your purchase to pay premiums on the policy related to your benefits. According to our records, the insured for the policy in which you purchased a beneficiary interest is still living.

As you know, funds in an amount sufficient to pay premiums in accordance with your Life Settlement Disclosure Form as a part of your Life Settlement Purchase Agreement (the "Reserve Period") were set aside when you made your purchase ("Primary Reserve"). In addition, reserves were set up in accordance to Section 2 (b) ("Secondary Reserves"). The contractual Primary Reserve period is completed and the Secondary Reserves are now exhausted. To preserve the value of the policy benefits you own, premiums on the policy must continue to be paid in a timely fashion. Failure to pay premiums when due will cause the policy to lapse resulting in the loss of your interest in the policy and any ability for you to receive any money upon the death of the insured. Therefore, it is necessary to replenish the premium reserve funds used to pay premiums on your policy.

We are contacting you in accordance with Section 2 (b) of your Life Settlement Purchase Agreement to request that you pay a sum of \$4,837.49 (see attachment) to the premium reserve fund for which we serve as Trustee. This amount represents your share of the total amount necessary to maintain the policy for approximately one year. Your amount due is based upon the most current premium illustration and annual statement available at the time of this calculation. The estimated premium requirement through the next 5 years is also attached. Should the policy benefits be paid prior to the expiration of this additional one year period, your pro rata share of any remaining unpaid premiums will be refunded to you. **Please be advised, that additional payments necessary for premiums on the policy may be required in the future.**

As stated above, it is crucial that the premium reserve fund used to pay your premium on the policy be replenished because failure to pay the premiums when due on the policy will cause it to lapse. Lapse of the policy will result in the loss of your interest in the policy and any ability for you to receive any money upon the death of the insured. Where there are multiple interest holders on a particular policy, all interest holders must pay their respective share of the outstanding premiums, and we are asking all joint holders of all policies on which the premium reserve fund has been depleted to pay their *pro rata* share of the outstanding premiums. If any interest holders on the jointly owned policy elects not to make the premium payment due, that interest holder will be deemed to have relinquished his/her interest in the policy.

IF YOUR INTEREST WAS PURCHASED USING QUALIFIED FUNDS, PAYMENT MUST BE REMITTED TO YOUR IRA CUSTODIAN WITH A COPY OF THE ENCLOSED INVOICE. If your interest was purchased with NONQUALIFIED FUNDS, please make your check payable to PWCG Trust, Mills, Potoczak & Company, Trustee and mail it to MILLS, POCZAK & COMPANY, 27600 Chagrin Boulevard, Suite 200, Cleveland, Ohio 44122.

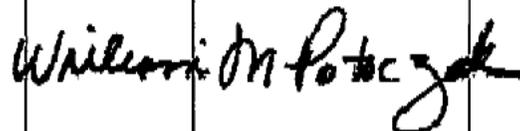
We are requesting that your payment in full arrive not later than thirty days from the date of this letter. If your payment is not received within the first thirty days, additional notices will be sent until the ninety day contractual period has closed. Partial payments will be returned.

If you have any questions concerning this invoice or how to make the payment, please contact William Potoczak at wpotoczak@mpccpa.com or at (216) 682-0847.

Any other questions you have regarding your investment should be directed to Pacific West Capital Group at (800) 588-8000.

Very truly,

MILLS, POCZAK & COMPANY, Trustee
PWCG Trust



By: William M. Potoczak
President

Sender's e-mail address: wpotoczak@mpccpa.com
Sender's direct dial: 216-682-0847