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MICHAEL A. GRASSMUECK and
MAGGIE LYONS, and WILLAMETTE
PROPERTY HOLDINGS, LLC

UNITED STATES DISTRICT COURT
DISTRICT OF OREGON
EUGENE DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

SUNWEST MANAGEMENT, INC.,
CANYON CREEK DEVELOPMENT,
INC., CANYON CREEK FINANCIAL,
LLC, AND JOHN M. HARDER,

Defendants,

DARRYL E. FISHER, ET AL.,

Relief Defendants.

Case No. 6:09-cv-6056-AA

**RECEIVERS MICHAEL
GRASSMUECK'S AND MAGGIE
LYONS' REPORT AND
RECOMMENDATIONS AS OF
AUGUST 31, 2016**

Michael A. Grassmueck and Maggie Lyons, the duly appointed and acting receivers (collectively, the "Receiver") for Sunwest Management, Inc., Canyon Creek Development, Inc., Canyon Creek Financial, LLC, Fuse Advertising, Inc., KDA Construction, Inc., and other affiliates and entities (collectively, the

"Receivership Entities") and Willamette Property Holdings, LLC ("Willamette")¹, hereby present this interim status report to the Court with regard to the remaining work to be performed by the Receiver in connection with the receivership and to provide an estimate with regard to the timing for concluding the case. In accordance with the orders confirming Receiver's, CRO's and Debtor's Second Amended Joint Plan of Reorganization as Modified By the First Modification to the Second Amended Joint Plan of Reorganization and the Distribution Plan and Distribution Plan Approval, (see, USDC Case No. 09-cv-6082-HO Docket Nos. 1518 and 1518-1), the Receiver continues the process of liquidating the remaining Trustco Assets and addressing outstanding tax and administrative matters. The following is a general description of the recent receivership activity as well as a description of anticipated work necessary to bring this case to an end.

1. Encore Indemnity, Ltd.

Trustco, renamed to Willamette Property Holdings ("WPH"), holds an equity interest in Encore Indemnity, Ltd. ("Encore"), an insurance entity formed in the Cayman Islands by Sunwest Management, Inc. primarily for the purpose of providing insurance for the Sunwest assisted living facilities and other assets. The Receiver has been working with the reinsurer, The Hartford Company, to monetize WPH's remaining interest in Encore. The means for accomplishing this is through a commutation agreement followed by obtaining the approval for the dissolution of Encore by the Cayman Islands Monetary Authority ("CIMA"). The Receiver has spent months negotiating with The Hartford Company to reach a commutation settlement.² As previously noted, the receivership estate cannot recover its equity

¹ See Order Granting Preliminary Injunction and Appointing Receiver, p. 7-8 [Docket No. 64]; Order Granting Additional Preliminary Injunction and Appointing Receiver for Additional Entities, p. 4 [Docket 604]; and Unopposed Order Granting Additional Preliminary Injunction and Appointing Receiver for Additional Entities, p. 6-7 [Docket No. 314] (collectively, the "Appointment Orders").

² A commutation is generally a settlement of accrued or paid claims for insurance or reinsurance proceeds and may include a mutual release of future known and unknown losses or claims.

in Encore until an acceptable commutation agreement is reached and CIMA has agreed to allow the carrier to dissolve.

On August 23, 2016, the Receiver presented the fully executed Commutation Agreement to this Court for approval. (Docket No. 2594). The Court approved the Commutation Agreement pursuant to that order entered September 5, 2016. (Docket No. 2596). With that order in hand, the Receiver will apply to CIMA to dissolve Encore. While not controversial, the Receiver understands that CIMA may take anywhere from 3 to 6 months to approve the dissolution. The Receiver projects that upon dissolution of Encore, the receivership will recover approximately \$7.7 million.

2. Alabama Residential Lots.

WPH jointly owns interests in residential real estate in Alabama (the "Alabama Property"). While sales efforts previously described to the Court failed to yield acceptable offers, the Receiver hopes to have an agreement to sell the Alabama Property before the end of 2016 at a price which will return a significant sum to the estate.

3. Accounting, Distributions and Close of the Case.

The Receiver continues to hold and account for the Receivership Entities' proceeds in accordance with the orders of this Court and the IRS rules governing qualified settlement funds. Attached hereto as Exhibit A is a Balance Sheet for the Receivership Entities through August 12, 2016.

It should be noted that the Receiver is continuing to work with the Internal Revenue Service ("IRS") to address a few lingering tax issues associated with missing Taxpayer Identification Numbers ("TINs"). It may be necessary to establish a reserve to address obligations arising out of the missing TINs depending on when the IRS dispute can be resolved. The Receiver does not

anticipate any hold-up with regard to the final distribution and close of the case based on the IRS issues because the amount at issue is relatively small compared to total recoveries and the Receiver will simply propose that any undistributed reserve be turned over to the U.S. Treasury or the Securities and Exchange Commission as part of the final discharge and accounting.

While the Receiver has cash on hand, the Receiver does not recommend making an interim distribution at this time because the cost of making such an interim distribution is not warranted in light of the amount of money available for distribution. It is anticipated that upon receipt of the Encore funds and the funds from the sale of the Alabama Property, the Receiver will be able to make a final distribution of approximately 2.5% of the allowed MIMO claims. If CIMA acts in accordance with the Receiver's understanding, then the Receiver will be in a position to make a final distribution, close the entire case and seek a discharge of the Receiver by the 2nd quarter of 2017.

Dated: September _____, 2016

Respectfully submitted,

By: _____
MAGGIE LYONS, Receiver

By: /s/ David R. Zaro
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MICHAEL A. GRASSMUECK and
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