

DAVID R. ZARO (CSB No. 124334) (Pro Hac Vice)  
ALLEN MATKINS LECK GAMBLE  
MALLORY & NATSIS LLP  
865 South Figueroa Street, Suite 2800  
Los Angeles, California 90017-2543  
Phone: (213) 622-5555  
Fax: (213) 620-8816  
E-Mail: dzaro@allenmatkins.com

Attorneys for Receivers  
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  
SEPTEMBER 29, 2017**

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")<sup>1</sup>,

<sup>1</sup> See Order Granting Preliminary Injunction and Appointing Receiver, p. 7-8 [Docket

hereby present this interim status report to the Court with regard to the remaining work to be performed by the Receiver and to provide an estimated timeframe 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 has continued the process of liquidating the remaining Trustco Assets and addressing outstanding tax and administrative matters.

The Receiver currently holds cash in the amount of \$15,171,360.83, which will be used to pay taxes, make distributions to investors, and pay administrative expenses of the Receiver and professionals. The following is a description of the recent receivership activity as well as the work necessary to bring this case to an end.

**1. Encore Indemnity, Ltd.**

In August 2017, the receivership estate recovered \$7.7 million in remaining equity in Encore following approval of dissolution by its regulatory agency, the Cayman Islands Monetary Authority. During the course of the receivership, recoveries for the investment in Encore totaled \$23.7 million, of which \$16 million has already been distributed to creditors.

**2. Alabama Residential Lots.**

As noted in prior reports, Willamette held an interest in a collection of parcels of real property slated for development as a residential community in Brookwood, Alabama (hereafter the "Property".) The property consists of 192 platted lots, several common area open spaces, and two unplatted parcels (hereafter

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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").

referred to as "Parcel A" and "Parcel E"). Exhibit A is a description of the Property taken from the Receiver's marketing brochure for the Property.

The Receiver began diligently seeking a buyer for the Property after a settlement was reached in 2015 with the minority owners of Parcel A. This settlement resolved several disputes between the minority owners of Parcel A and Willamette. Resolution of these disputes was a condition to selling the entirety of the Property.

In June 2017, the Receiver consummated a sale of the Property. However, at the time of the sale, Tuscaloosa County declined to record the deed for Parcel E due to an insufficient property description. The Receiver is currently awaiting a survey of Parcel E in order to provide a legal description satisfactory to Tuscaloosa County.

Parcel A also dropped out of the sale. The Receiver could not deliver title for Parcel A because the minority owners of Parcel A, GRQS LLC, an Oregon limited liability company ("GRQS") and its members Douglas Crosby, David Longood, Robert Longood and Paul Wulf, were unable or unwilling to release their ownership interests despite the terms of the 2015 settlement agreement. Counsel for Willamette, John Spencer Stewart, and counsel for GRQS, Rohn M. Roberts, are working toward resolution of the outstanding issues to allow the Receiver to transfer Parcel A to the buyer. The Receiver is also awaiting a survey of Parcel A in order to provide a legal description satisfactory to Tuscaloosa County.

The Receivership will recover approximately \$800,000 for its ownership interest in the Property after closing costs.

### **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 B is a Balance Sheet for the Receivership Entities through August 31, 2017.

During the past year, the Receiver worked successfully with the Internal Revenue Service ("IRS") to resolve the previously reported tax issues associated with missing Taxpayer Identification Numbers ("TINs").

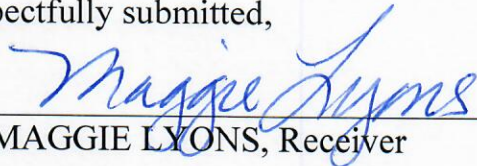
On March 31, 2017, the Receiver mailed an information update letter to all creditors that included a request for address and ownership updates. Since March, the Receivership has received and processed approximately 2,000 investor updates to the SW Investor Data File.

Consistent with previous projections, the Receiver will be able to make a final distribution of approximately 2.5% of the allowed MIMO claims. The Receiver anticipates issuing the final distribution to creditors during the 4<sup>th</sup> quarter of 2017 assuming title for the Property can be cleared and the parcels transferred to the buyer.

Following the final distribution, the Receiver will file a motion to close the receivership, destroy documents and records and discharge the Receiver. The Receiver will set aside sufficient funds to pay for final tax returns to be prepared and filed. At that time, the Receiver will also ask the Court to approve the professionals' final fee applications and to approve turnover of any remaining funds (i.e. funds from returned or uncashed distribution checks) to the SEC or the United States Treasury.

Dated: September 29, 2017

Respectfully submitted,

By:   
MAGGIE LYONS, Receiver

ALLEN MATKINS LECK GAMBLE  
MALLORY & NATSIS LLP

By:           /s/ David R. Zaro            
DAVID R. ZARO  
(Pro Hac Vice, CSB No. 124334)  
Attorneys for Court Appointed Receivers  
MICHAEL A. GRASSMUECK and  
MAGGIE LYONS

## CERTIFICATE OF SERVICE

I hereby certify that the foregoing **RECEIVERS MICHAEL GRASSMUECK'S AND MAGGIE LYONS' REPORT AND RECOMMENDATIONS AS OF SEPTEMBER 29, 2017** was served on all ECF participants through the Court's Case Management/Electronic Case File system on the date set forth below.

**Service by U.S. Mail.** The Court's Case Management/Electronic Case File system indicates the below recipients are not ECF participants and are being served with a copy of the foregoing document by placing a true and correct copy thereof in a sealed envelope(s) addressed as indicated below.

Dated: September 29, 2017

ALLEN MATKINS LECK GAMBLE  
MALLORY & NATSIS LLP

By:                   /s/ David R. Zaro                  

DAVID R. ZARO  
(Pro Hac Vice, CSB No. 124334)  
Attorneys for Receivers  
MICHAEL A. GRASSMUECK  
AND MAGGIE LYONS