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5 UNITED STATES DISTRICT COURT
6 DISTRICT OF OREGON

7 SECURITIES AND EXCHANGE
8 COMMISSION,

9 Plaintiff,

10 v.

11 C. WESLEY RHODES, JR., RHODES
ECONOMETRICS, INC., THE RHODES
12 COMPANY, and RESOURCE
TRANSACTIONS, INC.,

13 Defendants.

Case No. CV06-1353-MO

FOURTH REPORT OF RECEIVER MICHAEL
A. GRASSMUECK

14
15 **I. INTRODUCTION**

16 This is the fourth report to the Court by the Receiver Michael A. Grassmueck. This report
17 provides:

- 18 • A summary of the major activities since the Third Report of Receiver
- 19 • An updated overview of the financial position of the receivership estate

20 This report does not constitute an audit of the financial condition of the receivership. Its purpose is
21 to keep the Court and interested parties informed and should not be used for any other purpose.

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23 **II. RECEIVERSHIP ACTIVITIES**

24 This report outlines the major activities of the receivership from September 29, 2007 through
25 March 17, 2008. The major activities in this period are broken into three categories: (a) the
26 contempt hearing; (b) continued asset sales; (c) claims process and (d) litigation.

1 **A. Contempt Hearing**

2 On November 16, 2007, the Receiver learned of an undisclosed storage unit in Wilsonville,
3 Oregon that was controlled by the defendant and rented in the name of a Receivership entity. It
4 was determined that this storage unit had a high probability of containing both rightful assets of
5 the estate and other items of importance to the case in general. The Receiver took possession of
6 the storage unit on November 17th, 2007 and found \$38,000 in cash, three Rolex watches, twenty-
7 seven pieces of jewelry and over 30 boxes of previously undisclosed investor records.

8 The Receiver moved promptly and filed an *ex parte* Motion for Order to Show Cause Why C.
9 Wesley Rhodes, Jr. and Anne Rhodes Should Not Be Held in Contempt and a hearing was held on
10 November 19, 2007. At this hearing the Receiver requested and was granted permission to search
11 the Mr. and Mrs. Rhodes' person, home, vehicles and storage units. This search yielded additional
12 boxes of previously undisclosed investor records, information regarding furniture sales and other
13 previously secreted data.

14 On December 18, 2007, the Court held a hearing on whether the Rhodes should be held in
15 contempt as requested by the Receiver. Only Anne Rhodes appeared in person at that hearing, at
16 which time the Court issued a verbal ruling that Ms. Rhodes was in contempt of court. On
17 December 18, 2007 and January 4, 2008 respectively, the Court entered orders that Anne Rhodes
18 and C. Wesley Rhodes, Jr. ("Rhodes") were found in contempt of court. As a result, the Receiver
19 was granted possession of the contents of the storage unit, four contemporary cars, over \$40,000
20 of antique furniture held on consignment at Main Street Mercantile in Aurora, Oregon, and all of
21 Rhodes' interests in real and personal property, including his interest in the real property located at
22 12075 SW King Richard Drive, King City, Oregon (subject to any interest that Elizabeth Rhodes
23 may have).

24 The Receiver analyzed the benefit of these actions to the estate. In addition to the
25 unquantifiable benefits of having access to more investor records and financial documents, the
26 Receiver expects the assets mentioned in this section to contribute over \$250,000 to the estate.

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1 **B. Asset Sales**

2 The Receiver has sold real and personal property during the period of this report. They are as
3 follows:

4 *Contemporary Car Sales*

5 At the filing of the Third Report, there were two cars remaining on consignment with Gran
6 Prix Imports in Wilsonville, Oregon. The 2005 Ferrari F430 was sold in early February, 2008 and
7 netted \$251,475 to the estate. The Receiver expects the 2005 Panoz Esperante to sell within the
8 next 30-60 days and still anticipates a sales price of approximately \$89,000.

9 The Receiver took possession of five additional contemporary cars as the result of the Court's
10 finding of contempt. They vehicles and estimated sales price are as follows:

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Year	Make & Model	Est. Net Sale Amount
2004	Acura TSX	\$18,500
2004	Audi A8L	\$24,500
2004	Ford Explorer	\$12,500
2002	Chevy Silverado	\$13,500
2005	Chevy Tahoe	\$18,500

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19 The Receiver, with the assistance of Zakula Beal Auctioneers, will sell these vehicles at public
20 auction on April 12, 2008 at 9:00 a.m. at 9348 N. Peninsular Avenue, Portland, Oregon.

21 *Settlement of 1932 Ford Dearborn Deuce Roadster*

22 At the time of appointment, Tualatin Auto Body, Inc. dba So-Cal Speed Shop of Tualatin,
23 Oregon ("So-Cal") was in the process of rebuilding a 1932 Ford Dearborn Deuce Roadster for the
24 Defendant. This vehicle is currently valued at \$36,500 (it is currently unfinished) and \$12,105.53
25 is still owed to So-Cal for parts. So-Cal has offered to purchase the vehicle for \$24,398.48 and the
26 Receiver believes that this proposed sale is in the best interest of the estate.
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1 *Personal Property Auction -- Memorabilia, Household Goods and Misc. Personal Property*

2 The Receiver, with the assistance of the James G. Murphy Company, conducted a personal
3 property auction on site at the former Rhodes' residence on September 29, 2007. This auction
4 liquidated memorabilia, automobilia, music posters, artwork, furniture and other personal property
5 items. This auction netted \$134,794.20 to the estate.

6 *Rhodes Econometrics Auction -- Office Equipment*

7 The Receiver, with the assistance of the James G. Murphy Company, auctioned the Rhodes
8 Econometrics' office equipment, furniture and office supplies on October 11, 2007. This auction
9 netted \$16,030.77 to the estate.
10

11 *Real Property*

12 The real property at 28714 SW Mountain Road, West Linn, Oregon sold in early February
13 2008 for \$1,130,000.00. After commission, charges, taxes and paying off the encumbrances, the
14 estate netted \$416,978.82.

15 The Receiver has sold half of the estate's 4/17th interest in the beach property located at 49995
16 Seasand Road, Neskowin, Oregon. The 2/17th interest sold for \$80,000 and the estate netted
17 \$67,229.70 after holdback for potential repairs to the rip rap damaged in last winter's storms. It is
18 anticipated that the remaining 2/17th shares will sell for approximately the same amount and the
19 Receiver believes that he will sell it in the next 30-60 days.
20

21 *Veterinary Clinic Properties LLC et al.*

22 The Receiver has evaluated its successor interest in these five veterinary-related businesses
23 and is currently negotiating with the other partners to reach an appropriate resolution for
24 disposition of the receivership's interests in those businesses.
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1 **C. Claims Process**

2 The Claims Bar Date was December 17, 2007 at 5:00 PM PDT. The Receiver received 88
3 claims. There were 78 investors that filed claims as well as 6 trade creditors (certain investors filed
4 multiple claims). The aggregate amount claimed by all parties was \$37,674,951.48. The Receiver
5 recommended approval of \$21,765,338.21 in allowed claims.

6 The Receiver filed his Omnibus Motion Regarding Claims on March 14, 2008 and provided
7 notice to all claimants regarding the treatment of their respective claims.

8 Interested parties have until May 16, 2008 to file any objections they may have to the
9 Receiver's treatment of claims. The Receiver then has until July 15, 2008 to reply to any
10 objections raised, file a status report with the court, and, if necessary, request a hearing regarding
11 any unsettled objections.

12 When all objections have been settled, the Receiver will file a Plan of Distribution. After a
13 Distribution Order has been signed, the Receiver will then distribute available funds on a pro rata
14 basis to all investors and creditors with allowed claims.

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16 **D. Litigation**

17 *Michael A. Grassmueck v. Anne Rhodes*

18 The Receiver has reached a tentative settlement in this regard, which has been the subject of a
19 Notice of Intent to Settle, which was filed with the Court and served on the interested parties. The
20 full details of this settlement are available through Pacer or by contacting the Receiver's office.
21 Many investors have filed objections to the settlement. This matter is currently before the Court.

22 *Third Party Litigation*

23 The Receiver filed a complaint against Monte Haynes, Tatiana Eldien, and David and
24 Kathleen Waldram on September 21, 2007 seeking recovery of fraudulent transfers in excess of
25 \$322,000. Monte Haynes and Tatiana Eldien proposed a settlement in the amount of \$290,000
26 and the Receiver accepted this settlement and filed/served a Notice of Intent to Settle with
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1 Haynes/Eldien on February 12, 2008. Only one investor objected to the settlement and that matter
2 is currently before the Court. The Receiver continues to litigate against David and Kathleen
3 Waldram.

4 The Receiver is also aware that an individual received commissions for referring certain
5 investors to C. Wesley Rhodes, Jr. After discussion with counsel, the Receiver has determined
6 that this would not be appropriate litigation for the Receivership to pursue.

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8 **III. ACCOUNTING OF THE RECEIVERSHIP ESTATE**

9 The cash balance of the receivership estate as of the beginning of the reporting period on
10 September 28, 2007 was \$4,408,138. The receivership estate has received \$1,308,157 in income
11 and paid \$761,494 in expenses during the six months of this reporting period. Currently, the
12 receivership estate has \$4,954,802 in cash assets and anticipates approximately \$1,000,000 in
13 additional revenue for the sale of real property, third party litigation and other asset sales. Further
14 detail is presented in Exhibit A and B.

15

16 **IV. CONCLUSION**

17 This Fourth Report of Receiver reflect the Receiver's work and conclusions to date. As noted
18 above, the findings outlined in this report are based on the information that has been discovered to
19 date and are subject to clarification, expansion or change pending additional work by the Receiver
20 and his team.

21 Respectfully submitted this 31st day of March, 2008.

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Michael A. Grassmueck, Receiver

CERTIFICATE OF SERVICE

I hereby certify that on April 1, 2008, I served a true copy of the foregoing **FOURTH REPORT OF RECEIVER MICHAEL A. GRASSMUECK** on the following individuals by facsimile, electronic mail and/or first class mail, addressed to their last known regular address and deposited in the Post Office at Portland, Oregon:

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DATED: April 1, 2008

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