

PRELIMINARY FORENSIC ACCOUNTING ANALYSIS

SUMMARIZED FINANCIAL STATEMENTS

The following summarized balance sheets and income statements for the years 1999-2005 were prepared from records attributed to The Rhodes Company and Rhodes Econometrics, Inc. The statements are provided for Court purposes only and cannot be relied upon as representative of any aspect of The Rhodes Company, Rhodes Econometrics, Inc., the Rhodes Entities or its subsidiaries and affiliates.

It is our understanding that most of the underlying accounting data was entered or recorded internally, at Rhodes Econometrics, Inc. Subsequently, year-end adjustments were made by the Companies' external CPA to record additional revenues and reconcile the operations with actual bank activity prior to preparation of the corporate tax returns. Often, the external CPA relied upon Mr. Rhodes' representations as what deposits constituted Company revenues.

We have only presented financial data through December 31, 2005 for both Companies as this is the last calendar year completed. As such, significant year-end adjustments have not yet been recorded for the year 2006 and any presentation of the 2006 fiscal activity would be grossly misstated.

financialforensics® does not attest to the accuracy of these financial statements since they have not performed an audit, review or compilation of the same. The results are only a function of the financial records environment as defined by our investigation. The universe of data is continuously evolving as more information becomes available.

The financial statements are prepared on a modified-cash basis and all assets are recorded at "book value". Given the accounting method and inconsistency in source data, the balance sheets should not be viewed as an accurate portrayal of the assets and liabilities of The Rhodes Company or Rhodes Econometrics, Inc. as of December 31, 2005. For example, the Company may have recorded \$86,259 in fixed assets. However, that does not imply that this is the fair market value of these assets or that all assets were on hand as of the appointment date of the Receiver.

Additionally, the Companies operated on primarily a cash basis and only recorded expenditures as paid. Therefore accounts payable and other liabilities may be grossly understated as of December 31, 2005. An accurate presentation of total payables will only be available once the Receiver has completed the claims process.

For purposes of the Report, the following generally accepted accounting definitions are offered for reference:

- Financial statement* – Any report summarizing the financial condition or financial results of a person or organization on any date or for any period. Financial statements include

the balance sheet and the income statement and sometimes the statement of changes in financial position.¹

- *Balance sheet* – The balance sheet, sometimes called the statement of financial position, lists the company's assets, liabilities and stockholders' equity (including dollar amounts) as of a specific moment in time.²
 - *Assets* - Assets are probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events.³
 - *Liabilities* - Liabilities are probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.⁴
 - *Equity* - Equity or net assets is the residual interest in the assets of an entity that remains after deducting its liabilities.⁵

- *Income statement* – The income statement, sometimes called an earnings statement, reports the profitability of a business organization for a stated period of time. In accounting, we measure profitability for a period, such as a month or a year, by comparing the revenues generated with the expenses (and costs) incurred to produce these revenues.⁶
 - *Revenues* - Revenues are inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations.⁷
 - *Expenses* - Expenses are outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity's ongoing major or central operations.⁸

BALANCE SHEET

The Rhodes Company and Rhodes Econometrics, Inc. balance sheets are as follows.

¹ Black's Law Dictionary 6th, West Publishing Co., (St. Paul, MN – 1990), page 631.

² Hermanson, Roger H., and Edwards, James Don, Financial Accounting – A Business Perspective 7th, Irwin/McGraw-Hill, (Boston, MA – 1998), page 20.

³ *Concept Statement No. 6*, “Elements of Financial Statements”, FASB (Financial Accounting Standards Board), (Norwalk, CN – 1985).

⁴ Ibid.

⁵ Ibid.

⁶ Hermanson, et al, page 18.

⁷ Ibid.

⁸ Ibid.

The Rhodes Company
Balance Sheets

	Dec 31, 99	Dec 31, 00	Dec 31, 01	Dec 31, 02	Dec 31, 03	Dec 31, 04	Dec 31, 05
ASSETS							
Current Assets							
Total Checking/Savings	20,669.76	2,683.66	5,751.54	-8,409.67	18,713.27	-15,701.78	8,118.90
Total Other Current Assets	0.00	7,011.68	45,851.78	0.00	39.49	3,527.54	30,992.30
Total Current Assets	20,669.76	9,695.34	51,603.32	-8,409.67	18,752.76	-12,174.24	39,111.20
Fixed Assets							
Total Fixed Assets	36,055.00	34,962.83	29,030.78	23,022.78	27,781.16	79,129.37	86,259.22
Other Assets							
Less Accumulated Amortization	-6,270.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan to VAM	0.00	5,207.10	5,207.10	5,207.10	5,207.10	5,207.10	5,207.10
Loan to VMC	4,905.27	4,905.27	5,430.27	5,430.27	5,430.27	5,430.27	5,430.27
Total Other Assets	-1,364.73	10,112.37	10,637.37	10,637.37	10,637.37	10,637.37	10,637.37
TOTAL ASSETS	55,360.03	54,770.54	91,271.47	25,250.48	57,171.29	77,592.50	136,007.79
LIABILITIES & EQUITY							
Liabilities							
Current Liabilities							
Total Credit Cards	39,413.18	37,094.87	17,303.00	14,832.77	19,738.53	19,613.71	11,725.76
Other Current Liabilities							
Credit line	0.00	0.00	0.00	0.00	0.00	95,000.00	133,536.41
Due to Duracraft	0.00	0.00	0.00	0.00	0.00	0.00	67,100.46
Due to Shareholder	205,484.61	0.00	0.00	0.00	58,762.28	37,067.58	0.00
Due To/From Rhodes Econometrics	-12,857.33	11,698.64	80,768.00	0.00	43,013.82	48,974.45	36,604.07
Total Payroll Liabilities	0.00	0.00	0.00	0.00	0.00	0.00	157.44
Pension Contribution	4,342.06	2,572.20	0.00	0.00	0.00	0.00	0.00
Total Other Current Liabilities	196,969.34	14,270.84	80,768.00	0.00	101,776.10	181,042.03	237,398.38
Total Current Liabilities	236,382.52	51,365.71	98,071.00	14,832.77	121,514.63	200,655.74	249,124.14
Long Term Liabilities							
lease payable-Canon	4,902.60	3,746.51	1,804.90	0.00	0.00	0.00	0.00
N/P Microsoft Network	15,180.86	12,616.02	9,516.48	0.00	0.00	0.00	0.00
Total Long Term Liabilities	20,083.46	16,362.53	11,321.38	0.00	0.00	0.00	0.00
Total Liabilities	256,465.98	67,728.24	109,392.38	14,832.77	121,514.63	200,655.74	249,124.14
Equity							
Capital Stock	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Retained Earnings	23,358.75	3,378.65	-15,210.17	-19,120.92	9,417.70	-65,343.35	-124,063.25
Shareholders Distribution	-19,453.21	0.00	-9,000.00	-175,056.06	0.00	0.00	0.00
Net Income	-206,011.50	-17,336.36	5,089.25	203,594.68	-74,761.05	-58,719.90	9,946.89
Total Equity	-201,105.96	-12,957.71	-18,120.92	10,417.70	-64,343.35	-123,063.25	-113,116.36
TOTAL LIABILITIES & EQUITY	55,360.02	54,770.53	91,271.46	25,250.47	57,171.28	77,592.49	136,007.78

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Rhodes Econometrics, Inc.
Balance Sheets

	Dec 31, 99	Dec 31, 00	Dec 31, 01	Dec 31, 02	Dec 31, 03	Dec 31, 04	Dec 31, 05
ASSETS							
Current Assets							
Total Checking/Savings	10,418.96	1,793.47	7,698.18	6,059.93	3,880.52	5,678.68	3,025.28
Other Current Assets							
Due To/From The Rhodes Co. Inc.	-12,857.33	11,698.64	80,768.00	0.00	43,013.82	48,974.45	36,604.07
Total Other Current Assets	-12,857.33	11,698.64	80,768.00	0.00	43,013.82	48,974.45	36,604.07
Total Current Assets	-2,438.37	13,492.11	88,466.18	6,059.93	46,894.34	54,653.13	39,629.35
Total Fixed Assets	5,356.00	3,139.00	0.00	3,694.00	2,216.00	738.00	1,812.00
Total Other Assets	5,832.25	4,277.25	2,722.25	1,167.25	0.00	0.00	0.00
TOTAL ASSETS	8,749.88	20,908.36	91,188.43	10,921.18	49,110.34	55,391.13	41,441.35
LIABILITIES & EQUITY							
Liabilities							
Current Liabilities							
Total Credit Cards	0.00	1,086.96	0.00	623.25	0.00	1,370.34	786.54
Total Other Current Liabilities	18,622.80	3,639.66	3,641.21	0.00	0.00	1,160.43	169.11
Total Current Liabilities	18,622.80	4,726.62	3,641.21	623.25	0.00	2,530.77	955.65
Total Long Term Liabilities	9,400.74	3,435.24	6,000.52	0.00	0.00	0.00	0.00
Total Liabilities	28,023.54	8,161.86	9,641.73	623.25	0.00	2,530.77	955.65
Equity							
Capital Stock	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00
Distributions - CWR	0.00	-19,314.32	-18,000.00	0.00	0.00	-72,755.47	-12,018.17
Retained Earnings	-54,987.00	-22,273.66	4,571.70	78,546.70	7,297.93	46,110.34	49,860.36
Net Income	32,713.34	51,334.48	91,975.00	-71,248.77	38,812.41	76,505.49	-356.49
Total Equity	-19,273.66	12,746.50	81,546.70	10,297.93	49,110.34	52,860.36	40,485.70
TOTAL LIABILITIES & EQUITY	8,749.88	20,908.36	91,188.43	10,921.18	49,110.34	55,391.13	41,441.35

Please refer to the above comments regarding the potential for overstatement/understatement of assets and/or liabilities within these balance sheets. These balance sheets do not represent the Fair Market Value of either the assets or liabilities for The Rhodes Company and Rhodes Econometrics, Inc. as of December 31, 2005.

INCOME STATEMENT

The Rhodes Company and Rhodes Econometrics, Inc. income statements are as follows.

The Rhodes Company
Income Statements

	Jan - Dec 99	Jan - Dec 00	Jan - Dec 01	Jan - Dec 02	Jan - Dec 03	Jan - Dec 04	Jan - Dec 05
Ordinary Income/Expense							
Income							
Consulting Income	28,822.30	171,859.50	189,329.67	353,581.85	213,524.09	368,280.99	285,431.23
Interest Income	165.28	144.59	523.02	771.59	6.24	3.49	931.02
Investment Advisory Income	0.00	0.00	0.00	78,302.95	0.00	0.00	0.00
Reimbursed Expenses	920.74	0.00	0.00	0.00	360.77	0.00	0.00
Rental Income	23,981.70	32,906.70	26,700.00	45,938.75	55,710.50	53,177.29	63,839.13
Uncategorized Income	0.00	0.00	2,815.00	0.00	0.00	0.00	0.00
Total Income	53,890.02	204,910.79	219,367.69	478,595.14	269,601.60	421,461.77	350,201.38
Expense							
Total Advertising	8,150.88	1,200.00	19,245.29	33,258.52	17,563.47	39,329.65	23,301.76
Automobile Expense	307.10	7,549.88	21,819.01	29,567.29	43.98	0.00	0.00
Bank Service Charges	294.96	293.32	373.27	329.18	492.52	174.73	478.51
Cash Discounts	20.00	0.00	0.00	0.00	0.00	0.00	0.00
Continuing Education	2,951.00	10,257.22	5,566.85	0.00	0.00	0.00	0.00
Contributions	100.00	700.00	0.00	65.00	1,717.54	0.00	500.00
Depreciation Expense	21,716.00	8,373.00	15,720.00	20,446.00	3,522.00	79,358.00	23,576.00
Dues and Subscriptions	2,870.40	722.00	482.00	1,373.89	1,773.68	4,332.00	1,164.85
Equipment Rental	0.00	202.73	0.00	1,205.50	3,496.90	6,004.38	3,468.00
Total Insurance	3,769.82	3,971.33	5,405.06	5,648.90	5,618.34	6,004.38	5,103.67
Total Interest Expense	7,713.29	8,505.20	10,309.70	661.11	3,192.42	4,172.32	9,882.82
Licenses and Permits	95.00	135.00	475.00	120.00	425.00	1,606.00	230.00
Miscellaneous	0.00	0.00	575.10	657.02	1,411.78	256.36	0.00
Moving	2,120.81	0.00	0.00	0.00	0.00	3,970.20	0.00
Office Supplies	18,456.71	8,427.38	7,156.12	18,392.32	33,635.25	7,143.33	5,237.90
Online services	0.00	0.00	0.00	0.00	0.00	1,220.80	12,096.19
Outside Services	0.00	27,561.13	28,841.59	10,719.50	11,800.00	50.00	19,100.32
Parking	4,403.25	600.00	600.00	600.00	600.00	635.00	661.50
Total Payroll Expenses	78,313.62	75,258.37	48,765.66	6,596.80	56,302.53	69,593.90	66,749.14
Total Payroll Taxes	7,260.49	7,507.23	4,867.58	4,340.13	6,816.63	7,307.56	6,544.27
Postage and Delivery	1,506.16	3,160.68	3,086.30	3,329.70	6,183.13	5,420.55	1,662.50
Printing and Reproduction	2,320.92	2,117.98	1,082.12	0.00	481.00	348.00	674.09
Total Professional Fees	34,941.59	11,800.64	3,052.90	63,274.41	121,843.79	145,368.01	73,377.29
Total Rent	39,103.66	15,852.25	17,172.67	52,497.50	54,283.08	44,700.93	69,793.15
Total Repairs	2,042.00	1,746.00	2,210.00	4,235.00	3,230.00	2,710.00	4,609.74
Research Materials	0.00	3,303.50	2,934.54	3,172.23	0.00	0.00	1,680.00
Total Taxes	929.47	1,722.47	238.34	270.65	148.92	216.99	566.96
Telephone	10,482.06	13,008.39	10,359.79	10,495.42	7,857.30	16,839.87	6,435.73
Total Travel & Ent	10,032.33	8,271.45	3,939.55	3,744.39	1,903.39	2,388.37	3,360.10
Total Expense	259,901.52	222,247.15	214,278.44	275,000.46	344,362.65	479,674.67	340,254.49
Net Ordinary Income	-206,011.50	-17,336.36	5,089.25	203,594.68	-74,761.05	-58,212.90	9,946.89
Net Other Income	0.00	0.00	0.00	0.00	0.00	-507.00	0.00
Net Income	-206,011.50	-17,336.36	5,089.25	203,594.68	-74,761.05	-58,719.90	9,946.89

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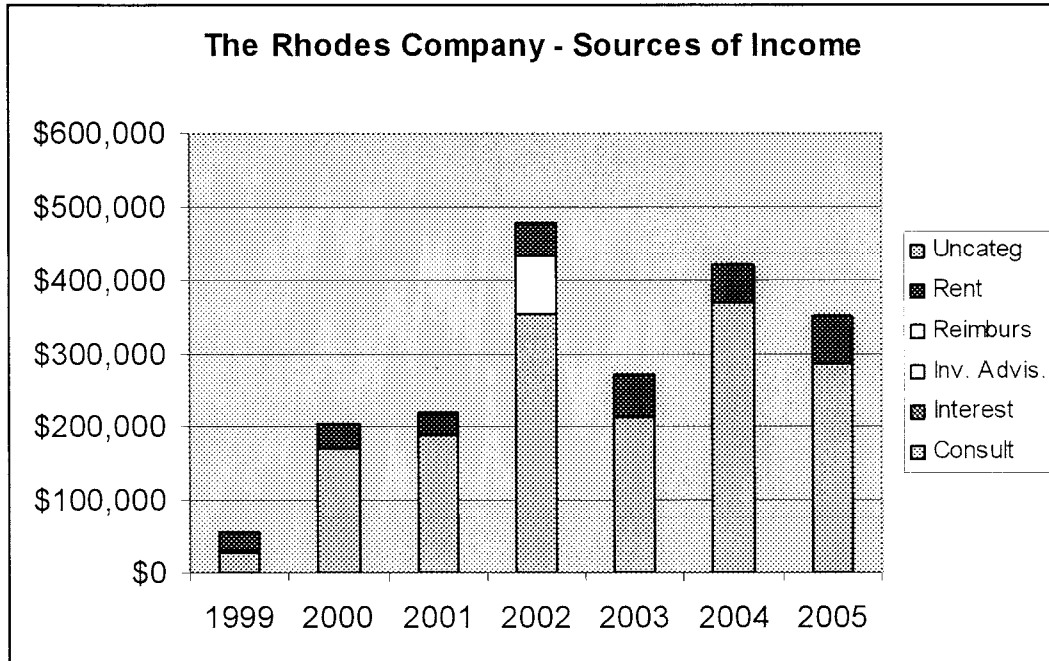
**Rhodes Econometrics, Inc.
Income Statements**

	<u>Jan - Dec 99</u>	<u>Jan - Dec 00</u>	<u>Jan - Dec 01</u>	<u>Jan - Dec 02</u>	<u>Jan - Dec 03</u>	<u>Jan - Dec 04</u>	<u>Jan - Dec 05</u>
Ordinary Income/Expense							
Income							
Advisory Fees	265,383.07	341,974.15	364,810.39	218,068.35	248,935.92	309,670.84	289,322.68
Total Income	<u>265,383.07</u>	<u>341,974.15</u>	<u>364,810.39</u>	<u>218,068.35</u>	<u>248,935.92</u>	<u>309,670.84</u>	<u>289,322.68</u>
Expense							
Internet Services	0.00	0.00	0.00	0.00	0.00	641.20	18,019.24
Moving	0.00	0.00	0.00	0.00	0.00	7,952.00	0.00
Research Materials	0.00	0.00	1,168.70	1,209.30	0.00	868.00	2,320.00
Gifts	0.00	335.00	0.00	0.00	413.48	40.45	0.00
Outside Services	0.00	180.00	0.00	13,267.94	12,637.60	1,987.55	28,276.95
Advertising	8,653.38	11,550.66	22,575.00	89,193.12	10,029.04	2,014.75	32,412.55
Employee Benefits	7,054.40	12,631.80	16,304.26	17,396.31	4,869.36	10,224.35	6,270.26
S/H Health Insurance	4,079.29	0.00	0.00	0.00	7,881.10	8,911.31	0.00
Amortization Expense	1,555.00	1,555.00	1,555.00	1,555.00	1,167.25	2,228.00	0.00
Automobile Reimbursements	17.75	0.00	0.00	665.03	2,635.25	897.57	227.94
Bank Service Charges	102.00	477.40	122.00	38.00	226.47	106.80	358.00
Depreciation Expense	2,217.00	2,217.00	2,031.00	2,639.00	2,728.00	1,493.73	1,176.00
Dues and Subscriptions	1,741.50	1,555.00	910.00	2,484.99	2,281.81	1,799.00	675.00
Equipment Rent	11,025.00	14,862.96	26,700.00	20,200.00	20,200.00	24,000.00	24,000.00
Interest Expense	1,825.67	735.70	889.89	0.00	0.00	6.31	30.59
Legal and Professional	13,332.55	3,262.84	6,988.90	4,188.10	2,793.15	15,097.45	11,346.58
Licenses and Permits	590.00	290.00	957.00	570.00	100.00	170.00	795.00
Meals and Entertainment	4,555.64	5,375.29	4,821.74	1,583.05	2,790.71	6,119.98	5,717.77
Miscellaneous	0.00	0.00	662.84	0.00	0.00	523.00	0.00
Office Supplies	2,307.54	11,886.61	1,839.33	1,368.21	2,223.37	2,417.19	7,223.12
Total Payroll Tax Expense	13,086.83	14,852.38	12,043.55	8,440.37	7,937.03	13,033.19	9,180.47
Pension Expense	17,529.31	16,620.83	0.00	0.00	0.00	0.00	0.00
Postage and Delivery	1,714.87	3,420.67	159.38	302.68	173.00	96.87	2,312.13
Printing and Reproduction	3,360.98	4,039.08	1,413.00	2,561.75	8,912.50	9,563.00	3,967.00
Professional Development	265.00	800.00	0.00	49.00	0.00	0.00	0.00
Total Rent	8,790.00	33,765.75	33,373.84	26,758.75	36,530.50	30,112.29	40,944.13
Repairs and Maintenance	0.00	110.00	1,108.00	0.00	0.00	0.00	0.00
Salary - Office	76,858.91	92,239.33	100,570.01	88,106.77	49,178.88	62,539.28	85,564.98
Salary - Officer	40,003.16	40,003.44	30,002.58	0.00	30,000.00	30,000.00	0.00
Taxes	310.00	10.00	48.90	-2.17	10.00	10.00	0.00
Telephone	3,333.44	8,331.23	1,820.12	2,010.67	3,214.95	1,313.96	8,888.00
Travel	8,376.82	9,649.53	5,954.25	4,794.48	1,863.03	0.00	0.00
Total Expense	<u>232,686.04</u>	<u>290,777.50</u>	<u>274,521.49</u>	<u>289,380.35</u>	<u>210,796.48</u>	<u>234,167.23</u>	<u>289,705.71</u>
Net Ordinary Income	32,697.03	51,196.65	90,288.90	-71,312.00	38,139.44	75,503.61	-383.03
Net Other Income	16.31	137.83	1,686.10	63.23	672.97	1,001.88	26.54
Net Income	<u>32,713.34</u>	<u>51,334.48</u>	<u>91,975.00</u>	<u>-71,248.77</u>	<u>38,812.41</u>	<u>76,505.49</u>	<u>-356.49</u>

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The composition of The Rhodes Company revenues is illustrated by the following visual.

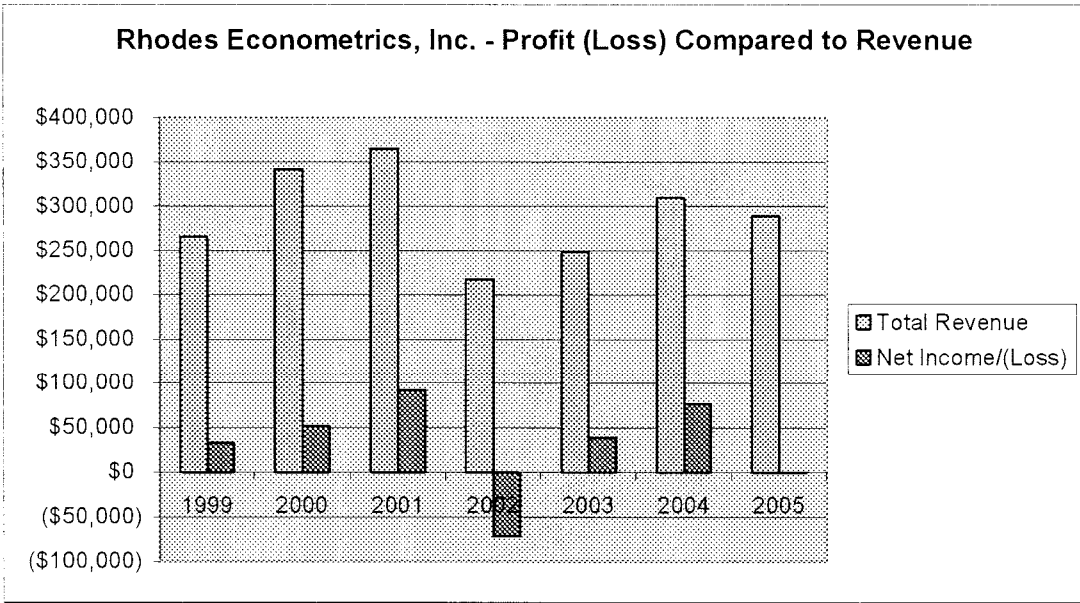
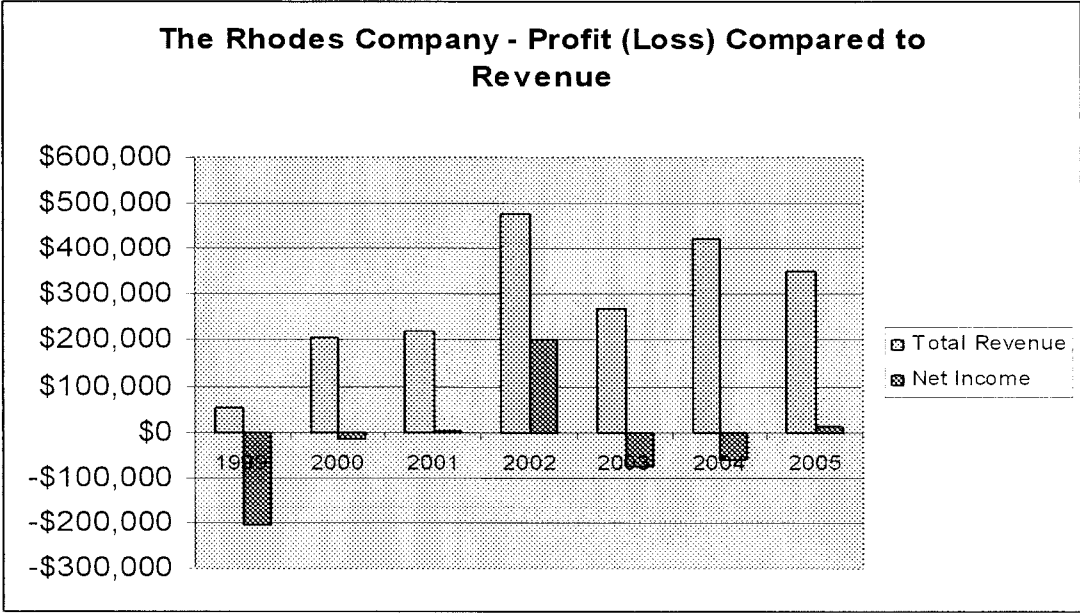


It is apparent that the revenues for both The Rhodes Company and Rhodes Econometrics, Inc. are grossly overstated as presented within the above income statements. We have observed multiple deposits from other entities and bank accounts that were erroneously classified as Company revenue. For example, the following monies from the Professional Practice Planning Services, Inc. bank accounts were reported as revenues in the respective Companies.

Date	Amount	To	From
01/28/04	\$14,500.00	The Rhodes Company	Professional Practice Planning Services – Investment Administration Account
12/20/04	\$36,850.00	Rhodes Econometrics, Inc.	Professional Practice Planning Services – Investment Administration Account

In fact, well over \$500,000 was transferred to The Rhodes Company and Rhodes Econometrics, Inc. from the Professional Planning Services – Investment Administration Account. There were also deposits from other entities/persons including, but not limited to: Charles W. Rhodes, Jr., Estates in Miniature LLC, and Dura-Craft, Inc. A significant portion of these monies was erroneously classified as revenue to The Rhodes Company or Rhodes Econometrics, Inc. Correction of these misclassifications and accounting for the true nature of these funds would result in material reductions to the revenues and resulting net income for both The Rhodes Company and Rhodes Econometrics, Inc. As such, the results of operations for both Companies are actually more dismal than as presented in the above Income Statements.

A comparison of net income to revenues for The Rhodes Company and Rhodes Econometrics, Inc. is illustrated by the following visuals.



Both of the above charts reflect the revenues and profit/(loss) as reported by the Companies. However, it is our understanding that these numbers are overstated due to the misclassification of various deposits as revenues. We have not attempted to restate the financial operations of the Companies at this time due to the ongoing nature of our investigation and lack of data necessary to do so.

THE NATURE OF THE RHODES ENTITIES FINANCIAL RECORDS

THE RECEIVER'S APPROACH

The Receiver's approach to the Rhodes Entities forensic accounting commenced with a Records-Based Expectations tactic (outlined above). This technique is based on the premise that the type and nature of an entity determines the *expectations* of the financial records that should be found within it.

For example, a construction company can ordinarily be expected to maintain a detailed job costing system supported by bid documents, etc. Likewise, a professional services firm should have a comprehensive time and billing system supporting its accounts receivable. Finally, a wholesale-distributor would be expected to manage a functioning inventory system. And, each entity would be expected to have relatively representative financial statements commensurate with the functional activities indicated in the examples provided.

THE EXPECTATIONS FOR THE RHODES ENTITIES' FINANCIAL RECORDS

In Rhodes Entities' case the Receiver formed his expectations of the types and nature of financial records to be found based upon the following key indicators provided prior to and during the execution of the Receivership:

- Rhodes Entities claimed to offer relatively leading-edge investment services.
- Rhodes Entities was rapidly acquiring substantial investor funds.
- Rhodes Entities consisted of about 100 high-end investors in Oregon and neighboring environs.
- Rhodes Entities was comprised of multiple entities with common and overlapping ownership.

THE REALITY OF RHODES ENTITIES' FINANCIAL RECORDS

The following table indicates the most succinct characterization of the Rhodes Entities' financial records environment. It compares and contrasts the various expectations with the actual state of affairs of Rhodes Entities' financial records.

Note that the table indicates a continuum of expectations, from the "Best Case" to the "Worst Case" scenario, with key indicators defining the reality of the circumstances. The shaded areas indicate the scoring for Rhodes Entities.

Case	EXPECTATIONS ATTRIBUTES					
	Management	Planning	Financial Statements	Accounting System	Independent Attestation	Other
Best	Vision clearly defined Management structure and controls defined People linked to vision	Comprehensive business plan Comprehensive budgets	Monthly/Annual consolidated financials Compared to budget Accountability applied as appropriate	Strong financial and accounting resources Single comprehensive system Investor stewardship	Audits for pertinent years	Services/products well-defined Prototypes in place and working
Next-Best	Management structure defined Controls in place Key people in place	Comprehensive budgets	Monthly financials Annual consolidated financials	Strong financial and accounting resources Investor stewardship	Audits or Reviews for key years	Services/products well-defined
Most Likely	Key Controls in place	Budgets for selected elements	Annual consolidated	Single system	Reviews for key years	Some services or products in place
Undesirable	No internal linkage	"Back of the envelope"	Inconsistent	Multiple systems	Compilation	Ideas of concepts
Worst	Internal barriers	None	None	Patchwork	None	Pre-idea

The preceding table indicates that Rhodes Entities' indicators placed it into the "Worst Case" scenario in every category except for "Other" since they had relatively well defined ideas of the concepts that they were promoting.

PRELIMINARY CONCLUSIONS

Our preliminary analysis only covers the operations of The Rhodes Company and Rhodes Econometrics, Inc. To date, these are the only companies for which we have received sufficient financial records to complete any type of meaningful analysis. We are currently in the process of working with financial institutions and other parties to obtain additional financial records for the remaining entities noted within the Receiver's Report.

It is apparent from the data received that both The Rhodes Company and Rhodes Econometrics, Inc. were operating at a net loss for most periods observed. The financial results presented above are grossly overstated as the Companies have recorded certain fund receipts as "revenues" when in fact they were mere transfers from other entities and/or bank accounts. The records indicate that these Companies received over \$500,000 from the PPS bank accounts. The Companies were typically reliant upon these outside transfers to maintain a positive cash position.

Finally, the actual accounting and financial records reviewed for The Rhodes Company and Rhodes Econometrics, Inc. appear to be extremely deficient given the nature of operations for the Companies. For example, the accounting records are maintained on a patchwork basis throughout the course of the year. At year-end, the external CPA reconciles bank activity with the accounting records, making a significant revenue adjustment to account for unrecorded deposits. Even then, the CPA is reliant upon Mr. Rhodes representations regarding the nature of said unrecorded deposits as revenue, loans or another source.