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5 UNITED STATES DISTRICT COURT
6 DISTRICT OF OREGON

8 SECURITIES AND EXCHANGE
9 COMMISSION,

10 Plaintiff,

11 v.

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

14 Defendants.

Case No. CV06-1353-MO

FIFTH REPORT OF RECEIVER
MICHAEL A. GRASSMUECK

15 **FIFTH REPORT OF RECEIVER**

16 **MICHAEL A. GRASSMUECK**

17
18 **I. INTRODUCTION**

19 This Fifth Report of Receiver Michael A. Grassmueck (the “Report”) is intended to
20 provide the Court and all interested parties with a summary of the Receiver’s major activities since
21 the Fourth Report of Receiver and to provide an overview of the financial position of the
22 receivership estate. This report does not constitute an audit of the financial condition of the
23 receivership. The purpose of this Report is to keep the Court and all interested parties informed
24 and is not intended to be used for any other purpose.

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1 **II. RECEIVERSHIP ACTIVITIES**

2 This report outlines the major activities of the Receivership from March 18, 2008 through
3 September 26, 2008. The major activities in this period are broken into three categories: (a) the
4 continued sale of real and personal property; (b) the claims and distribution process; and (c)
5 litigation against third parties.

6
7 A. The Sale of Real and Personal Property

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

10 *1. Personal Property*

11 - Antiques, Jewelry and Watches

12 On May 5, 2008, the Receiver sought and received an Order to sell the watches and
13 jewelry found in the Wilsonville storage unit. The watches were sold for \$9,075. The Receiver
14 contracted with Main Street Mercantile to sell the jewelry alongside the antiques previously placed
15 for sale. The jewelry and antiques have brought \$3,454.31 this reporting period.

16 - Car Sales

17 On April 10, 2008, the Receiver sold the 2005 Panoz for \$70,000.00. This was the final car to
18 be sold out of the museum collection. The Receiver also sought and received an Order of the
19 Court to allow the sale of the 1932 Roadster and the five daily driver cars. The Court signed the
20 Order and the Receiver sold these vehicles on April 17, 2008 and May 2, 2008 respectively. The
21 Receiver sold the Roadster for \$24,398.48 and sold the five daily drivers for \$78,375.00, which is
22 broke down below.

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Year	Make & Model	Sale Price
2002	Chevy Pickup	\$11,000.00
2004	Ford Exp Pickup	\$11,550.00
2005	Chevy Tahoe	\$11,000.00
2004	Audi A8	\$30,250.00
2004	Acura TSX	\$14,575.00

The Receiver continues to market and sell the remaining antiques, jewelry and vehicles and anticipates sale of all assets as the market permits.

2. Real Property

- Neskowin Beach Property

During this reporting period, the Receiver has sought and received permission to sell the four shares of the beach house at 49995 Seasand Road, Neskowin Beach, Oregon. The four shares of the beach house were sold in (2) two-share blocks for \$80,000.00 and \$64,000.00.

- King City Property

The Receiver has recently sought and received permission to sell the home at 12075 King Richard Drive, King City, Oregon, which was formerly occupied by Elizabeth Rhodes. The home was turned over by Elizabeth Rhodes as part of the settlement discussed below. The Receiver has listed the King City house for \$174,900.00 and expects a timely sale.

- Veterinary Clinic Properties LLC et al.

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

1 B. The Claims and Distribution 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 \$22,163,828.97 in allowed claims.
6

7 The Receiver filed his Omnibus Motion Regarding Claims on March 14, 2008 and
8 provided notice to all claimants regarding the treatment of their respective claims. The Receiver
9 filed his Amended Omnibus Motion Regarding Claims on August 6, 2008 in order to correct a
10 Scribner's error in the first filing.

11 On September 11, 2008, the Receiver filed a Motion to Approve Proposed Distribution
12 recommending an interim distribution to investors and creditors in the amount of \$3,968,000.00, a
13 distribution of approximately eighteen percent. Once the Distribution Order has been signed by
14 the Court, the Receiver will distribute the funds on a pro rata basis to all investors and creditors.
15

16 C. Litigation Against Third Parties

17 1. *Michael A. Grassmueck v. Anne Rhodes*

18 Ann Rhodes asserted an interest in receivership entities assets. The Receiver brought this
19 action for declaratory judgment to preserve the assets for the benefits of investors and creditors.
20 The Receiver had reached a tentative settlement in this regard, which has been the subject of a
21 Notice of Intent to Settle. After reviewing the inventories submitted to the Receiver by Anne
22 Rhodes, the Receiver decided against settlement with Ann Rhodes. The Receiver continues to
23 pursue his action against Ann Rhodes in order to recover the 2007 Chevy Tahoe, the diamond
24 ring, furniture and other assets in the Oregon City home and the Oregon City home.
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1 2. *Michael A. Grassmueck v. Haynes, Eldien, and Waldram.*

2 The Receiver filed a complaint against Monte Haynes, Tatiana Eldien, and David and
3 Kathleen Waldram on September 21, 2007 seeking recovery of fraudulent transfers in excess of
4 \$322,000. During this report period, the Receiver has agreed to settlements with all parties.
5 Monte Haynes and Tatiana Eldien settled their litigation with the Receiver for \$290,000.00.
6 David and Kathleen Waldram settled their litigation with the Receiver for \$316,034.09. The
7 Receiver sent notice of the settlement to all interested parties and the Court issued an Order
8 approving the settlements.
9

10 3. *Michael A. Grassmueck v. Elizabeth Rhodes*

11 The Receiver filed suit against Elizabeth Rhodes to quiet title to the home in King City.
12 The Receiver claimed ownership in the home since it was titled in the name of C. Wesley Rhodes
13 and the majority of the payments came from Mr. Rhodes' and Rhodes Econometrics' bank
14 accounts. Elizabeth Rhodes asserted an interest in the house for the payments that she had made
15 and on August 6, 2008, the Receiver and his counsel negotiated a settlement with Elizabeth
16 Rhodes to buyout her interest in the King City home. The home has been listed for sale and
17 Elizabeth Rhodes will receive a payment of \$20,000.00 when the home is sold. The Court
18 approved this settlement on September 3, 2008.
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20 **III. ACCOUNTING OF THE RECEIVERSHIP ESTATE**

21 The cash balance of the receivership estate as of the beginning of the reporting period on
22 March 14, 2008 was \$4,954,802. The receivership estate has received \$917,817 in income and
23 paid \$250,051 in expenses during the six months of this reporting period. Currently, the
24 receivership estate has \$5,622,568 in cash assets and anticipates approximately \$650,000.00 in
25 additional revenue from the sale of real property, third party litigation and other asset sales.
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27 Further accounting detail is presented in Exhibit A and B.

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IV. CONCLUSION

This Fifth Report of Receiver reflects the Receiver's work and conclusions to date. The findings outlined in this report are based on the information that has been discovered to date and are subject to clarification, expansion or change pending additional work by the Receiver and his team.

Respectfully submitted this 26th day of September, 2008.

/s/ Michael A. Grassmueck
Michael A. Grassmueck, Receiver

CERTIFICATE OF SERVICE

I hereby certify that on September 26, 2008 I served the foregoing **FIFTH REPORT OF RECEIVER MICHAEL A. GRASSMUECK** on the following parties *via electronic notification, e-mail, facsimile or by depositing a true copy thereof, contained in a sealed envelope, with first-class postage prepaid*, addressed to said parties at the last know address shown below and in the U.S. mail at Portland, Oregon:

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On September 26, 2008, I served copies of the above referenced documents by first class mail on the Affected Investors, whose identification information is filed under seal pursuant to the Court's Order Authorizing Notice and Filing Procedures Regarding Affected Investors.

DATED: September 26, 2008

By: /s/ Geoff Winkler
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