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5 UNITED STATES DISTRICT COURT
6 DISTRICT OF OREGON
7

8 SECURITIES AND EXCHANGE
9 COMMISSION,

10 Plaintiff,

11 v.

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

14 Defendants.
15

Case No. CV06-1353-MO

SIXTH REPORT OF RECEIVER
MICHAEL A. GRASSMUECK

16 **SIXTH REPORT OF RECEIVER**

17 **MICHAEL A. GRASSMUECK**

18 I. INTRODUCTION
19

20 This Sixth Report of Receiver Michael A. Grassmueck (the "Report") is intended to
21 provide the Court and all interested parties with a summary of the Receiver's major activities since
22 the Fifth Report of Receiver and to provide an overview of the financial position of the
23 receivership estate. This report does not constitute an audit of the financial condition of the
24 receivership. The purpose of this Report is to keep the Court and all interested parties informed
25 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 September 27, 2008
3 through March 17, 2009 (the "Reporting Period"). The major activities in this period are broken
4 into four categories: (a) the continued sale of real and personal property; (b) the claims and
5 distribution process; (c) litigation against and settlement with third parties; and (d) preparation for
6 final distribution and closure of the case.
7

8 **A. The Sale of Real and Personal Property**

9 The Receiver has sold real and personal property during the Reporting Period. Below are
10 the details of these sales.

11 *1. Personal Property*

12 *a. Antiques, Jewelry and Other Personal Property*

13 During this Reporting Period, the Receiver continued to sell antiques and jewelry through
14 Main Street Mercantile. These sales netted an additional \$19,211.12 for the estate. Any antiques
15 and jewelry that remained on February 12, 2009 were transferred to the Oregon City home for
16 auction. On February 14, 2009, the Receiver held an auction to sell the remaining antiques and
17 jewelry from Main Street Mercantile and personal property from the Oregon City home. The
18 auction had gross sales of \$60,600.00.
19

20 *b. Vehicle Sales*

21 The Receiver sought and received an Order of the Court to allow the sale of the 2007
22 Chevy Tahoe. This vehicle was auctioned on February 28, 2009 by Zakula Beal and netted the
23 estate \$20,900.00. In addition, the Receiver sold the estates remaining interest in a 2005 Subaru
24 for \$2,000.00.
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1 Currently, there are no antiques, jewelry, vehicles or other personal property remaining to
2 be sold. The Receiver does not anticipate taking possession of any additional assets that will
3 require sale.

4 *2. Real Property*

5 a. King City Property

6 The Receiver sought and received permission to sell the home at 12075 King Richard
7 Drive, King City, Oregon, which was formerly occupied by Elizabeth Rhodes. The home was
8 turned over by Elizabeth Rhodes as part of her settlement with the Receiver. The Receiver listed
9 the property for \$174,900.00 and sold it in November 2008 for \$165,000.00. This sale netted the
10 estate \$50,183.32 after the payment of all encumbrances and the settlement with Elizabeth
11 Rhodes.
12

13 b. Veterinary Clinic Properties LLC et al.

14 The Receiver has evaluated its successor interest in these five veterinary-related businesses
15 and has reached a settlement to sell the estate's interests for \$460,000.00. This settlement was
16 noticed to all interested parties and an Order approving the sale was signed by the Judge on
17 February 22, 2009. The sale will close after the deadline to appeal runs on April 20, 2009.
18

19 B. The Claims and Distribution Process

20 On September 11, 2008, the Receiver filed a Motion to Approve Proposed Distribution,
21 which was signed on September 30, 2008. Due to another matter before of the Court, the Receiver
22 was forced to delay the distribution. On January 23, 2009, the Receiver distributed \$3,968,000.00
23 to 76 claimants.
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1 C. Litigation Against Third Parties

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

3 Ann Rhodes asserted an interest in receivership entities assets. The Receiver brought this
4 action for declaratory judgment to preserve the assets for the benefits of investors and creditors.
5 The Receiver had reached a tentative settlement in this regard, which has been the subject of a
6 Notice of Intent to Settle. After reviewing the inventories submitted to the Receiver by Anne
7 Rhodes, the Receiver decided against settlement with Anne Rhodes, who subsequently
8 relinquished her assets to the Receiver and were sold as part of the Oregon City auction. As part
9 of this litigation, the judge ordered that Defendant's attorney could not use the \$115,548.85 in his
10 IOLTA account to pay his fees and that the funds must be turned over to the Receiver. These
11 funds were turned over to the Receiver on October 9, 2008. This matter is now complete.
12

13 2. *Michael A. Grassmueck v. Elizabeth Rhodes*

14 The Receiver filed suit against Elizabeth Rhodes to quiet title to the home in King City.
15 The Receiver and his counsel negotiated a settlement with Elizabeth Rhodes to buyout her interest
16 in the King City home. Per the settlement agreement approved by the Court on September 3,
17 2008, Elizabeth Rhodes received \$20,000.00 when the home sold in November 2008. This matter
18 is now complete.
19

20 D. Preparation for Case Closure

21 The Receiver is preparing the case for closure. As part of his preparation, the Receiver is
22 preparing for final distribution to claimants, filing final tax returns, compiling final fee
23 applications, arranging for records destruction and preparing to draft the final report. The
24 Receiver is preparing to seek court approval for these tasks and anticipates completion in the next
25 90 to 120 days.
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27

1 The amount of time necessary to close the case may depend in part on the timing of
2 Defendant's restitution hearing. The deadline to file the restitution brief was April 8, 2009, but
3 Defendant's counsel filed a Motion to Continue the briefing schedule. This Motion was approved
4 and the deadline to file the restitution brief is now April 29, 2009. The restitution hearing is still
5 scheduled for May 28, 2009, but is still subject to delay. The Receiver will have a better timeline
6 for closure of the case after the end of the restitution hearing.
7

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

9 The cash balance of the receivership estate at the beginning of the Reporting Period was
10 \$5,413,650.03. During the Reporting Period, the receivership estate has received \$219,170.44 in
11 sales proceeds, paid \$118,245.62 in expenses and distributed 3,986,000.00. Currently, the
12 receivership estate has \$1,755,692.34 in cash and anticipates approximately \$460,000.00 in
13 additional cash from the sale of the vet clinics. Further accounting detail is presented in Exhibit A
14 and B.
15

16 **IV. CONCLUSION**

17 This Sixth Report of Receiver reflects the Receiver's work and conclusions to date. The
18 findings outlined in this report are based on the information that has been discovered to date and
19 are subject to clarification, expansion or change pending additional work by the Receiver and his
20 team.
21

22 Respectfully submitted this 23rd day of April, 2009.

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27 Michael A. Grassmueck, Receiver

SEC v. C. Wesley Rhodes Jr. et al
 Summary of Financial Position
 For the Period of 09/21/06 and 03/17/09

	As Of 09/21/06	As Of 03/17/09	Net Change from 09/21/06 to 03/17/09
ASSETS			
Cash Balance	\$ 2,764,126	\$ 1,755,692	\$ (1,008,434)
Accounts Receivable	\$ 32,762	9,474	(23,288)
Other Assets	<i>Refer to Report</i>		
TOTAL ASSETS	<u>\$ 2,796,888</u>	<u>\$ 1,765,166</u>	<u>\$ (1,031,722)</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts Payable	-	-	-
Total Liabilities	-	-	-
ESTIMATED NET EQUITY	<u>2,796,888</u>	<u>1,765,166</u>	<u>(1,031,722)</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 2,796,888</u>	<u>\$ 1,765,166</u>	<u>\$ (1,031,722)</u>

SEC v. C. Wesley Rhodes Jr. et al
Summary of Cash Receipts and Disbursements
For the Period Ended 03/17/09

	Prior Periods Cash Flow from 09/21/06 to 09/17/08	Current Period Cash Flow from 09/17/08 to 03/17/09	TOTAL
RECEIPTS			
Balances Transferred from Frozen Accounts	\$ 2,764,126	\$ -	\$ 2,764,126
Cash Located	38,000	-	38,000
Subsequent Transfer of Accounts	36,047	-	36,047
Collection of Accounts Receivable	23,288	-	23,288
Sale of Inventory	65,249	-	65,249
Liquidation of Assets	3,270,321	210,074	3,480,396
Litigation Proceeds	606,034	-	606,034
Interest Income	72,227	9,210	81,436
Refunds	9,566	86	9,653
Other Income	907	-	907
Total Deposits	6,885,765	219,370	7,105,136
DISBURSEMENTS			
Auction and Selling Expenses	20,022	55	20,077
Automobile Transportation	7,171	-	7,171
Copying and Reproduction	92,318	-	92,318
Employee Benefits	2,595	-	2,595
Insurance	27,931	-	27,931
Investor/Creditor Claims	-	3,968,000	3,968,000
Landscaping	7,680	-	7,680
Litigation Expense	7,537	278	7,815
Miscellaneous	453	-	453
Mortgage Expense	13,206	1,024	14,229
Moving	-	-	-
Payroll	3,990	-	3,990
Payroll Taxes	6,770	-	6,770
Professional Fees	965,855	108,633	1,074,489
Property Taxes	1,722	-	1,722
Publication	5,165	-	5,165
Rent	12,894	-	12,894
Repairs and Maintenance	24,010	4,803	28,813
Security	24,068	1,586	25,653
Storage	31,685	1,731	33,416
Taxes	-	30	30
Telephone	1,527	-	1,527
Utilities	5,574	106	5,679
Web Site Maintenance	1,026	-	1,026
Total Disbursements	1,263,198	4,086,246	5,349,443
CHANGE IN CASH POSITION	5,622,568	(3,866,875)	1,755,692
BEGINNING CASH BALANCE	-	5,622,568	-
ENDING CASH BALANCE	\$ 5,622,568	\$ 1,755,692	\$ 1,755,692