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UNITED STATES DISTRICT COURT

DISTRICT OF OREGON

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

CAPITAL CONSULTANTS, LLC, f/k/a
CAPITAL CONSULTANTS, INC., JEFFREY
L. GRAYSON and BARCLAY GRAYSON,

Defendants.

Case No. CV 00-1290-KI

SUPPLEMENTAL DECLARATION OF
GAYLE M. CASE IN SUPPORT OF
RECEIVER'S REPLY TO OBJECTIONS TO
DISTRIBUTION PLAN

Date: November 22, 2002

Time: 9:00 a.m.

Dept. 9A

Judge: Hon. Garr M. King

I, Gayle M. Case, declare:

1. Since March 1990, I have been employed at Capital Consultants, LLC, formerly known as Capital Consultants, Inc. ("CCL"). Throughout my employment with CCL, I have worked in the area of client services and loan funding in the private investment side of CCL's business. At the time the receivership was initiated, my title was Client Services Manager – Private Investment Group. Generally, my duties included responsibility for funding loans from client funds, reviewing client statements for accuracy, interacting with custodian banks, interacting with clients regarding concerns or questions about transactions reflected in their statements, overseeing the distribution of borrower payments, and ensuring that investments complied with client-investment guidelines.

2. Since the initiation of the receivership, I have continued those duties with the exception of loan funding, and as CCL staff has been reduced have added additional responsibilities including loan administration. As a result of my duties both pre and post receivership, I am familiar with and knowledgeable of virtually all of CCL's record-keeping systems, the manner in which transactions were recorded, and how records were maintained. The following facts are within my personal knowledge and if called as a witness I would testify to them under oath.

Accuracy of Pre-1996 Records

3. As stated in my Declaration filed in support of the Receiver's Motion to Approve the Distribution Plan, CCL's records generally consisted of two separate systems: the borrower-based loan-administration system and the client-reporting system. The first is maintained in FoxPro, a DOS-based application. At the funding of a new loan, a comprehensive borrower report would be created that described the loan terms, collateral, and reflected which CCL client funds were used to fund the loan and in what percentage. The client-funding information would in turn be downloaded to the client-reporting system.

4. Prior to January 1, 1996, the client reporting system tracked cost and market values of clients' investments and purchase and sales transactions. Beginning in 1996, the

client-reporting system was moved to Axys, an Advent Software, Inc. portfolio-management system that better interfaced with the loan-administration system and allowed for improved and more detailed client reports.

5. In order to ensure accuracy of the data, it was normal business practice of CCL to review, on a monthly basis, all custodial account reports and to balance them against CCL records. This practice continued after the transition period and therefore any discrepancies in the data created during the transition process would have been caught and corrected the following month. As an additional cross check, a Portfolio Summary Statement detailing all accounts including both private and public assets as well as the cost and market value for each asset was sent out to all CCL clients on a quarterly basis. This report was sent out to all CCL clients for the period ending December 31, 1995, before the transition process, and again for the period ending March 31, 1996, after the transition process. As yet another check on the system, many of the ERISA clients had accountants or other professionals who reviewed and reconciled their statements on a regular basis. Any discrepancy in their accounts were caught and brought to the attention of CCL.

6. As stated in my prior declaration, the database that existed prior to the transition is no longer available in an electronic form that can be searched or sorted, although paper copies of relevant records have been maintained. I never stated or implied that those records are inaccurate or unreliable, they simply do not lend themselves to the type of Money-in/Money-out calculation proposed by the Receiver. In order to obtain the information similar to what is currently in our database, I would have to manually review each client account statement for each reporting period who had a loan balance prior to January 1996 and attempt to track all funding events and withdrawals. There are approximately 143 clients who fall into this category. This process would be both time consuming and expensive.

7. I am confident, however, that Portfolio Appraisal on Settlement Date reports used for each client as of December 31, 1995, accurately reflect the principal balances on a cost-value basis of each client's private investments. The mistake highlighted by Carpenters Pension Trust

Fund for Northern Nevada ("Carpenters"), client number 777, in its opposition to the Receiver's proposed distribution plan has no relationship to the accuracy of the pre-1996 records as Carpenters did not have an account with CCL until May 1996.

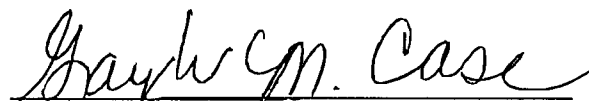
8. The Money-in/Money-out calculations were performed primarily by paralegals at Allen Matkins, with my assistance in interpreting CCL's records. The mistake made in Carpenters' account was simply human error resulting from the fact that Carpenters had transferred a loan originated elsewhere to CCL for servicing. Subsequent to the loan being transferred, an additional funding on the loan took place. When Carpenter's Money-out calculation was done, the paralegal included the payments made by the borrower on the Scolari loan because the additional funding was mistakenly assumed to be the original funding of the loan. This mistaken assumption, however, meant that Carpenters did not receive credit in the Money-in calculation for its initial investment in Scolari before transferring the loan to CCL. I understand that the Receiver has corrected this mistake. Given the uniqueness of the factual scenario involving loans transferred into CCL, I believe it is unlikely that other mistakes of this type or magnitude were made.

Public Accounts Transferred to Fund Private Accounts:

9. As noted in the Receiver's declaration, the funding requirements of the Brooks and Beacon loans necessitated liquidating certain clients' positions in non-Wilshire related loans in order to free up those funds for Brooks and Beacon. At times, clients' public holding were also liquidated and used to fund private investments, including Brooks and Beacon. I have reviewed those instances where public portfolio holdings were liquidated to fund private investments. Based on that review, approximately \$8.9 million in public holdings were liquidated between January of 1998 and the initiation of the receivership. Of that amount approximately \$5.3 million was used to fund Brooks/Beacon and related loans, and approximately \$3.6 million was used to fund various other private investments.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on November 1, 2002, at Portland, Oregon.


Gayle M. Case