

David L. Osias (California State Bar No. 091287)
E-mail: dosias@allenmatkins.com
Jeffrey R. Patterson (California State Bar No. 126148)
E-mail: jpatterson@allenmatkins.com
Loraine L. Pedowitz (California State Bar No. 120614)
E-mail: lpedowitz@allenmatkins.com
ALLEN MATKINS LECK GAMBLE & MALLORY LLP
501 West Broadway, Ninth Floor
San Diego, California 92101-3577
Telephone: (619) 233-1155
Facsimile: (619) 233-1158

Paul B. George (Oregon State Bar No. 99009)
E-mail: georp@foster.com
Carter M. Mann (Oregon State Bar No. 96089)
E-mail: mannc@foster.com
FOSTER PEPPER TOOZE LLP
101 S.W. Main Street, 15th Floor
Portland, Oregon 97204-3223
Telephone: (503) 221-0607
Facsimile: (503) 221-1510

Attorneys for Receiver Thomas F. Lennon

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

FIFTH INTERIM REPORT OF THE
RECEIVER

I. INTRODUCTION

The Receiver submits this Fifth Interim Report¹ to update the Court and creditors on the status of various aspects of the Receivership cases, including the most recent interim distributions. The information contained herein is the most current information available. Certain matters, in particular matters for which reserves were set in connection with making distributions, are continuing to evolve, which may cause the Receiver to modify the contents of this report.

II. DISTRIBUTIONS

As described in prior reports, the Receiver has successfully liquidated CCL's assets, and pursued claims against third parties. These liquidation and litigation proceeds are the source from which distributions have been made to CCL's investor creditors. The Receiver's Distribution Plan was approved by the Court on December 5, 2002. After briefing and oral argument on motions for clarification and/or reconsideration with respect to discrete provisions of the Distribution Plan, the Court issued its Order Implementing Approved Second Amended Distribution Plan ("Implementation Order") on February 28, 2003. The Department of Labor and three other parties appealed the order approving the Distribution Plan and the Implementation Order. The appeals were briefed and argued, and on February 2, 2005, the Ninth Circuit Court of Appeals affirmed the District Court.²

The Distribution Plan provides for distributions from two sources: i) the Receiver Assets, comprised of the Private Investment Liquidation Proceeds and other Receivership Recoveries, and ii) the Settlement Funds, amounts recovered from the Related Litigation and Mediation after deduction of Court-approved attorneys' fees and costs. While the appeals were pending, the Receiver made two distributions, reserving funds sufficient to protect the rights of the parties bringing the appeals. The first distributions, made on or about July 17, 2003, were made

¹ The Receiver's First, Second, Third, and Fourth Interim Reports may be accessed at CCL's website: <http://www.capitalconsultantsllc.com>.

² See SEC v. Capital Consultants, LLC, et al., 397 F.3d 733 (9th Cir. 2005)

exclusively from Receiver Assets, as the conditions to the release of the Settlement Funds had not yet been satisfied. On or about December 30, 2003, the Receiver made a second distribution from both the Receiver Assets and Litigation Assets. Each investor creditor received a statement reflecting their individual dividend calculation. A third distribution was made on July 19, 2005.

Among other things, the Distribution Plan takes into account third-party recoveries and management fees, exceptions to pro rata distributions for those who are eligible for and elected to receive a "traced" dividend, reserves for future third-party recoveries and pending disputes, and credits for prior in-kind dividends. In the first two distributions, 15% was reserved from all pro rata dividends paid to investors. In the third distribution, the 15% reserve was eliminated and individualized holdbacks were established based on information provided in the third party recovery reports required under the Distribution Plan. In addition, in the third distribution the holdbacks or reserves established for the appeals were eliminated.³ In the first and second distribution the Receiver reconciled all management fees due under the Distribution Plan and there were no further reductions for management fees required in the third distribution.

Attached collectively as Exhibit A are summary outlines of the distribution models used for calculating the third distribution from the Receiver Assets and the Litigation Assets. These outlines aggregate the client level data used to calculate and track dividends. The summary outlines do not include traced dividends or payments made to trade creditors. Exhibit B, attached hereto is a summary of Source and Uses of funds from the initiation of the receivership through April 30, 2005. As reflected in these exhibits, in the first distribution, the Receiver paid \$69.7 million in pro rata dividends to former clients, \$3.7 million in traced dividends, and \$1.8 million in payments to trade creditors, including retiring the secured credit line owed to Bank of West. In the second distribution, the Receiver paid \$68 million in pro rata dividends and \$10.8 million to reimburse fees and expenses incurred by clients in creating the Litigation Assets. In the third distribution, the Receiver distributed \$41.8 million in pro rata dividends and

³ One outstanding appeal remains involving the group known as the American Funeral Plaintiffs, and a reserve for that appeal remains in place. In addition, the reserve established for the Oregon Laborers claim dispute, described infra., remains in place, but will be released upon approval of a pending settlement.

another \$1.03 million in traced dividends. Accordingly, to date, including the \$25 million interim pro rata distribution of real estate, the Receiver has paid approximately \$204.6 million in pro rate dividends on an aggregate of approximately \$325 million in allowed claims, or a 63% return to date. As further reflected below, the Receiver is holding \$34 million dollars for the payment of future dividends and operational and administrative expenses.

III. CLAIM DISPUTE RESOLUTION

With the exception of the dispute over the application of the Distribution Plan's tracing exception to the American Funeral Plaintiffs group ("AFP"), discussed below, all claim disputes have now been resolved. The last remaining claim dispute was with Oregon Laborers-Employers Pension Trust Fund ("Oregon Laborers"). The Receiver has reached a resolution of that dispute, which is the subject of a separate motion for approval. Oregon Laborers objected to two aspects of its claim and dividend calculation; the value assigned to the AT&T building, which was distributed on an interim basis, and the treatment of certain stock that had originated as a private equity investment. The dispute represented approximately \$6.5 million in additional dividends were Oregon Laborers to prevail in its contentions. The Receiver and Oregon Laborers have agreed to compromise the dispute such that the Oregon Laborers' dividend will be increased by approximately \$1.15 million and the balance of the reserve will be released and added to the funds available for the next distribution.

IV. ASSET DISPOSITIONS

Since the Fourth Interim Report, the Receiver has completed the liquidation of all remaining assets, with a minor exception. The Receiver has sold the last remaining SCREH properties; Silverdale (net proceeds of \$1.86 million) and Olympia (net proceeds of \$379,000 net); and Gresham Square (net proceeds and operating cash of \$2.02 million). In connection with the sale of Gresham Square, the Receiver also resolved the claim of the secured lender to a prepayment penalty. In addition, the Receiver liquidated a minority interest in property located on Hayden Island for net proceeds of \$30,000, and the estate's remaining interest in the Costa Pacific assets for \$1.25 million.

The Receiver has also liquidated the estate's 50% interest in the Settergren note held jointly with Blake and Erika Grayson. The balance of the note was \$235,000, but the note was subject to an agreement that entitled the joint owners to full payment in the event the note was sold at a discount. The Receiver negotiated a sale of the estate's interest in the note to Barclay Grayson's children's trust for a payment of \$70,000 to the Receiver.

The Receiver has also liquidated the last remaining asset of Jeffrey Grayson, a 71,000 square foot shopping center known as Village Square, and in connection with that sale resolved all remaining open issues with Jeffrey Grayson. The Village Square shopping center, located in Springfield Oregon, was owned under a long-term ground lease by the Jeffrey L. Grayson Trust. The sale netted the estate \$500,000, and as described below resolved all open issues with Jeffrey Grayson's conservator and the various attorneys who asserted claims for attorneys' fees.

The only remaining asset of the receivership estate to be administered is the Byer note. The note has a principal balance of approximately \$75,000, secured by auto loans and is currently in default. The Receiver is working with the borrower, who is remitting all cash flow from the underlying collateral, to reach a reasonable resolution of this asset.

V. RECEIVER CLAIMS AGAINST THIRD PARTIES

As stated above, in connection with the sale of the Village Square shopping center, the Receiver resolved all remaining claims against Jeffrey Grayson. The Stipulation and Order re Preliminary Injunction, Asset Freeze and Appointment of a Permanent Receiver required Jeffrey Grayson to pay receivership expenses. In addition, the Receiver asserted significant amounts were due from Mr. Grayson for pre-receivership funds withdrawn from CCL. In the early stage of the case, the Receiver received detailed information with respect to Grayson's assets. The Receiver conducted diligence on these assets, liquidated most of the assets and disbursed the \$1.25 million in proceeds according to Court orders, paying receivership expenses and allowed fees of Grayson's attorneys. Village Square was Mr. Grayson's last remaining significant asset. Mr. Grayson is now in a nursing home and his conservator asserted a claim against the Village Square for the payment of Mr. Grayson's care. In addition, his former attorneys asserted claims for over \$100,000 in fees. The Village Square sale allowed the Receiver to realize

approximately \$500,000 for the estate, while eliminating any claims against the estate from Grayson's conservator or attorneys. Since there were no more resources from which to recover from Jeffrey Grayson, as a condition to the sale and in exchange for resolving of all other issues, the Receiver released Grayson of any remaining claims held by the receivership estate.

Since the last report, the Receiver has also resolved all remaining claims asserted against third parties. The Receiver settled the fraudulent transfer claim against the fraternity, Theta Beta Pi for payment of \$30,000, and a claim against the accountants involved in the TMET loan for \$60,000. In addition, since the last report, the Receiver received \$2 million, in court-ordered restitution paid by Andrew Weiderhorn. Although not paid in response to claims asserted by the Receiver, those funds were added to the Receiver Assets available for distribution.

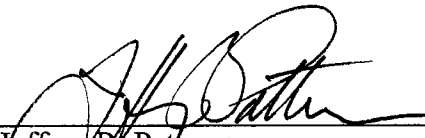
VI. CLOSING THE ESTATE

The remaining issues which must be resolved before the estate can be closed are: (i) the pending appeal brought by AFP; (ii) the disbursement of the Lane Powell Defense Trust, the Wilshire Group Defense Trust, and the Wilshire Defendant Group Separate Fund; and (iii) the Byer note discussed above. The AFP appeal has been fully briefed, and the parties are waiting to hear from the Ninth Circuit as to the schedule for oral argument. If the timing is consistent with the first round of appeals with respect to the Distribution Plan, oral argument should take place sometime in October 2005, with a determination made by approximately May 2006.

The Wilshire Group Defense Trust will terminate in May 2006, and it is possible that the Separate Fund set up for the purpose of defending against claims brought by the Department of Labor will be available for distribution at approximately the same time. Unfortunately, the Lane Powell Defense Trust is being consumed by the Lane Powell's expenses incurred in connection with, among other things, responding to the Oregon State Bar investigation. It is not certain when the remaining funds, if any, will be available for distribution. Thus, absent reaching some alternative consensual agreement regarding the disbursement of the Lane Powell Defense Trust,

the Receiver may not hold the estate open for that issue. If the timing estimations regarding the AFP appeals prove correct, the Receiver anticipates closing the estate in the second half of 2006.

Dated: August 2, 2005



Jeffrey R. Patterson
CA Bar No. 126148
(619) 233-1155
Attorney for Receiver Thomas F. Lennon

EXHIBIT A

Distribution Model Outline Receivership Assets

Item Description	Non-AFP* 94.25%	AFP 5.75%	Total 100.00%
MIMO Allowed Claim	323,137,740	19,699,902	342,837,642
Less 50% of Third-Party Recoveries	(17,498,036)		(17,498,036)
MIMO Adjusted Claim	305,639,704	19,699,902	325,339,606
	93.94%	6.06%	100.00%

Pot 1 Receivership Assets			
Real Estate Distributed	24,600,140	1,499,733	26,099,873
First Cash Distribution Paid	65,643,309	4,097,900	69,741,209
Second Cash Distribution Paid	(1,526,903)	74,698	(1,452,205)
Cash Available for Distribution As Of April 30, 2005	43,403,387	2,646,062	46,049,449
Less 80% of Traced Dividend to AFP Appealing Parties	(972,379)	(59,281)	(1,031,659)
Less Traced Real Estate Distribution Made	(1,283,912)		(1,283,912)
Receivership Assets Net of Tracing	129,863,642	8,259,112	138,122,755

Less Real Estate Distribution Made	(24,012,732)	(803,229)	(24,815,961)
Less First Cash Distribution Made	(65,643,309)	(4,097,900)	(69,741,209)
Less Second Cash Distribution Made	1,526,903	(74,698)	1,452,204
Less Holdback for Potential Third-Party Recoveries	(20,835,300)	0	(20,835,300)
Less Appeal, Dispute & Operation Reserves	(6,427,851)	(391,870)	(6,819,721)
Cash Available for Third Distribution Before Overdistribution Calculation	14,471,353	2,891,415	17,362,768

*AFP refers to the American Funeral Plaintiffs Group

Distribution Model Litigation Settlement Funds

Item Description	Non-AFP 94.25%	AFP 5.75%	Total 100.00%
MIMO Allowed Claim	323,137,740	19,699,902	342,837,642
Less 50% of Third Party Recoveries	(17,498,036)		(17,498,036)
MIMO Adjusted Claim	305,639,704	19,699,902	325,339,606
	93.94%	6.06%	100.00%

Pot 2 Litigation Settlement Funds			
Litigation Settlement Funds available April 30, 2005	21,237,067	1,294,705	22,531,772
Plus funds used for 2nd Distribution	65,559,144	3,996,775	69,555,919
Defense Trusts	8,009,261	488,280	8,497,541
Advance to AFP Group	9,434,624	575,176	10,009,800
Litigation Settlement Totals	104,240,096	6,354,936	110,595,032
AFP Bonus (adjusted)	(3,654,864)	3,654,864	0
Post Bonus Dividend	100,585,232	10,009,800	110,595,032
20% Shift to TFL Non-AFP Clients	57,745		57,745
20% Shift from All Other Non-AFP Clients	(57,745)		(57,745)
Litigation Settlement Dividend	100,585,232	10,009,800	110,595,032

Less Appeal & Dispute Reserves	(3,850,000)	0	(3,850,000)
Less Second Distribution	(69,555,919)	0	(69,555,919)
Less Defense Trusts Not Available	(8,497,541)		(8,497,541)
Less AFP Distribution		(10,009,800)	(10,009,800)
Settlement Funds Available for Third Distribution Before Overdistribution Calculation	18,681,772	0	18,681,772

Overdistribution Calculation

Pot 1 Dividend Before OD Calculation	14,471,353	2,891,415	17,362,768
Pot 2 Dividend Before OD Calculation	18,681,772	0	18,681,772
Total Dividend Before OD Calculation	33,153,125	2,891,415	36,044,540
Plus Overdistribution Pot 1 + Pot 2	5,541,525	237,873	5,779,398
Dividend Paid in Third Distributed to Underdistributed Clients	38,694,650	3,129,288	41,823,938

EXHIBIT B

Sources & Uses of Receivership Estate Assets
September 1, 2000-April 30, 2005¹

Beginning Cash Balance	2,596,192
Plus Real Estate Distributed	26,099,873
Plus Defense Trust Deposits & Interest	5,832,586
Plus Litigation Settlement Deposits & Interest	95,932,897
Plus Receivership Deposits & Interest	
Loan System Sale	60,000,000
Loan Servicing Operation	55,944,696
Real Estate Sold	15,583,008
Wilshire Stock Sale	10,500,000
Wiederhorn Settlement	2,000,000
Graysons' Proceeds	1,586,811
Fogcutter Stock	1,379,521
Oxbow Capital	1,075,000
Village Square Sale	499,653
Musumeci, Susan Grayson, Reuben Price	290,000
Other Deposits	3,663,684
Total Receivership Deposits & Interest	<u>152,522,372</u>
Plus Corporate Deposits & Interest	9,016,262
Total Sources	<u>292,000,182</u>
Less Bank Charges	(340,046)
Less Disbursements	
Less First Distribution	(69,741,210)
Less Second Distribution	(68,103,724)
Less 3rd Party Payments	(10,831,546)
Less American Funeral Payment	(10,009,800)
Receivership Costs	(7,969,453)
Loan Servicing Operations	(5,827,305)
CCL Operations & Payroll	(3,767,300)
Less Stipulated Tracings	(3,682,177)
BoW Creditline	(1,550,000)
Defense Trust Disbursements	(1,585,045)
Less Republic Stalking Horse Payment	(650,000)
First Hawaiian Leasing	(145,000)
Pre-Receiver Accounts Payable	(108,326)
Other Disbursements	(4,502,887)
Total Disbursements	<u>(188,473,773)</u>
Less Real Estate Distributed	<u>(26,099,873)</u>
Total Uses	<u>(214,913,692)</u>
Cash Balance	77,086,490
Less Third Distribution (including partial traced dividend for AFP appellants)	<u>42,838,556</u>
Ending Cash Balance	34,247,934

¹ The Receivership officially began on September 21, 2001. These figures derived primarily from bank statements, include sources and uses of funds in the first 20 days of September 2000.