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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

DECLARATION OF THOMAS F. LENNON
REGARDING FINAL REPORT OF THE
RECEIVER AND IN SUPPORT OF FINAL
FEE APPLICATIONS OF RECEIVER AND
HIS PROFESSIONALS

Date: December 17, 2007
Time: 1:30 P.M.
Dept: 9A
Judge: Hon. Garr M. King

I, Thomas F. Lennon, declare:

1. By Orders entered September 21, 2000, I was appointed the permanent receiver of Capital Consultants, LLC ("CCL") and all entities controlled by CCL in SEC v. Capital Consultants, LLC, et al., Case No. CV 00-1290 KI ("SEC Action") and Elaine L. Chao v. Capital

Consultants, LLC, et al., Case No. CV 00-1291 KI ("DOL Action"). Both the DOL and SEC Orders authorize me to employ professionals and to make such payments and disbursements as advisable or necessary from funds and assets that I have taken into custody and control. (DOL Order ¶ 7(D); SEC Order ¶ VII(F).). Both Orders also contain stipulated provisions that defendants, including Jeffrey Grayson and Barclay Grayson, shall pay the reasonable costs, fees, and expenses of the Receiver, including the costs of professionals. (SEC Order ¶ XI; DOL Order ¶ 12.).

2. Since my appointment I have worked diligently to fulfill my assigned duties. I have been ably assisted by Allen Matkins Leck Gamble Mallory & Natsis LLP as general counsel, Foster Pepper Tooze LLP as local counsel, and KPMG LLP as forensic and tax accountants.

Terms of Engagement

3. As outlined in my proposal to act as receiver submitted to the SEC, my time has been billed at \$250 per hour and my staff's at between \$100 and \$175 per hour. In fulfilling my duties as Receiver, I have utilized staff with the lowest possible billing rate commensurate with the task to be performed. The average billing rate for my staff and me during the Application Period was approximately \$150 per hour.

4. The professionals I have retained have not billed for travel time to and from Portland, except to the extent they were actively working on CCL matters in route and all expenses incurred for travel have been billed at cost. Furthermore, the expenses sought by myself and my professionals are in compliance with the United States Trustee Guidelines covering the representation of bankruptcy trustees and debtors-in-possession unless otherwise noted.

Accomplishments

5. During the 18-month period comprising the Seventh Application Period, my professionals, staff, and I have attempted to resolve all outstanding disputes and issues with respect to claims for reimbursement, MIMO claim calculations and dividends, traced dividends and third-party recoveries. We have also responded to requests for information and documents

from the DOL, various labor unions and CCL 401k plan participants. We have worked to finalize the model for final distributions, having to make adjustments for late-reported third-party recoveries. Those issues have all now been resolved, clearing the way for me to finalize my calculations and make a final distribution of funds to creditors. Finally, I have had to identify and plan for various activities that will need to be undertaken to close the estate, as further discussed below.

Reasonable Fees

6. At every step I have been assisted by the professional team I have assembled. Detailed information, including descriptions of the activities undertaken, are contained in each of the professionals' fee applications. I have reviewed each fee application. In addition, I have been provided monthly billing statements on an ongoing basis. I believe the time entries and expenses requested in each of the applications are reasonable and the services they reflect have been of substantial benefit to the receivership estate. At this time, I believe that all professionals should be awarded the sum prayed for for the current Application Period, all remaining holdbacks from prior applications should be paid, and all awards and payments from interim fee applications should be ordered final.

Fee Enhancement

7. In connection with my own final fee application, I am requesting a fee enhancement of \$200,000. I understand that such fee enhancements are not routinely granted, and I have never requested one in any of my numerous other receivership cases. However, I believe such a fee enhancement is appropriate in this case due to the following facts: (1) Since the inception of the case in 2000, I have not raised my billing rates for myself or my project manager, which have remained constant at \$250 and \$175 per hour respectively; (2) We have achieved excellent results for the creditors of the estate in terms of efficiency of administration and percentage returns on claims; (3) Receivers in similar cases are currently billing their time at \$300 to \$350 per hour; and (4) A payment of \$200,000 will only impact distributions to creditors less than one-tenth of a cent on the dollar on their allowed claims of \$343 million.

Closing the Estate

8. The following activities remained to be completed in order to completely close the receivership estate: (1) reply and hearing on final report and fee applications; (2) tracking of last third party recoveries and adjustments to final distribution model; (3) final distribution of assets to creditors; (4) close all bank accounts; (5) close and liquidate the CCL 401(k) plan; (6) prepare 2007 IRS-1099 forms for about 300 investors; (7) prepare and file 2007 CCL tax return; (8) prepare and file 2008 CCL tax return; (9) close CCL phone lines and website; (10) prepare and file Supplemental Accounting with the Court; and (11) dispose of all CCL records and files. All these tasks will be completed by approximately mid-year 2008. The fees for me, my staff and professionals to complete all of these tasks are estimated to total no more than \$120,000, and thus, I am asking the Court for permission to reserve this amount. Before payment of any such future fees, billings will be submitted for approval to me, the SEC, DOL and attorneys for the four major creditor groups.

I declare under penalty of perjury that the foregoing is true and correct. Executed on November 21, 2007, at La Mesa, California.

/s/ Thomas F. Lennon

Thomas F. Lennon