

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

**ORDER APPROVING FINAL
REPORT OF THE RECEIVER AND ISSUING
INSTRUCTIONS FOR DISCHARGE**

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

The hearing to approve the Final Report of the Receiver and Request for Final Instructions and Discharge ("Final Report") came on before this Court on December 17, 2007, at 1:30 p.m. Appearances are noted in the record. No objections to the Final Report were filed.

This Court has overseen this seven-year federal equity receivership case, is knowledgeable about the history, disputes and results achieved, and in that context considers the Receiver's Final Report. Based on its review, and good cause appearing therefor, the Court orders as follows:

1. Upon completion of the following activities remaining to be accomplished (all of which are expected to be concluded by mid-2008), the Receiver shall file a Supplement to Final Report:

- (a) Pay final fee awards to the Receiver and his professionals pursuant to the concurrent applications for approval;
- (b) Track the last third-party recoveries and make adjustments to final distribution model for completion of Distribution Schedule, as defined below;
- (c) Issue final distribution of dividends to creditors;
- (d) Close all bank accounts;
- (e) Close and liquidate the CCL 401(k) plan;
- (f) Prepare 2007 IRS-1099 forms for investors;
- (g) Prepare and file 2007 CCL tax return;
- (h) Prepare and file 2008 CCL tax return;
- (i) Close CCL phone lines and website; and
- (j) Dispose of all CCL records and files as set forth below.

The Receiver's Supplement to Final Report shall be served on the Securities and Exchange Commission, the Department of Labor, and counsel for the four large creditors.

2. While no objections were filed to the Receiver's request for authority to destroy all of CCL's records and files on or after June 30, 2008, the Court modifies the Receiver's request as follows: The Receiver is authorized to make arrangements with creditors who wish to take custody of certain records rather than having them be destroyed so long as all privileges and confidentiality incurring to the receivership estate are protected and all costs associated with a creditor's request for the records are borne by the creditor. If there are any disputes or issues relating to this order regarding CCL's records, the parties shall seek assistance from the Court for resolution.

3. This Court authorizes the Receiver to retain a Disbursing Agent, with the approval of the SEC and DOL, who is to be given explicit instructions to distribute to creditors the unused residual balance in Lane Powell Defense Trust, if there ever is any, along with any

residual funds resulting from un-negotiated or returned client distribution checks (collectively, the "Residual") pursuant to a pro rata schedule of those allowed MIMO claims that are entitled to additional distributions ("Distribution Schedule"). After the Receiver's final distribution and after the Distribution Schedule is delivered to the Disbursing Agent, there shall be no further adjustments to allowed claims amounts, including for any additional third-party recoveries. At such time as the conditions for release of the Lane Powell Defense Trust have been met, instructions shall be delivered to U.S. Bank to release the remaining funds to the Disbursing Agent. If, upon receipt of the Residual, the Disbursing Agent determines that it will be more costly to distribute the Residual per the Distribution Schedule than the aggregate amount of the Residual, the Disbursing Agent will deposit the Residual with the Court, whereupon the Court shall order that the funds be paid by the Clerk of the Court to a suitable charitable organization affiliated with the State Bar or a law school for funding of ethics programs.

4. Although no formal objections were filed, and all matters are concluded that affect the calculation of the final distribution pro rations to creditors, inquiries were raised with Receiver's counsel on the eve of this hearing relating to the following:

(a) Payments by Chubb/Federal Insurance Company: Certain CCL client-creditors¹ have filed suit against Federal Insurance Company ("Federal") for recovery on ERISA bonds issued by Federal. Federal has alleged that an aggregate of \$2,740,000 has already been paid on these claims. However, these amounts have not yet been reported by the claimants as third-party recoveries under the CCL Distribution Plan. The issue of whether and in what amount these recoveries should be reported and incorporated into the final dividend calculations needs to be resolved.

(b) Receivership Expense Reserves from Interim Real Estate Distribution. Per the Court's Order of October 12, 2001, the Receiver made interim distributions of real estate, from which the Receiver was authorized to, and did, reserve 4% of the cash associated with those assets to cover the receivership administrative expenses that the

¹ United Association Local 290, Oregon Laborers-Employers Health & Welfare Trust, OPEU Local 11, Idaho Laborers Pension Trust, and Retail Drug Employees Pension Trust.

clients receiving these interim distributions would be responsible for based on the value of these assets. Certain client-claimants now question whether some or all of the funds so reserved should be paid to those claimants.

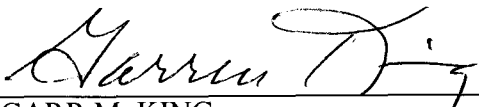
The Receiver is instructed to attempt to resolve the inquiries and the Court is available for telephonic hearing if assistance is needed. In no circumstance should the payment of the final dividend to creditors by year-end be delayed as a result of this matter.

5. Given that the remaining tasks in this receivership case are ministerial in nature, the Court will consider the simultaneously-filed final fee applications of the Receiver and his professionals and issue a separate order concerning them.

6. Upon entry of this Court's order approving the Supplement to Final Report, the Receiver shall be deemed discharged and all applicable bonds released and exonerated.

IT IS SO ORDERED.

Dated: 12-19-07


HON. GARR M. KING
UNITED STATES DISTRICT JUDGE

Presented by:

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