

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES
SECURITIES SECTION
BEFORE THE DIRECTOR OF THE
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
STATE OF OREGON

RECEIVED

DEC 27 1999

In the Matter of:) 0-99-0015
)
Charles Wesley Rhodes;) ORDER TO CEASE AND DESIST
The Rhodes Company; and) ORDER ASSESSING CIVIL PENALTY
Rhodes Econometrics.) and
Respondent.) CONSENT TO ENTRY OF ORDER

FISCAL SECTION

WHEREAS the Director of the Department of Consumer and Business Services has conducted an investigation of Charles Wesley Rhodes and The Rhodes Company, and has determined that Charles Wesley Rhodes and The Rhodes Company have transacted securities business in violation of the Oregon Securities Law; and,

WHEREAS Charles Wesley Rhodes and The Rhodes Company wish to resolve and settle this matter by entry into this Consent Order;

NOW THEREFORE, as evidenced by the authorized signatures subscribed on this Order, and without admitting or denying the facts and allegations stated herein, Charles Wesley Rhodes and The Rhodes Company hereby **CONSENT** to entry of this Order to Cease and Desist and Order Imposing a Civil Penalty, based upon the Director's Findings of Fact and Conclusions of Law as stated hereinafter.

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FINDINGS OF FACT

The Director **FINDS** that:

1. Charles Wesley Rhodes, Jr. ("Rhodes"), CRD #1110257, has been a licensee in the securities industry since at least 1986. From June of 1987 to September of 1992, Rhodes was a licensed broker dealer salesperson with Phoenix Equity Planning corporation, CRD #3036. From August 31, 1992 to August 31, 1998, Rhodes was a licensed broker dealer salesperson with Massachusetts Mutual Life Investors Services, Inc. ("MMLISI"), CRD #10409.

2. Rhodes was licensed as an investment adviser representative in Oregon with The Rhodes Company from March of 1988 to September of 1994. On September 30, 1998, Rhodes was again issued an investment adviser representative's license with The Rhodes Company. As of the date of this order, Rhodes continues to hold this license. Rhodes may be served with process at 4949 SW Meadows Rd., Suite 330; Lake Oswego, OR 97035 or 10480 SW Gardner Ct.; Tualatin, OR 97062.

3. The Rhodes Company is an Oregon corporation that was originally incorporated in August of 1985 under the name of Professional Practice Planning Services Inc. ("PPPS"). The corporation changed its name to The Rhodes Company in December of 1992. Rhodes is the president, agent for service, and sole shareholder of The Rhodes Company. The Rhodes Company may be

served at 4949 SW Meadows Rd., Suite 330; Lake Oswego, OR 97035.

4. The Rhodes Company, under the PPPS name, was licensed as an investment adviser with the State of Oregon, on March 24, 1988. That license was withdrawn on March 24, 1994. The Rhodes Company was subsequently licensed as a State Investment Adviser with the State of Oregon on September 30, 1998. Subsequently, the Rhodes Company was licensed as a federal investment adviser.

5. Between March 24, 1994 and September 30, 1998, The Rhodes Company and Rhodes provided investment advise to Oregonians, while not being licensed as an investment adviser or an investment adviser representative.

6. In October 1997, Rhodes opened a securities account with he brokerage firm of Freeman-Wellwood, CRD #6362. The account subsequently was used as an investment vehicle for Rhodes and five of his accredited investor clients, including money from both he and his clients. These investments were not registered for sale in the State of Oregon.

7. Rhodes represented to each of these investors that their money would be maintained in an individual account and sent out statements to the investors which purported to show the balance of the investor's "portfolio".

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8. Rhodes did not tell his investors that their money was jointly deposited in one single account. Nor did he tell investors that there was not an individual account held in the name of each investor.

9. In August of 1998 the remaining investors received payouts reflecting growth in each of their "accounts". Over the course of the account, the "fund" only showed a profit of \$2,234 on a total amount invested of \$685,000 or less than 1% return on investment. Investors were not told the source of their "profit" nor the true earnings on the account.

10. Rhodes stated that the repayment, including profit, reflects the return that each investor would have received if the investor's funds had been segregated and properly isolated at the time of investment.

11. All investors have been made whole and the Division has received no complaints from those investors about how the fund was operated.

CONCLUSIONS OF LAW

The Director **CONCLUDES** that:

1. Charles Wesley Rhodes and The Rhodes Company engaged in investment adviser activity while unlicensed in violation of ORS 59.165(1).

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2. Charles Wesley Rhodes and The Rhodes Company sold unregistered securities, in the form of investments in the PPPS Investment Account #1002, in violation of ORS 59.055.

3. Charles Wesley Rhodes, in connection with investments in the PPPS Investment Account #1002, omitted to state material information necessary to make statements made not misleading, in violation of ORS 59.135(2).

ORDER

The Director, pursuant to ORS 59.245 hereby **ORDERS** that respondent Charles Wesley Rhodes, The Rhodes Company, and any successor business or corporation, including but not limited to Rhodes Econometrics, shall **CEASE and DESIST** from:

1. Transacting investment adviser or securities business in the State of Oregon in violation of 59.055, 59.165 or 59.135.

2. Violating any provision of the Oregon Securities Laws, including ORS Chapter 59 and OAR Chapter 441.

The Director, pursuant to ORS 59.995, **HEREBY ORDERS** respondent to pay a **CIVIL PENALTY** in the amount of \$12,500, \$7,500 due upon execution of this Order, and \$5,000 suspended indefinitely, contingent upon the Respondents' continued compliance with Oregon securities laws. Violation of this order **or** of the Oregon securities laws shall make the balance due and owing immediately.

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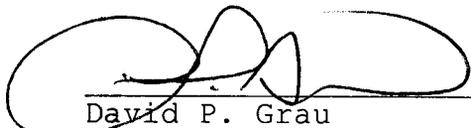
The respondents Charles Wesley Rhodes and The Rhodes Company shall obey and comply with all terms and conditions of the licenses issued by the Director to Charles Wesley Rhodes, The Rhodes Company, its successor Rhodes Econometrics and any other successor business or corporation.

The entry of this Order in no way limits further remedies which may be available to the Director under Oregon law.

Dated this 7th day of January, ~~1999~~ ²⁰⁰⁰ at Salem, Oregon.


MICHAEL GREENFIELD, DIRECTOR
DEPARTMENT OF CONSUMER AND
BUSINESS SERVICES

APPROVED AS TO FORM:



David P. Grau
Attorney for Respondent

Dated: 12-16-99

**CORPORATE CONSENT TO ENTRY OF ORDER
for Charles Wesley Rhodes on behalf of
The Rhodes Company, and Rhodes Econometrics**

I, Charles Wesley Rhodes, state that I am an officer of The Rhodes Company and Rhodes Econometrics, and I am authorized to act on behalf of these entities; that I have read the foregoing Order and that I know and fully understand the contents hereof; that I and these entities have been advised of the right to a hearing and of the right to be represented by counsel in this matter; that I, The Rhodes Company and Rhodes Econometrics voluntarily and without any force or duress, consent to the entry of this Order, expressly waiving any right to a hearing in this matter; that I, The Rhodes Company and Rhodes Econometrics understand that the Director reserves the right to take further actions to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Securities Law; and that I, The Rhodes Company and Rhodes Econometrics will fully comply with the terms and conditions stated herein.

I, The Rhodes Company and Rhodes Econometrics further assure the Director that neither I, The Rhodes Company and Rhodes Econometrics, nor their officers, directors, employees or agents will effect securities transactions in Oregon unless such activities are in full compliance with Chapter 59 of the Oregon Securities Revised Statutes.

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I understand that this Consent Order is a public document.

Dated this 22nd day of December, 1999.

By *Charles Wesley Rhodes Jr.*
(Signature of officer)
President

CORPORATE ACKNOWLEDGMENT

There appeared before me this 22 day of December, 1999
Charles Wesley Rhodes Jr., who was
(name of affiant)

first duly sworn on oath, and stated that he was and is
President of The Rhodes Company or Rhodes
(Office held)

Econometrics and that as President he is
(Office held)

authorized and empowered to sign this Consent to Entry of Order
on behalf of The Rhodes Company and Rhodes Econometrics and to
bind The Rhodes Company and Rhodes Econometrics to the terms
hereof.



Carolyn Strom

NOTARY PUBLIC for the State of: _____

Oregon
(Printed name of Notary Public)

My commission expires: March 9, 2001

**CORPORATE CONSENT TO ENTRY OF ORDER
for Charles Wesley Rhodes, Individually**

I, Charles Wesley Rhodes, state that I have read the foregoing Order and that I know and fully understand the contents hereof; that I have been advised of the right to a hearing and of the right to be represented by counsel in this matter; that I voluntarily and without any force or duress, consent to the entry of this Order, expressly waiving any right to a hearing in this matter; that I understand that the Director reserves the right to take further actions to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Securities Law; and that I will fully comply with the terms and conditions stated herein.

I further assure the Director that I or any agent on my behalf will not effect securities transactions in Oregon unless such activities are in full compliance with Chapter 59 of the Oregon Revised Statutes.

I understand that this Consent Order is a public document.

Dated this 2nd day of December, 1999

By Charles Wesley Rhodes

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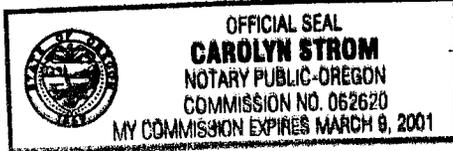
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ACKNOWLEDGMENT

SUBSCRIBED before me this 22 day of December, 1999.



Carolyn Strom
Printed name of Notary Public)

NOTARY PUBLIC for the State of: Oregon

My commission expires: March 9, 2001