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

In the Matter of:	)	**No. S-06-0036 (A)**
	)	
RHODES ECONOMETRICS, INC. and CHARLES WESLEY RHODES, JR. doing business individually and under the names "The Rhodes Company", "Professional Practice Planning Service", and "PPPS",	)	**ORDER TO CEASE AND DESIST, DENYING EXEMPTIONS, AND ASSESSING CIVIL PENALTIES**
	)	
	)	**ORDER OF REVOCATION OF INVESTMENT ADVISER REPRESENTATIVE LICENSE OF CHARLES WESLEY RHODES, JR.**
Respondents.	)	
	)	**CONSENT TO ENTRY OF ORDER**

WHEREAS, the Director of the Department of Consumer and Business Services for the State of Oregon (hereafter the "Director"), acting pursuant to the authority granted by the Oregon Securities Law (ORS 59.005 *et seq.*), has conducted an investigation into the activities of **RHODES ECONOMETRICS, INC.** and **CHARLES WESLEY RHODES, JR., doing business individually and under the names "The Rhodes Company", "Professional Practice Planning Service", and "PPPS"** (hereafter the "Respondents");

WHEREAS, Respondents wish to avoid the costs of litigation, do not desire to expend further time or resources on this matter, and seek to obtain finality;

WHEREAS, Respondents wish to withdraw their October 5, 2006 request for a hearing with respect to this Order, and acknowledge that they have not requested a hearing with respect to a companion Order (S-06-0036) issued by the Director on September 15, 2006, entitled ORDER OF EMERGENCY SUSPENSION OF INVESTMENT ADVISER REPRESENTATIVE LICENSE, and that the time to do so has passed;

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NOW THEREFORE, the Director hereby issues the following Findings of Fact and Conclusions of Law, *which Respondents neither admit nor deny*, and issues the following Order, to which Respondents have consented, as evidenced by the Consent to Entry of Order attached hereto.

FINDINGS OF FACT

The Director **FINDS** that:

Part One: Parties

1. **RHODES ECONOMETRICS** was, at all times material herein, a federally registered investment adviser firm (CRD# 109231; SEC# 801-56499). Rhodes Econometrics was approved by the United States Securities and Exchange Commission on May 5, 1999. Rhodes Econometrics is an Oregon domestic business corporation (Business Registry # 655957-88), incorporated on October 7, 1998. **RHODES** is the company's President, registered agent, and sole shareholder. Rhodes Econometrics conducted business from 4949 SW Meadows, Suite 620, Lake Oswego, Oregon 97035.

2. **RHODES** was, at all times material herein, a state licensed investment adviser representative (CRD #1110257) for **RHODES ECONOMETRICS**. Rhodes conducted business from 4949 SW Meadows, Suite 620, Lake Oswego, Oregon 97035. Rhodes has held an Oregon investment adviser representative license from March, 1988 until September, 1994, and from September, 1998 through the date of the issuance of this Order.

3. **RHODES** was, at all times material herein, the President, registered agent, and sole shareholder of The Rhodes Company. The Rhodes Company is an Oregon domestic business corporation (Business Registry # 212138-14) incorporated on August 12, 1985. From its date of incorporation until December 16, 1992 the corporation's name, as registered with the Oregon Secretary of State, was "Professional Practice Planning Service, Inc." The Rhodes Company conducted business from 4949 SW Meadows, Suite 620, Lake Oswego, Oregon 97035.

4. The Rhodes Company, using the "Professional Practice Planning Service, Inc." name, was licensed as an investment adviser firm with the State of Oregon on March 24, 1988. Rhodes voluntarily withdrew this license on March 24, 1994. The Rhodes Company was subsequently licensed as an investment adviser firm with the State of Oregon on September 30, 1998. Rhodes voluntarily withdrew this license on January 13, 2000. The Rhodes Company, at all times material herein, was not licensed as a state licensed investment adviser firm or a federally registered investment adviser firm.

5. Despite changing the name of Professional Practice Planning Service, Inc. to The Rhodes Company in 1992, **RHODES** has, at all times material herein, used a variation of the corporation's initial name, the acronym "PPPS", as an unregistered assumed business name. **RHODES** operated PPPS, which at all times material herein purported to be in the business of purchasing, restoring, and reselling "classic" automobiles. PPPS conducted business from 4949 SW Meadows, Suite 620, Lake Oswego, Oregon 97035.

6. **RHODES ECONOMETRICS**, **RHODES**, The Rhodes Company, and PPPS were not, at all times material herein, licensed as a broker-dealer or broker-dealer salesperson in the State of Oregon.

Part Two: Prior Cease and Desist Order

7. On January 7, 2000 the Director of the Oregon Department of Consumer and Business Services issued an **ORDER TO CEASE AND DESIST** and **ORDER ASSESSING CIVIL PENALTY** against **RHODES**, The Rhodes Company, and **RHODES ECONOMETRICS**.

8. The January 7, 2000 Order to Cease and Desist contained "Conclusions of Law." Among the conclusions was that "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." Furthermore, the Order concluded that "Charles Wesley Rhodes, in

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

9. The January 7, 2000 Order to Cease and Desist required **RHODES** to pay a civil penalty in the amount of $12,500, of which $7,500 was due at the time of entry and $5,000 was suspended "contingent upon the Respondents' continued compliance with Oregon securities laws."

Part Three: The Nexus Between Rhodes's Investment Adviser Business and PPPS

10. **RHODES** offered investment adviser services to individuals (hereafter "investment adviser clients") through **RHODES ECONOMETRICS**. Rhodes told investment adviser clients that Rhodes Econometrics uses proprietary investment strategies that involve the purchase of stocks and bonds in certain combinations, or "portfolios", which are similar in structure to a mutual fund. These portfolios include "the diamond portfolio" and the "total return fund."

11. **RHODES** has a long standing personal interest in "classic" automobiles. Rhodes is active in associations that promote such vehicles, participates in numerous gatherings of vehicle enthusiasts, serves as a judge for automotive related competitions, and has had more than fifty vehicles titled in his own name.

12. **RHODES** used PPPS as a source of funds for the purchase and/or restoration of classic vehicles he owns. Specifically, **RHODES** used a Wells Fargo "PPPS Investment Administration Account" that was opened during the period of time in which "Professional Practice Planning Service" was a licensed investment advisory firm for this purpose.

13. **RHODES** solicited funds from investment adviser clients, representing to them that their money would be invested in a variety of stocks and bonds or in one of the **RHODES ECONOMETRICS** portfolios. Instead, Rhodes deposited client checks into the Wells Fargo "PPPS Investment Administration Account" and used the funds for PPPS, a classic automobile enterprise.

Part Four: Creation of Fictitious Investment Adviser Client Account Statements

14. **RHODES** provided investment adviser services to Oregon investor adviser clients, who invested money with **RHODES ECONOMETRICS.**

15. **RHODES** periodically mailed investor adviser clients statements, on The Rhodes Company letterhead, which showed the purported value of their accounts. **RHODES** also provided some investment adviser clients with a list purporting to represent the actual stocks held in their accounts on a particular date.

16. In sworn testimony before the Director on May 25, 2006, **RHODES** admitted that the statements and lists provided to investment adviser clients to describe the value and contents of their accounts were created by him, and did not represent the actual securities held in their accounts.

Part Five: Misrepresentations Made To Investment Adviser Clients About Use of Funds

17. **RHODES** provided investment adviser services to certain investment adviser clients between February, 2005 and August, 2005. Rhodes did not discuss investment products or opportunities other than stocks, bonds, or notes during his consultations with these clients.

18. **RHODES** was given at least $718,500.00 to invest by investment adviser clients between February, 2005 and August, 2005. **RHODES** told these clients that their funds would be invested in various marketable securities held by institutional custodians.

19. **RHODES** deposited $718,500.00 that he received from these investment adviser clients into the Wells Fargo PPPS Investment Administration Account between February, 2005 and August, 2005. **RHODES** was the only individual authorized to use the account, which had no connection to any third party custodian. Most if not all of the deposited sums were never invested in any other securities.

20. **RHODES** used the deposited funds for the purchase, restoration, and resale of classic automobiles. The investment adviser clients in question were unaware that their funds were being used for the purchase, restoration, and resale of classic automobiles.

Part Six: Sale of Unregistered Investment Contracts

21. **RHODES** solicited and obtained $718,500.00 from investor adviser clients by representing that he would invest money on their behalf.

22. These investment adviser clients tendered $718,500.00 to RHODES with the expectation of making a profit on their investments.

23. RHODES deposited the money tendered by certain investment adviser clients into a single bank account RHODES maintained at Wells Fargo Bank, entitled the "PPPS Investment Administration Account." The bank account had no sub-accounts.

24. These investment adviser clients were not aware of PPPS, and did not participate in the management or operation of classic automobile purchases, restorations, or sales purportedly conducted by **RHODES** on behalf of PPPS.

Part Seven: Misrepresentations Made In Connection With The Sale of Unregistered Investment Contracts

25. **RHODES,** in connection with the sale of investment contracts in PPPS to investment adviser clients, misrepresented the nature of the investments he sold. Rhodes told the investment adviser clients they were investing in various combinations of stocks and bonds. In point of fact, they invested in the purported purchase, restoration, and resale of classic automobiles by Rhodes on behalf of PPPS.

26. **RHODES,** in connection with the sale of investment contracts in PPPS to investment adviser clients, failed to provide financial statements or cash flow projections that would allow the investment adviser clients to independently gauge the financial health and business prospects of PPPS.

27. **RHODES,** in connection with the sale of investment contracts in PPPS to investment adviser clients, failed to inform the investment adviser clients that the investment contracts Rhodes was selling were not registered securities, as required, with the Oregon Division of Finance and Corporate Securities.

28. **RHODES,** in connection with the sale of investment contracts in PPPS to investment adviser clients, failed to inform the clients that he had previously been the subject of a Cease and Desist Order with respect to securities sales involving PPPS.

Part Eight: Failure To Provide All Books and Records For Regulatory Examination

29. In an April 27, 2006 *subpoena duces tecum* and June 23, 2006 letter, the Director formally informed **RHODES** that she wished to examine documentation with respect to, *inter alia*, individuals and entities that had either tendered money to or received money from PPPS, copies of PPPS account statements, correspondence from Rhodes to PPPS investors, and other documents in connection with PPPS business that were either sent from **RHODES** to PPPS investors or sent by PPPS investors to **RHODES. RHODES** was advised that ORS 59.235 mandates that licensees "and their records and everything connected with their activities are subject to examination by the director at any time." **RHODES** nevertheless refused to permit an examination of these documents prior to the issuance of an **ORDER TO CEASE AND DESIST, DENYING EXEMPTIONS, AND ASSESSING CIVIL PENALTIES** on September 15, 2006.

Part Nine: Making False Statements To The Director

30. **RHODES** made statements regarding his securities related activities to Securities Examiners on August 23, 2005. **RHODES** was aware that the examiners were employed by the Director at the time he made these statements.

31. On August 23, 2005 **RHODES** told two Securities Examiners that he had not deposited checks from investment adviser client Bennett into any bank account. At the time he made this statement Rhodes knew or should have known the statement was false, as Rhodes deposited the Bennett checks into the Wells Fargo PPPS bank account.

32. On August 23, 2005 **RHODES** told two Securities Examiners that investment adviser clients Bennett and Haynes each held specific convertible preferred securities in the investment adviser accounts Rhodes managed for them, and that the custodian for these accounts was State

Street, a large institutional custodian. At the time he made this statement Rhodes knew or should have known the statement was false, as **RHODES** never had any custodial arrangements for any client with State Street.

33. On August 23, 2005 **RHODES** told two Securities Examiners that a list of Bennett and Haynes' purported holdings that **RHODES** had prepared was an accurate compilation of the securities held in their accounts. At the time he made this statement Rhodes knew or should have known the statement was false, as the securities noted on the lists were not held in Bennett or Haynes' account.

34. **RHODES** made statements under oath regarding his securities related activities to the Director's designees on May 25, 2006. **RHODES** was aware that these two individuals were employed by the Director at the time he made these statements.

35. On May 25, 2006 **RHODES** told the Director's employees that moneys that were tendered to two specific investment adviser clients by PPPS in the form of a bank check signed by **RHODES** were "payment for goods or services related to the restoration of automobiles." At the time he made this statement Rhodes knew or should have known the statement was false, as neither individual had ever provided any services to PPPS, an entity they had no knowledge of.

CONCLUSIONS OF LAW

The Director **CONCLUDES** that:

36. The investment contracts in PPPS **RHODES** sold to certain investment adviser clients are securities, as defined by ORS 59.015 (19) (a).

37. **RHODES** sold securities that were not registered with the Oregon Division of Finance and Corporate Securities to investment adviser clients in or from the State of Oregon, in violation of ORS 59.055.

38. **RHODES** sold securities to investment adviser clients in or from the State of Oregon without being licensed as a broker-dealer or broker-dealer salesperson, in violation of ORS 59.165 (1).

39. In connection with the sale of securities to investment adviser clients from February, 2005 to August, 2005, **RHODES** made an untrue statement of a material fact, in violation of ORS 59.135 (2), by falsely representing that clients' funds would be invested in a variety of stocks and bonds or in one of the **RHODES ECONOMETRICS** portfolios.

40. In connection with the sale of securities to investment adviser clients, **RHODES** omitted to state a material fact, in violation of ORS 59.135 (2), by failing to provide financial statements or cash flow projections that would allow the investment adviser clients to independently gauge the financial health and business prospects of PPPS.

41. In connection with the sale of securities to investment adviser clients, **RHODES** omitted to state a material fact, in violation of ORS 59.135 (2), by failing to tell the investment adviser clients that the securities he was selling were not registered, as required, with the Oregon Division of Finance and Corporate Securities.

42. In connection with the sale of securities to investment adviser clients, **RHODES** omitted to state a material fact, in violation of ORS 59.135 (2), by failing to tell the investment adviser clients that he had previously been the subject of a Cease and Desist Order with respect to activities involving PPPS.

43. **RHODES** engaged in dishonest, fraudulent, or illegal practices or conduct in connection with the securities business, in violation of ORS 59.205 (2), by creating fictitious investment adviser account statements, distributing said statements to investment adviser clients and falsely representing that the statements reflected the actual contents of the clients' investment adviser accounts.

44. **RHODES** failed to allow the Director to examine records connected with his securities activities, in violation of ORS 59.235, by refusing to allow the Director to examine PPPS account statements, PPPS related correspondence, and other information relating to PPPS that was formally requested by the Director in an April 27, 2006 *subpoena duces tecum* and June

23, 2006 letter prior to the September 15, 2006 issuance of an **ORDER TO CEASE AND DESIST, DENYING EXEMPTIONS, AND ASSESSING CIVIL PENALTIES.**

45. **RHODES** knowingly made materially false statements to the Director, in violation of ORS 59.135 (4) and ORS 59.451, when he told Securities Examiners on August 23, 2005 that he had not deposited investment adviser client checks in any bank account, that State Street was a custodian for the investment adviser client accounts, and that the lists of securities held in the accounts of some investment adviser clients that he prepared was an accurate compilation.

46. **RHODES** knowingly made materially false statements to the Director, in violation of ORS 59.135 (4) and ORS 59.451, when he told two employees of the Director on May 25, 2006 that he tendered a PPPS check to two specific investment adviser clients for "payment for goods or services related to the restoration of automobiles."

47. **RHODES** willfully or repeatedly violated or failed to comply with an Order of the Director, in violation of ORS 59.205 (3), by selling securities that were the precise subject of a January 7, 2000 Order to Cease and Desist by the Director.

ORDER

Therefore, the Director **ORDERS:**

48. Respondents **RHODES ECONOMETRICS** and **RHODES** shall cease and desist from offering and/or selling securities to persons in or from the State of Oregon in violation of the Oregon Securities Law, ORS 59.005 *et seq*, and accompanying administrative rules.

49. Respondents **RHODES ECONOMETRICS** and **RHODES** are ordered, jointly and severally, to pay the sum of **ONE HUNDRED THOUSAND DOLLARS** ($100,000.00) as a civil penalty for violations of ORS 59.055, ORS 59.135, ORS 59.165, ORS 59.205, ORS 59.235, and ORS 59.451 described herein. Collection of said amounts **SHALL BE SUSPENDED** so long as Respondents **RHODES ECONOMETRICS** and **RHODES** comply with the terms of any order and/or judgment issued by the Court in *Securities and Exchange Commission v. C. Wesley Rhodes, Jr. et al.*, United States District Court Case No. CV06-1353-MO ("the SEC

Litigation") or any federal criminal prosecution arising from the same or similar facts that provides for restitution to investors, or disgorgement of illegal gains or profits by **RHODES ECONOMETRICS** or **RHODES.** If Respondents **RHODES ECONOMETRICS** and **RHODES** fail to comply with either a court imposed restitution or disgorgement order (as determined by an Order issued by the same courts referenced above) or the terms of this Order, said civil penalty shall become immediately due and owing in its entirety.

50. **RHODES** is ordered to pay the sum of **FIVE THOUSAND DOLLARS** ($5,000.00) as a civil penalty for violation of the terms of an Order to Cease and Desist issued on January 7, 2000 by the Director. Collection of said amounts **SHALL BE SUSPENDED** so long as Respondents **RHODES ECONOMETRICS** and **RHODES** comply with the terms of any order and/or judgment as stated in paragraph 49 above.

51. The **OREGON INVESTMENT ADVISER REPRESENTATIVE LICENSE** held by **RHODES** is hereby **REVOKED**. As a corollary to said revocation, and for the protection of the investing public, Rhodes is **PERMANENTLY BARRED** from having any management, consulting, employment, or ownership role with **RHODES ECONOMETRICS**, The Rhodes Company, or PPPS.

52. **RHODES** is **PERMANENTLY BARRED** from holding any securities license in this state, or from having any management, consulting, employment, or ownership role with any broker-dealer, investment adviser, issuer, or issuer salesperson licensed by the Director. Furthermore, **RHODES**, and any entity that employs Rhodes in connection with the offer and/or sale of securities, is hereby **DENIED THE USE OF EXEMPTIONS** authorized by ORS 59.025 and ORS 59.035, until further order of the Director, pursuant to ORS 59.045.

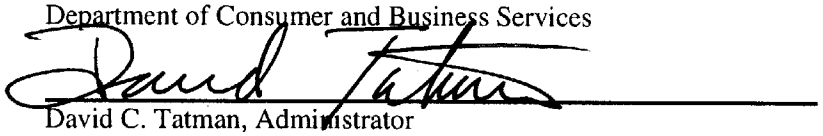
53. **RHODES** is **BARRED** from applying for and holding any license issued by the Oregon Department of Consumer and Business Services, including, but not limited to, a mortgage lending license or insurance license, without the prior written consent of the Director or her designee at the Division of Finance and Corporate Securities.

54. **RHODES** is **BARRED** from acting, without the prior written consent of the Director, as an "agent", as that term is commonly understood under Oregon law, for any principal if, as part of said agency, **RHODES** would be permitted or required to take possession of, or maintain custody over, money or property given to him, on behalf of his principal, for any purpose to hold beyond the close of the same business day. This paragraph does not bar **RHODES** from selling goods on behalf of a principal in a retail setting with the usual and customery cash and inventory control procedures in place.

IT IS SO ORDERED.

Dated this 20th day of April, 2007 NUNC PRO TUNC September 15, 2006 at Salem, Oregon.

CORY STREISINGER, Director
Department of Consumer and Business Services



David C. Tatman, Administrator
Division Of Finance And Corporate Securities

CONSENT TO ENTRY OF ORDER

Respondents state that they have read the foregoing Order and fully understand the contents thereof; that they have been advised of their right to a hearing and of their right to be represented by counsel at any such hearing; that they, voluntarily, and without any force or duress, consent to the entry of this Order, expressly waiving any right to a hearing or appeal in this matter; that they are free to dispute the same or similar allegations in other proceedings not involving the Director, and that the Findings of Fact and Conclusions of Law shall have no preclusive, presumptive, *res judicata*, or equitable estoppel affect in any proceeding not involving the Director; that they 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 Laws; and that they will fully comply with the terms and conditions stated herein.

Respondents further assure the Director that neither they, nor their employees or independent contractors, if any, will engage in securities transactions in Oregon.

Respondents further understand that this Consent Order is a public document.

I, **CHARLES WESLEY RHODES**, represent that I consent to the terms of this Order individually, and have been authorized by **RHODES ECONOMETRICS, INC.** to enter into this Order for and on behalf of **RHODES ECONOMETRICS, INC.**

Dated this 16th day of April, 2007.

By: C. W. Rhodes

Title: President

OFFICIAL SEAL
SARA K. BELL
NOTARY PUBLIC-OREGON
COMMISSION NO. 386922
MY COMMISSION EXPIRES NOVEMBER 18, 2008

Sara K Bell
(Printed Name of Notary Public)
Notary Public
for the State of: Oregon
My commission expires: 11/18/2008