



**U.S. Securities and Exchange
Commission**
Los Angeles Regional Office
Randall R. Lee, Regional Director

NEWS RELEASE

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Distribution

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**Oregon Department of Consumer and
Business Services**
Division of Finance and Corporate
Securities

SEC, STATE OF OREGON PERMANENTLY PUT INVESTMENT ADVISER OUT OF BUSINESS

Lake Oswego man used investor funds to purchase vintage automobiles and sports memorabilia

The Securities and Exchange Commission and the Oregon Department of Consumer and Business Services today announced that C. Wesley Rhodes, Jr., of Lake Oswego, Oregon, who was charged with misleading investors and spending their money on vintage automobiles and sports memorabilia, consented to be enjoined from future securities fraud and agreed to the revocation of his Oregon investment adviser license and a bar from the financial services industry in Oregon.

The Commission's complaint alleges that Rhodes raised millions of dollars from individual investors, including many senior citizens, by representing that he would invest their money in stocks and bonds. The complaint further alleges that contrary to representations made to investors, Rhodes did not invest their funds in stocks and bonds. Instead, Rhodes took their money and used it for other purposes, including buying vintage automobiles and sports memorabilia. According to the complaint, Rhodes sent account statements to the investors representing that their investments had an aggregate value of nearly \$40 million as of June 30, 2006. At the time a receiver was appointed for Rhodes' companies on September 21, 2006, however, Rhodes had less than \$2 million invested in stocks and bonds.

Randall R. Lee, Regional Director of the Commission's Los Angeles Regional Office, said: "Not only did Rhodes defraud the very people who looked to him for investment advice and entrusted him with their funds, but many of Rhodes' victims were elderly and had invested their retirement savings with him. This case emphasizes our continuing commitment to work closely with state regulators to protect elderly and other investors from securities fraud."

Oregon Department of Consumer and Business Services, Division of Finance and Corporate Securities (DFCS) started investigating Rhodes, a licensed investment adviser representative under Oregon law, after receiving an investor complaint. On September 21, 2006, DFCS served an emergency order suspending Rhodes' investment adviser representative license with the right to a contested case hearing. On April 16, 2007, Rhodes waived his right to a hearing and consented to the entry of an Order to Cease and Desist and Order of Revocation of License,

which bars him from the financial services industry in Oregon. DFCS also imposed \$105,000 in fines. In cooperation with the receiver appointed in the Commission's action, discussed below, DFCS agreed to suspend collecting its fines so that all funds recovered may go toward providing monetary relief to aggrieved investors.

"This case is a prime example of what can happen when two regulators in different jurisdictions work together to combat securities fraud," said David Tatman, administrator of the DFCS, who commended the Commission's Los Angeles Regional Office's staff members for their hard work. "It was imperative to both agencies that Mr. Rhodes be justly barred from any financial investment practices due to his dishonesty and callous way of treating his clients."

On September 21, 2006, the Commission filed in the United States District Court for the District of Oregon a complaint and an application for temporary emergency relief against Rhodes and three Oregon companies he controlled, charging that they defrauded investors in violation of the federal securities laws. Aside from Rhodes, the defendants were Rhodes Econometrics, Inc., an investment adviser registered with the Commission, and two other companies, The Rhodes Company and Resource Transactions, Inc., both unregistered investment advisers. On the same date, the Commission obtained a temporary injunction against all defendants for securities fraud, as well as a temporary asset freeze and the appointment of a temporary receiver over all Rhodes-controlled companies. (*See Litigation Release No. 19855.*) The Commission subsequently obtained a preliminary injunction against all defendants and an order appointing a permanent receiver.

Rhodes, without admitting or denying the allegations of the Commission's complaint, consented to the entry of a final judgment permanently enjoining him from future violations of the antifraud provisions of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940. The court entered the permanent injunction on May 30, 2007. The Commission continues to seek return of ill-gotten gains with prejudgment interest and penalties against all defendants.

DFCS advises consumers to do their homework before doing business with any financial professional. To check an individual's credentials and licensing history, call DFCS toll-free at (866) 814-9710, (503) 378-4140 in Salem, or go to www.dfcs.oregon.gov.

The Commission held its first-ever Seniors Summit in 2006, where the Commission joined with state regulators and others to examine how to best protect older Americans from investment fraud. Materials relating to the Seniors Summit, including a webcast of the July 17, 2006, event are available at http://www.sec.gov/spotlight/seniors/seniors_summit.htm. Additional materials are located at <http://www.sec.gov/investor/seniors.shtml>.

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