

TLC AMERICA, INC.

Questions and Answers From Meetings With Investors in December 2000 and January 2001

In late December 2000, and early January 2001 meetings were held with some TLC investors. Two of the three meetings had over 100 investors in attendance at each, the other slightly less than 100. Meeting locations in Tustin, Bakersfield and Arroyo Grande, California were selected because of concentrations of investors and economy. It is hoped that, if there is enough investor interest and it can be accomplished economically, it will be possible to have meetings in other locations during 2001.

Mr. Evans opened the meetings by discussing the Receivership's top three priorities since appointment.

- Getting an understanding and control of the estate's assets
- Reconstructing the financial records
- Communicating with the investors

He then responded to questions from investors. Versions of most of these questions were raised at each meeting.

QUESTIONS ABOUT PROPERTIES AND OTHER ASSETS

1. ***Do the statements that the investors received that identified a specific property mean anything? Have our warranty deeds been recorded? What happens to our warranty deeds?***

With a few exceptions they have not been recorded with the various counties as would be necessary to perfect a property interest. They were only listed on TLC records. At this time, we do not yet know what we are going to do with those so-called warranty deeds or other documents that suggest individual interests in specific properties. The criterion is that everyone be treated fairly. In many cases we have multiple investors listed in reference to the same property. At this stage, my best guess is that those that are unrecorded will be tossed out. The exceptions may be some that involve 1031 property exchanges that were recorded. Those raise a different set of problems and will have to be considered on an individual basis.

2. ***Is there some equity in the properties? Will we get fifty cents on the dollar back?***

I cannot give you a reasonable estimate of the likely recovery or the probable timing of that recovery until our property-by-property analysis is completed. I will be very disappointed if you do not get more than fifty cents on the dollar back.

3. ***What has been done to dispose of the racehorses we read about in the paper?***

There will be an auction at the Pomona Fairgrounds on January 22 and 23, 2001.

4. ***I understand there are some luxury homes. Where are the luxury properties located?***

There are quite valuable individual residential properties in Hawaii and California that may have individual values that exceed \$5 million each. There are properties in Georgia, Texas and other locations that are considerably less expensive. There are all types of property, residential, commercial and raw land.

5. ***Where does Mr. Cossey live? Does he live in one of the TLC properties? If so, is there anything being done to get him out of there?***

Mr. Cossey lives in Diamond Bar. The house he and his family live in is one of the assets that have been frozen by Court action, but is not yet part of the TLC estate. There is a process that we will have to go through to establish the right of the estate to get the property for the benefit of the TLC victims. There are various legal issues involved and, unfortunately, these things take time. First, we have to establish that he bought that property with investors' money. But, yes, I am reasonably confident that we will eventually get that property and sell it for your benefit. I understand it's worth a couple of million dollars.

6. ***Mr. Cossey donated \$1.5 million to the Diamond Bar School District. Can you explain this?***
At Diamond Bar High School, where Mr. Cossey's children attend, the Booster's Club Foundation asked for sponsors to build or repair the football stadium. As I understand it, Mr. Cossey issued TLC checks for about \$1.5 million to the Foundation. The Boosters Club built or repaired the stadium with the money and then donated the stadium to the School District.
7. ***Can we sell the stadium and get our money back?***
The problem with this is we do not own the land the stadium is sitting on. We only paid for the structure. We have opened a dialogue with the School District but it is too early to forecast what will develop from the negotiations that will be coming up. This case is full of both legal and practical complications.
8. ***Regarding the sale of properties, will they be sold at fair market value? What about the adjacent land on the Marina Coves property in Arizona? What is the status on this?***
There's no suggestion that we will sell the properties other than at fair market value. Our goal is to get every penny we can from every property. As to the status of the land adjacent to Marina Coves in Arizona, we bought the additional property on December 14 for \$1.4 million. If we didn't do that, the property we already own would be of debatable use and we could lose as much as \$4 million. I am hopeful this project will develop quite well and show a profit for investors.
9. ***When do you think you could put the properties on the market? If you have, are there any in escrow?***
We already have properties on the market and, yes, some of them are in escrow.
10. ***Some realtors who sold us these properties are still on your payroll. Why do you retain them?***
First of all the "realtors" are not realtors with a capital R as in "Real Estate Broker". They are real estate professionals, staff of TLC, who manage the properties from day to day. I believe that those professionals that we did retain had no knowledge of the problems and are qualified and honest people who know many of the properties better than anyone else. We retained them on salary and pay nothing in the way of commissions. If we had doubts of their competence or integrity, they would be terminated immediately.
11. ***Is there any rental income from the properties?***
Yes, but TLC does not have many income-producing properties.
12. ***How much did the properties cost?***
The cost of the properties was about \$50 million. Many of them are in good areas. Some of the properties were well bought but many were not. In some cases we will be lucky to recoup our investment. In other cases we will make a profit. We are not going to get the kind of profits from those properties that Mr. Cossey told others he was going to get.
13. ***How much insurance was bought for each property?***
I do not know for sure but we're looking at each parcel. Our priority is to make sure we have adequate fire and liability insurance on all the properties.
14. ***How many of the properties are encumbered by mortgages?***
To the best of my knowledge there are few, if any, mortgages. In almost all cases the only liens are for unpaid taxes, some of which are in arrears and are now being brought current.

QUESTIONS ABOUT RETURN OF FUNDS, THE IRS AND IRA'S

1. ***As far as investors and creditors are concerned, who has priority in getting paid?***
There are not many creditors other than the investors. Nevertheless, as far as I am concerned, I intend to recommend to the Court that you, as investors, will have priority claims over all unsecured creditors. We do have some hints of substantial claims from brokers or agents, but there is, in my view, little chance that the interests of brokers will be put ahead of the interests of investors.

2. ***What kind of realistic time frame should be expected before we get our money back? Any ballpark figure?***
If things go as I now expect, we are hoping to have quarterly distributions available in the second quarter of 2001.
3. ***Quarterly distributions over a period of how many years?***
It will probably take a couple of years, hopefully not too much longer. We are definitely going to try and move things as rapidly as compatible with getting top dollar for the properties. Judging by other cases of this nature, the final wrap up can often be delayed by legal complexities.
4. ***How will our investments be treated as far as payment is concerned? Will investors who invested early get more return than the investors who invested at a later date?***
Part of my job is to analyze and recommend a distribution formula to the Court. We have not yet done so. In Ponzi schemes such as this, typically, all investors are treated the same.
5. ***What about interest payments some investors have received? Will that interest be deducted from our distributions?***
That is quite possible. Right now, we do not yet know with certainty how this will be treated. But the Court's standard is to treat everybody fairly. That will be one of the factors to be considered when we recommend a distribution formula to the Court. There is a possibility that we will recommend to the Court that anybody who got paid interest, will have that interest treated as return of principal and those who have had interest credited to their accounts have it reversed.
6. ***How will we report the interest payments we received to IRS?***
I have no qualifications in tax matters. You will have to consult your own tax advisor on this. However, in my opinion, because this was a Ponzi scheme, the "interest" you think you received was not actual interest, but rather, money stolen from other investors or the principal investments of other people. I believe you will likely want to file amended tax returns for years before 2000 to recover taxes paid on interest in those years. In that case we will do our best to provide you with whatever documentation we can to support your tax filing.
7. ***Regarding quarterly distributions, will we get paid according to how many shares we had?***
First of all, we have to determine the amount of your claim. We will be communicating with all of you in that regard. We will have a claims verification process and determine how much each of you are owed. That's all part of the process. When money is available for distribution, that money will be distributed among the investors based on a formula approved by the Court that will most likely give each investor the same percentage of their verified claim that they are owed.
8. ***Rolled-over interest, how will that be handled?***
As mentioned earlier, that has not yet been firmly established. We first have to make a recommendation to the Court. Chances are that rolled-over interest will be set-aside or reversed out of the accounts.
9. ***What about IRS Income Tax statement on interest received this year (2000)?***
I do not know. Odds are you're not going to get an IRS 1099 for any interest in 2000. We've got this issue on high priority, as we recognize you have to deal with your taxes soon. We may treat year 2000 so called interest as return of principal, in which case there will be no interest tax issues. We have accountants working on this issue now.
10. ***Can this be considered as tax write-off?***
I believe so, but what year and how much? You will have to consult a tax advisor on that. It is not likely we will know the amount of your loss for a number of months yet.
11. ***For people over 70 years old who need to make compulsory withdrawal of their IRA investment? Who takes care of that?***
That would be whoever the IRA administrator is, not us. We are not the IRA administrator.

12. ***Who is responsible to provide us with an IRA statement indicating value of TLC investments?***

That is the responsibility of the IRA custodian. We are trying to see what we can do to help. We have someone working on IRA issues but do not yet have the answers. The IRA custodian has the reporting responsibility to IRS and also the responsibility to provide you IRA statements.

13. ***Are IRA custodians allowed to charge any fees?***

In my experience, yes. But that is not our business. Whether IRA custodians charge any fees is between you and your IRA custodian. I know my custodian charges me.

14. ***When can we get the TLC 12/31/00 financial statements?***

I would like to provide the Court with a 12/31/00 status report before the end of January 2001. Whether we will be able to meet that target or not, is something I discuss with my colleagues every day. If we do get it done by then, as soon as we are allowed to do so, we will give the information to you. I expect that report will include financial statements.

15. ***As far as quarterly disbursements, does that mean a particular property that we invested in has to be sold before we get the distribution?***

Before we can make any distribution, we have to resolve the question "Does anybody have an interest in any specific property?" That is a question that has not yet been answered. I must make a recommendation to Judge Carter. I don't know when that recommendation might be made because our research is not yet done. But if the recommendation is made and approved, that unrecorded claims to specific properties be set aside, then it will be irrelevant. But if those claims are not set aside, then some of you might get no money, only property. I think most of you will be better off with the money. Again, there are some unique situations involving 1031 real estate exchanges and those must be dealt with on individual basis.

QUESTIONS ABOUT SALES AGENTS AND FINANCIAL PLANNERS

1. ***What about commissions paid to brokers & financial planners? Will they have to return our money?***

Our priority is to look at every penny that was disbursed by TLC for any purpose and see if there is a basis for that money to be recovered for distribution to investors. \$20 million of commissions were paid to agents, brokers and financial planners, including Mr. Cossey. We will look closely at this question.

2. ***The brokers and agents who got us into this, did they need a special license? Is there any evidence that they know what was going on or were influenced by their high commission?***

Some agents may have licenses for certain products but I am not aware of any specific licensing requirements. I do not now know if some agents or brokers knew what was going on. Two of the largest agents were Mr. Cloud and Mr. Cossey who are defendants in this case. I cannot really comment any further on this.

3. ***How many agents were there?***

There were about 130 agents.

4. ***What will happen to the people who got us involved in this? The agents, brokers? Will they just get a slap on the wrist? Will anyone go to jail?***

What I will say about the agents is that I believe there are agents who are victims as much, perhaps, as any of you. I suspect, but I do not know, that out of those 130 agents, there may be villains as well. If I knew, I wouldn't say so at this point in time. All I can tell you for sure is that everybody that had anything to do with this company is going to be looked at very hard. As far as Mr. Cossey, Mr. Williams and Mr. Cloud are concerned, those are the defendants in this case. I do not know what's going to happen on the criminal side. That is in the hands of the U.S. Attorney.

5. ***Did the brokers know that this whole thing was going to go bust? If so, when?***

Some brokers may have known there were problems but there is no way of knowing who, how and when from the information we have available today.

6. ***Is there a statute of limitation in hiring an attorney against brokers?***

I am not aware of a statute of limitation that is looming on any aspect of the case in the next few months.

QUESTIONS ABOUT LEGAL PROCEEDINGS AND LAWYERS

1. ***We have heard about a Class action that the agents want to bring. Do you know anything about this?***

No I don't. The question I would ask is, against whom would they be bringing it? I had one inquiry from a lawyer asking for a list of investors he could use in preparing for a possible class action. Because this is confidential information, I declined his request. If there were anybody who could get money back for the investors, I would support that effort. But I don't want attorneys charging a large contingency fee for the money we can recover for the investors without such a fee. If a suit were brought against TLC, that would be, in practice, a suit against all of the investors. I doubt the Court would stand for that because the Court's order prohibits the filing of any lawsuits against TLC.

2. ***Could you advise us whether we should hire our own lawyers?***

I cannot advise people whether they should hire their own lawyer. If people would like to hire their own lawyers, that's their privilege. I would like to think that, in most cases, investors would consider that an unnecessary expense. But some people very well may be in unique circumstances calling for advice we are not in a position to provide. Then they should get that advice from an attorney they retain.

3. ***Can we talk to the Receiver's attorney directly since the Receiver is not an attorney? I would like to know if I have a claim against other parties.***

The answer is no, you cannot talk directly to my attorney regarding such issues. In fact you can not talk to the Receivership's attorneys on any subject without my consent. I doubt if they could give that kind of advice you are looking for. If everybody did call our lawyers, costs would spiral out of control.

4. ***What about Richard Weed? He is an attorney many of us received a letter from. My broker wants me to sign up with him. I understand the brokers hired him as an attorney on behalf of the investors to oversee the Receiver.***

The Court oversees the Receiver. And the SEC keeps an eye on our activities as well. The parties to the litigation, including the SEC and the defendants, can comment on the Receiver's activity and reports to the Court. Mr. Weed, to the best of my knowledge, does not represent anyone who is a party to the litigation, so would not have the standing to comment on the subject. He may get permission from the Court to do so, however. I have seen a correspondence that suggests part of his fee was paid for by Mr. Cloud, who, as you know, is a defendant in the case.

5. ***As an investor, is there any advantage if we sign with Mr. Weed? If we do not sign, do we get treated fairly?***

As far as I am concerned, everybody here is treated the same. My job is to make sure that everybody is treated fairly. It will not make any difference to me if you do or do not hire any specific attorney.

OTHER QUESTIONS

1. ***Will the cost of you and your staff eat up most of our investments? How are you getting paid?***

Absolutely not. We will spend no money unless it is essential or we believe it will return more to the investors than it costs. Someone has got to clean up this mess and I was appointed by the Court to do so. My staff and I get paid on an hourly basis. The Court closely monitors our fees. Judge Carter is adamant about the need to be frugal about expenses and has emphasized that we were appointed to look after the best interests of the investors. There are a lot of expenses involved in a Receivership such as this. Property has to be maintained. Expenses such as taxes, association dues, property managers, and insurance have to be paid. In this case, racing horses need to be fed. The horses alone cost over \$80,000 per month to maintain.

The only people working on this full time are former TLC staff, and the majority of them have been let go.

Either my colleagues or myself oversee and help on an "as needed" basis, paid by the hour. We are bringing down the expenses as rapidly as we can.

2. ***Is the company insured?***

The company has the usual insurance coverage, such as fire and casualty. To the best of my current knowledge, the company had no insurance coverage against fraud by the company officers. We are still looking into this subject.

3. ***How come there are answers you cannot provide us when you are the only person we could expect to get them from?***

First of all, I do not have all the information yet. I am a month or two away from providing you much of the information you want. The second issue is I am obliged, under some circumstances, to tell the Court certain information before I tell anyone else. We had this meeting because so many of you have some concerns that we would like to address if we can. I cannot answer each and every one of your questions either because I don't have the answers or it simply is not advisable for me to do so.

4. ***Is there a so-called Fortune Escrow? What role did they play? Are they part of this?***

Yes, some of the monies had been passed through Fortune Escrow. We are currently looking at that.

5. ***How did we get into this mess? How could we have seen this coming?***

There were several things that, with the benefit of hindsight, and perhaps foresight, should have flashed a yellow light. One fundamental warning sign was the exorbitant interest rate. It should have raised questions, put someone on the alert. The second issue is, there were no financial statements prepared by independent auditors. Normally, one does not invest in companies that do not have independently prepared financial statements. Normally, bankers do not lend, at least on this scale, to companies that do not have audited financial statements. So why would anyone else? Also, it should have been suspicious that the company was instantly paying high returns on a long-term real estate portfolio that could not, under the best of circumstances, have been expected to pay a return right away.

6. ***Is Candyse Cossey a defendant?***

No, Mrs. Cossey is not a defendant.

7. ***In hardship cases, is there anything that can be done to have some monies paid to these individuals right away?***

We had a number of inquiries on this. One problem with hardship cases is knowing where to draw the line. Another problem is that we do not now have any surplus cash. We expect to have cash in the second quarter of 2001 if we sell off these properties on the schedule we hope to. But the question is, what can we do for people in desperate straits in the meantime? We are working on a program to make emergency money available in the form of a loan from the estate, which would be funded by a special bank line of credit, only in severe hardship cases. This would require court approval. We have got to be very careful here because we cannot permit those that are not hardship cases to subsidize those that are. The question is, if we can develop and get approved a procedure in the form of a loan from the estate for certain people who are in danger of losing their home, in danger of being put out of their health care facilities and the like, could we do so? I think so. We have negotiated a line of credit with a bank that will likely be prepared to fund that kind of facility. If we do that, it will only be available for true hardship situations. If we can accomplish this, we will let everybody know as soon as we know.

8. ***How many victims are there?***

We have about 2,500 accounts. We have a little short of 2,000 victims. Some people have more than one account.

9. ***Will you be posting additional information regarding when your next court appearance will be?***

I will if I can when there is something critical or potentially interesting to investors going on. Quite frankly, there's usually nothing interesting for you to observe there. Most of the time the issues are technical or

procedural. And another thing, these Court dates can be canceled at the last minute and it would be impossible to notify everybody about last minute changes. If you go, you likely end up spending a lot of time just waiting for a non-event.

10. ***What about overseas funds?***

We will pursue anything we trace overseas as long as I am convinced it will be cost-effective.

11. ***Is there any evidence that records have been destroyed prior to the take-over of the FBI?***

No. There is no evidence that records were destroyed prior to FBI or our entry.

12. ***Is the company incorporated?***

Yes. One entity is incorporated in California and two are incorporated in Nevada.

13. ***Will we get regular updates on the website?***

Yes. As we get new public information, we will post it on the website. We will file a comprehensive report to the Court every several months. The one we are preparing now should be available in February.

14. ***There were rumors that an insurance company plans to buy TLC and return all our money. How true is this?***

I have marching orders from Judge Carter that there will definitely be no bargains offered to anyone. It is not our role to provide anyone bargains on your properties. If any insurance company, group or individual has an interest, they certainly can talk to us. We want to consider any potential solutions. In the week or ten days after the initial appointment we received several calls from large-scale investors, some of whom we know from other transactions. There are always investors who will move fast for a bulk bargain purchase. But, in those cases, I told them they were wasting their time. We will listen to any proposal, so long as it comes from a bona fide investor whose credentials we can check in advance. So far, no such principal has come forward or asked us to discuss the subject.

There have been suggestions from various quarters about Lloyds Underwriters, Arab investors or such that would be interested in getting involved. I am always available to meet and listen to any company or group regarding whom I can get solid information. We do not want to deal with intermediaries unless they identify their clients and we can check them out in advance so that time and money is not wasted on bargain hunters or those who do not have the capacity or standing to close a transaction.

15. ***Can individual TLC investors be given any preferential rights in purchasing real estate from the portfolio?***

No.
