

Quarterly Report to the Court

As of March 31, 2001

Robb Evans, Receiver of TLC Investments & Trade Co., et al.

Submitted April 18, 2001

This is the second quarterly report to the Court. The purpose of this report is to:

- Provide a current summary of major issues confronted by the Receivership Estate.
- Update the Court regarding the status of various issues addressed in previous reports.
- Request confirmation or approval of the Receiver's activities to date.

This report does not constitute an audit of the financial condition of the Receivership, is intended only for the information of the Court and should not be relied upon for other purposes.

Status of Real Property Assets

As of March 31, 2001, eleven properties had been sold and escrows closed. These properties cost \$887,079, had additional rehabilitation costs of approximately \$64,517 and were sold for an aggregate gross price of \$1,052,400. After paying expenses of sale, extinguishing liens against the properties and other costs, the net proceeds of \$974,995 resulted in a profit of approximately \$23,399.

There were five properties in escrow as of March 31, 2001. These properties cost \$142,128, had additional rehabilitation costs of approximately \$38,564, and it is anticipated they will produce net sale proceeds of \$253,749 with a profit of approximately \$73,057.

A status report of the major properties is under Tab 1.

Financial Reconstruction

As previously reported, the reconstruction of financial information is substantially completed, but submission to the Court at this time is premature as the Receiver awaits additional photocopies of certain checks, wire transfers, and deposit items. The copies of these items will clarify the proper accounting classification of certain receipts and disbursements. The Receiver has requested numerous photocopies from Washington Mutual Bank, but the bank has been very slow to respond.

The Receiver anticipates completing this project soon and will file a special report with the Court.

Investor Communications

The Receiver has continued to respond to many questions posed by investors on the telephone, by U.S. mail, by facsimile and by e-mail. During the reporting period, most of the questions centered on the confusion created by the Richard Weed/Gibson, Dunn & Crutcher motion to intervene in the case and about specific federal tax issues.

The Receiver has suggested to the Internal Revenue Service that it would be quite helpful if an agent could be made available to respond to general and specific inquiries. The Receiver is awaiting a response to this request.

Update Regarding Issues Previously Addressed

Emergency Advances to Distressed Investors

During the reporting period all investors were notified about the availability of funds for hardship advances. The cutoff date for requesting an advance was March 31, 2001. The Receiver has reviewed requests from 32 investors totaling approximately \$640,000. The Receiver has filed a separate report with this Court detailing those requests.

Intangible Assets

As previously reported, a major potential source of recovery is the return of money paid from investor funds to a variety of parties. They include:

- Agent commissions and bonuses
- Other investors
- Bonuses paid for the acquisition and sale of property
- Expenses paid for which no value was received
- Return of personal assets purchased by Mr. Cossey with investor funds
- Loans for automobiles or other purposes

The Receiver is reconciling amounts paid to agents and will demand return of those payments during the month of April.

As previously reported, TLC paid incentive bonuses to consultants and others for the acquisition and sale of property in spite of the fact that, in most cases, TLC already paid the customary real estate commissions pursuant to traditional sales and listing agreements.

The Receiver's investigation and legal research is continuing regarding recovery of these bonuses. If the research supports recovery, the Receiver will initiate demand procedures similar to those previously outlined for recovery of agents' commissions.

The Receiver continues to analyze possible other claims the Estate may have against third parties.

Sienna Financial Ltd

In previous reports, the Receiver advised the Court of a series of transactions involving Sienna Financial Ltd. As reported, TLC invested \$20 million of investor funds in a so-called Prime Bank Trading Scheme operated by James F. Garro ("Garro"). Garro repaid \$10 million to TLC prior to the Receiver's appointment and conveyed a residence in La Jolla, California to the Receiver in arrangements made between Garro and Mr. Cossey shortly before the Court's October 5, 2000 Order. The Receiver's counsel

and colleagues have reviewed numerous financial records and corporate documents to determine what happened to the remaining investment, plus accrued interest. This investigation is continuing.

A deposition of Garro was conducted on March 21, 2001 at which time Garro asserted his Fifth Amendment rights to all substantive questions.

Marina Coves on the Colorado River

Since the inception of the Receivership, installing, and eventually removing, a temporary dike that would permit partial filling of the planned lake has always been contemplated. To fill the entire proposed lake would entail a financial undertaking exceeding the amount considered appropriate during the Receiver's, hopefully, limited participation in the project. The finished grading, telephone installation, electric, CATV and gas services for the first 99 lots have now been completed. Filling the partial area of the lakebed is the largest remaining step in the process. Sales of the first 99 lots in Phase 1A are scheduled to begin in June 2001 with a grand opening event scheduled for the 4th of July holiday.

Completing the previously reported purchase of the additional 87 acres in January 2001 afforded the Receiver's project team the opportunity to evaluate alternate drawings for the layout of the temporary dike and the resultant initial lakebed. During reviews of these drawings, it was determined that the planned temporary dike would create a filled lakebed for only 77 of the first 99 lots. While the 22 lots without water frontage could still be sold, they would be less appealing and might require a discount, or an extended term contract, to market them. The project team analyzed and recommended a change to the design for the temporary dike to provide a filled lakebed for all 99 lots. This change will enhance the appeal and marketability of all 99 lots.

This design change also provides enhanced appeal and benefit to the rest of Phase 1 and to the next phase of the project, whether the Receiver attempts to market it on a retail or bulk sale basis.

The recommended design change would require spending an additional \$875,000 that, under the existing design, would have been spent in the next, unbudgeted, portion of Phase 1. This recommended design change, however, creates several specific benefits for the project. First, it will provide water frontage to all the 99 lots being developed, plus expands water frontage to 47 Phase 1B lots (to be sold in the future), and provides simple access to the filled lakebed for 62 lots in Phase 2. The new design will allow the lake surface to expand in later stages by removing the proposed dike arms, rather than removing the lengthy temporary dike. More important, the area of the lakebed will immediately expand to 1,100,000 square feet, an increase of 712,000 square feet from the current design. The lake surface will reach from one shore to the other instead of ending midway across the lakebed at the temporary dike. The shoreline will increase to 14,000 lineal feet from 6,800 lineal feet as currently planned. These changes will dramatically improve the presentation of the lake and the project.

The design change, and the resulting \$875,000 of additional expense moved from later stages, support, and may provide an increase in, the planned retail prices of both portions of Phase 1. The projected

monthly sales rate for retail lots will be more solid, and will increase as a result of this expenditure. The projected marketing time for achieving planned retail sales and for locating a bulk purchaser for the balance of the project could well be compressed. Overall, the recommended design change appears financially viable and provides the likelihood of increased returns. At a minimum, the Receiver is convinced that he can fully recover this additional expense.

On February 14, 2001, the Receiver's staff met with the Mohave County Planning and Zoning Commission. The Commission approved the rezoning and the preliminary development plan for the entire project. On March 7, 2001, the Mohave County Board of Supervisors approved and adopted the actions of the Commission. In prior reports, the Receiver has stated that he would authorize spending \$1.57 million to complete the development of the first 99 lots in Phase 1, and make them available for retail sale. The February 14, 2001 approval by the Commission required equipment upgrades and additional fill material. These requirements increased the development costs by about \$95,000. The Receiver anticipates recording the final plat by the end of May 2001. After recording, the Public Report will be prepared and filed with the Arizona Department of Real Estate in early June 2001.

Local realtors and press have confirmed that demand for, and sale of similar properties, remains steady and firm. They believe a substantial part of the market includes California retirees who are using the proceeds of existing homes or other vacation homes and have not necessarily been impacted, so far, by changes in the stock market.

Accordingly, if the Mohave Valley market demand and absorption remain steady, the Receiver continues to believe that he will recover the entire investment of about \$8.33 million, including the \$875,000 moved to this portion of Phase 1, plus an estimated profit of approximately \$1.5 million. In the event of a further modest downturn in the economy and the real estate market, the Receiver still anticipates full recovery of all investment, although with a marginal profit.

Consequently, the Receiver concurs with the project team's recommendation that the design change, and the required additional expense of \$875,000, be approved.

Donations for Construction of a High School Stadium

The Receiver previously incorrectly reported that the donation made to the Brahma Foundation was for the purpose of building a high school football stadium. The Receiver has been advised that the donated funds were used to renovate an existing facility to provide for additional seating, field locker rooms, new goal posts, new grass, a new scoreboard, and perhaps other items.

As a follow-up to the meeting between the Receiver and the school district, the Receiver's counsel has scheduled a meeting on May 7, 2001 with the school district's counsel to determine the district's position on the donated funds.

Texas Recovery Litigation

As previously reported, the Receiver is attempting to recover \$270,000 in actual damages sustained by TLC as a result of fraud perpetrated by the individual defendants in two separate real estate transactions and \$300,000 in punitive damages and attorneys' fees. After a trial that began on April 2, 2001 the Court entered judgment in favor of TLC against two of the six defendants and awarded \$225,000 actual damages, pre and post judgment interest and court costs. The Court did not award any damages to the defendants for their counter-claims against TLC.

Investor Claims Process

During the month of April 2001 the Receiver will mail a statement of account to all investors that will detail each investor's original investment and will be adjusted by any interest paid to the investor. Investors will be given an opportunity to review their account statement, to contact the Receiver if there is any dispute as to the original investment or the adjusted balance, and invited to provide documentation to the Receiver to reconcile any disputed amount. If any disputed amounts cannot be resolved between the investor and the Receiver, those disputes will be filed with this Court with a motion seeking instructions from the Court.

Other Issues

In November 1999, TLC purchased approximately 132 acres of an undeveloped parcel of land in a river flood plain (in unincorporated Riverside County) near Norco, California. TLC paid \$4 million for the property and intended to develop it into a 7/8th mile harness racetrack, the first of its kind in Southern California, which would also facilitate off-track betting via satellite. Development costs for the racetrack were expected to exceed \$32 million. Mr. Cossey entered into a contingent proposal with three men, purportedly familiar with such development, to improve the property into a full-service racetrack facility. The proposed project is controversial locally and the possibility of obtaining the requisite permits and zoning changes is speculative and, at best, would take a number of years. According to his associates, Mr. Cossey committed to finance construction of the entire project and upon completion the three associates would be entitled to a 30% interest in the racetrack and facilities. The Receiver is reviewing the merits of their claims.

The Receiver has noted evidence of an alleged bonus payment of several hundred thousand dollars to a third party at the time of acquisition of this undeveloped parcel of land. Upon completion of the investigation, the Receiver will evaluate the options available for recovery of these diverted investor funds.

The potential market for this property in its current condition appears very limited. The Receiver's preliminary investigations indicate that use of the property for residential development may be impractical or unavailable because of its location in a flood plain. The Receiver is investigating the potential alternate best use for this property, as transformation of this undeveloped land into its originally planned use is

beyond the mandate and scope of this Receivership both in terms of time and funds required to achieve the speculative objective.

The Receiver was recently made aware of a proposal by the Riverside County Transportation Department that could severely impact the value of this property, if not reduce the property to an unmarketable condition. An onramp access from a nearby road to Interstate 15 was designed to be built through the middle of this property. On March 30, 2001 two of the Receiver's colleagues met with the Riverside County Transportation Department and alerted the county officials of the Receiver's intention to oppose such a plan in view of the perceived loss to the Receivership Estate. The Transportation Department indicated that the proposed recommendation for the I-15 onramp through the property would likely be withdrawn at the next public hearing. On April 11, 2001, two of the Receiver's colleagues attended the public hearing and confirmed that the Transportation Department did, in fact, withdraw the designed interchange through this property.

The Receiver will continue to monitor this closely to ensure that the property is protected from any such threats.

Preliminarily it appears that a premium was paid for this speculative investment, and given the cloud on title combined with the current limited use of the property, it appears likely that the sale of the property will result in a loss of some of the original investment

Administrative Expenses

Under Tab 2 are the financial reports for the period of January 27, 2001 through March 31, 2001. The Court is respectfully requested to approve these reports, including fees and expenses of the Receiver totaling \$24,680.38.

Requests of the Court

The Court is respectfully requested to:

1. Approve this Report and confirm the actions of the Receiver described therein, including the request to provide an additional \$750,000 to the current portion of Phase 1 of the Coves Project.
2. Authorize or confirm all expenses of the Receivership from January 27, 2001 through March 31, 2001, including fees and expenses of the Receiver detailed under Tab 2.

Respectfully submitted,

/S/

Robb Evans

Receiver

TAB 1

#	Property Address	SFR, Multi, Comm'l, Land, Lots	City	State	Purchase Date	Property Status as of 3/31/01
1	The Coves Project Phase 1	Land	Mo Valley	AZ	07/01/99	Phase A/99 residential lots under construction, of which the majority are lakefront lots. Marketing plan under review re: sales to begin 7/4/01.
2	235 S Flower	Comm'l	Brea	CA	12/15/98	Currently vacant. Listed with Charles Dunn @ \$475M.
3	212 S Orange Ave	Multi	Brea	CA	01/01/99	28 units rented @ 100 % occupancy. Listed with Charles Dunn @ \$2.1MM.
4	7500 Hamner Ave	Land	Norco	CA	11/05/99	(Silverlakes) 28 acres of horse ranch property with 1 house and several out bldgs. Not listed, addressing legal issues. Scheduled for sale in 2002.
5	7556 Hamner Ave.	Land	Corona	CA	11/05/99	(A-Bar Ranch) 98 acres of horse ranch property with 1 house and several out bldgs. Not listed, addressing legal issues. Scheduled for sale in 2002.
6	736 N. State St. Plaza	Comm'l	Hemet	CA	09/30/99	24 unit office bldg. Anticipate signing a management agreement with Charles Dunn to increase occupancy to 75% from about 50%. Will then be listed for sale higher than the average value, but may take approximately one year.

7	302 Vista de la Playa	SFR	La Jolla	CA	10/06/00	7500 Sq. ft. oceanfront home. Listed with The Willis Allen Co. @ \$7.25MM.
8	10541 Monte Vista (Corral)	Comm'l	Montclair	CA	06/22/99	Used as an outdoor storage facility for recreational vehicles. Adjacent to #9, listing deferred.
9	4939-49 Holt Blvd	Comm'l	Montclair	CA	06/22/99	A retail strip center with 6 units recently increased to 100% occupancy. Conferring with anchor credit tenant to change from month-to-month tenancy. Listing deferred.
10	9240-60 Harness (Spring Valley)	SFR/Land	San Diego	CA	11/01/98	4 houses occupied and rented plus 7 acres of vacant land. Appraisals have raised questions about development rights. Too soon to determine if average value and an offer are the fair value. Seeking more data.
11	3276 El Cajon Blvd.	Comm'l	San Diego	CA	05/01/00	Currently in litigation against Lessee. Obtaining a Phase 1 Environmental Survey. Slated for sale in 2002.
12	510 Turfwood Lane	SFR	Solana Beach	CA	05/15/00	Sold
13	1245 Jasmine Circle	SFR	Weston	FL	12/01/98	Sold
14	370 Holly & 1600 Carlisle	Multi	Atlanta	GA	12/01/98	Currently working with property manager to increase rental occupancy to 75% to increase

						fair market value and marketability. Listing deferred.
15	470 & 488 Glen St	Comm'l/Loft	Atlanta	GA	04/08/99	Currently vacant 100,000 sq. ft. warehouse bldg. on 3.6 acres . Appraisals and Phase 1 Environmental Survey are underway. Will be listed as a retail or commercial loft development project. Sale may be pushed into 2002.
16	Century Lofts 505 Whitehall St SW	Loft	Atlanta	GA	11/01/98	31 units of which 8 units are sold. The remaining 23 units are listed with Coldwell Banker.
17	1908 Judd Hillside	SFR	Honolulu	HI	10/06/99	Currently leased with an Option to Purchase @ \$2.4 MM with quarterly incremental increases of \$25,000.They have till the end of July to exercise the option, at which time the option price will be \$2.5MM. Will be listed at or above \$2.5MM if option expires.
18	715 S Kihei Rd #128	SFR	Kihei	HI	08/01/98	Condominium that may be part of the sale that is currently being negotiated. See # 19 below.
19	715 S Kihei Rd	Land Lease	Kihei	HI	01/01/99	2/3 owner of land lease with 118 condo units. Currently negotiating the sale of our ownership in coordination with G.E. Capital, who is the owner of the remaining 1/3 of the land lease. Not listed because the

						HOA is the most likely buyer. The Receiver's in-house counsel is negotiating directly with counsel for the HOA.
20	4420 Makena Rd.	SFR	Makena	HI	10/13/99	1 acre on the ocean. Listed with Coldwell Banker @ \$5.3MM. Currently negotiating an offer.
21	4323 Bowser	Multi	Dallas	TX	03/17/00	5 unit apt. bldg. Currently rented @ 100% occupancy. Listed for sale with Century 21 for \$395M.
22	57 Cherrywood Ct	SFR	Houston	TX	12/01/98	12,000 sq. ft. home on a lake. Listed with three different national brokers for two years @ \$595M to \$750M with no offers. May be a candidate for a nation-wide auction.
23	10100 E. Freeway	Comm'l	Houston	TX	04/22/99	A 17,000 sq. ft. office bldg. that is currently 80% occupied. Listed for lease with Office Buildings of Houston. Anticipate increasing occupancy to 100% within the next 3-6 months and then appraising and listing for sale.
24	3000 Bering Dr.	Comm'l	Houston	TX	08/31/99	A 28,000 sq. ft. office bldg. that is 14% occupied. Currently listed for lease with Office Buildings of Houston with the goal to achieve 100% occupancy within 6-9 months and then list for sale.

25	2002 Gentryside Dr.	Multi & Land	Houston	TX	03/31/00	24 unit townhouse development that recently became 100% leased, plus an additional 2.4 acre of land that already has streets and utilities. Appraisals will include development value and apartment value. Listing deferred pending decision for marketing direction.
26	5414 Elm St	Multi	Houston	TX	11/01/98	91 unit apt. bldg. that is 100% occupied. Listed with Hendricks and Partners @ \$2.5MM.
27	Whitney Place Lots 37,39,40&41	Multi	Houston	TX	04/22/99	70 individual single family homes that are currently 7% leased. Listed with Marcus & Millichap @ \$2.495MM.
28	15 N. Chenevert	Comm'l/Loft	Houston	TX	07/14/99	Vacant 85,000 sq. ft. loft bldg. downtown. Listed with Grubb & Ellis @ \$5.75MM.
29	21 Chenevert	Comm'l/Loft	Houston	TX	07/13/99	Vacant lot adjacent to the warehouse bldg. at 15 N. Chenevert-see # 28 above for description.
30	1331 - 1339 S Flores	Comm'l	San Antonio	TX	01/01/99	2 adjacent bldgs., totaling 85,000 sq. ft. near downtown, with 80,000 sq. ft. vacant. Building is in a very raw state. Currently negotiating with a local firm, Hogan Real Estate, to list the property.

31	Lake Livingston	SFR & Land	San Jacinto	TX	02/01/99	18 acres of lakefront property with 2 homes that are currently rented. Property manager is seeking easement correction and solution to water supply to complete a 16 lot subdivision. Current value about 50% to 60% lower until subdivision is ready. Listing deferred.
32	1809-17 Douglas Ave	Multi	Racine	WI	12/01/98	31 unit apt. bldg. that is currently 70% leased, but experiencing delinquency. Property needs extensive repairs and could not be sold for present appraised value. Seeking new property manager. Listing deferred.
33	1625 East G St. (55 units)	Multi	Ontario	CA	06/22/99	55 unit apt. bldg. that is 100% occupied. Listed with Marcus & Millichap @ \$5.4MM.
34	129-177 Palm Ave.	Multi	Imperial Beach	CA	04/01/99	21 unit apt./commercial mixed use complex located one block from the beach. Currently listed with Hendricks & Partners on silent auction basis.

	<u>Previously</u> <u>Approved</u> <u>Oct 30, 00 - Jan 26,</u> <u>01</u>	<u>Jan 27 - Mar 31, '01</u>
Engineering	58,944.78	263,361.61
Legal Fees	33,734.14	14,689.67
Security/Alarm/Protection	56,526.68	89,748.89
Utilities	155,421.11	151,154.24
Property Taxes	541,829.32	129,917.41
Management Fees	122,970.68	99,844.46
Insurance	180,923.27	114,548.27
Repairs	336,632.41	429,086.69
Appraisal / Survey Expense	57,857.73	120,372.16
Property Expenses - Other	351,154.94	149,351.70
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Total Property Expenses	1,895,995.06	1,562,075.10
Brea Operating Expenses	208,874.45	178,722.36
Racehorse Expenses	244,278.75	21,677.92
Total Business Operating Expenses	2,349,148.26	1,762,475.38
<u>Receivership Administrative Expenses</u>		
<u>Receiver's Fees & Expenses</u>		
Receiver's Fees	37,070.00	24,365.00
Out of Pocket Expenses	1,420.61	315.38
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Total Receiver's Fees & Expenses	38,490.61	24,680.38
<u>Staff Expenses</u>		
Project Coordinators/Portfolio Management	108,758.14	47,180.00
Accounting & Support/Financial Reconstruction	109,104.47	95,304.75

Employer Tax	11,501.25	6,167.30
Out of Pocket Staff Expenses	21,524.36	14,621.45
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Total Staff Expenses	250,888.22	163,273.50
Legal Fees & Costs	59,487.38	57,843.17
Copying & Records Reproduction	30,914.66	9,683.76
Other Expenses	13,510.17	32,186.11
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Total Receivership Administrative Expenses	393,291.04	299,028.03
Total Expenses	2,742,439.30	2,061,503.41
