

## Quarterly Report to the Court

As of December 31, 2001

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

This is the fifth 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**

During the period from October 5, 2000 (commencement of Receivership) through December 31, 2001, sixty-one properties had been sold and escrows closed. These properties originally cost \$12,094,719, had capital additions totaling \$1,581,624 and were sold for an aggregate gross price of \$16,125,775. After paying direct expenses of sale, extinguishing liens against the properties and other costs, the net selling price of \$15,127,581 resulted in a profit of \$1,451,238.

In addition, Frank Cossey's (Cossey) Diamond Bar home and James F. Garro's (Garro) La Jolla residence were both sold in December 2001. These two properties were not carried as Real Property Investments and the net proceeds were recorded as the liquidation of previously booked recoveries or receivables. The net proceeds from the sale of Cossey's Diamond Bar home were \$1,314,696, and the net proceeds from the sale of Garro's La Jolla residence were \$5,214,161.

Additionally, there were nine properties in escrow as of December 31, 2001. One property, Quail Bridge Gardens in Houston, Texas, was originally reported as 48 individual residential lots but for purposes of this report is considered as one property. The properties in escrow originally cost \$2,336,345, had capital additions totaling \$93,073, and it is anticipated they will produce net sale proceeds of approximately \$2,238,000 with a loss of approximately \$191,000.

The properties that have been sold or put in escrow so far are primarily those with the least problems and whose fair market value is most easily achieved. The fact that their sales price exceeds cost should not be taken as an indication that similar results will be possible with future sales.

The September 11th attack on the United States introduced an element of tension and uncertainty in every real estate market in which the Estate holds real property. For some properties, usually the moderately priced residential and commercial properties, the impact was not severe, and pending transactions continued to progress. Market interest in the available properties in this segment slowed, and bank lending practices became constrained, but then in time the market segment began to regain momentum.

However the impact of the September 11th attack did affect some of the expensive residential and other unique Estate properties. The pending buyer of a \$4.5 million lot in Maui withdrew his offer citing financial problems arising from September 11th as one of his concerns. Since September, we have received no offers for the \$2.5 million residence in Honolulu.

Later in this report we discuss the impact of September 11th, and the recent bankruptcy of Enron Corporation, on our unique Chenevert property in downtown Houston, the 70 Whitney Gardens single family residences, and other residential and investment properties in Houston.

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

## **Update Regarding Issues Previously Addressed**

### **Intangible Assets**

Since April 2001, the Receiver has made demand on 151 sales agents requesting return of commissions and bonuses paid to them. After an initial period during which demand letters were sent and extensive settlement discussions took place with many agents, on July 25, 2001 the Receiver filed seven lawsuits against 76 agents or entities that received commissions or bonuses. On November 28, 2001 and December 27, 2001, the Receiver filed another three lawsuits against 25 agents or entities that received commissions and bonuses.

As a result of these activities, twelve agents have paid the Receiver's demand in full. To date, approximately \$208,000 has been received and approximately \$360,000 is expected pursuant to sixteen settlement agreements. These figures only include consummated settlements or settlements where an agreement in principle has been reached. These numbers also include actual and estimated recoveries from some agents who were also investors and who have resolved all or a portion of the Receiver's demand by agreeing to allow the Receiver to apply funds otherwise due to be paid to them on their allowed claims to repay commissions and bonuses. The total dollar value of actual and prospective recoveries pursuant to these payments and agreements is approximately \$568,000.

### **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 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 Cossey shortly before the Court's October 5, 2000 Order. That property has now been sold for \$5.2 million.

The Receiver's colleagues traced TLC funds totaling about \$2.4 million that were routed through a number of shell companies owned by Garro to the purchase of a single-family residence in Santa Fe, New Mexico. On July 27, 2001, the Receiver filed a complaint in the Central District of California against Garro, Paul Chovanec, David Price, Terry Provence and others for fraud and conversion. The complaint alleges that Chovanec and Price assisted Garro in transferring misappropriated investor funds through their bank accounts and that Provence received misappropriated investor funds.

The Receiver also filed a separate action in New Mexico against the shell companies used to purchase and finance the Santa Fe property, Camelot International, LLC, Merlin Financial, LLC and Corfu International, LLC. This was necessary in order to file a lis pendens against the property. In the New Mexico action, the Receiver asked the Court to appoint a local receiver over the house and furnishings to protect these potential estate assets. On October 3, 2001 the United States District Court in Santa Fe, New Mexico did appoint a local receiver, and on December 11, 2001 the New Mexico Court entered an order permitting the local receiver to share documents with the Receiver.

Both of these cases are pending and the California case has been set for trial on December 10, 2002. No trial date has been set in the New Mexico case but all discovery, pretrial motions, and pretrial orders must be completed by October 10, 2002. It is anticipated that pretrial discovery in both cases will be consolidated.

Based on documents produced by the New Mexico receiver and other financial records in our control, the Receiver's counsel identified another property located in Encinitas, California, which the Receiver alleges was purchased by one of Garro's shell companies, Corfu International, LLC, with misappropriated investor funds. On January 4, 2002, the Court issued a Temporary Restraining Order enjoining Defendant Garro and proposed defendant Corfu International, LLC from encumbering that property.

### **Marina Coves on the Colorado River**

In the Receiver's last report to the Court, the Receiver notified the Court that significant construction defects in the water and sewer lines could have a substantial adverse impact on our project development budget and our projected marketing date.

Prior to the Receiver's appointment, the water and sewer system was installed by a local construction company in Mohave Valley, Arizona (MV Contractor). We are unable to record the final plat or file the public report until the local utility district, Fort Mohave Tribal Utility Association (FMTUA) approves and accepts the water and sewer systems. As a result of some concerns expressed by Kendall Spooner (Spooner), Director of FMTUA, about the quality of work performed by the MV Contractor, the Receiver agreed to retest the entire water and sewer systems.

The water lines failed during retesting because of various leaks, which have since been located and repaired.

There are four standard tests for a sewer system (air pressure, exfiltration, mandrel and lamping tests) and we either failed each of the tests or were unable to complete the tests because of debris in the sewer lines. Thereafter, we contracted with ProPipe, a company from Phoenix, Arizona to shoot the lines with a videotape device so that we could determine the extent of the problems with the sewer lines and develop evidence in the event we file suit against the MV Contractor. The videotape revealed significant deficiencies in the construction of the sewer lines. A copy of the videotape was provided to Spooner for his review.

On October 31, 2001, Spooner sent a letter citing the numerous problems revealed in the videotape and offered a proposal that would require the Receiver to replace a significant portion of the sewer system and thereafter, retest the entire system. We would need to address any new deficiencies discovered in the retesting. Additionally, Spooner would require a payment of \$300,000 to cover projected maintenance costs for the next 20 years. If the Receiver accepted this proposal, we would only receive a provisional acceptance, which would remain in effect until the last phase of the project had been completed. During the term of a provisional acceptance, the Receiver would remain responsible for any failures or increased maintenance to the sewer system.

After reviewing the various reports on the problems with the sewer system, the Receiver visited the project. During his visit, the Receiver inspected the status of the improvements to the project, viewed the videotape of our system with an expert on wet utilities, met with Spooner, and met with our broker, home builder and project developer.

It is evident from review of the videotape and discussions with an expert that the sewer system has numerous fatal flaws. Spooner's position that the system is unacceptable seems well founded and reasonable. The Receiver has instructed his counsel to immediately initiate legal proceedings against the MV Contractor and his insurance carrier.

The Receiver and his colleagues have considered various alternatives in response to the problems found in the sewer system. These alternatives include, but are not limited to, the following:

1. Shut down the project to avoid further expenditures and seek to liquidate the project in a bulk sale.
2. Engage a national real estate firm specializing in auctions and market the project "as is" to the highest bidder.
3. Accept the proposal from FMTUA to fix the worst portions of the system and remit \$300,000 for future maintenance expenses in order to obtain a provisional acceptance and sell the lots retail.
4. Replace the sewer system in order to obtain an unconditional acceptance and thereafter sell the lots retail.

While the first two options are appealing in the sense that the Receiver would not be required to expend additional funds overseeing the development of Marina Coves, they will ensure a substantial loss from the monies invested in the project to date. Preliminary discussion with a national auction firm indicated no interest in the project in its present condition, and no confidence in obtaining a meaningful price until some retail sales are completed.

Under alternatives 3 and 4 above, the Receiver would market the lots retail after recording the final plat and receiving approval of the public report from the Arizona Department of Real Estate. We do not anticipate approval of the public report and the initial marketing of the lots until the summer of 2002. Because of the delay in marketing the lots, both of these alternatives would result in approximately \$200,000 of additional costs over and above the budget required to complete the improvements.

Accepting the FMTUA proposal would result in additional unbudgeted expenditures of approximately \$500,000. In addition to the \$300,000 FMTUA would require for future maintenance expenses, the costs of repairs required by FMTUA could exceed \$200,000. Even after compliance with the FMTUA proposal, the Receiver would only be given a provisional acceptance for the sewer system.

The Receiver has been advised that the cost of replacing the sewer system would be no more than the \$500,000 to comply with the proposal by FMTUA. Additionally, by replacing the sewer system, the Receiver would obtain an unconditional acceptance of the system by FMTUA.

Our broker and homebuilder have been notified of the problems with the sewer and the expected delays. They strongly encouraged the Receiver to replace the system because they remain optimistic about the marketing potential of the project. The broker reported that with the exception of the first two weeks after the September 11th tragedy, the demand for properties has increased along the Colorado River over the same time period last year.

The expanded lake construction, which the Court approved in an earlier report, has been completed and the lake filled with water. Completion of the expanded lake has significantly increased the level of excitement and interest in the project.

The Receiver's inspection of the project revealed that a significant value has been added as a result of the monies expended by the Receivership Estate. The Receiver has been assured by our consultants that acceptance of the sewer system is the last significant task required to seek approval from Mohave County and the State of Arizona to market the lots.

As of December 31, 2001, the pre and post receivership capital expenditures for the Marina Coves project total \$8.36 million. That total includes a \$300,000 or 34% "special commission" payment on the original purchase of \$875,000. The Receiver is investigating the nature of this special commission payment.

Previously, the Receiver reported to the Court that we expected a pre and post receivership development budget of \$8.33 million. Currently, there remains approximately \$300,000 worth of improvements, which are either already under contract or in the process of being completed. With the funds required for the repair of the sewer and resultant delay to market and the cost to complete the remaining improvements, the Receiver now estimates an overall budget of \$9.33 million dollars through the commencement of marketing the lots retail.

The Receiver and his colleagues recommend that the development budget be revised to allow for the replacement of the sewer system and the additional costs associated with the delay. While influences on the economy may slow the expected rate of sales, marketing the lots retail appears to be the only alternative that could result in the return of the capital invested in the project plus some profit.

### **The Norco Property**

The Receiver previously advised the Court that he was awaiting the results of the second appraisal, which has now been received. The Receiver also informed the Court that meetings with John Tavaglione (Tavaglione), Supervisor Second District/County of Riverside had been initiated and that further

discussions were planned. During the last month, the Receiver's Deputies have attended two meetings with Tavaglione to determine the most productive process for evaluating three offers that have been received on this property. All three offers are from well-known builder/developers, two of which are publicly traded companies and the third is a large privately held company. Tavaglione offered to chair meetings with each of the potential buyers to discuss the myriad of issues surrounding the development of this property. The Receiver is currently awaiting restructured offers in response to the issues discussed at the meetings.

### **Properties in Atlanta, Georgia**

#### **Century Lofts Project, 505 Whitehall Street S.W.**

Following are details about a recent fire at the condominium project, a description of the damage, the current status of the pending insurance claims, and an evaluation of the known financial impact. The conclusion states that insurance coverage should protect the Estate from any catastrophic loss and the project should recover without lasting damage to its appeal or marketability. However, this is a preliminary evaluation and the final insurance claim resolution, any unexpected problems, and any related out of pocket loss, will be reported as soon as they are known.

#### ***Background and Details of the Fire***

The Century Lofts Condominium project is a former industrial building in Atlanta, Georgia that was converted to a 31-unit condominium loft project prior to the October 5, 2000 Order Appointing Receiver. The Receivership Estate holds title to the 23 unsold units and, as the developer, controls Century Lofts Condominium Association, Inc., the non-profit corporation that functions as the homeowners association (HOA). The HOA obtained Fire, General Liability, and Director and Officer Liability insurance coverage. Recently the Court approved installing a new roof to correct numerous construction defects and to complete the build-out of the remaining fourth floor units.

According to the on-site security service and the report of the Atlanta Fire Department, on November 6, 2001 at about 11:50 PM a fire started on the western side of the roof of the four-story Century Lofts Condominium project. All six of the eight individual owners that were home were evacuated safely by the security service. The Fire Department, called by the security service, arrived promptly and put out the fire. The fire covered about half of the roof and much of the fourth floor elevated living area that is above the roof deck. Although the fire was quickly extinguished, there was substantial fire, smoke, and water damage throughout the building. The results of the rigorous and thorough Cause and Origin investigations that were conducted by at least six experts representing the HOA's insurance carrier, as well as carriers for the general contractor, the roofing sub-contractor, and some of the homeowners, have not yet been made public.

However, two of the Receiver's real estate professionals were on the site during the first two weeks after the fire, and one has been on the site almost continuously since the fire. From their observations, from the observations of the project architect and roofing consultant, and from comments made by other

investigators, it appears the fire started from the heating methods used by the roofing sub-contractor to bond the roofing materials. While no liability has currently been established, the HOA's insurance carrier responded immediately to our notice on Wednesday, November 7th. The carrier's representative confirmed coverage and quickly dispatched adjusters and repair estimators to the site. The insurance company engaged a local firm to remove water from the interior and to begin drying and dehumidifying. Upon the advice of counsel, and following customary claim procedures, all of the HOA's claim efforts and activities are directed to its carrier without any contact with other carriers, including carriers for the contractor and sub-contractor.

The HOA's insurance carrier has also conducted meetings with available homeowners in the presence of my staff and/or my local counsel. The carrier's adjuster explained how the homeowners should submit claims and generally what losses and damage are covered by the HOA's policy. Through the HOA, the Receiver has also communicated in writing to the homeowners and has pledged to have the building repaired with minimal delay and to advocate that their claims be processed as efficiently and quickly as possible.

### ***Detail of the Fire Damage***

The contract and sub-contract to remove and replace the existing roofing system was documented by a scope of work prepared by my roofing consultant and approved by the project architect. The Receiver's real estate professionals supervised the evaluation of bids provided by contractors and roofing sub-contractors, who were initially approved by the roofing consultant and also were licensed installers by the material manufacturer. On the day of the fire, the installation of the new roof was about 85% complete. An associated contract to build-out the remaining six units on the fourth floor was about 25% complete. The carrier's adjusters and the Receiver's staff professionals have confirmed that the fire and the water penetration have damaged the new roof materials so severely that the entire roof, including the elevated living area above the fourth floor, must be removed and reconstructed. They also agree that portions of the parapet walls and possibly the concrete roof base may have sustained extensive damage and must be inspected by a structural engineer. The project architect has stated that the elevator system appears to have sustained substantial damage and will require inspections by engineering and elevator experts. The damage to the build-out that was underway for the six units on the fourth floor is minor.

The Receiver's staff professionals and the HOA's carrier have inspected nearly all the sold and unsold units. Most sustained moderate to severe water and smoke damage. Many will require that walls, cabinets, and fixtures be replaced and repainted. Damage to the furnishing and personal property of the individual owners will soon be documented.

### ***Progress and Current Status of the Insurance Claim***

After learning about the fire, the Receiver began to consider whether to use a Public Adjuster or an Atlanta attorney to assist the HOA and the Receivership Estate with this large and complex damage claim. The Receiver obtained advice from a local attorney with an insurance practice, an insurance company, and

further comments from other insurance professionals through these and other contacts. The Receiver elected to follow the unanimous recommendation to engage Atlanta counsel experienced in fire damage claims and to not engage a Public Adjuster, unless later developments indicated the special guidance of a Public Adjuster was warranted.

The Atlanta attorney, located through an insurance company recommendation, has stated that the progress and current status of the damage claim is above average. The construction company brought in by HOA's carrier to compute the repair cost completed a calculation to repair the fire damage to the roof including the scope of work and construction drawings prepared by the Receiver's roofing consultant and architect. The Receiver then obtained his own bid for the same scope of work from the contractor the Receiver intended to use for the reconstruction. The Atlanta attorney assisted the Receiver's staff to swiftly reach agreement with the insurance carrier on the cost to replace the roof and the elevated living area above the fourth floor. The Receiver's contractor has begun the demolition and reconstruction. As further discussed, repairs and reconstruction of other damage, including interior damage to common areas and the individual units, are scheduled to begin promptly.

Next, the Receiver's staff will focus on resolving the remaining unadjusted damage, including the elevator, parapet walls, deck structures, electrical, HVAC, plumbing issues, structural issues, and all required interior repairs to the common areas (hallways, etc.) and to the individual units. As we have reached agreement with the carrier on the major damage, we should be able to also reach agreement on the remaining items and areas. While the Receiver's Atlanta attorney is comfortable with the current progress and status of the damage claim, the firm is poised to recover all insurance benefits that the policy provides and to limit out of pocket loss for the HOA and the Receivership Estate.

#### ***Impact on the Project and the Receivership Estate***

As the owner of the 23 unsold units, the Receivership Estate, functioning as the developer, supports the HOA, its fiduciary duties to the current and future unit owners, and the needs of the Condominium project. At this stage, the complete financial impact from the fire on the HOA is unknown and cannot presently be calculated. As previously discussed, we have resolved the claim for major damage and will soon address the several remaining areas. The Receiver has been advised that large damage claims usually create some out of pocket costs from uncovered expense or damage, and unplanned management attention. To the extent it is cost-justified, the Receiver's Atlanta attorney will attempt to recover all cost and expense, whether from the HOA's carrier or other carriers.

The marketing of the 23 remaining units will be delayed. The Receiver had planned to begin active advertising and promotion when the now-destroyed roof project was complete. That date will now be extended at least three months. The Estate will bear the cost of continuing HOA dues for unsold units because of delayed sales. Furthermore, the delayed sales proceeds will not be available for distribution to the victims.

The Receiver's preliminary conclusion is that the appeal or reputation of the project will not suffer because of the fire. The previously existing roof defects will be corrected and after restoration, the project should be in near-new condition. A prompt and efficient restoration process will limit damage from informal communication within the community.

The HOA, and ultimately the Receivership Estate, may face problems from potential claims and legal actions from the eight individual homeowners. At this stage of the claim and repair process, the Receiver is advised that insurance coverage, from the HOA's carrier and other carriers, should cover most or all of these possibilities. However, we are still completing a complex exercise and cannot determine the entire outcome.

### ***Conclusion***

Based on available advice and information, the Receiver believes that insurance coverage should protect the Estate from any catastrophic or substantial loss from this fire. It is expected that all remaining claims will be resolved efficiently and promptly. As earlier stated, the Receiver believes the project should recover without lasting damage to its appeal or marketability.

However, this is a preliminary report with some important issues currently unresolved or not fully known at this time. Future reports will describe the resolution of the remaining insurance claims, any unexpected problems that impact the value of the asset, and any related out of pocket loss that cannot be recovered or it is determined that the recovery process is not cost-justified.

The Receiver has investigated whether a buyer could be located to take over the project "as is", complete the insurance claim, and carry out the marketing of the unsold units. We have not located any interested buyers willing to discuss a cost-justified price.

### **Toby Sexton Tire Building, 470 & 488 Glenn Street**

The Receiver previously advised the Court that three "as is" offers had been received and were being reviewed and analyzed. The Receiver determined that all three were viable offers and began the negotiation process. The best offer is currently in the final phases of contract negotiation.

### **Holly Street Apartments, 370 Holly/1600 Carlisle**

In earlier reports to the Court, the Receiver stated the goal was to stabilize occupancy rates at or above 75% at this project to optimize the prospects for sale. This goal was not reached this quarter and the current occupancy rate is 66%. After careful evaluation, the Receiver decided to request that the management company replace the on-site manager in an effort to improve the occupancy rates. The management company agreed and a change was made on December 7, 2001. In addition, the Receiver also approved an aggressive advertising campaign during the holiday season to increase the number of potential tenants. The Receiver will continue to be proactive in monitoring this situation on an ongoing basis.

In the previous report to the Court, the Receiver stated that a contract had been signed and was in the due diligence phase. The due diligence phase expired without the required additional earnest money deposit

being received by the escrow company. The Receiver eventually terminated the agreement because of the inability of the purchaser to cure his default under the purchase agreement.

At this time, the Receiver has concluded negotiations with another prospective purchaser and is awaiting the delivery of an executed contract. In the event the most recent contract is not consummated, the property will be listed for sale.

### **Properties in Birmingham, Alabama**

In the September 30, 2001 Quarterly Report, the Receiver discussed the real estate portfolio of detached single-family residences and some duplexes. The Receiver further stated that this portfolio of 140 homes was subdivided into three separate categories, requiring three different disposition strategies.

#### 1) Houses That Can Be Sold to Retail Buyers

This segment includes 90 homes, of which tenants presently occupy 69. Inasmuch as more than 2/3rd in this group have tenants, the Receiver's strategy is to mount a serious effort to convert the existing tenants into new homeowners. To implement this strategy, a thorough search was undertaken for a commercial bank with an active Community Reinvestment Act (CRA) based home mortgage program.

Toward the end of November, we contacted the AmSouth Bank. The bank and the Receiver agreed to a mortgage-financing plan under the following terms and conditions:

- a) Term: 30-year fixed
- b) Down Payment: 3%
- c) Amount Financed: 97%
- d) Rate: 6.625%
- e) Closing Costs: \$2,500

The interesting aspect of this program is its 100% financing feature, made possible through the assistance of AmeriDream Charity, Inc., which initially provides 3% down payment to be reimbursed by TLC Estate, which indirectly contributes 3% to make this program work.

At this report date, all tenants have been notified of the AmSouth Bank financing plan. The Receiver's staff has commenced communication with the first 20 tenants who had expressed interest in becoming new homeowners. The Receiver's staff has also ordered the first 20 inspection reports to determine the condition of these homes, many of which are expected to need repairs that could cost up to \$10,000. We have also ordered appraisals and have received the first 46 reports to start the sale and loan documentation process. AmSouth Bank is now in the beginning phase of collecting tenants' income and credit data necessary to approve individual loans.

Given the nature of properties and tenants involved, despite the 100% financing program, the bank has a challenge in qualifying these new homeowners. The liquidation program for this segment will be slow moving, but will be extremely worthwhile for the City of Birmingham community development program. While it is the Receiver's intent to move this program as quickly as possible, how many homes can be disposed via this option is difficult to forecast at this time.

2) *House That Should Be Sold In Bulk or Wholesale Lots*

This segment includes 42 homes, of which 10 are rented. As the Receiver's staff has concentrated its resources on the 90 homes in the first segment, the status of this group has not changed. The Receiver's staff will focus on this group once the program for the first segment has made an initial progress. The clean-up process on the first 8 homes, however, has been completed.

3) *The Houses Are Condemned or Virtually Destroyed*

The original eight homes in this group has been reduced to three, and of the remaining three, a sale contract on one unit is due to close within the next few days. The documents for second house are now in the possession of the buyer. This unit should also close in the near future. The last remaining piece, a vacant lot, will be sold or given away.

**Assets Turned Over by Mr. Cossey**

As previously reported, Cossey cooperated with the Receiver in turning over certain assets.

***Diamond Bar Residence***

The Diamond Bar home in which Cossey was living sold for \$1.385 million, which was 106% of the average appraised value.

***Personal and Household Items***

Four automobiles, household furnishings, and jewelry were placed in a public auction or sold through qualified agents. Except for one automobile, all of the items sold for a net price of \$173,065. Marketing efforts for the remaining automobile continue.

***Greyhound Racing Dogs***

Since the Receiver's last report to the Court it appears as though there may have been as many as 151 dogs located in Tijuana, Mexico, up from the 119 dogs we were initially told were at that location. Also, four of the dogs reported to be in Palm Beach, Florida had apparently been sold within a month or so prior to the Receiver having taken control of these "assets". The adjusted number of dogs would be approximately 206 rather than 175, as previously reported. Of that number, approximately 101 were actively racing, approximately 51 were pups in training at boarding kennels, and the remainder (approximately 54) were retired from racing in holding pens awaiting adoption.

The Stipulation regarding Treatment of Greyhound Racing Dogs and Order approved by this Court on October 30, 2001, authorized the Receiver to market the Greyhounds in order to try and obtain the highest price possible for the Estate. All kennel owners, where dogs were in training or being boarded while racing, were contacted regarding the availability of the dogs for sale. The National Greyhound Association and several adoption agencies were also contacted as possible sources for buyers of the dogs. We did receive a limited number of inquires from potential buyers; however, most were looking to obtain the dogs for little or no cash outlay (i.e. offset against kennel bills outstanding).

Since ongoing expenses for non-racing dogs were averaging \$4,500 per month, it was in the best interest of the Estate to not incur additional expenses and to eliminate ongoing expenses as quickly as possible.

Intense negotiations had been held with the kennel owners and others and all pups and active racing dogs were sold as of January 18, 2002. The Receiver's staff negotiated placements of the retired dogs with various adoption agencies and the Receiver has been informed that all of the retired dogs have been placed by the agencies.

Since the number of Cossey dogs located in Mexico comprised approximately 10% of those running in Tijuana, any sale of dogs located there could not be completed without the approval of the authorities at the Tijuana Race Track. The authorities there had already refused to allow two previously sold Cossey dogs to be returned to the United States unless the dogs were replaced with an equal number of racing dogs. The Tijuana Racing Track authorities would not allow a large exodus of dogs for any reason. This situation negatively impacted the value of the dogs in Mexico and the number of interested buyers for those dogs. We were, however, able to negotiate a sale to one buyer for all dogs in Mexico who had expressed a desire to continue racing those dogs in Mexico. That sale was for an initial payment of \$35,000 and six monthly installments of \$2,500. The first two installment payments have been made as agreed.

Sales of all of the dogs and pups will result in proceeds of \$60,220. Additionally, credits of \$4,480 against outstanding kennel bills were negotiated bringing the total proceeds from greyhound sales to \$64,700.

### **Investor Distributions**

On December 21, 2001, this Court approved a stipulated order to make a distribution of \$3 million to the undisputed investor claims. The distribution was completed on December 23, 2001. To date, \$11 million has been distributed to investors. The Receiver is projecting an additional distribution of \$5 to \$10 million in March 2002. The amount of the projected distribution is dependant on the closing of three properties that are currently in escrow.

### **Other Issues**

#### **Properties in Houston, Texas**

While it is far too early to fully estimate the impact of the Enron Corporation bankruptcy on properties in Texas, and specifically Houston, the Receiver anticipates sales of condominium projects and investment properties will be negatively impacted. It appears investors and consumers will be less certain about rental demand and the economic outlook and buying decisions may be delayed. We expect to receive firmer negotiations on price and terms. Property in the downtown Houston area was ultimately targeted to middle income earners, many of whom are now unemployed or will withdraw from the market because of the collapse of Enron.

On October 5, 2000 the Receivership Estate had 215 properties in Houston with a cost basis of about \$19.5 million. Fifty-six properties, with a cost basis of about \$2.5 million, have been sold or exchanged. The remaining 159 properties have a cost basis of about \$17.8 million. Of the remaining properties, approximately \$13 million or 73% of the Houston portfolio is centered in four properties. One of these four properties is in escrow and is expected to close on March 15, 2002. A second property is undergoing

negotiations to complete a contract for sale. The two remaining large properties are problematic and are discussed in a following section.

The 155 smaller properties, averaging under \$35,000, include individual houses and condominium units, individually titled detached and attached residential units that will probably be grouped and sold as projects, 48 residential lots and a lake property. Many of these properties are located in lower and lower-middle income areas and potential buyers will be both individuals and investors.

Before the Enron bankruptcy there were predictions of a flat real estate economy in Houston for 2002. Compounding that scenario, the continuing negative publicity from Enron, and the resulting loss of confidence and economic uncertainty in greater Houston, have a potential disrupting force greater than the 7,000 Enron jobs lost. The Enron bankruptcy has immediately affected a large group of the potential middle-income buyers in the downtown Houston market and surrounding areas.

It is not yet certain how the lower and lower-middle income group will be affected in the wake of Enron's troubles. Because of this uncertainty we expect individuals and investors may hold back on decisions to purchase or to negotiate more firmly on price. In the next three to six months we will learn whether this market is steady or struggling.

### ***Two Problematic Large Houston Properties***

#### 15 and 21 N. Chenevert, Downtown Houston:

In July 1999 TLC purchased a 78,949 SF, five story, former manufacturing facility, with a 29,900 SF metal warehouse, located on a 55,790 SF lot in downtown Houston, about two blocks from the new Enron baseball stadium. At December 31, 2001, the cost basis of the property was \$5.1 million. TLC originally intended to convert the facility to residential loft condominiums and perhaps sell off part of the lot. Plans prepared for TLC indicated the conversion would be a \$12 to \$14 million project. The Receiver elected to not pursue any development plans and to respond to serious offers of about \$5.0 million for the property "as is".

Unfortunately one contract did not survive the due diligence period and the other expressions of interest were withdrawn. The property has now been listed with a respected commercial firm for a year. There have been no indications of interest in the property in the \$5 million range as originally anticipated. We have recently obtained a third new MAI appraisal. The appraisals coincide with the observations of real estate professionals and economists that downtown Houston, and downtown real estate values including this property, have suffered from both the September 11th attack and the unexpected bankruptcy of Enron. Many of the ultimate buyers, the middle-income professionals, have lost jobs or will remove themselves from the market. We are continuing to refine the market strategy and approach for this unique property.

#### Whitney Place, Northwest area of Houston:

In April 1999 TLC purchased 70 small, detached houses and two additional lots, all located on three parcels. There are no individual titles and the process to obtain individual titles is burdened with many obstacles. TLC elected to commit about \$2.8 million, or about \$40,000 per unit, to renovate these 815 SF

houses, and then somehow offer them to the senior market. The project needs about \$300,000 more to complete site work, and no significant senior rental market has been identified.

A year ago the Receiver listed the property with a national real estate broker, and received two offers. Neither has proceeded to contract. All offers and appraisals are well below the December 31, 2001 cost basis of the property of \$3.6 million. Because this is not a traditional operating property, the potential market is more limited. We also believe the property has been impacted by the economic uncertainty and damage from both the September 11th attack and the unexpected bankruptcy of Enron.

We are now attempting to offer the property to state and local agencies, which reportedly own and operate such properties. In addition to pursuing government agencies as potential buyers, we are evaluating the cost/benefit and marketing effect from offering the units to the multi-family market.

### **Administrative Expenses**

Under Tab 2 are the financial reports for the period of October 1, 2001 through December 31, 2001. The Court is respectfully requested to approve these reports, including fees and expenses of the Receiver totaling \$15,703.87.

### **Requests of the Court**

The Court is respectfully requested to:

1. Approve this Report and confirm the actions of the Receiver described herein, including the additional development expenses for the Marina Coves Project.
2. Authorize or confirm all expenses of the Receivership from October 1, 2001 through December 31, 2001, including fees and expenses of the Receiver detailed under Tab 2.

Respectfully submitted,

<signed>

Robb Evans

Receiver

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

Status of Major Properties

As of June 30, 2001

#	Property Address	SFR, Multi, Comm'l, Land, Lots	City	State	Property Status as of 12/31/01												
1	The Coves Project Phase 1	Land	Mohave Valley	AZ	Construction of the enlarged lake is complete and the lakebed is filled. All 99 lots in Phase A will have lake frontage. Construction is underway for the four model houses on arm 5. A listing agreement has been entered into with a local broker to market and sell the lots. The repair of recently discovered pre-receivership construction defects will delay the recordation of the final plat. Acquisition & Capital Additions from 10/05/00 to 12/31/01 is \$4,376,716.46.												
2	235 S Flower	Comm'l	Brea	CA	<table border="0"> <tr> <td>Status</td> <td style="text-align: right;"><b>Sold</b></td> </tr> <tr> <td>Carrying Cost as of 10/4/00</td> <td style="text-align: right;">546,007.98</td> </tr> <tr> <td>Acquisition &amp; Capital Additions from 10/5/00 to 12/31/01</td> <td style="text-align: right;">4,900.00</td> </tr> <tr> <td>Sales Price</td> <td style="text-align: right;">495,000.00</td> </tr> <tr> <td>Average Appraisal Value</td> <td style="text-align: right;">422,500.00</td> </tr> <tr> <td>Sale as a % of Appraisal</td> <td style="text-align: right;">117.16%</td> </tr> </table>	Status	<b>Sold</b>	Carrying Cost as of 10/4/00	546,007.98	Acquisition & Capital Additions from 10/5/00 to 12/31/01	4,900.00	Sales Price	495,000.00	Average Appraisal Value	422,500.00	Sale as a % of Appraisal	117.16%
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3	212 S Orange Ave	Multi	Brea	CA	<table border="0"> <tr> <td>Status</td> <td style="text-align: right;"><b>Sold</b></td> </tr> <tr> <td>Carrying Cost as of 10/4/00</td> <td style="text-align: right;">1,864,984.00</td> </tr> <tr> <td>Acquisition &amp; Capital Additions from 10/5/00 to 12/31/01</td> <td style="text-align: right;">8,000.00</td> </tr> <tr> <td>Sales Price</td> <td style="text-align: right;">1,850,000.00</td> </tr> <tr> <td>Average Appraisal Value</td> <td style="text-align: right;">1,580,000.00</td> </tr> <tr> <td>Sale as a % of Appraisal</td> <td style="text-align: right;">117.09%</td> </tr> </table>	Status	<b>Sold</b>	Carrying Cost as of 10/4/00	1,864,984.00	Acquisition & Capital Additions from 10/5/00 to 12/31/01	8,000.00	Sales Price	1,850,000.00	Average Appraisal Value	1,580,000.00	Sale as a % of Appraisal	117.09%
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Sale as a % of Appraisal	117.09%																

4	7500 Hamner Ave	Land	Norco	CA	(Silverlakes) 28 acres of horse ranch property with 1 house and several out buildings.. Not listed; We have met with government entities and three developers to evaluate the support for and interest in the property as a residential development. We expect offers from the three developers that will be contingent on resolving government entitlement issues. Acquisition & Capital Additions from 10/05/00 to 12/31/01 is \$130,529.35.												
5	7556 Hamner Ave.	Land	Corona	CA	(A-Bar Ranch) 98 acres of horse ranch property with 1 house and several out buildings.. Not listed; We have met with government entities and three developers to evaluate the support for and interest in the property as a residential development. We expect offers from the three developers that will be contingent on resolving government entitlement issues.												
6	736 N. State St. Plaza	Comm'l	Hemet	CA	<table border="0"> <tr> <td>Status</td> <td style="text-align: right;"><b>Sold</b></td> </tr> <tr> <td>Carrying Cost as of 10/4/00</td> <td style="text-align: right;">470,245.69</td> </tr> <tr> <td>Acquisition &amp; Capital Additions from 10/5/00 to 12/31/01</td> <td style="text-align: right;">6,000.00</td> </tr> <tr> <td>Sales Price</td> <td style="text-align: right;">550,000.00</td> </tr> <tr> <td>Average Appraisal Value</td> <td style="text-align: right;">487,500.00</td> </tr> <tr> <td>Sale as a % of Appraisal</td> <td style="text-align: right;">112.82%</td> </tr> </table>	Status	<b>Sold</b>	Carrying Cost as of 10/4/00	470,245.69	Acquisition & Capital Additions from 10/5/00 to 12/31/01	6,000.00	Sales Price	550,000.00	Average Appraisal Value	487,500.00	Sale as a % of Appraisal	112.82%
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7	302 Vista de la Playa	SFR	La Jolla	CA	<table border="0"> <tr> <td>Status</td> <td style="text-align: right;"><b>Sold</b></td> </tr> <tr> <td>Carrying Cost as of 10/4/00</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Acquisition &amp; Capital Additions from 10/5/00 to 12/31/01</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Sales Price</td> <td style="text-align: right;">5,550,000.00</td> </tr> <tr> <td>Average Appraisal Value</td> <td style="text-align: right;">6,100,000.00</td> </tr> <tr> <td>Sale as a % of Appraisal</td> <td style="text-align: right;">90.98%</td> </tr> </table>	Status	<b>Sold</b>	Carrying Cost as of 10/4/00	-	Acquisition & Capital Additions from 10/5/00 to 12/31/01	-	Sales Price	5,550,000.00	Average Appraisal Value	6,100,000.00	Sale as a % of Appraisal	90.98%
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8	10541 Monte Vista	Comm'l	Montclair	CA	Used as an outdoor storage facility for recreational vehicles. Adjacent to #9,												

	(Corral)				listing deferred.												
9	4939-49 Holt Blvd	Comm'l	Montclair	CA	A retail strip center with 6 units at 80% occupancy. Anchor credit tenant recently agreed to change from month-to-month to long term tenancy. A fire occurred to adjacent property temporarily delaying decision to select a listing broker. Received two MAI appraisals. Evaluating unsolicited offer prior to listing.												
10	9240-60 Harness (Spring Valley)	SFR/Land	San Diego	CA	Three of four houses occupied and rented plus 7 acres of vacant land. Fair market value has been evaluated and confirmed, and further supported by two appraisals indicating the same value. Attempting to negotiate a final price with a potential buyer. Acquisition & Capital Additions from 10/05/00 to 12/31/01 is \$8,000.00.												
11	3276 El Cajon Blvd.	Comm'l	San Diego	CA	Vacant retail gas station. Now documenting a settlement reached in Court with seller and guarantor of station lease. Phase 1 Environmental Survey appears satisfactory. Acquisition & Capital Additions from 10/05/00 to 12/31/01 is \$26,104.68.												
12	510 Turfwood Lane	SFR	Solana Beach	CA	<table border="0"> <tr> <td>Status</td> <td style="text-align: right;"><b>Sold</b></td> </tr> <tr> <td>Carrying Cost as of 10/4/00</td> <td style="text-align: right;">261,046.00</td> </tr> <tr> <td>Acquisition &amp; Capital Additions from 10/5/00 to 12/31/01</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Sales Price</td> <td style="text-align: right;">267,500.00</td> </tr> <tr> <td>Average Appraisal Value</td> <td style="text-align: right;">265,000.00</td> </tr> <tr> <td>Sale as a % of Appraisal</td> <td style="text-align: right;">100.94%</td> </tr> </table>	Status	<b>Sold</b>	Carrying Cost as of 10/4/00	261,046.00	Acquisition & Capital Additions from 10/5/00 to 12/31/01	-	Sales Price	267,500.00	Average Appraisal Value	265,000.00	Sale as a % of Appraisal	100.94%
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Sales Price	267,500.00																
Average Appraisal Value	265,000.00																
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13	1245 Jasmine Circle	SFR	Weston	FL	<p>Status <b>Sold</b></p> <p>Carrying Cost as of 10/4/00 316,014.10</p> <p>Acquisition &amp; Capital Additions from 10/5/00 to 12/31/01 -</p> <p>Sales Price 310,000.00</p> <p>Average Appraisal Value 312,500.00</p> <p>Sale as a % of Appraisal 99.20%</p>
14	370 Holly & 1600 Carlisle	Multi	Atlanta	GA	<p>95 unit apartment in difficult area. Receiver has increased rental occupancy to about 75%, but tenant turnover and expense levels are a continuing problem. We expect to complete a purchase contract in January. If not, the Receiver is prepared to sign a listing agreement.</p> <p>Acquisition &amp; Capital Additions from 10/05/00 to 12/31/01 is \$66,839.00.</p>
15	470 & 488 Glen St	Comm'l/Loft	Atlanta	GA	<p>Currently vacant 100,000 SF warehouse bldg. on 3.6 acres. Three MAI appraisals and Phase 1 Environmental Survey, with a No Action letter, are completed. A Letter of Intent is converting to a Sale Contract. If the pending sale fails to close the Receiver will list the property as a retail or commercial loft development project.</p> <p>Acquisition &amp; Capital Additions from 10/05/00 to 12/31/01 is \$115,077.20.</p>
16	Century Lofts 505 Whitehall St SW (Remaining Units)	Loft	Atlanta	GA	<p>31 units of which 8 units are sold. The remaining 23 units are listed with Coldwell Banker. Insured damage from a roof fire in November is now being repaired, although sales will be delayed. Fourth floor build-out is proceeding.</p> <p>Acquisition &amp; Capital Additions from 10/05/00 to 12/31/01 is \$1,285,442.21.</p>

16A	Century Lofts 505 Whitehall St SW (Sold Units)	Loft	Atlanta	GA	Status Carrying Cost as of 10/4/00 Acquisition & Capital Additions from 10/5/00 to 12/31/01 Sales Price Average Appraisal Value Sale as a % of Appraisal	<b>Sold</b> 886,087.85 - 849,000.00 900,000.00 94.33%
17	1908 Judd Hillside	SFR	Honolulu	HI	5,500 SF residence. Rent option contract failed to close and tenant forfeited earnest money deposit. Property relisted for sale. No recent offers.	
18	715 S Kihei Rd #128	SFR	Kihei	HI	Status Carrying Cost as of 10/4/00 Acquisition & Capital Additions from 10/5/00 to 12/31/01 Sales Price Average Appraisal Value Sale as a % of Appraisal	<b>Sold</b> 33,437.50 580.78 65,000.00 58,500.00 111.11%
19	715 S Kihei Rd	Land Lease	Kihei	HI	2/3 owner of land lease with 118 condo units. G.E.. Capital is the owner of the remaining 1/3 of the land lease. Currently documenting the sale of our ownership, in coordination with G. E. Capital, to the HOA. Previously received two MAI appraisals.	
20	4420 Makena Rd.	SFR	Makena	HI	1 acre on the ocean. Listed with Coldwell Banker. Property is in escrow again after previous buyer cancelled after the September 11 attack. Closing is subject to removal of contingencies and Court approval.	
21	4323 Bowser	Multi	Dallas	TX	5 unit apt. bldg. Currently rented @ 100% occupancy. Listed for sale with Century 21.	

22	57 Cherrywood Ct	SFR	Houston	TX	12,000 sq. ft. home on a lake. Listed with three different national brokers for two years @ \$595M to \$750M with no offers. Recently countered unsolicited offer of \$400,000. Currently investigating firms capable of conduct a nation-wide auction. Acquisition & Capital Additions from 10/05/00 to 12/31/01 is \$41,436.56.												
23	10100 E. Freeway	Comm'l	Houston	TX	A 17,000 sq. ft. office bldg. that is currently 70% occupied. Anticipated increase of occupancy to 100% has been setback by unexpected termination of leases. To improve occupancy prospects, rehab has been completed on anchor tenant/owner-user suite of approximately 3,200 SF. Previously, listed only for lease with Office Buildings of Houston. We have reached agreement with Office Buildings of Houston to immediately assume management, list, and market the property for sale when pending appraisals are complete.												
24	3000 Bering Dr.	Comm'l	Houston	TX	<table border="0"> <tr> <td>Status</td> <td><b>Sold</b></td> </tr> <tr> <td>Carrying Cost as of 10/4/00</td> <td>1,199,638.45</td> </tr> <tr> <td>Acquisition &amp; Capital Additions from 10/5/00 to 12/31/01</td> <td>50,860.32</td> </tr> <tr> <td>Sales Price</td> <td>1,475,000.00</td> </tr> <tr> <td>Average Appraisal Value</td> <td>960,000.00</td> </tr> <tr> <td>Sale as a % of Appraisal</td> <td>153.65%</td> </tr> </table>	Status	<b>Sold</b>	Carrying Cost as of 10/4/00	1,199,638.45	Acquisition & Capital Additions from 10/5/00 to 12/31/01	50,860.32	Sales Price	1,475,000.00	Average Appraisal Value	960,000.00	Sale as a % of Appraisal	153.65%
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25	2002 Gentryside Dr.	Multi & Land	Houston	TX	24 unit townhouse development that recently became 100% leased, plus an additional 2.4 acre of land that already has streets and utilities. Appraisals have been completed. Currently in escrow for all units and land and scheduled to close February 2002, pending Court approval.												

					Acquisition & Capital Additions from 10/05/00 to 12/31/01 is \$13,750.00.
26	5414 Elm St	Multi	Houston	TX	91 unit apt. bldg. that is 100% occupied. Listed with Hendricks and Partners. We expect an acceptable offer from a qualified buyer in January. Acquisition & Capital Additions from 10/05/00 to 12/31/01 is \$29,256.75.
27	Whitney Place Lots 37,39,40&41	Multi	Houston	TX	70 individual single family homes that are currently 15% leased. Listed with Marcus & Millichap. Increasing efforts to develop interest among government agencies and non-profit entities. Recent offer from VOA has stalled. Acquisition & Capital Additions from 10/05/00 to 12/31/01 is \$487,918.43.
28	15 N. Chenevert	Comm'l/Loft	Houston	TX	Vacant 85,000 sq. ft. loft bldg. downtown. Listed with Grubb & Ellis. We have received a third appraisal to confirm the economic damage to the Houston real estate economy because of the September 11 attack and the Enron corporate bankruptcy. We are evaluating the marketing strategy. Acquisition & Capital Additions from 10/05/00 to 12/31/01 is \$215,881.73.
29	21 Chenevert	Comm'l/Loft	Houston	TX	Vacant lot adjacent to the warehouse bldg. at 15 N. Chenevert-see # 28 above for description. Acquisition & Capital Additions from 10/05/00 to 12/31/01 is \$67,157.55

30	1331 - 1339 S Flores	Comm'l	San Antonio	TX	2 adjacent bldgs., totaling 85,000 sq. ft. near downtown, with 80,000 sq. ft. vacant. Buildings are in a very raw state. A listing agreement has been entered into with a local firm.  Acquisition & Capital Additions from 10/05/00 to 12/31/01 is \$39,155.00.												
31	Lake Livingston	SFR & Land	San Jacinto	TX	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. Progress is slow. Current value about 50% to 60% lower until subdivision is ready. Listing deferred. Acquisition & Capital Additions from 10/05/00 to 12/31/01 is \$16,847.00												
32	1809-17 Douglas Ave	Multi	Racine	WI	31 unit apt. bldg. that is currently 50% leased, but experiencing delinquency. Property needs extensive repairs and could not be sold for present appraised value. Receiver's staff recently traveled to Racine to meet with contractors to finalize bid prices and contracts.												
33	1625 East G St. (55 units)	Multi	Ontario	CA	<table> <thead> <tr> <th>Status</th> <th>Sold</th> </tr> </thead> <tbody> <tr> <td>Carrying Cost as of 10/4/00</td> <td>3,944,942.20</td> </tr> <tr> <td>Acquisition &amp; Capital Additions from 10/5/00 to 12/31/01</td> <td>14,754.85</td> </tr> <tr> <td>Sales Price</td> <td>4,930,000.00</td> </tr> <tr> <td>Average Appraisal Value</td> <td>4,250,000.00</td> </tr> <tr> <td>Sale as a % of Appraisal</td> <td>116.00%</td> </tr> </tbody> </table>	Status	Sold	Carrying Cost as of 10/4/00	3,944,942.20	Acquisition & Capital Additions from 10/5/00 to 12/31/01	14,754.85	Sales Price	4,930,000.00	Average Appraisal Value	4,250,000.00	Sale as a % of Appraisal	116.00%
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34	129-177 Palm Ave.	Multi	Imperial Beach	CA	<table> <thead> <tr> <th>Status</th> <th>Sold</th> </tr> </thead> <tbody> <tr> <td>Carrying Cost as of 10/4/00</td> <td>1,823,525.86</td> </tr> <tr> <td>Acquisition &amp; Capital Additions from 10/5/00 to 12/31/01</td> <td>20,000.00</td> </tr> <tr> <td>Sales Price</td> <td>2,400,000.00</td> </tr> <tr> <td>Average Appraisal Value</td> <td>2,225,000.00</td> </tr> </tbody> </table>	Status	Sold	Carrying Cost as of 10/4/00	1,823,525.86	Acquisition & Capital Additions from 10/5/00 to 12/31/01	20,000.00	Sales Price	2,400,000.00	Average Appraisal Value	2,225,000.00		
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Average Appraisal Value	2,225,000.00																

					Sale as a % of Appraisal	107.87%
35	21880 Golden Canyon	SFR	Diamond Bar	CA	Status	<b>Sold</b>
					Carrying Cost as of 10/4/00	-
					Acquisition & Capital Additions from 10/5/00 to 12/31/01	-
					Sales Price	1,385,000.00
					Average Appraisal Value	1,300,000.00
					Sale as a % of Appraisal	106.54%
					<b>Totals for Major Properties</b>	
					Carrying Cost as of 10/4/00	11,345,929.63
					Acquisition & Capital Additions from 10/5/00 to 12/31/01	105,095.95
					Sales Price	20,126,500.00
					Average Appraisal Value	18,861,000.00
					Sale as a % of Appraisal	106.71%

TAB 2

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

**Summary of Income**

**October 31, 2000 (Inception of Permanent Receivership) through December 31, 2001**

	October 31, 2000 to September 30, 2001	October 1, 2001 to December 30, 2001	Total
Proceeds from Sales of Properties	12,185,550.43	1,770,256.92	13,955,707.35
Rental Income	2,693,594.42	799,209.24	3,492,803.66
Proceeds from Sales of Horses and Horse Races	2,024,044.88	-	2,024,044.88
Receipts of Assets Surrendered by Ernest Cossey Under the Court Judgement	1,475,000.00	-	1,475,000.00
Additional Income from Sales of Ernest Cossey Assets	-	57,761.40	57,761.40
Receipts of Cash from Tom G. Cloud and Cloud & Associates Under the Court Judgement	-	371,675.30	371,675.30
Interest Income:			
Mortgage Notes	160,788.47	36,113.74	196,902.21

Bank Deposits	70,706.12	9,528.37	80,234.49
Bridge Loan	68,269.71	-	68,269.71
Hardship Loans	24,153.93	329.97	24,483.90
Other	-	1,601.03	1,601.03
	<hr/>	<hr/>	<hr/>
Total Interest Income	323,918.23	47,573.11	371,491.34
Revenues Resulting from Activities that Occurred in Pre- Receivership Period	299,197.27	-	299,197.27
Commission Repayments from Agents	94,890.15	111,987.99	206,878.14
Proceeds from Sale of Dogs and Dog Races	58,104.70	60,712.29	118,816.99
Receipts of cash from Ernest Cossey Under the Court Judgement	21,836.08	-	21,836.08
Proceeds from Disposition of Auto, Furniture & Equipment	11,578.47	1,710.00	13,288.47
Proceeds from Granting of Easements	13,200.00	-	13,200.00
Receipts of cash from Gary Williams Under the Court Judgement	2,843.16	1,758.24	4,601.40
Miscellaneous Income	15,339.54	13,083.81	28,423.35
	<hr/>	<hr/>	<hr/>
<b>Total Income</b>	<b>19,219,097.33</b>	<b>3,235,628.30</b>	<b>22,454,725.63</b>

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

**Summary of Expenses**

**October 31, 2000 (Inception of Permanent Receivership) through September 30, 2001**

	October 31, 2000 to September 30, 2001	October 1, 2001 to December 31, 2001	Total
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**Business Operating Expenses**

Property Expenses

Repairs & Maintenance	1,379,076.16	187,756.75	1,566,832.91
Property Taxes	844,234.70	306,340.50	1,150,575.20

Engineering & Architecture	623,269.74	225.00	623,494.74
Utilities	499,839.91	119,502.19	619,342.10
Insurance	394,567.89	116,777.42	511,345.31
Management Fees	350,252.21	94,941.28	445,193.49
Security, Alarm & Protection	262,275.52	6,021.15	268,296.67
Appraisal & Survey	249,812.16	4,414.00	254,226.16
Legal Fees	107,880.84	25,061.09	132,941.93
Development Expenditures	34,579.54	-	34,579.54
Miscellaneous	768,879.89	114,846.36	883,726.25
	<hr/>	<hr/>	<hr/>
Total Property Expenses	5,514,668.56	975,885.74	6,490,554.30
Field Office Operating Expenses	907,635.93	246,823.71	1,154,459.64
Racehorse Expenses	261,119.53	-	261,119.53
Dog Expenses	8,682.35	7,400.00	16,082.35
	<hr/>	<hr/>	<hr/>
Total Business Operating Expenses	6,692,106.37	1,230,109.45	7,922,215.82
<b>Receivership Administrative Expenses</b>			
Receiver's Fees & Expenses			
Receiver's Fees	119,845.00	15,455.00	135,300.00
Out of Pocket Expenses	4,151.48	248.87	4,400.35
	<hr/>	<hr/>	<hr/>
Total Receiver's Fees & Expenses	123,996.48	15,703.87	139,700.35
Staff Expenses			
Accounting & Support / Financial Reconstruction	476,128.82	80,898.81	557,027.63
Project Coordinators / Portfolio Management	299,137.14	80,075.00	379,212.14
Out of Pocket Expenses	65,186.14	13,521.38	78,707.52
Employer Tax	43,660.05	8,002.29	51,662.34
	<hr/>	<hr/>	<hr/>
Total Staff Expenses	884,112.15	182,497.48	1,066,609.63

Other Receivership			
Administrative Expenses			
Legal Fees & Costs	515,047.88	119,860.04	634,907.92
Copying & Records Reproduction	66,911.46	4,985.78	71,897.24
Interest Expense	19,420.99	-	19,420.99
Miscellaneous Expenses	89,103.19	22,067.04	111,170.23
	<hr/>	<hr/>	<hr/>
Total Other Receivership Administrative Expenses	690,483.52	146,912.86	837,396.38
	<hr/>	<hr/>	<hr/>
Total Receivership Administrative Expenses	1,698,592.15	345,114.21	2,043,706.36
	<hr/>	<hr/>	<hr/>
<b>Total Expenses Previously Approved</b>	<b>8,390,698.52</b>		
<b>Total Cash Expenses to be Approved</b>		<b>1,575,223.66</b>	
<b>Total Expenses for the Period from October 31, 2000 through December 31, 2001</b>			<b>9,965,922.18</b>

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