

# **Quarterly Report to the Court**

## **As of September 30, 2003**

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

This is the twelfth 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; it 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 September 30, 2003, two hundred-and-fifty-six properties had been sold and escrows closed. These properties originally cost \$34,526,168, had capital additions totaling \$8,426,410 and were sold for an aggregate gross price of \$46,918,530. After paying direct expenses of sale, extinguishing liens against the properties and other costs, the net selling price of \$44,443,098 resulted in a profit of \$1,490,520. In August 2003, two of the three properties suffering from inadequate due diligence and poor valuation analysis at purchase, as stated in the previous report, were sold with losses totaling \$800,747. But for these two properties, the inception-to-date profit would have been increased to \$2,291,267.

Additionally, there were twenty-four properties in escrow as of September 30, 2003. These properties originally cost \$3,812,912, had capital additions totaling \$4,056,720, and it is anticipated they will produce net sale proceeds of approximately \$4,709,000 resulting in a loss of approximately \$3,161,000. Poorly planned capital improvements and ill-conceived purchase decisions on two of these properties during the pre-receivership period were the cause of the anticipated loss. But for these two properties, a potential gain of approximately \$27,000 would have been recognized.

As stated in the previous report, three of the non-residential properties under contract at June 30, 2003 would generate estimated net proceeds that were \$1.5 million less than the total of purchase price and improvements. During this quarter, two of these three properties were sold and one new offer was received on the property with previous offer withdrawn in June 2003. The two properties now under contract will generate an anticipated loss of approximately \$3.2 million. These two properties suffer from inadequate due diligence and poor valuation analysis at purchase, and were bought to carry out poorly conceived, unrealistic, and impractical development plans.

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

### **Update Regarding Issues Previously Addressed**

#### **Intangible Assets**

Since April 2001, demand has been made on 151 sales agents requesting return of commissions and bonuses paid to them. After the demand letters were sent, extensive settlement discussions took place with many of the agents. As a result of those demand letters, and subsequent negotiations, nineteen agents agreed to repay in full the claims made against them, totaling approximately \$260,000. On July 25, 2001, seven lawsuits against 76 agents or entities were filed. On November 28, 2001 and December 27, 2001, another three lawsuits against 25 agents or entities were filed.

As a result of the above actions, fifty-one agents have already completed an agreed repayment schedule. Another twenty-two settlement agreements have been entered into providing for periodic payments over time, which have not yet been completed. Approximately \$2,363,000 has been collected and approximately \$643,000 is expected in the future, pursuant to all of the settlements, including those settlements entered prior to filing lawsuits. 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 have their allowed claims offset to fully or partially return commissions and bonuses previously paid by TLC. The total dollar value of actual and prospective recoveries pursuant to these payments and agreements now stands at approximately \$3,006,000. With only a few exceptions, the defendants are meeting their scheduled repayment programs in a timely manner.

The Receiver does not anticipate that any of the pending lawsuits will proceed to trial against any defendant, with the possible exception of two corporate defendants presently in Chapter 7 bankruptcy proceedings.

To date, the Receiver has obtained 29 judgments against agents for an aggregate amount of approximately \$9,471,000. Initial post judgment efforts have resulted in the collection of approximately \$232,000.

As previously reported, sixteen agents have filed Chapter 7 or Chapter 13 bankruptcy petitions. The aggregate claim amount the Receiver seeks against these agents is \$3,572,940. The Receiver filed non-dischargeability lawsuits against two large balance agents who filed Chapter 7 petitions. One suit has been settled with this Court's approval and the agreed amount has been paid. The other continues to be in litigation with settlement discussions in process.

### **Sienna Financial Ltd.**

As previously reported, Defendants James Garro (Garro), Navajo Capital, Inc., Sienna Financial Ltd., Corfu International LLC, Camelot International LLC, Merlin Financial, LLC, and The Lancelot Foundation signed a Settlement Agreement with the Receiver in which Garro agreed to transfer to the Receiver two properties that the Receiver alleged had been purchased with TLC investor funds. All documents to transfer title to the properties, located at 1036 Sierra del Norte, Santa Fe, New Mexico, and 1760 Orchard Wood Road, Encinitas, California have been signed and the properties were transferred to the Receiver.

The Santa Fe property is listed for sale, but it is a more expensive home and consequently is taking longer to sell. The appraised value for this property has decreased since the purchase date, based on a decline in the real estate market for high-end properties. This Court also approved the sale of the furnishings in the Santa Fe property, based on Garro's failure to pay the cash portion of the Settlement Agreement. The Receiver has obtained appraisals on the personal items in the home, which include furnishings and artwork, and on the specially commissioned Geronimo statue. These items will be sold, either with the house or separately.

The Receiver is continuing his efforts to enforce the Settlement Agreement against certain assets of Garro.

The Receiver has sent demand letters with respect to collection of a \$260,000 promissory note signed by La Piazza, LLC and its officers and directors that was assigned to the Receiver as part of the Settlement Agreement. The note was due and payable on November 1, 2000, and to date, the principal and interest remain unpaid. Garro's company, Merlin Financial, invested \$260,000 with La Piazza LLC to develop a restaurant in Little Italy in San Diego. The restaurant was not built and the property was sold on July 11, 2002. It is currently being developed as a condominium complex. The Receiver has subpoenaed documents to determine the net proceeds of the sale of the property. At the time the promissory note was signed, the property was owned by Little Italia, LLC and leased by La Piazza, LLC. After the promissory note was signed, the property was transferred to two other entities, La Scala LLC and La Forza, LLC, all believed to be controlled by the same individuals. These transfers were at a below-market price. On July 11, 2002, La Forza, LLC sold the property to a developer for \$2.3 million. Based on the investment, Garro's company, Merlin Financial, was to receive a 26% interest in La Piazza Restaurant and Deli and Little Italia, LLC. The Receiver is reviewing documents produced pursuant to discovery to determine the most efficient manner in which to pursue this claim.

The Receiver's counsel has also met with counsel for Kelldeer Investments, another entity that invested funds with Sienna Financial through a Prasanna Kumar (Kumar) (now deceased) formerly of London, England. Some of the funds transferred by Defendant Garro from Sienna Financial to his Navajo Capital account at Bank of America were then sent to bank accounts in London previously held or controlled by Kumar. The funds invested by Kumar and subsequently with Sienna Financial were sent to Sienna Financial from accounts in Jersey, Channel Islands, and Switzerland. The principal of Kelldeer Investments is a foreign national and the Receiver is investigating whether Kelldeer has brought any actions against Kumar's estate for repayment of its investment, to the extent that it has not been repaid out of the

offshore accounts.

The Receiver is continuing his efforts to enforce the judgment against David Price and the Durham Capital Group. As previously reported, this Court imposed a constructive trust over the real property purchased by the Prices located at 7843 Marquette, Dallas, Texas, which the Receiver established had been purchased with TLC investor funds. The Prices abandoned the property at or near the time of the judgment against David Price and the Durham Capital Group was entered, and the Receiver has listed the property for sale. One sales offer has been withdrawn because the title issues have not been fully resolved. In particular, the Receiver has been unable to locate David Price to obtain his signature on a Quit Claim Deed and Carol Price has refused to sign a Quit Claim Deed. She has advised the real estate agent who has listed the property for sale that she intends to claim a homestead interest in the property.

The Receiver intends to bring an action against Carol Price based on this Court's finding that the home was purchased with TLC investor funds and is held in constructive trust for the TLC investors. The Receiver has established that the Durham Capital Group transferred funds to a new account in the name of Carol Miller Price the same day the funds were received from Garro, and that the Marquette Street property was purchased immediately thereafter. Carol Miller Price signed the check for the purchase of the property, along with several checks to a design firm for home furnishings. The home furnishings are also the subject of a constructive trust and Carol Price has refused to return the property or acknowledge the Receiver's request for the return of the property.

There are also several potential liens against the property, including one disputed lien that was recorded after the Receiver filed a Notice of Lis Pendens in favor of Long Beach Mortgage Company (now owned by Washington Mutual). This Court has approved the Receiver's request to sell the property free and clear of all liens and escrow the proceeds pending a further hearing on any lien holder or third party claims.

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

It was noted in the last report that the Receiver recently obtained approval from the Bureau of Reclamation and the Army Corps of Engineers to construct a boat launch ramp on the Colorado River.

The zoning application the Receiver filed with Mohave County Planning and Zoning Department (P&Z) for construction of the boat ramp was approved by the P&Z Committee in August and by the Mohave County Board of Supervisors in September. The Receiver reviewed various construction bids and selected a contractor. The Receiver has applied for a building permit and will commence construction once the building permit has been issued.

In response to our previous market analysis study, the Receiver revised the sales prices of the lots and required the homebuilder to provide several smaller home packages in order to further diversify the product. The Receiver conducted a demand analysis study, which was an adjunct to the previous market study, and employed a site planner to incorporate a higher density use in the design.

The Receiver remains concerned with the slow pace of sales and has initiated an aggressive nationwide marketing effort to sell the entire project in bulk. The Receiver has signed a listing agreement with a qualified land development broker to carry out the marketing process. Concurrently, the Receiver is soliciting proposals for a retail advertising and marketing campaign from five marketing firms specializing in the Southern California market.

As of September 30, 2003, there were seven lots in escrow totaling \$449,000.00. The builder has started construction of four additional model homes.

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

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

Prior reports have extensively addressed the renovation and insurance issues concerning the November 2001 fire. The fire restoration of the building has been completed and the final building inspection has been conducted by the City of Atlanta. The small remaining portion of the insurance claims continues to be processed in cooperation with the homeowners, the HOA and the insurance company.

In previous reports, the Receiver discussed the residual water leak issues associated with the building's newly installed roof and defective window system. According to the final evaluation of the roofing consultant, the contractor has completed the repair of all known roof leaks. The installation of the new window system has been completed.

### **Project Marketing Efforts and Results**

At this date, all 23 units that existed when the Receiver was appointed remain unsold. However, all professionals associated with the project believe that neither the fire nor the defective windows damaged the appeal or reputation of the project. Intrinsic problems caused by initial decisions and changes in economic conditions have impacted the market appeal of the remaining 23 units. The property is in an area far less favored than competing properties. The current economic climate is less vigorous than when the units would have been ready for sale approximately 18 months ago.

Initially, the listing broker was forced to delay sales activity because of the restoration projects. The realty firm used by the Receiver was considered to be a premier marketing and sales organization for industrial conversions to residential loft units. The Receiver provided funds for an aggressive advertising program and a furnished model unit. Potential buyers, however, did not respond to those marketing efforts.

As a result, the Receiver determined that the best interest of project marketing and estate administration required a different and radical effort to sell out the project. Therefore, the Receiver determined that it was in the best interest of the Receivership Estate to employ an auctioneer and sell the 23 units at auction, and received this Court's approval to do so. The auction was conducted subsequent to the reporting period and the preliminary results from the sale of all 23 units exceeded the sale guidelines approved by the Court.

However, pursuant to Georgia State Law, there is a seven-day right of rescission period. As of this writing, one investor who was the successful bidder for 19 of the units has rescinded his offer. The auctioneer is in the process of contacting all unsuccessful bidders and other interested parties to complete the sale of the remaining units, by either another auction, a private sale, or a combination of both.

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

The property was sold pursuant to the terms of the contract as submitted to the Court.

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

The last report stated that there were 43 homes remaining in Birmingham, consisting of 20 vacant and 23 rented units.

During the reporting period an additional 17 homes were sold, and the portfolio now has 26 units remaining, consisting of 15 vacant and 11 rented units. There are currently seven units under contract.

In the previous report, the Receiver discussed an Internet auction that was being conducted as an alternative disposition strategy. Although there was significant response to the Internet bidding, there was only one bid that met the reserve price. Therefore, only one sale closed as a result of the auction process.

At the expiration of the auction contract on September 5, 2003, the Receiver immediately reactivated the individual unit sales strategy. As a result, seven sales closed and seven contracts were placed in escrow between the expiration of the auction contract and September 30, 2003.

The Receiver anticipates that the Birmingham portfolio will be completely sold by the end of 2003.

### **Properties in San Antonio, Texas**

In the previous report, the Receiver discussed an Internet auction that was being conducted as an alternative disposition strategy for the remaining residential properties. There was significant response to the Internet bidding resulting in ten

contracts that were placed in escrow. Of the ten contracts placed in escrow, seven sales have closed and three sales are pending.

The remaining five residential properties in San Antonio will be re-listed for sale as individual units or as a bulk sale. The Receiver will continue to closely supervise the marketing and sale of the remaining portfolio.

The sole commercial property is currently under contract for sale and scheduled to close during the fourth quarter of this year.

## **Investor Distributions**

On September 23, 2003, this Court approved a Stipulated Order to distribute between \$2 million and \$4 million to the undisputed investor claims. A distribution of \$3.0 million was completed by October 3, 2003. To date, \$40.5 million, or approximately 34.7% of approved claims has been distributed to investors. An additional distribution of \$2 to \$4 million is planned in December 2003.

## **Other Issues**

### **Stephanie M. Litigation**

IAs previously reported, in July 2001, an attorney for Stephanie M., a minor, put the Receiver's office on notice of allegations of negligence at a receivership property that led to a sexual assault. Based on facts developed from conversations and documents, the Receiver believed, and continues to believe, that the merits of the claim have not been established. In February 2002, Stephanie M. filed a complaint for negligence in the California Superior Court seeking unspecified damages.

The claim was resolved in a settlement conference before Magistrate Judge Marc L. Goldman.

### **Administrative Expenses**

Under Tab 2 are the financial reports for the period of July 1, 2003 through September 30, 2003. The Court is respectfully requested to approve these reports, including fees and expenses of the Receiver.

### **Requests of the Court**

The Court is respectfully requested to:

1. Approve this Report and confirm the actions of the Receiver described herein.
2. Authorize or confirm all expenses of the Receivership from July 1, 2003 through September 30, 2003, including fees and expenses of the Receiver detailed under Tab 2.

Respectfully submitted,

<signature>

Robb Evans  
Receiver

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**Robb Evans, Receiver of TLC Investments & Trade Co., et al.**  
**Status of Major Properties**  
**As of September 30, 2003**

|    | Property Address                                     | SFR, Multi, Comm'l, Land, Lots | City          | State | Property Status as of 9/30/03   | Carrying Cost as of 10/4/00 | Acquisition & Capital Additions from 10/5/00 to 9/30/03 | Sales Price   | Average Appraisal Values | Sales Price as a % of Average Appraisal Value |
|----|--|--------------------------------|---------------|-------|---|-----------------------------|---|---------------|--------------------------|---|
| 1  | The Coves Project 'Phase 1' & 'Phase 2'              | Land                           | Mohave Valley | AZ    | Construction of the enlarged lake is complete and the lakebed is filled. All 99 lots in Phase A have lake frontage. The original four model homes have been sold. As of September 30, 2003, there were seven lots in escrow totaling \$449,000.00. The builder has started construction of four additional model homes. The builder has contracted to purchase four additional lots for models to be constructed within the next twelve months. A new local listing firm has been hired to market the individual lots and home packages. A land sale firm has been hired to market the project in bulk on a national basis. |                             | \$ 5,392,441.01   |               |                          |   |
| 2  | 235 S Flower   | Comm'l                         | Brea          | CA    | SOLD  | \$ 546,007.98               | 4,900.00  | \$ 495,000.00 | \$ 422,500.00            | 117.16%                                       |
| 3  | 212 S Orange Ave                                     | Multi                          | Brea          | CA    | SOLD  | 1,864,984.00                | 8,000.00  | 1,850,000.00  | 1,580,000.00             | 117.09%                                       |
| 4  | 7500 Hammer Ave                                      | Land                           | Norco         | CA    | SOLD  | 4,465,278.54                | 161,574.06  | 5,500,000.00  | 2,658,500.00             | 206.88%                                       |
| 5  | 7556 Hamner Ave. (See # 4, 7500 Hamner)              | Land                           | Corona        | CA    | SOLD  |                             |   |               |                          |   |
| 6  | 736 N. State St. Plaza                               | Comm'l                         | Hemet         | CA    | SOLD  | 470,245.69                  | 6,000.00  | 550,000.00    | 487,500.00               | 112.82%                                       |
| 7  | 302 Vista de la Playa                                | SFR                            | La Jolla      | CA    | SOLD  | -                           | -   | 5,550,000.00  | 6,100,000.00             | 90.98%  |
| 8  | 10541 Monte Vista (Corral) - See #9 Holt Blvd        | Comm'l                         | Montclair     | CA    | SOLD  |                             |   |               |                          |   |
| 9  | 4939-49 Holt Blvd                                    | Comm'l                         | Montclair     | CA    | SOLD  | 393,012.81                  | 6,625.56  | 805,000.00    | 633,500.00               | 127.07%                                       |
| 10 | 9240-60 Harness (Spring Valley)                      | SFR/Land                       | San Diego     | CA    | SOLD  | 380,217.76                  | 8,200.00  | 400,000.00    | 335,000.00               | 119.40%                                       |
| 11 | 3276 El Cajon Blvd.                                  | Comm'l                         | San Diego     | CA    | SOLD  | 1,300,180.00                | 59,932.71   | 792,500.00    | 827,500.00               | 95.77%  |
| 12 | 510 Turfwood Lane                                    | SFR                            | Solana Beach  | CA    | SOLD  | 261,046.00                  | -   | 267,500.00    | 265,000.00               | 100.94%                                       |
| 13 | 1245 Jasmine Circle                                  | SFR                            | Weston        | FL    | SOLD  | 316,014.10                  | -   | 310,000.00    | 312,500.00               | 99.20%  |
| 14 | 370 Holly & 1600 Carlisle                            | Multi                          | Atlanta       | GA    | SOLD  | 2,259,780.99                | 66,839.00   | 1,710,000.00  | 1,391,666.67             | 122.87%                                       |
| 15 | 470 & 488 Glen St                                    | Comm'l/Loft                    | Atlanta       | GA    | SOLD  | 2,082,669.86                | 502,328.04  | 2,000,000.00  | 1,460,000.00             | 136.99%                                       |
| 16 | Century Lofts, 505 Whitehall St SW (remaining units) | Loft                           | Atlanta       | GA    | 31 units of which 8 units are sold. The remaining 23 units are scheduled to be sold in an auction in October pursuant to the terms in the Receiver's filed Motion. All repairs to the roof systems and the installation of the new windows are complete.  |                             | 2,406,146.94  |               |                          |   |

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|-----|---|--------------------------------|-------------|-------|---|-----------------------------|---|--------------|--------------------------|---|
| 16A | Century Lofts, 505 Whitehall St SW (sold units) | Loft                           | Atlanta     | GA    | SOLD  | 886,087.85                  | -   | 849,000.00   | 900,000.00               | 94.33%  |
| 17  | 1908 Judd Hillside                              | SFR                            | Honolulu    | HI    | SOLD  | 2,220,169.82                | 989.58  | 2,300,000.00 | 2,450,000.00             | 93.88%  |
| 18  | 715 S Kihei Rd #128                             | SFR                            | Kihei       | HI    | SOLD  | 33,437.50                   | 580.78  | 65,000.00    | 58,500.00                | 111.11%                                       |
| 19  | 715 S Kihei Rd                                  | Land Lease                     | Kihei       | HI    | SOLD  | 402,965.30                  | 14,300.00   | 1,187,867.00 | 1,263,965.00             | 93.98%  |
| 20  | 4420 Makena Rd.                                 | SFR                            | Makena      | HI    | SOLD  | 2,809,999.40                | 500.00  | 4,000,000.00 | 4,025,000.00             | 99.38%  |
| 21  | 4323 Bowser                                     | Multi                          | Dallas      | TX    | SOLD  | 275,479.63                  | 5,082.50  | 330,000.00   | 280,000.00               | 117.86%                                       |
| 22  | 57 Cherrywood Ct                                | SFR                            | Houston     | TX    | SOLD  | 429,613.78                  | 52,009.36   | 450,000.00   | 510,000.00               | 88.24%  |
| 23  | 10100 E. Freeway                                | Comm'l                         | Houston     | TX    | SOLD  | 448,718.31                  | 12,190.22   | 575,000.00   | 450,000.00               | 127.78%                                       |
| 24  | 3000 Bering Dr.                                 | Comm'l                         | Houston     | TX    | SOLD  | 1,199,638.45                | 50,860.32   | 1,475,000.00 | 960,000.00               | 153.65%                                       |
| 25  | 2002 Gentryside Dr.                             | Multi & Land                   | Houston     | TX    | SOLD  | 1,622,312.79                | 13,750.00   | 1,550,000.00 | 1,340,000.00             | 115.67%                                       |
| 26  | 5414 Elm St                                     | Multi                          | Houston     | TX    | SOLD  | 2,511,811.94                | 31,367.63   | 2,150,000.00 | 2,150,000.00             | 100.00%                                       |
| 27  | Whitney Place Lots 37,39,40&41                  | Multi                          | Houston     | TX    | 70 individual single family homes that are currently 56% leased. Listed with Marcus & Millichap. The ongoing stabilization process has resulted in increased occupancy rates. The title issue mentioned in the previous reports has been resolved for all parcels. A contract has been signed and is in escrow. The prospective buyer is currently conducting inspections as part of the due diligence phase of the contract. |                             | 1,023,903.93  |              |                          |   |
| 28  | 15 N. Chenevert                                 | Comm'l/Loft                    | Houston     | TX    | Vacant 85,000 sq. ft. loft bldg. downtown. It was determined that a change in listing companies was warranted to reenergize the marketing and sale of this property. Subsequently, a new listing agreement was entered into with a national firm and the new marketing campaign is underway.  |                             | 330,694.22  |              |                          |   |
| 29  | 21 Chenevert                                    | Comm'l/Loft                    | Houston     | TX    | Vacant lot adjacent to the warehouse bldg. at 15 N. Chenevert-see # 28 above for description.   |                             | 70,657.55   |              |                          |   |
| 30  | 1331 - 1339 S Flores                            | Comm'l                         | San Antonio | TX    | 2 adjacent buildings., totaling 85,000 sq. ft. near downtown, with 80,000 sq. ft. vacant. Buildings are in a very raw state. The property is under contract and scheduled to close in the last quarter of this year.  |                             | 42,155.00   |              |                          |   |
| 31  | Lake Livingston                                 | SFR & Land                     | San Jacinto | TX    | SOLD  | 652,014.58                  | 193,947.00  | 684,500.00   | 477,500.00               | 143.35%                                       |
| 32  | 1809-17 Douglas Ave                             | Multi                          | Racine      | WI    | SOLD  | 425,593.57                  | 3,800.00  | 440,000.00   | 460,000.00               | 95.65%  |

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|----|----------------------------------|--------------------------------|----------------|-------|-------------------------------|-----------------------------|---|-------------------------|--------------------------|---|
| 33 | 1625 East G St. (55 units)       | Multi                          | Ontario        | CA    | SOLD                          | 3,944,942.20                | 14,754.85   | 4,930,000.00            | 4,250,000.00             | 116.00%                                       |
| 34 | 129-177 Palm Ave.                | Multi                          | Imperial Beach | CA    | SOLD                          | 1,823,525.86                | 20,000.00   | 2,400,000.00            | 2,225,000.00             | 107.87%                                       |
| 35 | 21880 Golden Canyon Court        | SFR                            | Diamond Bar    | CA    | SOLD                          | -                           | -   | 1,385,000.00            | 1,300,000.00             | 106.54%                                       |
| 36 | 1114, 1116, and 1118 Murray Hill | Multi                          | Houston        | TX    | SOLD                          | 442,631.77                  | 5,198.00  | 525,000.00              | 442,000.00               | 118.78%                                       |
| 37 | Hana Highway                     | Land                           | Hana           | HI    | SOLD                          | 187,806.89                  | 572.91  | 265,000.00              | 252,500.00               | 104.95%                                       |
| 38 | 48 lots in Quail Bridge Gardens  | Land                           | Houston        | TX    | SOLD                          | 222,839.54                  | 43,881.92   | 263,000.00              | 267,500.00               | 98.32%  |
|    |                                  |                                |                |       |                               |                             |   |                         |                          |   |
|    | <b>For Major Properties</b>      |                                |                |       |                               | <b>\$ 34,879,026.91</b>     | <b>\$ 10,554,183.09</b>                                 | <b>\$ 46,054,367.00</b> | <b>\$ 40,535,631.67</b>  | <b>113.61%</b>                                |

**Robb Evans, Receiver of TLC Investments & Trade Co., et al.**  
**Summary of Income**  
**October 31, 2000 (Inception of Permanent Receivership) through September 30, 2003**

|   | <u>October 31, 2000 to<br/>June 30, 2003</u> | <u>July 1, 2003 to<br/>September 30, 2003</u> | <u>Total</u>            |
|---|--|---|-------------------------|
| Proceeds from Sales of Properties   | \$ 39,614,702.91                             | \$ 3,724,420.05                               | \$ 43,339,122.96        |
| Rental Income   | 5,434,804.38                                 | 133,531.39                                    | 5,568,335.77            |
| Commission Repayments from Agents   | 2,512,272.95                                 | 93,545.90                                     | 2,605,818.85            |
| 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 Judgment  | 1,475,000.00                                 | -   | 1,475,000.00            |
| Additional Income from Sales of Ernest Cossey Assets                            | 55,761.40                                    | -   | 55,761.40               |
| Restitutions Received from Cossey   | 75.00  | 100.00  | 175.00                  |
| Interest Income:  |  |   |                         |
| Mortgage Notes  | 428,760.80                                   | 34,974.24                                     | 463,735.04              |
| Bank Deposits   | 184,127.60                                   | 4,569.28                                      | 188,696.88              |
| Bridge Loan   | 68,269.71                                    | -   | 68,269.71               |
| Hardship Loans  | 38,110.25                                    | -   | 38,110.25               |
| Other   | 1,785.65                                     | -   | 1,785.65                |
| Total Interest Income   | <u>721,054.01</u>                            | <u>39,543.52</u>                              | <u>760,597.53</u>       |
| Receipts of Cash from Tom G. Cloud and Cloud & Associates                       |  |   |                         |
| Under the Court Judgment  | 374,578.75                                   | -   | 374,578.75              |
| Revenues Resulting from Activities that Occurred in Pre-<br>Receivership Period | 299,197.27                                   | -   | 299,197.27              |
| Proceeds from Sales of Dogs and Dog Races                                       | 136,688.62                                   | -   | 136,688.62              |
| Receipts of Cash from Ernest Cossey Under the Court<br>Judgment                 | 21,836.08                                    | -   | 21,836.08               |
| Proceeds from Dispositions of Auto, Furniture &<br>Equipment                    | 15,098.47                                    | -   | 15,098.47               |
| Receipts of Cash from Gary Williams Under the Court<br>Judgment                 | 14,564.76                                    | 1,172.16                                      | 15,736.92               |
| Proceeds from Granting of Easements   | 13,200.00                                    | -   | 13,200.00               |
| Miscellaneous Income  | 80,112.62                                    | 5,713.11                                      | 85,825.73               |
| <b>Total Income</b>   | <b>\$ 52,792,992.10</b>                      | <b>\$ 3,998,026.13</b>                        | <b>\$ 56,791,018.23</b> |

**Robb Evans, Receiver of TLC Investments & Trade Co., et al.**  
**Summary of Expenses**  
**October 31, 2000 (Inception of Permanent Receivership) through September 30, 2003**

|   | <u>October 31, 2000 to<br/>June 30, 2003</u> | <u>July 1, 2003 to<br/>September 30, 2003</u> | <u>Total</u>            |
|---|--|---|-------------------------|
| <b>Business Operating Expenses:</b>   |  |   |                         |
| <b>Property Expenses:</b>   |  |   |                         |
| Repairs & Maintenance   | \$ 2,638,060.52                              | \$ 83,962.61                                  | \$ 2,722,023.13         |
| Property Taxes  | 1,611,617.63                                 | 76,129.46                                     | 1,687,747.09            |
| Utilities   | 930,747.97                                   | 19,498.24                                     | 950,246.21              |
| Insurance   | 898,238.40                                   | 41,041.27                                     | 939,279.67              |
| Management Fees   | 640,749.93                                   | 13,827.82                                     | 654,577.75              |
| Engineering & Architecture  | 625,703.98                                   | -   | 625,703.98              |
| Security, Alarm & Protection  | 332,618.35                                   | 1,342.48                                      | 333,960.83              |
| Advertising & Marketing   | 247,165.91                                   | 77,389.55                                     | 324,555.46              |
| Appraisal & Survey (Footnote 1)   | 301,238.20                                   | (11,229.50)                                   | 290,008.70              |
| Gardening Services  | 264,281.72                                   | 12,552.51                                     | 276,834.23              |
| Legal Fees  | 242,480.59                                   | 11,164.99                                     | 253,645.58              |
| Cleaning Services   | 164,036.40                                   | 3,898.38                                      | 167,934.78              |
| Development Expenditures  | 35,845.63                                    | -   | 35,845.63               |
| Miscellaneous   | 748,944.52                                   | 11,612.62                                     | 760,557.14              |
| <b>Total Property Expenses</b>  | <b>9,681,729.75</b>                          | <b>341,190.43</b>                             | <b>10,022,920.18</b>    |
| Field Office Operating Expenses   | 2,180,875.97                                 | 72,703.15                                     | 2,253,579.12            |
| Racehorse Expenses  | 261,119.53                                   | 225.00  | 261,344.53              |
| Dog Expenses  | 21,084.81                                    | -   | 21,084.81               |
| Federal & State Income Taxes (Net of Refunds)   | (504.86)                                     | (800.00)                                      | (1,304.86)              |
| <b>Total Business Operating Expenses</b>  | <b>12,144,305.20</b>                         | <b>413,318.58</b>                             | <b>12,557,623.78</b>    |
| <b>Receivership Administrative Expenses:</b>  |  |   |                         |
| <b>Receiver's Fees &amp; Expenses:</b>  |  |   |                         |
| Receiver's Fees   | 194,315.00                                   | 4,455.00                                      | 198,770.00              |
| Receiver's Out of Pocket Expenses   | 5,014.15                                     | -   | 5,014.15                |
| <b>Total Receiver's Fees &amp; Expenses</b>   | <b>199,329.15</b>                            | <b>4,455.00</b>                               | <b>203,784.15</b>       |
| <b>Staff Expenses:</b>  |  |   |                         |
| Accounting & Support / Financial Reconstruction                                       | 1,018,050.15                                 | 49,267.29                                     | 1,067,317.44            |
| Project Coordinators / Portfolio Management   | 632,393.14                                   | 17,421.50                                     | 649,814.64              |
| Out of Pocket Expenses  | 193,384.18                                   | 702.03  | 194,086.21              |
| Employer Taxes  | 78,262.53                                    | 955.93  | 79,218.46               |
| <b>Total Staff Expenses</b>   | <b>1,922,090.00</b>                          | <b>68,346.75</b>                              | <b>1,990,436.75</b>     |
| <b>Other Receivership Administrative Expenses:</b>                                    |  |   |                         |
| Legal Fees & Costs  | 1,593,354.63                                 | 59,550.78                                     | 1,652,905.41            |
| Tax Return Preparation Fees   | 94,539.00                                    | -   | 94,539.00               |
| Copying & Records Reproduction  | 87,015.58                                    | 1,184.78                                      | 88,200.36               |
| Interest Expense  | 19,420.99                                    | -   | 19,420.99               |
| Miscellaneous Expenses  | 228,291.98                                   | 15,989.88                                     | 244,281.86              |
| <b>Total Other Receivership Administrative Expenses</b>                               | <b>2,022,622.18</b>                          | <b>76,725.44</b>                              | <b>2,099,347.62</b>     |
| <b>Total Receivership Administrative Expenses</b>                                     | <b>4,144,041.33</b>                          | <b>149,527.19</b>                             | <b>4,293,568.52</b>     |
| <b>Total Expenses Previously Reported</b>   | <b>\$ 16,288,346.53</b>                      |   |                         |
| <b>Total Current Period Expenses</b>  |  | <b>\$ 562,845.77</b>                          |                         |
| <b>Total Expenses for the Period from October 31, 2000 through September 30, 2003</b> |  |   | <b>\$ 16,851,192.30</b> |

Footnote 1: The figure for the reporting quarter reflects the inception-to-date adjustments.