

Quarterly Report to the Court

As of September 30, 2004

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

This is the sixteenth 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, 2004, 385 properties have been sold and escrows closed. These properties originally cost \$45,415,528, had capital additions totaling \$21,130,189, and were sold for an aggregate gross price of \$62,708,507. After paying direct expenses of sale, extinguishing liens against the properties and other costs, the net selling price of \$59,173,988 resulted in a loss of \$7,371,729, of which \$2,497,290, was realized in this quarter. During this quarter, the property located at 15 & 21 Chenevert in Houston, Texas was sold with net sale proceeds of \$2,722,368, which resulted in a loss of \$2,646,800. As stated previously, this property was suffering from inadequate due diligence and poor valuation analysis at purchase. In addition, 13 lots of the Marina Coves project were sold with selling prices ranging from \$52,500 to \$145,200 per lot, which resulted in a net gain of \$60,440. Also, six other properties in Houston, Texas were sold during this quarter with gains totaling \$89,070.

Additionally, there were 33 properties in escrow as of September 30, 2004, including 31 lots of the Marina Coves property. These properties originally cost \$960,581, had capital additions totaling \$2,085,232, and it is anticipated they will produce net sale proceeds of approximately \$3,194,000 resulting in a net gain of approximately \$148,000. A status report of the major properties is under Tab 1.

The Receiver previously foreshadowed the losses that were likely to surface as the remaining difficult properties were sold. The last eight reports described losses from the sale of properties carried at costs on TLC's books well above documented market value. These carrying costs had ballooned beyond market value because of inadequate due diligence and poor valuation analysis at purchase, or from completing improvements far in excess of the value gained. Most of these properties also required multi-year marketing efforts because of specialized use, limited appeal, physical defects, or a combination of these issues. Several properties were bought to carry out poorly conceived, unrealistic, and impractical development plans.

As of the date of this Report, the Receivership Estate had one major property in its remaining asset portfolio, Marina Coves on the Colorado River. Marina Coves is now paying back the required additional investment made by the Receivership Estate, which was previously recommended and approved. The project is also poised to not only recover the amount originally spent by the TLC principals, but also to recover an additional profit. The current status of Marina Coves is described in detail in a following section.

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. As a result of those demands, and subsequent negotiations, 75 agents agreed to either repay in full the claims made against them, or establish a repayment program on a negotiated settlement.

As a result of the above actions, 60 agents have now completed an agreed repayment schedule. An additional ten accounts are being reduced by quarterly distributions from investment accounts held by the respective agent. It is anticipated that distributions will be sufficient to pay these accounts in full. One agent is continuing to make monthly payments on his account and it is current as of this date. The remaining four accounts are technically in default, however, three of the four have committed to pay their balance due by year-end, and the fourth agent passed away, with his estate not having sufficient assets to pay the balance due. Approximately \$2,842,000 has been collected and approximately \$325,000 is expected pursuant to all of the settlements, including those settlements entered prior to filing lawsuits. The total dollar value of actual and prospective recoveries pursuant to these payments and agreements is approximately \$3,170,000.

Additionally, the Receiver has obtained 29 judgments against agents for an aggregate amount of approximately \$9,471,000. Of these 29 judgments, funds have been received from 19 of the agents (either voluntarily or through garnishments, levies, etc.), with six accounts being settled in full. Post judgment efforts have resulted, so far, in the collection of approximately \$316,000.

Sienna Financial Ltd.

Prior reports have extensively addressed the litigation and title issues involved in the sale of the real property assets transferred by Defendants James Garro (Garro), Navajo Capital, Inc., Sienna Financial Ltd., Corfu International LLC, Camelot International LLC, Merlin Financial, LLC, and The Lancelot Foundation. The defendants transferred two properties that the Receiver established had been purchased with TLC investor funds.

The sale of homes in Encinitas, California and Santa Fe, New Mexico were detailed in a previous report.

As previously reported, a \$260,000 promissory note signed by La Piazza, LLC and its officers and directors to James F. Garro and his entities was assigned to the Receiver for collection. To date, this note remains unpaid.

David Price and Durham Capital Group

As previously reported, the Receiver initiated litigation in the Northern District of Texas to facilitate the transfer of title and sale of real property purchased by David Price and Carol Miller Price located at 7843 Marquette, Dallas, Texas.

The Receiver filed a Motion against the Prices to enforce the constructive trust order imposed by this Court against the Marquette property. On September 15, 2004, the United States District Court for the Northern District of Texas, Dallas Division, granted the Motion for Enforcement of Constructive Trust and Divestiture of Title in Trust Property against David Price. Following a hearing on September 27, 2004, the Texas Court also issued an Order Granting the Motion for Enforcement of Constructive Trust and Divestment of Title against Carol Miller Price. This was entered on September 29, 2004, and Carol Price was given the opportunity to assert a claim to the proceeds of the sale no later than October 18, 2004. The Receiver has now reached a settlement with Carol Price in which she has agreed not to assert a claim to the proceeds of the sale, and the Receiver has agreed not to seek the return of certain furnishings that were also subject to the California constructive trust order. The Receiver will continue to pursue recovery of assets to satisfy the judgment against David Price, subject to the releases to Carol Price as provided in the Settlement Agreement. She has also agreed to produce certain financial records to the Receiver as part of the settlement. All documentation has been submitted to the title company and we are awaiting the final review and issuance of the title policy.

In the interim, the property remains rented by the purchaser and the contract has been extended to allow the necessary time for the legal and related title issues to be resolved.

Marina Coves on the Colorado River

From July 2002 until October 2003, retail sales of home sites were very slow due to existing market conditions as previously described in quarterly reports to the Court. Beginning in October 2003, sales increased well beyond any previous levels. The strong demand continued into 2004. As a result, the Receiver instituted two successive 10% sale price increases in April 2004 and May 2004.

The sale of the first 99 entitled lots, now more than half completed (51 sales closed with gross proceeds equal to approximately \$3,500,000), is projected to result in approximately \$8,000,000 of gross sales. This estimate is based on the premise that the current water source issues will be resolved. These projected sales will allow the estate to recover all of the additional \$5,400,000 investment made by the Receivership Estate. Equally important, the pace of retail sales and the level of demand add strong support to the appeal and potential value of the project to a prospective buyer, creating the potential to recover the original TLC investment and an additional profit.

Recent water-authority decisions are impacting a previously executed contract to purchase water to replace lake evaporation. Without a current supply of replacement water, the existing entitlements, including the authority to sell lots, could be subject to change or suspension by the Arizona Department of Real Estate. Retail demand for the lots, and the ability to attract a bulk purchaser, could then be substantially reduced. To resolve these immediate issues, the Receiver has engaged a local contractor to drill a well on the property that is expected to meet current re-supply. The Receiver recently obtained approval from the Arizona Department of Water Resources of his Notice of Intent to Drill application and have commenced construction of the well.

The Receiver is also investigating other long-term options to craft a permanent solution to the replacement water requirement that does not depend on contracts with local water authorities that govern drawing water from a well owned by the development. A possible long-term solution may rest with the Fort Mohave Indian Tribe that can supply reclaimed wastewater to replace evaporation. The Receiver has had numerous meetings with Fort Mohave Tribal Utility Authority and other local water authorities and is in the process of negotiating an agreement for a permanent water supply for the lake at the Coves.

The Receiver believes this current situation will be resolved and the ultimate value of the project for the estate will be preserved.

Remaining Properties (Not Including The Coves)

There are 19 properties remaining in the TLC portfolio, exclusive of The Coves Project in Mohave Valley, AZ. All of these properties are located in the state of Texas, with the majority of properties (15) located in the Houston area and a small number of properties (4) located in the San Antonio area. It is a diverse group of real properties including residential, commercial, lots and acreage. All of these properties have been listed with reputable local and/or national firms and for various reasons have not sold. The only exceptions are four foreclosed properties, which represent single-family residential mortgage receivable accounts inherited from the pre-receivership TLC portfolio.

After extensive attempts to list and sell the properties, including aggressive marketing and measured price reductions, the Receiver recommends that the most cost-effective and profitable method for disposing of these properties in a timely manner is to conduct an auction. Accordingly, a special request to conduct a public auction of the remaining 19 Texas properties has recently been submitted to the Court for consideration.

Prior to reaching this decision, the Receiver contacted redevelopment agencies in both Houston and San Antonio. Discussion ensued regarding the proposition of selling the properties individually at a discounted price or bundling the properties into a bulk sale at a significantly steeper discount. Although there was some interest on the part of the agencies, the interest never materialized into an agreement.

The Receiver believes that the lack of interest or demand for these properties despite the aggressive marketing efforts over the last four years requires a radical solution. A properly supervised auction program can provide a cost-effective and acceptable resolution. The Receiver anticipates that all of the properties will be sold at the auction, with the possible exception of properties with unresolved title issues. Any unsold properties with unresolved title issues will be the subject of a final disposition strategy to be developed in conjunction with our Texas real estate attorneys and submitted to the Court for review.

Investor Distributions

On September 24, 2004, this Court approved a Stipulated Order to distribute \$2 million to the undisputed investor claims. A distribution of \$2 million was completed by September 30, 2004. To date, \$51.5 million, or approximately 44.1% of approved claims has been distributed to investors. An additional distribution of \$3 to \$5 million is planned in December 2004.

Administrative Expenses

Under Tab 2 are the financial reports for the period of July 1, 2004 through September 30, 2004. 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, 2004 through September 30, 2004, including fees and expenses of the Receiver detailed under Tab 2.

Respectfully submitted,

<signature>

Robb Evans
Receiver

Robb Evans, Receiver of TLC Investments & Trade Co., et al.
Status of Major Properties
As of September 30, 2004

	Property Address	SFR, Multi, Comm'l, Land, Lots	City	State	Purchase Date	Property Status as of 9/30/04	Carrying Cost as of 10/4/00	Acquisition & Capital Additions from 10/5/00 to 9/30/04	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	\$ 36,342.00	Since sales commenced in July 2002, a total of 51 lots have been sold for \$3,570,315 and an additional 31 lots are under contract for \$2,749,800. Seventeen lots remain on the market for sale. Nine homes have been completed with 23 additional homes under construction. According to the builder, one building permit is currently being processed. Phase A (99 lots) is listed for sale as individual lots with a local Realtor. Concurrently, the Receiver has listed the remaining acreage, exclusive of Phase A, with an experienced land sale specialist to market as a bulk sale. Marketing for the remaining individual lot sales in Phase A and for the bulk sale acreage is ongoing.		\$ 6,013,674.45			
2	235 S Flower	Comm'l	Brea	CA	12/15/98	SOLD	\$ 546,007.98	4,900.00	\$ 495,000.00	\$ 422,500.00	117.16%
3	212 S Orange Ave	Multi	Brea	CA	01/01/99	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	11/05/99	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 Hammer)	Land	Corona	CA	11/05/99	SOLD					
6	736 N. State St. Plaza	Comm'l	Hemet	CA	09/30/99	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	10/06/00	SOLD	-	-	5,550,000.00	6,100,000.00	90.98%
8	10541 Monte Vista (Corral) - See #9 Holt Blvd	Comm'l	Montclair	CA	06/22/99	SOLD					
9	4939-49 Holt Blvd	Comm'l	Montclair	CA	06/22/99	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	11/01/98	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	05/01/00	SOLD	1,300,180.00	59,932.71	792,500.00	827,500.00	95.77%
12	510 Turfwood Lane	SFR	Solana Beach	CA	05/15/00	SOLD	261,046.00	-	267,500.00	265,000.00	100.94%
13	1245 Jasmine Circle	SFR	Weston	FL	12/01/98	SOLD	316,014.10	-	310,000.00	312,500.00	99.20%
14	370 Holly & 1600 Carlisle	Multi	Atlanta	GA	12/01/98	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	04/08/99	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 (sold units - post-receiver)	Loft	Atlanta	GA	11/01/98	SOLD	3,541,149.72	2,422,991.06	3,430,500.00	3,600,000.00	95.29%
16A	Century Lofts, 505 Whitehall St SW (sold units - pre-receiver)	Loft	Atlanta	GA	11/01/98	SOLD	886,087.85	-	849,000.00	900,000.00	94.33%
17	1908 Judd Hillside	SFR	Honolulu	HI	10/06/99	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	08/01/98	SOLD	33,437.50	580.78	65,000.00	58,500.00	111.11%
19	715 S Kihei Rd	Land Lease	Kihei	HI	01/01/99	SOLD	402,965.30	14,300.00	1,187,867.00	1,263,965.00	93.98%
20	4420 Makena Rd.	SFR	Makena	HI	10/13/99	SOLD	2,809,999.40	500.00	4,000,000.00	4,025,000.00	99.38%
21	4323 Bowser	Multi	Dallas	TX	03/17/00	SOLD	275,479.63	5,082.50	330,000.00	280,000.00	117.86%

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Status of Major Properties
As of September 30, 2004

	Property Address	SFR, Multi, Comm'l, Land, Lots	City	State	Purchase Date	Property Status as of 9/30/04	Carrying Cost as of 10/4/00	Acquisition & Capital Additions from 10/5/00 to 9/30/04	Sales Price	Average Appraisal Values	Sales Price as a % of Average Appraisal Value
22	57 Cherrywood Ct	SFR	Houston	TX	12/01/98	SOLD	429,613.78	52,009.36	450,000.00	510,000.00	88.24%
23	10100 E. Freeway	Comm'l	Houston	TX	04/22/99	SOLD	448,718.31	12,190.22	575,000.00	450,000.00	127.78%
24	3000 Bering Dr.	Comm'l	Houston	TX	08/31/99	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	03/31/00	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	11/01/98	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	04/22/99	SOLD	3,130,109.55	1,293,369.37	2,246,000.00	2,122,500.00	105.82%
28	15 N. Chenevert	Comm'l/Loft	Houston	TX	07/14/99	SOLD	4,848,747.29	661,092.09	3,000,000.00	3,366,666.67	89.11%
29	21 Chenevert (see #28, 15 N. Chenevert)	Comm'l/Loft	Houston	TX	07/13/99	SOLD					
30	1331 - 1339 S Flores	Comm'l	San Antonio	TX	01/01/99	SOLD	2,714,374.15	42,655.00	1,995,000.00	1,675,000.00	119.10%
31	Lake Livingston	SFR & Land	San Jacinto	TX	02/01/99	SOLD	652,014.58	193,947.00	684,500.00	477,500.00	143.35%
32	1809-17 Douglas Ave	Multi	Racine	WI	12/01/98	SOLD	425,593.57	3,800.00	440,000.00	460,000.00	95.65%
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%
	For Major Properties -						\$ 49,113,407.62	\$ 11,721,966.41	\$ 56,725,867.00	\$ 51,299,798.33	110.58%

Robb Evans, Receiver of TLC Investments & Trade Co., et al.
Summary of Income
October 31, 2000 (Inception of Permanent Receivership) through September 30, 2004

	<u>October 31, 2000 to June 30, 2004</u>	<u>July 1, 2004 to September 30, 2004</u>	<u>Total</u>
Proceeds from Sales of Properties	\$ 53,902,756.05	\$ 4,167,256.67	\$ 58,070,012.72
Rental Income	5,870,730.49	68,566.99	5,939,297.48
Commission Repayments from Agents	3,046,821.81	109,272.58	3,156,094.39
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	370.00	210.00	580.00
Interest Income:			
Mortgage Notes	554,611.73	28,197.59	582,809.32
Bank Deposits	205,132.46	8,942.47	214,074.93
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>867,909.80</u>	<u>37,140.06</u>	<u>905,049.86</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- 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 Gary Williams Under the Court Judgment	22,183.80	585.92	22,769.72
Receipts of Cash from Ernest Cossey Under the Court Judgment	21,836.08	-	21,836.08
Proceeds from Dispositions of Auto, Furniture & Equipment	15,098.47	-	15,098.47
Proceeds from Granting of Easements	13,200.00	-	13,200.00
Miscellaneous Income	91,899.03	1,919.58	93,818.61
Total Income	\$ 68,218,076.45	\$ 4,384,951.80	\$ 72,603,028.25

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Summary of Expenses
October 31, 2000 (Inception of Permanent Receivership) through September 30, 2004

	<u>October 31, 2000 to June 30, 2004</u>	<u>July 1, 2004 to September 30, 2004</u>	<u>Total</u>
Business Operating Expenses:			
Property Expenses:			
Repairs & Maintenance	\$ 2,981,277.16	\$ 101,299.48	\$ 3,082,576.64
Property Taxes	1,951,400.18	9,784.96	1,961,185.14
Insurance	1,001,711.30	9,174.35	1,010,885.65
Utilities	986,349.78	9,331.21	995,680.99
Management Fees	680,333.99	6,053.02	686,387.01
Engineering & Architecture	625,703.98	-	625,703.98
Security, Alarm & Protection	337,229.76	-	337,229.76
Advertising & Marketing	314,445.95	3,365.85	317,811.80
Legal Fees	303,546.91	17,421.02	320,967.93
Gardening Services	292,926.21	3,875.00	296,801.21
Appraisal & Survey	273,667.32	1,100.00	274,767.32
Cleaning Services	174,387.91	400.00	174,787.91
Development Expenditures	35,845.63	-	35,845.63
Miscellaneous	726,178.20	26,416.40	752,594.60
Total Property Expenses	10,685,004.28	188,221.29	10,873,225.57
Field Office Operating Expenses	2,443,679.21	64,166.58	2,507,845.79
Racehorse Expenses	261,344.53	-	261,344.53
Dog Expenses	21,084.81	-	21,084.81
Federal & State Income Taxes	1,150.26	314.10	1,464.36
Total Business Operating Expenses	13,412,263.09	252,701.97	13,664,965.06
Receivership Administrative Expenses:			
Receiver's Fees & Expenses:			
Receiver's Fees	216,502.00	7,656.00	224,158.00
Receiver's Out of Pocket Expenses	5,278.09	-	5,278.09
Total Receiver's Fees & Expenses	221,780.09	7,656.00	229,436.09
Staff Expenses:			
Accounting & Support / Financial Reconstruction	1,187,837.85	26,984.21	1,214,822.06
Project Coordinators / Portfolio Management	688,712.64	5,078.00	693,790.64
Out of Pocket Expenses	194,086.21	49.00	194,135.21
Employer Taxes	85,559.88	1,299.69	86,859.57
Total Staff Expenses	2,156,196.58	33,410.90	2,189,607.48
Other Receivership Administrative Expenses:			
Legal Fees & Costs	1,849,922.22	24,027.09	1,873,949.31
Tax Return Preparation Fees	95,262.00	-	95,262.00
Copying & Records Reproduction	88,200.36	117.50	88,317.86
Interest Expense	19,420.99	-	19,420.99
Miscellaneous Expenses	304,677.67	13,084.40	317,762.07
Total Other Receivership Administrative Expenses	2,357,483.24	37,228.99	2,394,712.23
Total Receivership Administrative Expenses	4,735,459.91	78,295.89	4,813,755.80
Total Expenses Previously Reported	\$ 18,147,723.00		
Total Current Period Expenses		\$ 330,997.86	
Total Expenses for the Period from October 31, 2000 through September 30, 2004			\$ 18,478,720.86