

## **Quarterly Report to the Court As of December 31, 2004**

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

This is the seventeenth 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 December 31, 2004, 404 properties have been sold and escrows closed. These properties originally cost \$46,431,012, had capital additions totaling \$21,508,431, and were sold for an aggregate gross price of \$64,081,967. After paying direct expenses of sale, extinguishing liens against the properties and other costs, the net selling price of \$60,404,910 resulted in a loss of \$7,534,533, of which \$ 162,803 was realized in this quarter. During this quarter, the rental property located at 3357 & 3359 Frick Road in Houston, Texas was sold with net sale proceeds of \$578,526, which resulted in a loss of \$121,011. As stated previously, this property was suffering from inadequate due diligence and poor valuation analysis at purchase. But for this property, the net loss on sale of real properties for this quarter would have been reduced to \$41,792.

Additionally, there were 25 properties in escrow as of December 31, 2004, including 21 lots of the Marina Coves property. These properties originally cost \$300,484, had capital additions totaling \$1,382,790, and it is anticipated they will produce net sale proceeds of approximately \$1,865,000 resulting in a net gain of approximately \$182,000. 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 nine 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, 62 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 two accounts are technically in default, however, one agent has committed to pay his balance due and is working with our legal counsel to satisfy the debt. The other agent passed away, with his estate not having sufficient assets to pay the balance due. Approximately \$2,973,000 has been collected and approximately \$173,000 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 \$3,146,000.

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 20 of the agents (either voluntarily or through garnishments, levies, etc.), with eight accounts being settled in full. Post judgment efforts have resulted, so far, in the collection of approximately \$537,000.

### **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 advised the Court of the outcome of the litigation in the Northern District of Texas initiated 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.

Subsequent to the Court hearing, the Receiver reached a settlement agreement with Carol Price. 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.

The original title/escrow company employed to issue the title commitment and close the pending sale transaction continues to make additional requirements regarding the mortgage lien of record. The title company is requiring the mortgage company to formally stipulate that they intend to file a claim against the sale proceeds and abide by the Court's final ruling regarding the validity and disposition of the mortgage lien.

In an effort to expedite the sale closing, the Receiver contacted another title company to issue the title commitment. The second title company made the same requirement of the mortgage company. The Receiver is now in direct contact with the mortgage company and working to resolve this title issue.

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

## Marina Coves on the Colorado River

After extensive analysis, two potential disposition strategies have emerged as viable options for the Marina Coves project, the last remaining substantial Receivership asset. It now appears feasible to liquidate, this project recovering the substantial Receivership disbursements and providing a net gain for victims of approximately \$760,000. Alternatively, the Receivership can complete dealing with the complex water situation outlined in this Report and produce a projected net gain of between \$5.5 and \$9.1 million. The Receiver, having carefully considered the costs, risks and projected gain intends taking the later course. The Receiver is currently faced with several critical issues involving a long-term supply of water for the lake that, unless resolved in the near future, threaten the Receiver's retail sales of the lots and any prospective bulk sale, and will substantially reduce the potential recovery to the estate.

The Receiver intends investing approximately \$750,000 to construct a tertiary water treatment facility to resolve the water issues, which will increase the value of this asset far in excess of that amount. The table below sets forth the project disbursements for, and the actual and projected receipts from the developed Phase A (99 finished lots) portion of this project, since the inception of the receivership through November 30, 2004.

<b>Description</b>	<b>Dollars in Millions</b>
Purchase of 87 acres of adjoining land	1.4
Infrastructure, advertising and other expenses	4.9
<b><i>Subtotal of disbursements</i></b>	<b><i>6.3</i></b>
Net proceeds from sales of 53 lots	3.5
Projected proceeds from sales of 46 lots <sup>1</sup>	3.8
<b><i>Subtotal of receipts and projected receipts</i></b>	<b><i>7.3</i></b>
<b>Projected net receipts</b>	<b>1.0</b>

However, the Receiver has been advised that if the water issues are not successfully resolved, the remaining project, including the unsold 46 lots in Phase A, could possibly be liquidated for a net amount of about \$3.6 million. With these proceeds, and the \$3.5 million from the 53 sold lots, this scenario would recoup the receivership estate's disbursements of \$6.3 million and provide an additional \$760,000. However, it would eliminate the possibility of a substantial additional recovery for the benefit of the victims.

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<sup>1</sup> This assumes a successful resolution of the water issues.

The Receiver has also been advised that if the water issues are resolved, the balance of the project, should sell in an orderly bulk sale, and combined with the retail sale of the 46 lots in Phase A, could produce net revenues of \$10.5 million and perhaps up to \$12.7 million. National auction companies believe that if an auction of the balance of the project were conducted, the result, combined with the retail sale of the 46 lots in Phase A, should produce net revenues of about \$9.1 million. The proceeds from these scenarios, and the \$3.5 million from the 53 sold lots, would recoup the receivership estate's disbursements of \$6.3 million and provide an additional \$6.3 to \$9.9 million for the benefit of the victims.

Therefore, the Receiver believes the expenditure of \$750,000 will increase the net additional return to the victims from \$760,000, if water issues remain unresolved, to at least \$5.5 million, if sold at auction, and possibly as much as \$9.1 million, if sold in an orderly bulk sale.

### **Remaining Properties (Not Including The Coves)**

In a previous report, the Receiver recommended to the Court that the most cost-effective and profitable method for disposing of these properties in a timely manner was to conduct an auction. Accordingly, a special request to conduct a public auction of the remaining 19 Texas properties was submitted to the Court for consideration. The Court approved the Receiver's request and on November 18, 2004, an auction was held in Houston, TX to sell the remaining properties.

The auction sale was successful and all 19 properties were placed under contract at prices equal to or in excess of the Court approved sale prices. Fifteen of the properties have closed escrow and four properties are in escrow awaiting closing.

During the reporting period, there was one mortgage receivable property in Birmingham, Alabama that was abandoned by the former owners necessitating a foreclosure. The property has been secured and is being prepared to market and sell.

### **Investor Distributions**

On December 14, 2004, this Court approved a Stipulated Order to distribute \$3 million to the undisputed investor claims. A distribution of \$3 million was completed by December 17, 2004. To date, \$54.5 million, or approximately 46.7% of approved claims has been distributed to investors. An additional distribution of \$3 million is planned in March 2005.

## **Administrative Expenses**

Under Tab 2 are the financial reports for the period of October 1, 2004 through December 31, 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 October 1, 2004 through December 31, 2004, including fees and expenses of the Receiver detailed under Tab 2.

Respectfully submitted,

Robb Evans  
Receiver

**Robb Evans, Receiver of TLC Investments & Trade Co., et al.  
Status of Major Properties  
As of December 31, 2004**

	Property Address	SFR, Multi, Comm'l, Land, Lots	City	State	Purchase Date	Property Status as of 12/31/04	Carrying Cost as of 10/4/00	Acquisition & Capital Additions from 10/5/00 to 12/31/04	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	07/01/99	Since sales commenced in July 2002, a total of 53 lots have been sold for approximately \$3,720,300 and an additional 21 lots are under contract for approximately \$1,915,250. Twenty five lots remain on the market for sale. Ten homes have been completed with 24 additional homes under construction. According to the builder, two building permits are 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.		\$ 6,214,425.76			
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%

**Robb Evans, Receiver of TLC Investments & Trade Co., et al.**  
**Status of Major Properties**  
**As of December 31, 2004**

	Property Address	SFR, Multi, Comm'l, Land, Lots	City	State	Purchase Date	Property Status as of 12/31/04	Carrying Cost as of 10/4/00	Acquisition & Capital Additions from 10/5/00 to 12/31/04	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	06/24/99	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	04/01/99	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	01/19/00	SOLD	442,631.77	5,198.00	525,000.00	442,000.00	118.78%
37	Hana Highway	Land	Hana	HI	08/24/99	SOLD	187,806.89	572.91	265,000.00	252,500.00	104.95%
38	48 lots in Quail Bridge Gardens	Land	Houston	TX	04/05/99	SOLD	222,839.54	43,881.92	263,000.00	267,500.00	98.32%
	<b>For Major Properties -</b>						<b>\$ 49,113,407.62</b>	<b>\$ 11,922,717.72</b>	<b>\$ 56,725,867.00</b>	<b>\$ 51,299,798.33</b>	<b>110.58%</b>

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

	<u>October 31, 2000 to September 30, 2004</u>	<u>October 1, 2004 to December 31, 2004</u>	<u>Total</u>
Proceeds from Sales of Properties	\$ 58,070,012.72	\$ 1,230,922.65	\$ 59,300,935.37
Rental Income	5,939,297.48	5,066.81	5,944,364.29
Commission Repayments from Agents	3,156,094.39	368,278.37	3,524,372.76
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	580.00	70.00	650.00
Interest Income:			
Mortgage Notes	582,809.32	23,093.89	605,903.21
Bank Deposits	214,074.93	7,185.78	221,260.71
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>905,049.86</u>	<u>30,279.67</u>	<u>935,329.53</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- 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	22,769.72	-	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	93,818.61	648.60	94,467.21
<b>Total Income</b>	<b>\$ 72,603,028.25</b>	<b>\$ 1,635,266.10</b>	<b>\$ 74,238,294.35</b>

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

	<u>October 31, 2000 to September 30, 2004</u>	<u>October 1, 2004 to December 31, 2004</u>	<u>Total</u>
<b>Business Operating Expenses:</b>			
<b>Property Expenses:</b>			
Repairs & Maintenance	\$ 3,082,576.64	\$ 100,169.12	\$ 3,182,745.76
Property Taxes	1,961,185.14	81,891.22	2,043,076.36
Insurance	1,010,885.65	13,033.17	1,023,918.82
Utilities	995,680.99	6,170.83	1,001,851.82
Management Fees (Footnote 1)	686,387.01	(106.71)	686,280.30
Engineering & Architecture	625,703.98	-	625,703.98
Advertising & Marketing	337,229.76	57,620.07	394,849.83
Legal Fees	320,967.93	28,953.25	349,921.18
Security, Alarm & Protection	317,811.80	-	317,811.80
Gardening Services	296,801.21	4,030.00	300,831.21
Appraisal & Survey (Footnote 1)	274,767.32	(13,572.63)	261,194.69
Cleaning Services	174,787.91	75.00	174,862.91
Development Expenditures	35,845.63	-	35,845.63
Miscellaneous (Footnote 1)	752,594.60	(146,606.46)	605,988.14
<b>Total Property Expenses</b>	<u>10,873,225.57</u>	<u>131,656.86</u>	<u>11,004,882.43</u>
Field Office Operating Expenses	2,507,845.79	60,305.53	2,568,151.32
Racehorse Expenses	261,344.53	-	261,344.53
Dog Expenses	21,084.81	-	21,084.81
Federal & State Income Taxes (Footnote 2)	1,464.36	(1,616.48)	(152.12)
<b>Total Business Operating Expenses</b>	<u>13,664,965.06</u>	<u>190,345.91</u>	<u>13,855,310.97</u>
<b>Receivership Administrative Expenses:</b>			
<b>Receiver's Fees &amp; Expenses:</b>			
Receiver's Fees	224,158.00	4,312.00	228,470.00
Receiver's Out of Pocket Expenses	5,278.09	239.53	5,517.62
<b>Total Receiver's Fees &amp; Expenses</b>	<u>229,436.09</u>	<u>4,551.53</u>	<u>233,987.62</u>
<b>Staff Expenses:</b>			
Accounting & Support / Financial Reconstruction	1,214,822.06	28,258.29	1,243,080.35
Project Coordinators / Portfolio Management	693,790.64	5,598.00	699,388.64
Out of Pocket Expenses	194,135.21	4,879.51	199,014.72
Employer Taxes	86,859.57	1,543.71	88,403.28
<b>Total Staff Expenses</b>	<u>2,189,607.48</u>	<u>40,279.51</u>	<u>2,229,886.99</u>
<b>Other Receivership Administrative Expenses:</b>			
Legal Fees & Costs	1,873,949.31	68,457.42	1,942,406.73
Tax Return Preparation Fees	95,262.00	7,250.00	102,512.00
Copying & Records Reproduction	88,317.86	-	88,317.86
Interest Expense	19,420.99	-	19,420.99
Miscellaneous Expenses	317,762.07	14,730.60	332,492.67
<b>Total Other Receivership Administrative Expenses</b>	<u>2,394,712.23</u>	<u>90,438.02</u>	<u>2,485,150.25</u>
<b>Total Receivership Administrative Expenses</b>	<u>4,813,755.80</u>	<u>135,269.06</u>	<u>4,949,024.86</u>
<b>Total Expenses Previously Reported</b>	<b>\$ 18,478,720.86</b>		
<b>Total Current Period Expenses</b>		<b>\$ 325,614.97</b>	
<b>Total Expenses for the Period from October 31, 2000 through December 31, 2004</b>			<b>\$ 18,804,335.83</b>

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

Footnote 2: The figure for the reporting quarter represents the tax refunds received.