

Robb Evans, Receiver of TLC Investments & Trade Co., et al.
Quarterly Report to the Court
As of June 30, 2005

This is the nineteenth 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 June 30, 2005, 414 properties have been sold and escrows closed. These properties originally cost \$46,573,628, had capital additions totaling \$22,009,445, and were sold for an aggregate gross price of \$64,714,718. After paying direct expenses of sale, extinguishing liens against the properties and other costs, the net selling price of \$61,008,720 resulted in a loss of \$7,574,353, of which \$26,690 was realized in this quarter. During this quarter, two escrows were closed on an auctioned Texas property and a foreclosed Alabama property resulting in losses totaling \$45,054. Also, five lots of the Marina Coves project were sold with selling prices totaling \$460,150, which resulted in a net gain of \$18,364.

Additionally, there were 35 lots of the Marina Coves property in escrow as of June 30, 2005. These lots originally cost \$422,434, had capital additions totaling \$2,528,080, and it is anticipated they will produce net sale proceeds of approximately \$3,342,000 resulting in a net gain of approximately \$391,000. 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 eleven 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. It should, however, be noted that no distributions were made during the past 90 days. One agent is continuing to make periodic payments on his account and it is considered current as of this date. The remaining two accounts are technically in default, with one agent having passed away, with his estate not having sufficient assets to pay the balance due. Approximately \$3,011,000 has been collected and approximately \$135,000 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 \$613,000.

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. James Garro was convicted of money laundering and tax fraud in April 2005. Charges were filed by the U.S. Attorney's office for the Southern District of California following the Receiver's civil lawsuit against Garro. Garro is in custody awaiting sentencing and faces up to 15 years in prison. An associate, Louis Cimaglia, pleaded guilty to a conspiracy charge in July 2004. He was recently sentenced. The Receiver requested restitution of approximately \$67,000 from Mr. Cimaglia, which represented the commissions he received from Garro following Garro's diversion of TLC funds.

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. Based on the Receiver's lawsuit, Carol Price relinquished her claim to the property.

No agreement was reached with Long Beach Mortgage Company regarding the Receiver's lis pendens, which was filed before the lien placed on the property by Long Beach Mortgage, and, consequently, the Receiver filed a Petition to Quiet Title in the District Court of Dallas County, Texas, Case No. 05-05219B. The Receiver's action is filed pursuant to the Declaratory Judgments Act, Chapter 37 of the Texas Civil Practice and Remedies Code, and seeks a declaration of the invalidity and/or unenforceability of the lien claim asserted by Long Beach Mortgage Company. Long Beach Mortgage was served on June 3, 2005, and on June 24, 2005, Long Beach Mortgage filed its answer denying each and every claim alleged by the Receiver. The Receiver is now seeking additional discovery from Long Beach Mortgage Company regarding their claim.

In the interim, the property remains rented by the purchaser and the contract is in the process of being extended to allow the necessary time for the Court's ruling on the pending motion.

Marina Coves on the Colorado River

The last report to the Court advised that the Revised Public Report was submitted for approval to the Arizona Department of Real Estate. The report dated May 25, 2005 (re-titled Amended Public Report by the Arizona Department of Real Estate) has been approved.

Immediately upon obtaining the Amended Public Report (APR), the Receiver instituted a set of procedures for the real estate broker and title company to follow in notifying all purchasers with contracts in escrow or under reservation. Copies of the APR were

provided to all prospective purchasers and new forms were printed requiring all prospective purchasers to sign a receipt for the delivered copies of the APR prior to closing.

As of June 30, 2005, 60 sales have closed, 35 contracts are in escrow awaiting closing and there are four reservations awaiting conversion into contracts. The Receiver anticipates that the majority of the lots will be sold by the end of September 2005.

Subsequent to this reporting period, construction on the tertiary water treatment facility began. The projected completion date is expected to be before year-end.

The Receiver has negotiated a Letter Of Intent for the remaining bulk acreage. The prospective purchaser is currently completing their research and terms of the LOI require a decision on or before August 1, 2005.

Remaining Properties (Not Including The Coves)

In prior reports, the Receiver described the results of the public auction to sell the remaining 19 properties in Texas. Seventeen of the properties have closed and the contracts on the remaining two properties were cancelled. These two properties located in San Antonio were listed for sale by the auction company and are now under contract. The remaining real property in Birmingham closed. The pending litigation on the note receivable addressed in the last report has been taken under advisement by the Birmingham Court.

During the last quarter, a mortgage receivable in Birmingham and one in Hartland, Maine required foreclosure due to nonpayment. The properties are currently being secured, cleaned and readied for marketing and sale. The current status of the mortgage portfolio is more thoroughly described in the section below.

Mortgage Loan Portfolio

In recent reports, the Receiver has advised the Court of delinquent mortgage receivable accounts that necessitated foreclosure and resale. The following paragraphs provide a summary of the management and disposition strategy employed by the Receiver from the outset of this receivership with respect to the mortgage loan portfolio.

At the beginning of the receivership, experienced loan consultants were hired to review and analyze the mortgage portfolio of 47 loans with a face value of approximately \$2,255,000. The consultants' conclusions stated that the bulk of the portfolio was relatively new, long-term mortgage loans (the oldest dating back to 1999) on low-income homes with high loan-to-value ratios and non-creditworthy buyers. Furthermore, the loan

documentation was incomplete and did not subscribe to federal lending guidelines. Their opinion was that the combination of these factors would significantly diminish the market value of the portfolio and precipitate a steep discount of the original mortgage portfolio balance.

As a result of the consultants' conclusions, a management and disposition strategy was developed and implemented to maximize the value of the loan portfolio. The strategic plan was designed to allow the loan portfolio to mature and to concurrently properly document the incomplete documentation in an effort to minimize the resultant market discount. Ultimately, the portfolio would have to be sold at a sizeable discount on the sub-prime market.

However, due to the drop in interest rates and the subsequent growth in refinancing opportunities, the strategy was adjusted to encourage the mortgagors to refinance, offering a 10% discount on any payoffs, which was far less than the discount anticipated on a sale in the open market. The strategy resulted in fourteen payoffs generating approximately \$900,000 proceeds and allowed the estate to maximize the value on these loans.

Recently, there has been a developing trend of increased delinquencies and subsequent foreclosures and a reduction in refinancing requests. As a result, the Receiver has determined that it would be prudent to market the remaining portfolio at this time. The sale of the remaining portfolio of 22 loans with a current face value of approximately \$785,000 will result in a substantial discount due to the high loan to value ratio, the non-credit worthiness of the mortgagors and the fact that the recreated documentation are copies rather than the original paperwork. The Receiver anticipates that the sale of the mortgage portfolio will be completed on or before the end of the year.

Investor Distributions

The Receiver did not make distributions in the first two quarters. If the Marina Coves lot sales are completed as projected, the Receiver anticipates recommending a distribution by September 30, 2005.

Administrative Expenses

Under Tab 2 are the financial reports for the period of April 1, 2005 through June 30, 2005. 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 April 1, 2005 through June 30, 2005, 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 June 30, 2005**

	Property Address	SFR, Multi, Comm'l, Land, Lots	City	State	Purchase Date	Property Status as of 06/30/05	Carrying Cost as of 10/4/00	Acquisition & Capital Additions from 10/5/00 to 06/30/05	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 60 lots have been sold for approximately \$4,331,465.50 and an additional 35 lots are under contract for approximately \$3,517,800. Four lots are under reservation for \$429,429 and are in the process of being converted to contracts. Twenty homes have been completed with 22 additional homes under construction. According to the builder, one building permit is currently being processed. Phase A (99 lots) will remain listed for sale as individual lots with a local Realtor until all the lots have closed. Concurrently, the Receiver has entered into a contract on the remaining acreage, exclusive of Phase A, which is in the due diligence and overbid phase. The due diligence and overbid period has been extended and will simultaneously expire in Mid August, 2005.		\$ 6,506,711.66			
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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As of June 30, 2005

	Property Address	SFR, Multi, Comm'l, Land, Lots	City	State	Purchase Date	Property Status as of 06/30/05	Carrying Cost as of 10/4/00	Acquisition & Capital Additions from 10/5/00 to 06/30/05	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%
	For Major Properties -						\$ 49,113,407.62	\$ 12,215,003.62	\$ 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 June 30, 2005

	<u>October 31, 2000 to March 31, 2005</u>	<u>April 1, 2005 to June 30, 2005</u>	<u>Total</u>
Proceeds from Sales of Properties	\$ 59,455,204.37	\$ 449,540.95	\$ 59,904,745.32
Rental Income	5,983,605.10	7,365.19	5,990,970.29
Commission Repayments from Agents	3,561,622.76	108,024.27	3,669,647.03
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	709.14	-	709.14
Interest Income:			
Mortgage Notes	631,333.83	19,609.03	650,942.86
Bank Deposits	226,018.18	5,684.08	231,702.26
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>965,517.62</u>	<u>25,293.11</u>	<u>990,810.73</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
Restitutions Received from Brian Aeria	-	725.00	725.00
Restitutions Received from Kettenhof	-	300.00	300.00
Miscellaneous Income	99,427.04	6,349.15	105,776.19
Total Income	\$ 74,504,261.22	\$ 597,597.67	\$ 75,101,858.89

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Summary of Expenses
October 31, 2000 (Inception of Permanent Receivership) through June 30, 2005

	<u>October 31, 2000 to March 31, 2005</u>	<u>April 1, 2005 to June 30, 2005</u>	<u>Total</u>
Business Operating Expenses:			
Property Expenses:			
Repairs & Maintenance	\$ 3,185,293.73	\$ -	\$ 3,185,293.73
Property Taxes	2,043,179.48	2,457.73	2,045,637.21
Insurance	1,026,248.24	11,106.23	1,037,354.47
Utilities	1,009,571.08	-	1,009,571.08
Management Fees	690,325.27	799.23	691,124.50
Engineering & Architecture	625,703.98	-	625,703.98
Advertising & Marketing	404,771.83	10,946.21	415,718.04
Legal Fees	354,928.42	5,387.69	360,316.11
Security, Alarm & Protection	317,811.80	-	317,811.80
Gardening Services	303,411.21	-	303,411.21
Appraisal & Survey	261,194.69	3,199.53	264,394.22
Cleaning Services	174,862.91	-	174,862.91
Development Expenditures	35,845.63	-	35,845.63
Miscellaneous	636,101.95	(417.09)	635,684.86
Total Property Expenses	<u>11,069,250.22</u>	<u>33,479.53</u>	<u>11,102,729.75</u>
Field Office Operating Expenses	2,603,362.60	35,000.78	2,638,363.38
Racehorse Expenses	262,038.95	312.67	262,351.62
Dog Expenses	21,084.81	-	21,084.81
Federal & State Income Taxes (Footnote 1)	(152.12)	-	(152.12)
Total Business Operating Expenses	<u>13,955,584.46</u>	<u>68,792.98</u>	<u>14,024,377.44</u>
Receivership Administrative Expenses:			
Receiver's Fees & Expenses:			
Receiver's Fees	233,618.00	3,146.00	236,764.00
Receiver's Out of Pocket Expenses	5,517.62	-	5,517.62
Total Receiver's Fees & Expenses	<u>239,135.62</u>	<u>3,146.00</u>	<u>242,281.62</u>
Staff Expenses:			
Accounting & Support / Financial Reconstruction	1,262,992.18	13,666.07	1,276,658.25
Project Coordinators / Portfolio Management	712,060.64	1,574.00	713,634.64
Out of Pocket Expenses	200,001.42	-	200,001.42
Employer Taxes	89,537.49	881.32	90,418.81
Total Staff Expenses	<u>2,264,591.73</u>	<u>16,121.39</u>	<u>2,280,713.12</u>
Other Receivership Administrative Expenses:			
Legal Fees & Costs	1,960,260.91	9,983.17	1,970,244.08
Tax Return Preparation Fees	102,512.00	-	102,512.00
Copying & Records Reproduction	88,317.86	-	88,317.86
Interest Expense	19,420.99	-	19,420.99
Miscellaneous Expenses	341,183.73	10,012.53	351,196.26
Total Other Receivership Administrative Expenses	<u>2,511,695.49</u>	<u>19,995.70</u>	<u>2,531,691.19</u>
Total Receivership Administrative Expenses	<u>5,015,422.84</u>	<u>39,263.09</u>	<u>5,054,685.93</u>
Total Expenses Previously Reported	\$ 18,971,007.30		
Total Current Period Expenses		\$ 108,056.07	
Total Expenses for the Period from October 31, 2000 through June 30, 2005			\$ 19,079,063.37

Footnote 1:
The negative balance represents the tax refunds received.