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LODGED
July 24, 2001
CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION AT SANTA ANA
FILED
July 26, 2001
CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION
ENTERED
July 27, 2001
CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

TLC INVESTMENTS & TRADE CO., et al.

Defendants.

SACV 00-960-DOC (EE_x)

**FINAL JUDGEMENT OF
PERMANENT INJUNCTION AND
OTHER RELIEF AGAINST DEFENDANT
ERNEST F. COSSEY**

**THIS CONSTITUTES NOTICE OF ENTRY
AS REQUIRED BY FRCP, RULE 77(d)**

Plaintiff Securities and Exchange Commission ("Commission"), having filed and served upon Defendant Ernest F. Cossey (aka "Frank Cossey")(hereinafter "Defendant Cossey") a Summons and Complaint in this matter and Defendant Cossey having admitted service upon him of the Summons and Complaint in this action and the jurisdiction of this Court over him and over the subject matter of this action; having been fully advised and informed of his right to a judicial determination of this matter; having waived the entry of findings of fact and conclusions of law as provided by Rule 52 of the Federal Rules of Civil Procedure; having consented to the entry of this Final Judgment of Permanent Injunction and Other Relief Against Defendant Ernest F. Cossey ("Final Judgment") without admitting or denying the allegations in the Complaint, except as specifically set forth in the Consent of Defendant Ernest F. Cossey to Entry of Final Judgment of Permanent Injunction and Other Relief ("Consent"); and it appearing that no notice of hearing upon the entry of this Final Judgment being necessary; and the Court being fully advised in the premises, and there being no just reason for delay:

I.

IT IS ORDERED, ADJUDGED & DECREED that Defendant Cossey and his officers, agents, servants, employees, attorneys-in-fact and all persons in active concert or participation with any of them, who receive actual notice of this Final Judgment, by personal service or otherwise, and each of them, are permanently restrained and enjoined from, directly or indirectly:

- A. making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell the securities of any issuer, through the use or medium of any prospectus or otherwise, unless and until a registration statement is in effect as to such securities;
- B. carrying or causing to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or for delivery after sale, the securities of any issuer, unless and until a registration statement is in effect as to such securities; and
- C. making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy, through the use or medium of any prospectus or otherwise, the securities of any issuer, unless and until a registration statement has been filed with the Commission as to such securities, or while a registration statement has been filed with the Commission as to such securities, or while a registration statement as to such securities is the subject of a refusal order or stop order or (prior to the effective date of the registration statement) any public proceeding or examination under Section 8 of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77h;

in violation of Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) & 77e(c); provided, however, that nothing in this Final Judgment shall apply to any security or transaction which is exempt from the provisions of Section 5 of the Securities Act, 15 U.S.C. § 77e.

II.

IT FURTHER IS ORDERED, ADJUDGED AND DECREED that Defendant Cossey and his agents, servants, employees, attorneys-in-fact and all persons in active concert or participation with any of them, who receive actual notice of this Final Judgment by personal service or otherwise, and each of them, are permanently restrained and enjoined from, directly or indirectly, in the offer or sale of the securities of any issuer, by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails:

- A. employing any device, scheme or artifice to defraud;
- B. obtaining money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- C. engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser;

in violation of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

III.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant Cossey and his agents, servants, employees, attorneys-in-fact and all persons in active concert or participation with any of them, who receive actual notice of this Final Judgment by personal service or otherwise, and each of them, are permanently restrained and enjoined from, directly or indirectly, in connection with the purchase or sale of any security, by the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange:

- A. employing any device, scheme, or artifice to defraud;
- B. making any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- C. engaging in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person;

in violation of Section 10(b) of the Securities Exchange Act of 1934, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C. F. R. § 240.10b-5.

IV.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant Cossey shall pay disgorgement in the amount of \$10,690,697, representing gains from the conduct alleged in the Complaint, plus prejudgment interest thereon in the amount of \$271,921.53, totaling \$10,962,618.53 within thirty (30) days of entry of this Final Judgment. All payments of cash pursuant to this Final Judgment shall be made by cashier's check, certified check, or postal money order and shall be made payable to Robb Evans, Receiver for TLC Investments and Trade Co, et al. (the "Receiver"), and sent to the Receiver, at Robb Evans & Associates, 11450 Sheldon Street, Sun Valley, California 91352-1121, under cover of a letter that identifies the defendant, the name and case number of this litigation and the Court. A copy of the cover letter shall be simultaneously sent to counsel for the Commission in this action at its Pacific Regional Office, 5670 Wilshire Boulevard, 11th Floor, Los Angeles, California 90036. All transfers of assets pursuant to this Final Judgment shall be made to the Receiver.

V.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant Cossey shall, within thirty (30) days from the date of entry of the Final Judgment, evacuate and execute a quit-claim deed in favor of the Receiver for the real property located at 21880 Golden Canyon Court, Diamond Bar, California 91765. Cossey shall also cooperate with the Receiver, in the transfer, listing for sale, and sale of that real property. Defendant Cossey is further ordered to surrender and turn over to the Receiver all personal furnishings, jewelry, automobiles, and other personal property within thirty (30) days of the date of entry of this Final Judgment.

VI.

The Receiver shall report to the Court the total net proceeds obtained from the liquidation of assets quit-claimed, surrendered or turned over by Defendant Cossey to the Receiver, within 90 days after completing the liquidation of these assets and such proceeds shall be credited to the disgorgement amount to be collected by the Receiver, from Defendant Cossey asset forth in Section IV of this Final Judgment.

VII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Receiver, shall value the real property quit-claimed, turned over and surrendered by Defendant Cossey by obtaining two appraisals from MAI appraisers, two real estate brokers' opinions of value, and two other independent comparable values to establish an average appraised value. The Receiver shall then list the property for sale with a licensed real estate broker and conduct the sale process for the real property at a commercially reasonable pace. The sale price shall be subject to Court approval on an *ex parte* basis. The Receiver shall be permitted to sell the real property for a gross sales price of 80% of average appraised value, or higher. If the Receiver does not obtain a price that is at least 80% of the average appraised value, then the Receiver must follow the provisions set forth in 28 U.S.C. § 2001 for the sale of the real property.

VIII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Receiver, shall value the personal property turned over and surrendered by Defendant Cossey by obtaining valuations from at least two appraisers or other persons qualified to provide valuations for specific personal property. The Receiver shall be permitted to sell the real property for a gross sales price of 80% of average appraised gross value, or higher and without further court order. In such event, such sales shall be deemed confirmed by the Court and no further compliance with 28 U.S.C. §§ 2001 and 2004 shall be required. Should any of the property turned over and surrendered to the Receiver, using reasonable judgment, to have negligible resale value (e.g. used bedding, used personal clothing, used ordinary kitchen utensils, personal photographs, and mementos) the Receiver may return such personal property to Defendant Cossey.

IX.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant Cossey shall pay a civil money penalty, pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3), of \$110,000. Defendant Cossey shall pay the civil penalty by cashier's check, certified check or postal money order made payable to the United States Treasury, and transmitted to the Comptroller, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, Virginia 22312, under cover of a letter that identifies the Defendant Cossey, the name of the case and case number of this litigation, and the Court. A copy of the cover letter and the check or money order shall be simultaneously transmitted to counsel for the Commission at its Los Angeles office, 5670 Wilshire Boulevard, 11th Floor, Los Angeles, California 90036.

X.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant Cossey's compliance with this Final Judgment shall not be deemed a violation of the freeze placed on his assets pursuant to Part VI of the Order of Preliminary Injunction and Orders: (1) Freezing Assets; (2) Appointing a Receiver; (3) Prohibiting the Destruction of Documents; (4) for Accounting; (5) for Repatriation of Assets; and (6) for Expedited Discovery, issued by this Court on November 1, 2000.

XI.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the provisions of the Consent filed concurrently with this Final Judgment are incorporated herein with the same force and effect as if fully set forth herein and that Defendant Cossey shall comply with the Consent.

XII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this Court shall retain jurisdiction over this action to implement and enforce the terms of the Final Judgment and other decrees that may be entered herein and to grant such other relief as the Court may deem necessary and just.

* * *

There being no just reason for delay, the Clerk of the Court is hereby directed, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, to enter this Final Judgment forthwith.

DATED: July 25, 2001

<signed >

THE HONORABLE DAVID O. CARTER
UNITED STATES DISTRICT JUDGE

Respectfully submitted by:

<signed>

MARIANNE WISNER
Attorney for Plaintiff
Securities and Exchange Commission