



# U.S. SECURITIES AND EXCHANGE COMMISSION

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### Litigation Release No. 16754 / October 5, 2000

SECURITIES AND EXCHANGE COMMISSION v. TLC INVESTMENTS & TRADE CO., TLC AMERICA, INC. dba BREA DEVELOPMENT COMPANY, TLC BROKERAGE, INC., dba TLC MARKETING, TLC DEVELOPMENT, INC., TLC REAL PROPERTIES RLLP-1, CLOUD & ASSOCIATES CONSULTING, INC., ERNEST F. COSSEY, GARY W. WILLIAMS, AND THOMAS G. CLOUD, Civil Action No. SACV 00-960 DOC(EEx) (C.D. Cal.)

The United States Securities and Exchange Commission ("Commission") announced that on October 5, 2000, the Honorable David O. Carter, United States District Judge for the Central District of California, issued a temporary restraining order halting an ongoing multimillion dollar securities fraud by Ernest F. Cossey ("Cossey") and Gary W. Williams ("Williams"), entities controlled by them, and Thomas G. Cloud ("Cloud") and his company, who were using the Internet to sell the fraudulent securities. The Court: (1) ordered the defendants to immediately cease their fraudulent activities; (2) placed a freeze on the defendants' assets; (3) appointed a temporary receiver over those assets for 12 days pending a hearing to determine the full extent of their fraudulent conduct; (4) ordered an accounting from the defendants; and (5) granted other relief.

The Commission's complaint, filed on October 3, 2000, alleges that since 1998, the entities controlled by Cossey and Williams (TLC Investments & Trade Co., TLC America, Inc. dba Brea Development Company, TLC Brokerage, Inc., dba TLC Marketing, TLC Development, Inc, and TLC Real Properties RLLP-1) (collectively, "TLC Entities") have raised at least \$156 million from more than 2,600 investors, including numerous senior citizens, purportedly for the purpose of investing in distressed real estate. In fact, Cossey, Williams and the TLC Entities are currently operating an undisclosed Ponzi scheme using client funds to make interest payments. In addition, Cossey and Williams have misused at least \$28.3 million in investor funds to pay other investors, invest in a prime bank scheme, buy racehorses, make charitable contributions for Cossey's son and wire funds overseas. Cloud and his company, Cloud & Associates Consulting, Inc. ("C&A"), misrepresented, among other things, the commissions they received on sales of interests in the TLC Entities, falsely claiming C&A had received no commissions when, in fact, C&A has received at least \$1 million in commissions through July 2000.

The Commission obtained an order temporarily restraining Cossey, Williams, the TLC Entities, C&A and Cloud from committing securities fraud in violation of Section 17(a) of the Securities Act of 1933 ("Securities Act"), Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder. The defendants (except Williams) were also temporarily restrained from committing violations of the securities registration provisions of Sections 5(a) and 5(c) of the Securities Act of 1933 ("Securities Act"). In addition to the interim relief granted today, the Commission seeks a final judgment against Cossey, Williams, entities they control, Cloud & Associates and Cloud enjoining them from future violations of Sections 5(a) and 5(c) of the Securities Act (except for Williams), Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, ordering them to disgorge all ill-gotten gains, and assessing civil penalties against them.

