



# U.S. SECURITIES AND EXCHANGE COMMISSION

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**Litigation Release No. 16789 / November 2, 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 00-0960 DOC (MLG) (C.D. Cal.)**

The United States Securities and Exchange Commission ("Commission") announced that on November 1, 2000, the Honorable David O. Carter, United States District Judge for the Central District of California, issued a preliminary injunction order in a multimillion dollar securities fraud case. The Court's order, superseding a temporary restraining order, requires Ernest F. Cossey ("Cossey") and Gary W. Williams ("Williams"), entities controlled by them, and Thomas G. Cloud ("Cloud") and his company Cloud & Associates Consulting, Inc. ("C&A") to cease their fraudulent activities and continues an asset freeze against all the defendants. The Court's order also made permanent the appointment of Robb Evans as Receiver over the corporate defendants (except C&A); ordered the defendants to provide an accounting; ordered two of the defendants' attorneys to return \$217,500 to the receivership estate; denied living expenses to Cossey; and 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") committed securities fraud in connection with a real estate Ponzi scheme. The Receiver's initial status report filed by the Receiver indicates that the defendants raised at least \$159 million from more than 1,800 investors, most of whom are senior citizens, and that the estate only has approximately \$2.5 million in cash and real estate purchased and developed at a cost of approximately \$61 million. Further, the Commission's complaint alleges that 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 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 preliminarily enjoining 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 preliminarily enjoined 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 on October 30, 2000, the Commission seeks a final judgment against Cossey, Williams, entities they previously controlled, 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 pay civil penalties.

