



# U.S. SECURITIES AND EXCHANGE COMMISSION

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Litigation Release No. 17199 / October 22, 2001

**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(MLGx) (C.D. Cal.)**

### **SALES AGENT AND SALES AGENT'S PRINCIPAL ENJOINED AND ORDERED TO PAY OVER \$1.1 MILLION IN DISGORGEMENT**

The Securities and Exchange Commission ("Commission") announced that on October 15, 2001, the Honorable David O. Carter, United States District Judge for the Central District of California, entered an Order Granting Plaintiff's Motion for Summary Judgment against Cloud & Associates Consulting, Inc. ("Cloud & Associates"), a sales agent in a \$151.6 million real estate Ponzi scheme, and its CEO, Thomas G. Cloud ("Cloud"). The Court found that Cloud, through Cloud & Associates, both of Atlanta, Georgia, recklessly repeated TLC's fraudulent representations concerning an investment's security and profit potential on Cloud & Associates' website, thereby giving the misrepresentations Cloud & Associates' imprimatur of approval. Further, the Court found that Cloud and Cloud & Associates made additional independent fraudulent representations concerning Cloud's due diligence and trustworthiness, the securities' soundness, and the issuer's track record and failed to disclose Cloud's 1992 conviction for conspiracy to commit tax fraud. The Court determined that recklessly repeating the issuer's misrepresentations and making additional material misrepresentations and an omission violated the antifraud provisions of the securities laws: Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Act of 1934, and Rule 10b-5 thereunder. The Court also found that Cloud and Cloud & Associates sold unregistered securities in violation of the registration provisions of the securities laws: Sections 5(a) and 5(c) of the Securities Act of 1933. Accordingly, the Court permanently enjoined Cloud and Cloud & Associates from further violations of these registration and antifraud provisions of the securities laws and ordered Cloud and Cloud & Associates to pay disgorgement in excess of \$1.1 million, prejudgment interest, and civil penalties.

Prior Litigation Releases dealing with this case: lr16789 and lr17085.

<http://www.sec.gov/litigation/litreleases/lr17199.htm>