



# U.S. SECURITIES AND EXCHANGE COMMISSION

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**Litigation Release No. 17451 / April 2, 2002**

**U.S. v. Ernest Frank Cossey, Case No. 02-CR-0795J (S.D. Cal.); U.S. v. Gary Williams, Case No. 02-CR-0285J (S.D. Cal.)**

The U.S. Attorney for the Southern District of California announced that the President and Chief Financial Officer of TLC Investments & Trade Co. and related entities pleaded guilty to criminal charges brought in connection with a multimillion dollar offering fraud perpetrated nationwide.

Ernest F. Cossey, President, and Gary Williams, CFO of the TLC entities pleaded guilty on March 22, 2002 and February 14, 2002, respectively. Cossey pleaded guilty to one count of conspiracy to commit mail fraud and one count of filing a false tax return. Williams pleaded guilty to one count of preparing a false tax return for Cossey. Cossey faces a possible sentence of 57 to 71 months in prison and Williams faces a possible sentence of 18 to 24 months in prison. Cossey and Williams are scheduled to be sentenced in July 2002.

In October 2000, the Securities and Exchange Commission filed an emergency action against Cossey, Williams and several other defendants, alleging that they violated the registration and antifraud provisions of the securities laws. The Commission's complaint alleged that since 1998, the defendants committed securities fraud by perpetrating a real estate Ponzi scheme. The TLC entities raised over \$150 million from more than 1,800 investors, most of whom are senior citizens. The TLC entities promised investors a safe, liquid investment that would pay guaranteed returns of 8 to 15%. Instead, Cossey and Williams misused at least \$28.3 million of investor funds to pay other investors, invest in a prime bank scheme, buy racehorses, make charitable contributions and wire funds overseas.

Cossey and Williams settled the Commission's action by consenting to the entry of permanent injunctions prohibiting future violations of the antifraud provisions. Cossey also consented to the entry of an injunction prohibiting future violations of the securities registration provisions. The judgments require Cossey to pay \$10,690,697 in disgorgement, \$271,921.53 in prejudgment interest and \$110,000 in civil penalties and require Williams to pay \$248,145 in disgorgement.

Prior Litigation Releases dealing with this case: lr16754, lr16789, lr17085, lr17199, and lr17255.

*<http://www.sec.gov/litigation/litreleases/lr17451.htm>*