



U.S. SECURITIES AND EXCHANGE COMMISSION

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Litigation Release No. 17620 / July 17, 2002

U.S. V. ERNEST FRANK COSSEY, Case No. 02-CR-0795J (S.D. Cal.)

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.)

TLC ENTITIES' PRESIDENT SENTENCED TO 57 MONTHS

The United States Attorney for the Southern District of California announced that Ernest Frank Cossey, the President of TLC Investments & Trade Co. and related entities, was sentenced to 57 months in prison, and ordered to pay \$60.5 million in restitution, for conspiring to commit mail fraud and filing a false tax return in connection with a multimillion-dollar nationwide Ponzi scheme that defrauded 1,850 mostly elderly investors. United States District Judge Napoleon A. Jones, Jr. imposed the sentence on July 15, 2002.

In October 2000, the Securities and Exchange Commission filed an emergency action against Cossey and several other defendants, alleging that they committed securities fraud and sold securities that were not registered with the Commission. The Commission's complaint accused Cossey and several other defendants of perpetrating a real estate Ponzi scheme between 1998 and October 2000 that raised over \$150 million by falsely promising investors a safe, liquid investment that would pay guaranteed returns of 8 to 15%. The complaint also alleges that Cossey 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 for his personal use.

Cossey settled the Commission's action in 2001 by consenting to the entry of a permanent injunction prohibiting future violations of the registration and antifraud provisions, and requiring him to pay to pay \$10,690,697 in disgorgement, \$271,921.53 in prejudgment interest and \$110,000 in civil penalties.

Prior Litigation Releases dealing with this case: LR 16754, LR 16789, LR 17085, LR 17199, LR 17255, and LR 17451.