BEFORE THE
DIVISION OF SECURITIES
DEPARTMENT OF FINANCIAL INSTITUTIONS
STATE OF WISCONSIN

In the Matter of TLC Investments & Trade Co., TLC America, Inc., TLC Brokerage, Inc., and TLC Brokerage, Inc. d/b/a TLC Marketing, TLC Development, Inc., TLC Real Properties, Inc., TLC Real Properties, a/k/a RLLP-1, Cloud & Associates Consulting, Inc., Ernest F. Cossey, Gary W. Williams, Thomas G. Cloud, and Hector Serrano,	PETITION FOR ORDER OF PROHIBITION AND REVOCATION (SUMMARY)
Respondents.	File No. S-98308 (EX)

The Staff of the Enforcement Unit, Registration & Enforcement Section, of the Division of Securities, Department of Financial Institutions, State of Wisconsin, has conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats. and as a result thereof alleges as follows:

1. TLC Investments & Trade Co., TLC America, Inc., TLC Brokerage, Inc., TLC Brokerage, Inc. d/b/a TLC Marketing, TLC Development, Inc., TLC Real Properties, Inc., TLC Real Properties, a/k/a RLLP-1 [all hereinafter referred to as "the TLC entities"], and Cloud & Associates Consulting, Inc. [hereinafter referred to as "C & A"], are upon information and belief foreign business entities the assets of all of which have been frozen by, and all of which except C & A have been placed into receivership by, the United States District Court for the Central District of California, Southern District, as of November 1, 2000;

2. Ernest F. Cossey, Gary W. Williams, Thomas G. Cloud, and Hector Serrano are individual adult males, whose residence addresses are at this time unknown to the Staff, and each of whom is or has at times material hereto been connected in a business capacity with one or more of the business entities referenced in Paragraph 1 above, and at all times material hereto Hector Serrano was upon information and belief a controlling person of TLC America, Inc., and Ernest F. Cossey and Gary W. Williams have upon information and belief been controlling persons of the TLC entities, and Thomas G. Cloud has been a controlling person of C & A;

3. The entities and individuals referenced in Paragraphs 1 and 2 above are defendants in an injunctive action brought against them by the United States Securities & Exchange Commission [hereinafter referred to as the "S.E.C."] on the basis of allegations of massive violations of the anti-fraud provisions of the federal Securities Act of 1933, as amended, and of Rule 10b-5 under the federal Securities Exchange Act of 1934, as amended, in connection with nationwide sales of securities including those described hereinafter, which action has to date resulted in the issuance against all such defendants of an order of preliminary injunction against all such defendants and the receivership referenced in Paragraph 1 above;

4. Keith Thomas Heinze [hereinafter referred to as "Heinze"] is an individual adult male who at all times material hereto was licensed as a securities agent for Financial Network Investment Corporation [hereinafter referred to as "FNIC"] pursuant to Ch. 51, Wis. Stats.;

5. During the period of at least 1998 through at least August of 1999, the TLC entities, including TLC America, Inc., through Heinze acting as its agent, offered and sold to an as yet undetermined number of persons in Wisconsin investment-contract securities, as that term is used at sec. 551.02(13)(a), Wis. Stats., pertaining to tax liens;

6. The investment contract securities referenced in Paragraph 5 above have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.;

7. The TLC entities, including TLC America, Inc., violated sec. 551.21(1), Wis. Stats., by offering unregistered securities in Wisconsin as described in Paragraphs 5 and 6 above;

8. Heinze was not licensed in Wisconsin as a securities agent for TLC America, Inc., when he transacted business in Wisconsin as a securities agent for TLC America, Inc., as described in Paragraph 5 above;

9. TLC America, Inc. violated sec. 551.31(2), Wis. Stats., by employing Heinze as a securities agent to represent it in Wisconsin when Heinze was not licensed in Wisconsin to represent it as a securities agent, as described in Paragraphs 5 and 8 above;

10. Upon information and belief, Serrano and TLC America, Inc. had misrepresented to Heinze and others in Wisconsin that the investment contracts being offered and sold by TLC America, Inc. were not "securities," while upon information and belief Serrano had in his possession, prior to at least some of the offers and sales of such investment contracts in Wisconsin, a copy of a letter written by the Staff of this office analyzing such investment contracts and explaining both that, and why, they are securities as that term is used and defined at sec. 551.02 (13)(a), Wis. Stats., and explaining the misleading nature of the sales representations as to such contracts and of the contracts themselves;

11. In misrepresenting the status of the investment contracts as described in Paragraph 10 above, and in not disclosing the misleading nature of the sales representations as to those contracts and of the contracts themselves, in connection with the offers and sales of such securities to persons in Wisconsin, Serrano and TLC America violated sec. 551.41(2), Wis. Stats., the "anti-fraud" provision of Ch. 551, Wis. Stats., the Wisconsin Uniform Securities Law;

12. On November 1, 2000, the S.E.C. obtained from the United States District Court for the Central District of California a Preliminary Injunction against, and orders freezing the assets of, the TLC entities and C & A and Cossey and Williams, and appointing a receiver, with findings in part as follows:

> Good cause exists to believe that [the defendants], and each of them, have engaged in, and are engaging in, and are about to engage in transactions, acts, practices and courses of business which constitute violations of Sections 17 (a) of the Securities Act of 1933 … and Section 10 (b) of the Securities Exchange Act of 1934 … and Rule 10b-5 thereunder….
>
> and

> Good cause exists to believe that [the] defendants will continue to engage in such violations to the immediate and irreparable loss and damage to investors and to the general public unless they are preliminarily enjoined.

13. The complaint of the S.E.C. in the matter referenced in Paragraph 12 above concerns *inter alia* the tax-lien-related investment-contract securities offered and sold by TLC America *et alia* some of which are referenced in Paragraphs 5 through 14 hereinabove;.

14. On September 22, 1999, the Staff had a telephone conversation with an attorney named Bruce Haglund, who stated that he represented TLC America and its "current owners" including its president, Frank Cossey; that he did not know what role Serrano had had in the company; that he understands that the tax-lien-related investment contracts are "securities" under the securities laws of the United States and of Wisconsin, and that an opinion letter to the contrary used by TLC America, Inc., was "nonsense;" and that he would furnish to the Staff all data concerning the sales of the securities in Wisconsin and concerning Serrano's involvement in TLC America and such offers and sales;

15. The Staff has never heard from Attorney Haglund, or from anyone else representing any of the Respondents, following the conversation described in Paragraph 14 above;

Therefore, the Staff of the Enforcement Unit petitions the Administrator of the Division of Securities for the issuance of the attached Order of Prohibition and Revocation pursuant to Ch. 551, Wis. Stats.

William C. Lloyd 5/18, 2001

William C. Lloyd
Staff Attorney
Enforcement Unit