State of California - Department of Corporations

STATE OF CALIFORNIA

BUSINESS, TRANSPORTATION AND HOUSING AGENCY

DEPARTMENT OF CORPORATIONS

TO: CAL STEVEN ROBERTS
CRD # 2451479
7084 N. Cedar Ave. #138
Fresno, CA 93720

DESIST AND REFRAIN ORDER

(For violations of section 25110, 25210 and 25401 of the Corporations Code)

The California Corporations Commissioner finds that:

1. At all relevant times, TLC Investment & Trade Co., TLC America, Inc., dba Brea Development Company, TLC Brokerage, Inc., dba TLC Marketing, TLC Development, Inc., and/or TLC Real Properties RLLP-1, (hereinafter collectively referred to as "TLC"), issued investment instruments in the form of promissory notes, real estate investment agreements and/or investment contracts. TLC offered and sold these investments through two distinct programs – Tax Liens Certificates and Opportunity Properties ("TLC Investments").

2. TLC represented that the TLC investments had a one-year term, carried an interest rate of between 8 and 15 percent, and that the principal would be repaid at the maturity date. At the end of each one-year period, the investor was offered the chance to "rollover" the TLC investment for another one-year period.

3. These TLC investments were offered and sold to California's investing public by a network of sales agents recruited by TLC. TLC raised more than $156 million nationwide from more than 1,800 investors.

4. These TLC investments were offered and/or sold in this state in issuer transactions. The Department of Corporations has not issued a permit or other form of qualification authorizing any person to offer and sell these securities in this state.

5. Beginning at an exact date that is unknown to plaintiff, **CAL STEVEN ROBERTS (“CAL ROBERTS”)** individually became an agent of TLC, in which capacity he offered and sold securities issued by TLC to California investors.

6. **CAL ROBERTS** received sales commissions from TLC ranging from approximately 4½ percent to 6 percent on each dollar invested. Further, each time investors reinvested their initial investments - and some investors “rolled over” their investment more than once - **CAL ROBERTS** received yet another commission. Each offer by **CAL ROBERTS** and/or TLC to “rollover” the investment is a separate offer and each completed “rollover” a separate sale of securities under the California Corporate Securities Law of 1968, Corporations Code 25000 *et. seq*.

7. Although **CAL ROBERTS** held some form of securities license or licenses with the National Association of Securities Dealers (“NASD”), he did not have the approval of any broker-dealer to sell TLC investments, and thus was not licensed by the State of California, or any other similar licensing entity, to sell the securities at issue.

8. The purported purpose of the offering of the securities in the Tax Liens Certificates program was to raise funds to purchase tax liens at auction in jurisdictions that offered a favorable redemption period and redemption penalty, and either have them redeemed for a profit, or obtain the property and sell it for a profit. The purported purpose of the offering of the securities in the Opportunity Properties program was to buy distressed real estate at a low ratio of purchase price to market value, fix it up if necessary, and then sell it for a profit.

9. In connection with these offers and sales, **CAL ROBERTS** made, or caused to be made, misrepresentations and/or omitted material facts in connection with the offers or sales of the TLC investments such that the sale of these securities were offered and sold by means of untrue statements of material fact and omissions of material facts. **CAL ROBERTS** performed little independent due diligence to confirm the veracity of these representations and/or omissions, including the contents of any TLC sales brochures, or the oral or written communications of TLC.

10. Specifically, TLC and/or **CAL ROBERTS** represented that or omitted to disclose to

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prospective investors that:

a. the Tax Lien Certificates were a “safe, liquid, tax-deferred investment”, in part because the investor held title to the property as tenants in common, and that the investor’s principle was secured by real estate, while the interest was guaranteed by a promissory note. In fact, few, if any, investors were actually placed on the deeds to the properties purchased by TLC and therefore were not secured.

b. these Tax Lien Certificates would pay the investors a fixed interest rate of between 8% and 15%. In fact, TLC never generated a profit, and between 1998 and 2000 when **CAL ROBERTS** was making these representations to investors and potential investors, TLC had lost at least $15 million. And, in order to make interest payments at these promised rates to investors, TLC used money from new investors, creating a classic Ponzi scheme;

c. the Opportunity Properties investments were a “Safe, Liquid, Fixed Rate Investment,” in part by representing that the investor would be secured by a deed on the real property as tenants in common with TLC. In fact, few if any investors were actually placed on the deeds to the properties purchased by TLC and they were therefore not secured;

d. the Opportunity Properties investments would provide “Guaranteed high returns.” In fact, TLC never generated a profit and between 1998 and 2000 had lost at least $15 million. And, in order to make interest payments at these promised rates to investors, TLC used money from new investors, creating a classic Ponzi scheme;

e. he received a commission of up to 6 percent on every investment, as well as on every rollover of the investment. He also failed to inform investors that there were people above him who also received commissions on the sale of these investments, including Ernest F. “Frank” Cossey (“Cossey”), president of TLC and that the total commissions paid by TLC exceeded $20 million or approximately 13 percent of every dollar invested.

11. These facts would have been material to any investor’s decision to invest in TLC, but

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CAL ROBERTS did not disclose these facts to the investors.

12. On October 5, 2000, the United States Securities and Exchange Commission ("SEC") obtained a restraining order against TLC and Cossey, among others. The SEC alleged that TLC was operating an illegal Ponzi scheme. The United States District Court, Central District of California, also put TLC into receivership, appointing Robb Evans as receiver. Since that time, Cossey, along with Gary Williams, Chief Financial Officer of TLC, have pled guilty in federal criminal actions instituted against them and received prison sentences, based on their activities at TLC.

13. The SEC alleged that TLC engaged in several kinds of securities fraud relating to its purported real estate business. The SEC's complaint alleged that TLC falsely represented that is was engaged in the real estate business when it, in fact, was using investor funds to (a) pay other investors; (b) invest over $10 million in a fraudulent "prime bank" scheme; (c) buy racehorses; (d) make charitable contributions in the amount of $1.55 million to the high school football team that Cossey's son played for, including $1 million for repairs to the stadium; and (e) be wired overseas.

14. **CAL ROBERTS** did not disclose any of these facts alleged by the SEC in their complaint to prospective investors. These facts would have been material to any investor's decision to invest in TLC.

15. While so unlawfully engaged, **CAL ROBERTS** sold more than $1,800,000 in unlawful securities to at least 16 victims in California, for which he received sales commissions from TLC.

Based upon the foregoing findings, the California Corporations Commissioner is of the opinion that the, promissory notes, real estate investment agreements and/or investment contracts, offered in either the Tax Lien Certificate program or the Opportunity Properties program of TLC are securities subject to qualification under the California Corporate Securities Law of 1968 and are being or have been offered or sold without being qualified in violation of Corporations Code section 25110. Pursuant to section 25532 of the Corporate Securities Law of 1968, **CAL ROBERTS** is hereby ordered to desist and refrain from the

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further offer or sale in the State of California of securities in the form of promissory notes, real estate investment agreements and/or investment contracts, unless and until qualification has been made under the law. This Order is necessary, in the public interest, for the protection of investors and consistent with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

In addition, based upon the foregoing, the California Corporations Commissioner is of the opinion that **CAL ROBERTS** has effected transactions in securities as a broker-dealer without having first applied for and secured from the Commissioner a certificate, authorizing him to act in that capacity, in violation of section 25210 of the Corporate Securities Law of 1968. Pursuant to section 25532 of the Corporate Securities Law of 1968, **CAL ROBERTS** is hereby ordered to desist and refrain from effecting any transaction in, or inducing or attempting to induce the purchase or sale of, any security in this state, unless and until he have applied for and secured from the Commissioner a certificate, then in effect, authorizing him to act in that capacity. This Order is necessary, in the public interest, for the protection of investors and consistent with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

Further, the California Corporations Commissioner is of the opinion that the securities of TLC were offered or sold in this state by means of written or oral communications which included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of section 25401 of the Corporate Securities Law of 1968. Pursuant to section 25532 of the Corporate Securities Law of 1968, **CAL ROBERTS** is hereby ordered to desist and refrain from offering or selling or buying or offering to buy any security in the State of California, including but not limited to promissory notes, real estate investment agreements and/or investment contracts, by means of any written or oral communication which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. This Order is necessary, in

the public interest, for the protection of investors and consistent with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

Dated: September 18, 2003

Sacramento, California

DEMETRIOS A. BOUTRIS
California Corporations Commissioner

By_____
VIRGINIA JO DUNLAP
Deputy Commissioner
Enforcement and Legal Services

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