

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: RESIDUAL INCOME,)
ITS OFFICERS, DIRECTORS,)
EMPLOYEES, AFFILIATES, SUCCESSORS,) File No.0600071
AGENTS AND ASSIGNS,)
AND MARY H. EDWARDS)
)

NOTICE OF HEARING

TO THE RESPONDENT: Mary H. Edwards
Residual Income
18773 East State Highway 33
Willow Hill, 62480

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953, [815 ILCS 5/1 et seq.] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 300 West Jefferson Street, Suite 300A, Springfield, Illinois 62702, on the 15th day of November, 2006 at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before Jon K. Ellis, or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order of Prohibition should be entered against Mary H. Edwards and Residual Income (the "Respondents") in the State of Illinois and granting such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to Section 11 of the Act, payable within ten (10) days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That Respondent, Mary H. Edwards, (hereinafter, "Edwards"), is an individual with last known addresses of 18773 East State Highway 33, Willow Hill, Illinois 62480;
2. That at all times relevant, the Respondent Edwards was an Officer, Director, Employee, Agent, Affiliate, Successor and Assign of Respondent Residual Income, a purported business entity, address unknown;

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3. That on or about February 9, 2004, Respondents Edwards and Residual Income, their Officers, Directors, Employees, Agents, Affiliates, Successors and Assigns, offered and sold to EP, an Illinois Resident, an investment plan by which EP purchased 20 "positions" at \$450 per position, for a total investment of \$9,000, and in return, Respondents represented EP would receive \$600 per month per position;
4. That the above referenced investment plan is an investment contract and therefore a security as that term is defined pursuant to Section 2.1. of the Illinois Securities Law of 1953 [815 ILCS 5/1 et seq.] (the "Act");
5. That Section 5 of the Act provides, inter alia, that all securities except those exempt under Section 3 of the Act or those offered and sold in transactions exempt under Section 4 of the Act shall be registered with the Secretary of State prior to their offer or sale in the State of Illinois;
6. That Section 12.A of the Act provides, inter alia, that it shall be a violation of the Act for any person to offer or sell securities except in accordance with the provisions of the Act;
7. That at all times relevant hereto, Respondents Edwards and Residual Income, their Officers, Directors, Employees, Agents, Affiliates, Successors and Assigns, failed to file an application for registration of the above-referenced securities with the Secretary of State prior to their offer or sale in the State of Illinois;
8. That by virtue of the foregoing, Respondents Edwards and Residual Income, their Officers, Directors, Employees, Agents, Affiliates, Successors and Assigns, have violated Sections 12.A of the Act;
9. That Section 11.E(3) of the Act provides, inter alia, that if the Secretary of State shall find that any person is engaging or has engaged in the business of selling or offering for sale securities as a dealer or salesperson without prior thereto and at the time thereof having complied with the registration or notice filing requirements of this Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State;

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10. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act, as well as the costs of investigation and reasonable expenses;
11. That by virtue of the foregoing, the Respondents Edwards and Residual Income, their Officers, Directors, Employees, Agents, Affiliates, Successors and Assigns, are subject to a fine of up to \$10,000.00 per violation, costs of investigation, reasonable expenses, an order of censure, and an order which permanently prohibits the Respondents from offering or selling securities in the State of Illinois.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above or a Special Appearance pursuant to Section 130.1107 of the Rules, or other responsive pleading within thirty days of the receipt of this notice. Your failure to do so within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondents.

Dated this 29th day of September, 2006.



Jesse White
Secretary of State
State of Illinois

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Attorney for the Secretary of State:

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Hearing Officer:

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