

**STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT**

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IN THE MATTER OF: Virgil Elson )  
\_\_\_\_\_) )  
\_\_\_\_\_)

FILE NO. 0700163

**NOTICE OF HEARING**

**TO THE RESPONDENT:** Virgil Elson  
444 E. Hillcrest, Suite 300  
DeKalb, Illinois 60115

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 18<sup>th</sup> day of December, 2007 at the hour of 10:00 a.m. or as soon as possible thereafter, before James Kopecky Esq., or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered pursuant to Section 11.E of the Act prohibiting Virgil Elson (the "Respondent ") from selling or offering for sale securities in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

**Sale of Unregistered Securities**

1. That at all relevant times, the Respondent, a natural person, maintains a business address of 444 E. Hillcrest, Suite 300, DeKalb, Illinois.
2. That beginning in 1998, respondent offered to sell and sold to Illinois investors Viatical settlements from the Mutual Benefits Corporation, promising the

investors profits from twelve (12%) for a one year investment to seventy-two (72%) percent return on a seventy-two month investment.

3. That between 1998 and 2004, respondent sold over 250 separate Viatical Settlement invest opportunities to over 185 Illinois investors, who invested over \$3,677,300.00.
4. That respondent solicited investors from a plethora of sources, including but not limited to existing customers. He also obtained lists of customers from insurance agents, manned booths at county fairs, took referrals, and gave seminars at a variety of venues, including union halls (local 803 of the UAW) and retirement seminars, where the respondent touted the Viatical Settlement as a premier alternative to the other products.
5. That respondent earned over \$684,450.00 in commissions from the sale of Viatical Settlements.
6. That the activities set forth in paragraphs 2-4 constitute the offer and sale of an investment contract, and therefore a security as those terms are defined at Sec. 2.1, 2.5, and 2.5a of the Illinois Securities Law of 1953 (815 ILCS 5) (the "Act").
7. That Section 5 of the Act states, *inter alia*, that all securities except those set forth under Section 2a of this Act, or those exempt under Section 3 of this Act, or those offered or sold in transactions exempt under Section 4 of this Act, or face amount certificate contracts required to be registered under Section 6 of this Act, shall be registered as hereinafter in this section provided, prior to their offer or sale in this State.
8. That at all relevant times, the security described in paragraph six (6) was not registered as required pursuant to Section 5 of the Act.
9. That Section 12.A of the Act provides it shall be a violation of the provisions of this Act for any person to offer or sell any security except in accordance with the provisions of this Act.
10. That Section 12.D of the Act provides, *inter alia*, that it shall be a violation of the provisions of this Act for any person to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to this Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof.
11. That by virtue of the foregoing respondent violated Sections 12.A and 12.D of the Act.

Unregistered Dealer/Salesperson

12. That 12.C of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to act as a dealer, salesperson, investment advisor, or investment advisor representative, unless registered such, where such registration is required under this Act.
13. That beginning in 1998 and continuing through 2004, respondent continued to offer and sell Mutual Benefits Corporation product of Viatical Settlements to investors.
14. Through the conduct described in paragraphs six (6) and thirteen (13), the respondent acted as a dealer and/or salesperson for the Mutual Benefits Corporation.
15. That at all relevant times, the respondent was not registered as a dealer and/or salesperson under the Act.
16. That by acting as a salesperson and/or dealer in the State of Illinois, without being registered as such, respondent violated section 12.C of the Act.

Violation of Orders of Prohibition

17. That on March 3, 1998, an Order of Prohibition ("1998 Order") was served on the respondent, prohibiting him from offering or selling securities in the State of Illinois "EXCEPT in compliance with the Act".
18. That on March 24, 2000, a second Order of Prohibition ("2000 Order") was served on the respondent, prohibiting him from offering or selling securities in the State of Illinois "EXCEPT in compliance with the Act".
19. That beginning in 1998 and continuing through 2004, respondent offered and sold Investment Contracts to investors in the State of Illinois.
20. That the respondent violated both the 1998 Order and the 2000 Order by offering and selling securities in the State of Illinois without complying with the Act.
21. That by virtue of the foregoing violations of the 1998 and 2000 Order, respondent violated Sections 12.A and 12.D of the Act.

Fraud

22. That Respondent promised investors profits from twelve (12%) for a one-year investment to seventy-two (72%) percent return on a seventy-two month investment of Viatical Settlements.

23. That Respondent promised safer and higher returns on retirement accounts, recommended that investors move current IRA's to Viatical Settlements of Mutual Benefit Corporation.
24. That Respondent failed and refused to advise the investors that Viatical Settlements of Mutual Benefit Corporation had no substantive investments capable of producing returns sufficient to repay investors the promised rate of return on their funds.
25. That Respondent has no reasonable basis for recommending that Viatical Settlements of Mutual Benefit Corporation were a safer investment for investors than their previous retirement accounts.
26. That Section 12.F of the Act provides that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
27. That Section 12.G of the Act provides that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances in which they were made, not misleading.
28. That by virtue of the forgoing, respondent violated Section 12.F and Section 12.G of the Act.

Relief Requested

29. That Section 11.E(2) of the Act provides, *inter alia*, if the Secretary of State shall find that any person has violated sub-section F or G, of Section 12 of this Act, the Secretary of State may by written order permanently prohibit the person from offering or selling any securities in this State.
30. That by virtue of the foregoing violations of sub-sections 12.F and 12.G, Respondents is subject to permanent prohibition from offering or selling any securities in the this state pursuant to Section 11.E(2) of the Act.
31. That Section 11.E(4) of the Act provides, *inter alia*, that in addition to any other sanction or remedy contained in this subsection E, the Secretary of State, after finding that any provision of this Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000, for each violation of this Act, may issue an order of public censure against the violator, and may charge as costs of investigation all reasonable expenses, including attorney's fees and witness fees.

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32. That by virtue of the foregoing, Respondent is subject to a fine, censure and costs of investigation pursuant to Section 11.E(4) of the Act.


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 within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of 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, unless any Respondent has upon due notice moved for and obtained a continuance.

A copy of the Rules, promulgated under the Act and pertaining to hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

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

Dated: This 31<sup>st</sup> day of October 2007.

  
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JESSE WHITE  
Secretary of State  
State of Illinois

Attorney for the Secretary of State:

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Hearing Officer:  
James Kopecky  
321 N. Clark Street  
Chicago, Illinois 60610