

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

IN THE MATTER OF:)
)

LIFE PARTNERS, INC.,)
LIFE PARTNERS HOLDINGS, INC.,)

) FILE NO. 1100020
)

TEMPORARY ORDER OF PROHIBITION

TO RESPONDENTS: LIFE PARTNERS HOLDINGS, INC.
204 Woodhew
Waco, TX 76712

LIFE PARTNERS, INC.
204 Woodhew
Waco, TX 76712

NATURE OF THE CASE

Respondents Life Partners, Inc. and Life Partners Holding, Inc. ("Life Partners") are viatical/life settlement companies with an extensive regulatory history of selling unregistered securities throughout the United States. Life Partners' products, life settlements and viaticals, have been considered securities in Illinois, and the vast majority of States, for over ten years. Never the less Life Partners and its agents, most of who are not licensed to offer or sell securities in Illinois, continue to offer and sell their unregistered securities in Illinois. Recently Respondents and certain executives have become the subject of a legal action by the Securities Exchange Commission related to misstatements Life Partners and its agents make to investors regarding the life expectancies of the insured individuals that are the basis for Life Partner's investment products, as well as its disclosures regarding and the propriety of certain accounting policies and practices including revenue recognition, the impairment of life settlements held by Life Partners for investment, and the accrual of reserves for premium advances that they might make on certain policies.

Life Partners has refused to cooperate with the Illinois Securities Department's investigation of their sales of life settlements to Illinois residents. Life Partners' history of misconduct, its refusal to acknowledge consumer protection laws and agencies, and its refusal to

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supervise its agents who make material misstatements and omissions to push Life Partners' investments on investors for which they are not suitable solely for the purpose of collecting high commissions and profits at the detriment of those investors makes this Temporary Order of Prohibition necessary and, ultimately, will require permanent prohibition from doing business in the State against Life Partners and its agents to protect Illinois citizens from Life Partners' conduct.

On information and belief, I, Jesse White, Secretary of State for the State of Illinois, through my designated representative, who has been fully advised in the premises by the staff of the Securities Department, Office of the Secretary of State, herein finds:

1. Life Partners Inc. ("LPI") is a Texas corporation doing business in Illinois with an address of 204 Woodhew Street in Waco Texas.
2. Life Partners Holdings, Inc., ("LPH") is a Texas corporation doing business in Illinois with an address of 204 Woodhew Street in Waco Texas. LPH wholly owns LPI (collectively, "LPI" hereafter).
3. LPI has a lengthy regulatory and litigious history in the viatical contract business; having been named in numerous lawsuits and regulatory actions due to LPI's fraudulent conduct.
4. LPI is now in the business of producing life settlements and selling them to the investing public through its agents.
5. A life settlement is a transaction in which an insured, typically an elderly person or terminally ill individual, sells the benefits of a life-insurance policy to a life settlement producer, like LPI, in return for a lump-sum cash payment equal to a percentage of the policy's face value. The purchase will yield a profit to the producer upon the insured's death that is equal to the difference between the death benefit that is paid by the insurer and the producer's total investment in the life settlement. Prior to the insured's death the producer will sell a portion of the interest in the death benefit to a person or persons for the promise of financial gain and the producer will provide each investor with a "life expectancy" of the insured on the relevant contract so the investor will know when the investment should produce a profit.
6. It is the producer, like LPI, that utilizes its skills in analyzing which insurance policies to purchase, reviewing each insured's longevity to produce a life expectancy for each contract, researching the financial stability of each insured's insurer, and managing the premium payments for each insurance contract.
7. Life settlements, like viatical contracts, have long been considered "investment contracts," and therefore securities, in Illinois; just as they have been long considered securities in all the States that have addressed the injuries these products and their issuers visit upon the investing public.

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8. LPI is not registered to offer or sell securities in Illinois, nor are its life settlement contracts registered to be sold in Illinois.
9. LPI “Agent 1” is a resident of Illinois but, at all relevant times, was not licensed to offer or sell securities in Illinois nor was Agent 1 licensed to provide investment advisory services.
10. Despite not being licensed to sell securities or provide investment advisory services in Illinois, Agent 1 provides general solicitations to the investing public to provide investment advisory services: at least one of Agent 1’s general solicitations for his services consisted of selling investors LPI life settlements.
11. Agent 1, in June of 2007, placed an Illinois couple (“Investors”) into five LPI life settlements costing Investors \$200,000.00.
12. In 2007 Investors had inherited \$200,000.00 and, not knowing how to safeguard the inheritance, responded to one of Agent 1’s general solicitations he had placed in a Chicago newspaper.
13. In the solicitation Agent 1 had touted “16.32% HISTORICAL RETURNS [for the] LAST 15 YEARS.”
14. Investors met with Agent 1 who then pitched LPI life settlements as a safe investment for them.
15. Agent 1 provided Investors a LPI marketing brochure which touted the aforesaid general solicitation for the purported 16.32% historical returns as LPI’s “Average annualized ROI on actual payouts.”
16. Agent 1 also told Investors that they would not have to pay any premiums on the insured unless the insured outlived the life expectancy by “twelve years.”
17. Agent 1 was incorrect on this assertion.
18. Agent 1 was also incorrect on his assertion that LPI life settlements were a safe investment for Investors.
19. Agent 1 received commissions for the sale of each LPI life settlement to Investors.
20. Life Settlements are “investment contracts”, and thus a security, as defined in Section 2.11 of the Illinois Securities Law of 1953 (the “Act”).

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LPI OFFERED AND SOLD ITS UNREGISTERED SECURITIES IN ILLINOIS AND HAS REFUSED TO RESPOND TO A DULY ISSUED SUBPOENA

21. Section 5 of the Act requires all securities sold or offered to be sold in Illinois to be registered with the Illinois Secretary of State.
22. LPI's life settlements are not registered to be sold in Illinois.
23. Section 12. A of the Act states that it shall be a violation of the Act for any person to offer or sell any security except in accordance with the provisions of the Act.
24. Section 12.D of the Act states that it shall be a violation of the 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 the Act or any rule or regulation made by the Secretary of State pursuant to the Act, or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof.
25. LPI violated Sections 12. A and D. of the Act for each life settlement its agents, including Agent 1, sold in Illinois.
26. Furthermore, LPI was duly served with a subpoena by the Department pursuant to its investigative authority found in Section 11. D. of the Act, with a response from LPI due on April 29, 2011.
27. LPI refused to respond, instead it claimed that its life settlements are not securities and therefore LPI is beyond reproach from consumer protection regulators.
28. LPI's refusal to respond to the subpoena constitutes a violation of Section 12.D of the Act.
29. Section 11.F(2) of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, ("the Act") provides, *inter alia*, that the Secretary of State may temporarily prohibit for a maximum period of 90 days, by an order effective immediately, the offer or sale of securities by any person, or the business of rendering investment advice, without the notice and prior hearing in this subsection prescribed, if the Secretary of State shall in his or her opinion, based on credible evidence, deem it necessary to prevent an imminent violation of this Act or to prevent losses to investors which the Secretary of State reasonably believes will occur as a result of a prior violation of this Act.
30. The entry of this Temporary Order prohibiting Respondents Life Partners, Inc., and Life Partners Holdings, Inc., from offering or selling securities in the State of Illinois is in the public interest and for the protection of the investing public and is consistent with the purposes intended by the provisions of the Act.


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NOW THEREFORE IT IS HEREBY ORDERED THAT: pursuant to the authority granted by Section 11.F of the Act, Respondents **Life Partners, Inc.**, and **Life Partners Holdings, Inc.**, their predecessors, successors, assigns, and present and former partners, are PROHIBITED from offering or selling securities in or from the State of Illinois until the further Order of the Secretary of State.

NOTICE is hereby given that Respondents may request a hearing on this matter by transmitting such request in writing to the Director, Illinois Securities Department, 69 W. Washington Street, Suite 1220, Chicago, Illinois 60602. Such request must be made within thirty (30) calendar days of the date of entry of the Temporary Order of Prohibition. Upon receipt of a request for hearing, a hearing will be scheduled as soon as reasonably practicable. A request for hearing will not stop the effectiveness of this Temporary Order and will extend the effectiveness of this Temporary Order for sixty days from the date the hearing request is received by the Department.

FAILURE BY ANY RESPONDENT TO REQUEST A HEARING WITHIN THIRTY (30) CALENDAR DAYS AFTER ENTRY OF THIS TEMPORARY ORDER OF PROHIBITION SHALL CONSTITUTE AN ADMISSION OF ANY FACTS ALLEGED HEREIN AND SHALL CONSTITUTE SUFFICIENT BASIS TO MAKE THIS TEMPORARY ORDER OF PROHIBITION FINAL.

Dated: This 30th day of April, 2012.


JESSE WHITE
Secretary of State
State of Illinois

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