DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES
SECURITIES SECTION
BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

In the Matter of: **Elton T. Elliott and Virtual Adventures, Inc.,** **Respondents.**	**A-02-0003** **ORDER TO CEASE AND DESIST** **ORDER ASSESSING CIVIL PENALTY** **AND** **CONSENT TO ENTRY OF ORDER**

WHEREAS the Director of the Department of Consumer and Business Services has conducted an investigation of certain business activities conducted by Elton T. Elliott and Virtual Adventures, Inc., and has determined that Elton T. Elliott and Virtual Adventures, Inc., sold unregistered securities, sold securities without a license and made misrepresentations in connection with the sale of securities in Oregon, all in violation of the Oregon Securities Laws;

WHEREAS Elton T. Elliott and Virtual Adventures, Inc., wish to resolve and settle this matter with the **DIRECTOR**;

NOW THEREFORE, as evidenced by the authorized signature(s) subscribed on this Order, Elton T. Elliott and Virtual Adventures, Inc., hereby **CONSENT** to entry of this Order to Cease and Desist upon the Director's Findings of Fact and Conclusions of Law as stated hereinafter.

FINDINGS OF FACT

The Director **FINDS** that:

1. Virtual Adventures, Inc. ("Virtual Adventures"), is an Oregon corporation, whose principal place of business is 1899 Wiessner Drive NE, Salem, OR 97303. Elton T. Elliott ("Elliott"), an Oregon resident, is the president and a director of Virtual Adventures. Elliott's address is 1899 Wiessner Drive NE, Salem, OR 97303.

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2. At the time of its incorporation, Virtual Adventures was in the business of developing "virtual" entertainment venues that were to include, among other things, interactive movies and individual movie capsules. Subsequently, the business purpose of Virtual Adventures changed and Virtual Adventures currently is involved in developing and marketing a computer encryption program.

3. From January 1996 to December 2000, in an effort to raise capital, Virtual Adventures and Elliott sold shares of stock in Virtual Adventures to 174 individuals, at least 108 of whom were Oregon residents.

4. Elliott and Virtual Adventures hold no securities license in Oregon or any other state authorizing the sale of shares of stock, or any other securities.

5. The shares of stock sold by Elliott and Virtual Adventures have not been registered for sale as securities under the Oregon Securities Laws.

6. As part of its efforts to raise capital, agents of Virtual Adventures prepared a prospectus detailing Virtual Adventures' original business plan; however, that prospectus was not provided to all investors prior to their purchase of stock.

7. In connection with the sale of Virtual Adventures stock, Elliott made the following material misrepresentations or omissions:

a. Failed to inform investors that the proceeds from the sale of stock would be used for his personal expenses, particularly rent and telephone charges in excess of the amount approved by Virtual Adventures' Board of Directors.

b. Failed to inform investors that Virtual Adventures' initial business plan was subject to change at any time and without notice.

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CONCLUSIONS OF LAW

The Director **CONCLUDES** that:

1. The shares of stock in Virtual Adventures constitute securities as defined in ORS 59.015(19)(a).

2. Elliott and Virtual Adventures sold securities in Oregon without a valid securities license in violation of ORS 59.165.

3. Elliott and Virtual Adventures sold unregistered securities in Oregon in violation of ORS 59.055.

4. Elliot and Virtual Adventures made material misrepresentations or omissions in connection with the sale of securities in Oregon in violation of ORS 59.135.

ORDER

The Director, pursuant to ORS 59.245 hereby **ORDERS** that Respondents Elton T. Elliott and Virtual Adventures, Inc., and any successor business or corporation, shall **CEASE and DESIST** from:

1. Selling securities without a license in violation of Oregon Securities Laws;

2. Selling unregistered securities in the State of Oregon in violation of Oregon Securities Laws;

3. Violating any provision of the Oregon Securities Laws, including ORS Chapter 59 and OAR Chapter 441.

The Director, pursuant to ORS 59.995, **HEREBY ORDERS** the following **CIVIL PENALTIES:**

1. Respondents Elton T. Elliott and Virtual Adventures, Inc., and any successor business or corporation, shall be denied the use of any securities licensing or registration exemptions contained in the Oregon Securities Laws, including ORS Chapter 59 and OAR Chapter 441; however, **Respondent Virtual Adventures, Inc.**, may apply to the Director for the authority to issue new shares of Virtual Adventures, Inc., stock to its board of directors

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using specific exemptions on a limited basis. Such application to the Director shall include the following information: number and class of shares to be sold; proposed sales price; time period during which shares would be sold; names of the board members to whom the shares would be sold; length of time the purchasers have been on the board of directors; statement of assurance that the stock is new issue; and a citation to the exemption under which Respondent Virtual Adventures, Inc., proposes to make the sales. The Director shall have authority to approve or deny the application in its sole discretion.

2. Respondents Elton T. Elliott and Virtual Adventures, Inc., jointly and severally, shall pay the following civil monetary penalties:

a. $1,500 for violation of ORS 59.165 (sale of securities by unlicensed person);

b. $1,500 for violation of ORS 59.055 (sale of unregistered securities);

3. Respondent Elton T. Elliott shall pay the following civil monetary penalty:

a. $2,000 for violation of ORS 59.135 (misrepresentations and omissions).

The entry of this Order in no way limits further remedies which may be available to the Director under Oregon Law.

Dated this 9th day of May, 2002, at Salem, Oregon.

David Tatum for

MARY NEIDIG, DIRECTOR
DEPARTMENT OF CONSUMER AND
BUINESS SERVICES

APPROVED AS TO FORM:

Donna D. Goldian

Dated: 3/28/2002

~~Paul Connolly~~ Donna G. Goldian, OSB 95277
Attorney for Virtual Adventures, Inc.
and Elton Elliott

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CONSENT TO ENTRY OF ORDER

I, Elton T. Elliott, state that I am a resident of the State of Oregon, that I have read the foregoing Order and that I know and fully understand the contents hereof; that I admit that the factual allegations stated herein are true and correct; that I have been advised of my right to a hearing, and that I have been represented by counsel in this matter; that I voluntarily consent to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter; that I sign this consent without admitting or denying the Findings of Fact and Conclusions of Law herein; that I understand that the Director reserves the right to take further actions against me to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Securities Law by me; and that I will fully comply with the terms and conditions stated herein.

I further assure the Director that I will not engage in the activities of a broker-dealer, investment adviser, or mortgage broker, or act as a salesperson for any of these unless such activities are in full compliance with Chapter 59 of the Oregon Revised Statutes.

I understand that this Consent Order is a public document.

Dated this 27 day of March, 2002.

Elton T. Elliott

SUBSCRIBED AND SWORN to before me this 27 day of March, 2002.

Norma J Flick
(Printed Name of Notary Public)
Notary Public NORMA J. FLICK
for the State of: OREGON
My commission expires: March 8, 2003

OFFICIAL SEAL
NORMA J FLICK
NOTARY PUBLIC - OREGON
COMMISSION NO. 320238
MY COMMISSION EXPIRES MARCH 8, 2003

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CORPORATE CONSENT TO ENTRY OF ORDER

for Elton T. Elliott on behalf of Virtual Adventures, Inc.

I, Elton T. Elliott, state that I am an officer of Virtual Adventures, Inc., and I am authorized to act on its behalf; that I have read the foregoing Order and that I know and fully understand the contents hereof; that I and this entity have been advised of the right to a hearing and of the right to be represented by counsel in this matter; that I sign this consent without admitting or denying the Findings of Fact and Conclusions of Law herein; that Virtual Adventures, Inc., voluntarily and without any force or duress, consents to the entry of this Order, expressly waiving any right to a hearing in this matter; that Virtual Adventures, Inc., understands that the Director reserves the right to take further actions to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Securities Law; and that Virtual Adventures, Inc., will fully comply with the terms and conditions stated herein.

Virtual Adventures, Inc., further assures the Director that neither Virtual Adventures, Inc., nor its officers, directors, employees or agents will effect securities transactions in Oregon unless such activities are in full compliance with Chapter 59 of the Oregon Securities Revised Statutes.

Virtual Adventures, Inc., understands that this Consent Order is a public document.

Dated this 27 day of March, 2002.

By _____
(Signature of officer)

Chairman
(Office Held)

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CORPORATE ACKNOWLEDGMENT

There appeared before me this 27 day of March, 2002, Elton T. Elliott, who was first duly sworn on oath, and stated that he was and is the president of Virtual Adventures, Inc., and that he is authorized and empowered to sign this Consent to Entry of Order on behalf of Virtual Adventures, Inc., and to bind Virtual Adventures, Inc., to the terms hereof.

Elton T. Elliott

Norma J. Flick
(Printed Name of Notary Public)
Notary Public NORMA S. FLICK
for the State of: OREGON
My commission expires: 3/8/03

OFFICIAL SEAL
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NOTARY PUBLIC - OREGON
COMMISSION NO. 320238
MY COMMISSION EXPIRES MARCH 8, 2003

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