

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of

CONESTOGA SETTLEMENT SERVICES
LLC, CONESTOGA INTERNATIONAL
LLC, CONESTOGA TRUST SERVICES
LLC, CONESTOGA MEMBER
SERVICES LLC, MICHAEL C.
MCDERMOTT, JACE T. MCDONALD,
PETER P. VIATER, and RICHARD C.
NETTLETON,

ORDER TO CEASE AND DESIST
INCLUDING RESTITUTION
(SUMMARY)

File No. S-230672 (EX)

Respondents.

The Administrator of the State of Wisconsin, Department of Financial Institutions, Division of Securities (“the Division”), having authority to administer and provide for enforcement of the Wisconsin Uniform Securities Law, Wis. Stats. Chapter 551, (“WUSL”), and having determined that this action is necessary and appropriate in the public interest and for the protection of investors, hereby enters this Order directing Respondents to immediately Cease and Desist from violating the WUSL, and ordering restitution.

The staff of the Bureau of Enforcement has presented sufficient grounds to support the following findings of fact and conclusions of law:

RESPONDENTS

1. Conestoga Settlement Services LLC is a Delaware limited liability company organized on May 20, 2010 and managed by Michael McDermott. It is the organizing entity and initial trustor of Conestoga Trust, a Delaware statutory trust which owns the life insurance policies in which fractional interests are sold by agents of Conestoga Settlement Services. Its last known business address is 1201 North Orange Street, Suite 600, Wilmington, Delaware 19801-1171.
2. Conestoga International LLC is a business entity organized in San Juan, Puerto Rico on May 21, 2011, which is the successor in interest to Conestoga Settlement Services LLC and the current trustor for the Conestoga Trust for all investments after July 16, 2011. Its last known business address is 4007 Killion Drive, Dallas, Texas 75229-6226.
3. Conestoga Trust Services LLC is a Delaware limited liability company organized on December 21, 2011, whose sole member is Conestoga Member Services LLC. It is the Trustee of the Conestoga Trust, and its last known business address is 1201 North Orange Street, Suite 600, Wilmington, Delaware 19801-1155.
4. Conestoga Member Services LLC is a Wyoming limited liability company organized on February 21, 2012, whose sole member is the law firm of DeLeon & Washburn, PC, whose last known business address is 901 South Mopac Expressway, Barton Oaks Suite 230, Austin, Texas 78746.

5. The Conestoga entities described in ¶¶ 1-4 will be referred to collectively as “Conestoga.”
6. Michael Charles McDermott (“McDermott”) is an adult born in August, 1947, who at all times material hereto has been the founder, owner, officer, manager and controlling person of the Conestoga entities, with a last known business address at Conestoga International and a residential address of 644 Avenue Fernandez Juncos, Suite 301, San Juan, Puerto Rico 00907-3183, 1400 Brown Trail, Bedford, Texas 76022-6407, and 4007 Killion Drive, Dallas, Texas 75229-6226.
7. Jace T. McDonald (“McDonald”) is an adult born in November, 1971, who at all material times has acted as an agent for Conestoga, with a last known address of 211 East June Street, Adams, Wisconsin 53910-9304 and 3313 Nightingale Court, Middleton, Wisconsin 53562.
8. Peter P. Viater (“Viater”) is an adult born in May, 1951, who at all material times has acted as an agent for Conestoga, with a last known address of 60946 Viater Road, Ashland, Wisconsin 54806.
9. Richard C. Nettleton (“Nettleton”) is an adult born in September 1959, who at all material times has acted as an agent for Conestoga, with a last known address of 25395 Squires Road, Mason, Wisconsin 54856.

FINDINGS OF FACT

1. During the period of late 2010 through March 2015, Conestoga and McDermott entered into Independent Contractor Agreements with approximately 57 Wisconsin Independent Contractor Agents (including McDonald, Viater and Nettleton), all of whom agreed to “market the products and services of Conestoga” and to refer all suitable clients for Conestoga’s products and services (see Exhibit A).
2. During the above referenced period, Conestoga, through its Independent Contractor Agents, offered and sold fractional interests in the benefits payable under life insurance policies to numerous Wisconsin residents, totaling at least \$9.8 million.
3. McDermott was a named defendant in Travis County District Court Case No. D-1-GV-10-000454, and on September 26, 2012, the court approved a settlement between McDermott and the Texas State Securities Board for securities fraud by paying the receiver \$750,000 and agreeing to cooperate in the investigation of his employer Retirement Value LLC.
4. On February 26, 2013, the California Department of Business Oversight entered into a Desist and Refrain Order with Conestoga and McDermott for omitting material facts and for contracting with unlicensed broker-dealers to offer and sell securities in California for commissions.
5. On May 30, 2013, the Utah Securities Commissioner entered into a consent order with Conestoga for violations of Utah securities laws, including omitting material facts, transacting business in Utah as unlicensed agents and broker-dealers, and engaging unlicensed entities and agents to sell the offering and paying compensation to agents while unlicensed.

6. As of December 3, 2014, at least three policies had matured, and of those three matured policies at least two were in litigation contesting the duty of the insurance company to pay the proceeds to Conestoga.
7. Subsequent to the approval of the settlement with the Texas State Securities Board on September 26, 2012, none of the Respondents disclosed to the Wisconsin investors the fact of the settlement nor the nature of the allegations.
8. Subsequent to the entry of those consent orders, none of the Respondents disclosed to the Wisconsin investors who invested after those orders were entered that administrative actions had been taken against Conestoga and some of its affiliated entities in Utah and California.
9. None of the Respondents disclosed to the Wisconsin investors that two of the three matured policies were involved in litigation over the insurance company's refusal to pay the policy proceeds to Conestoga.
10. On March 18, 2015, the Division asked Conestoga's legal counsel to request Conestoga and McDermott to immediately notify all Wisconsin Independent Contractor Agents in writing that they are to cease offering and selling Conestoga's life settlement investments to Wisconsin residents while this matter is under investigation by the Division.
11. On March 19, 2015, counsel for Conestoga contacted the Division agreeing to send such notification, but asking how the Division would like to receive proof of delivery.
12. On March 20, 2015, Conestoga sent an email to every Wisconsin Independent Contractor Agents stating, "Conestoga has made a management decision to temporarily suspend its sales activities in Wisconsin. According, Conestoga will not be accepting any participant applications from Wisconsin residents until further notice."
13. Despite having received notice from Conestoga that Conestoga was suspending its sales activities in Wisconsin, McDonald, Viater and Nettleton hosted a dinner meeting for potential agents and clients of Conestoga in Benoit, Wisconsin on March 26, 2015.

CONCLUSIONS OF LAW

14. The life settlement contracts offered by Conestoga through its agents are securities as defined by Wis. Stat. § 551.102(28).
15. Respondents violated Wis. Stat. § 551.501(2) when, in connection with the offer and sale of securities to persons in Wisconsin, Respondents omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, including but not limited to the actions taken against Conestoga and its principals by securities regulators in Texas, Utah and California, and that in at least two instances Conestoga has had to take action against insurance companies to enforce its right to payment on matured policies.

Therefore, pursuant to Wis. Stat. § 551.604(2),

IT IS ORDERED THAT:

- a. RESPONDENTS, their agents¹, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of any RESPONDENT, shall cease and desist from making or causing to be made to any person or entity in Wisconsin any further offers or sales of securities unless and until such securities qualify as covered securities or are registered under Wis. Stats. Ch. 551 or successor statute.
- b. All exemptions from registration set forth at Wis. Stats. Ch. 551 or successor statute that might otherwise apply to any offer or sale of any security of or by any of the RESPONDENTS, their agents, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of any RESPONDENT, are hereby revoked.
- c. RESPONDENTS, their successors, affiliates, controlling persons, officers, agents, servants, employees and every entity and person directly or indirectly controlled or hereafter organized by or on behalf of any RESPONDENT, are prohibited from violating Wis. Stat. § 551.501 or successor statute.
- d. RESPONDENTS, their successors, affiliates, controlling persons, officers, agents, servants, employees, and every entity and person directly or indirectly controlled or hereafter organized by or on behalf of either RESPONDENT, are prohibited from violating Wis. Stats. Ch. 551 or successor statute that might otherwise apply to any offer or sale of a security of or by RESPONDENTS.
- e. RESPONDENTS shall pay restitution to each Wisconsin resident who purchased a Conestoga life settlement interest after September 26, 2012.

EXECUTED at Madison, Wisconsin, this 10th day of April, 2015.

(SEAL)



Patricia D. Struck
Administrator
Division of Securities

¹ The prohibitions included in this Order apply to all current and future agents of Conestoga, including those listed in Exhibit A.

Last Name	First Name
Anderson	Derek
Barthen	Tammy
Baumler	Jessica
Brandenburg	William D.
Bryant	Donna
Burns	Terrence
Campbell	Clarence L.
Day	Kevin W.
Dorney	Kelly
Durand	Mike
Ernst	John
Foster (JTF Consulting, Inc.)	J Todd
Gansluckner	Lawrence
Gardner	Stephen
Gilles	Daniel
Gunderson	Kathryn
Hall	Harold
Hanusa	Kurt
Heiar	Sandy
Hobbins	Thomas
Hubbartt Jr.	Terry
Huerth	Rebecca
Hutchins	Jason
Khang	Pao
Kiser	Leo
Kiser	James D.
Kitchen	Tiffani
Klocko	Paul
Konopa	Theresa
Kreft	John
Lewis	Harvey C.
Lorang	James
Lund	Brian
McDermott	Mike
McDonald	Jace
Menke	Ann
Morris	Kerry
Murphy	Peter
Nettleton	Richard
Olson	Robert
Robus	Dennis
Rust	Rick
Scheider	Edward W
Scholz	Heather
Schroeder	Allen G.

Exhibit A

Scott	Terry
Skoug	Jeffrey
Stellpflug	Lois
Tompkins	Keith
Tornik	Grace
Treptow	Bruce
Van Offeren	William
Vanderscheuren	Paul
Viater	Peter P.
Weiss	Stephen
Wood	Gregory
Worth	Emily