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Deputy Commissioner  
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Department of Corporations  
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7

8 BEFORE THE DEPARTMENT OF CORPORATIONS  
9 OF THE STATE OF CALIFORNIA

10 In the Matter of )  
11 THE CALIFORNIA CORPORATIONS ) STIPULATION TO DESIST AND REFRAIN  
12 COMMISSIONER, ) ORDER  
13 Complainant, )  
14 v. )  
15 CONESTOGA SETTLEMENT SERVICES, )  
16 LLC, CONESTOGA INTERNATIONAL, )  
17 LLC and MICHAEL C. McDERMOTT )  
18 Respondents. )  
19 )  
20 )

21 IT IS HEREBY STIPULATED AND AGREED between Conestoga Settlement Services,  
22 LLC, Conestoga International, LLC and Michael C. McDermott (hereinafter "Respondents") and  
23 the California Corporations Commissioner ("Commissioner") as follows:

24 WHEREAS, Respondents, without admitting or denying any of the findings contained  
25 within the desist and refrain order, stipulate to the issuance of that order, in the form attached hereto  
26 as Exhibit A;

27 WHEREAS, Respondents agree to the finality of the desist and refrain order, and agree that  
28 the order shall remain in effect and is public;

1           WHEREAS, Respondents shall ensure that its documents and practices comply with any  
2 exemption including, but not limited to, revising contracts with life agents to make them agents of  
3 the Respondents under section 25209; and

4           WHEREAS, Respondents waive all rights to any hearing of the desist and refrain order, and  
5 waive any review by a court of law of the desist and refrain order;

6           WHEREAS, Respondents agree that nothing in this Stipulation shall preclude the  
7 Commissioner, or her agents or employees, to the extent authorized by law, from assisting or  
8 cooperating in any investigation and/or action brought by any other federal, state, or local agency,  
9 or from referring the matter to any of those agencies; and Respondents further agree that this  
10 Stipulation shall not bind or otherwise prevent any of those agencies from the performance of its  
11 duties;

12           WHEREAS, Respondents agree that the delivery by certified mail of the executed desist and  
13 refrain order by the Commissioner to Respondents' counsel, Lauren Schoenbaum, shall constitute  
14 valid service of the order;

15           WHEREAS, Respondents enter into this Stipulation voluntarily and without coercion and  
16 acknowledge that no promises, threats, or assurances have been made by the Commissioner or any  
17 officer, or agent thereof, about this Stipulation;

18           WHEREAS, Respondents agree that this Stipulation may be executed in one or more  
19 separate counterparts, each of which when so executed, shall be deemed an original; and these  
20 counterparts shall together constitute and be one and the same instrument.

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Dated: 02/26/13

JAN LYNN OWEN  
California Corporations Commissioner

By \_\_\_\_\_  
Mary Ann Smith  
Deputy Commissioner

Dated: 02/12/13

CONESTOGA SETTLEMENT SERVICES, LLC,  
CONESTOGA INTERNATIONAL, LLC and  
MICHAEL C. McDERMOTT

By \_\_\_\_\_  
Michael McDermott, Manager  
Conestoga Settlement Services, LLC and  
Conestoga International, LLC

Approved as to Form and Content

Dated: 02/11/13

By \_\_\_\_\_  
Lauren Schoenbaum  
Attorney on Behalf of Conestoga Settlement Services, LLC,  
Conestoga International, LLC and Michael C. McDermott

1 **STATE OF CALIFORNIA**  
2 **BUSINESS, TRANSPORTATION AND HOUSING AGENCY**  
3 **DEPARTMENT OF CORPORATIONS**

4 **TO: Conestoga Settlement Services, LLC**  
5 **Conestoga International, LLC**  
6 **Michael C. McDermott**

7 1455 Pennsylvania Avenue, Suite 400  
8 Washington, D.C. 20004

9 644 Avenue Fernandez Juncos, Suite 301  
10 San Juan, Puerto Rico 00907

11 **DESIST AND REFRAIN ORDER**

12 **(For violations of sections 25210 and 25401 of the Corporations Code)**

13 The California Corporations Commissioner finds that:

- 14 1. Conestoga Settlement Services, LLC is a Delaware limited liability company, Conestoga  
15 International, LLC is a Puerto Rican limited liability company, and Michael C. McDermott is the sole  
16 manager and control person of both limited liability companies. Collectively, these three persons are  
17 referred to as "Conestoga" and conduct business at 1455 Pennsylvania Avenue, Suite 400,  
18 Washington D.C. 20004, and 644 Avenue Fernandez Juncos, Suite 301, San Juan Puerto Rico 00907.  
19 Conestoga maintains a password-protected website at *www.myconestoga.com* and uses a phone  
20 number of (888) 257-5554.
- 21 2. Conestoga engages in the business of offering and selling securities in California in the form  
22 of life settlement contracts. Since 2011, Conestoga offered and sold these securities in issuer  
23 transactions to at least thirty California purchasers.
- 24 3. As stated in its private placement memorandum, the purpose of the offering by Conestoga is  
25 to enable investors to purchase a beneficial interest in a fixed percentage of the death benefits payable  
26 under life insurance policies at maturity.
- 27 4. Conestoga contracts with several individuals to offer and sell its securities in California.  
28 These individuals are engaged in the business of effecting securities transactions for Conestoga in  
California, and have received commissions from Conestoga for sales activities.

1 5. Conestoga substantially assisted these individuals to violate section 25210 of the Corporate  
2 Securities Law of 1968 by contracting with them as independent contractors to offer and sell  
3 securities in California for commissions, without having a valid broker-dealer certificate issued by  
4 the Department of Corporations or the United States Securities and Exchange Commission (SEC), or  
5 without fully complying with the exemption under Section 25209 of the Corporate Securities Law of  
6 1968.

7 6. In connection with these offers and sales to California investors, Conestoga failed to disclose  
8 that individuals offering and selling these securities are not licensed as broker-dealers.

9 Based upon the foregoing, the California Corporations Commissioner is of the opinion that  
10 independent contractors of Conestoga have effected transactions in securities as a broker-dealer  
11 without having first applied for and secured from the Commissioner a certificate authorizing them to  
12 act in that capacity, in violation of section 25210 of the Corporate Securities Law of 1968, or without  
13 fully complying with an exemption. Further, pursuant to section 25403 of the Corporate Securities  
14 Law of 1968, any person who controls or induces another person to violate a provision of the  
15 Corporate Securities law of 1968, or any person who provides substantial assistance to another person  
16 in the violation of the Corporate Securities Law of 1968, shall be liable for the violation. Pursuant to  
17 section 25532 of the Corporate Securities Law of 1968, Conestoga Settlement Services, LLC,  
18 Conestoga International, LLC, and Michael C. McDermott are hereby ordered to desist and refrain  
19 from effecting any transaction in, or inducing or attempting to induce the purchase or sale of, any  
20 security in this state, unless and until they have applied for and secured from the Commissioner a  
21 certificate, then in effect, authorizing them to act in that capacity, or unless otherwise exempt.

22 In addition, the Commissioner is of the opinion that the securities in the form of life  
23 settlement contracts were offered and sold in this State by means of written and oral communications,  
24 which omitted to state a material fact necessary in order to make the statements made, in light of the  
25 circumstances under which they were made, not misleading, in violation of section 25401 of the  
26 Corporate Securities law of 1968. Pursuant to section 25532 of the Corporate Securities Law of  
27 1968, Conestoga Settlement Services, LLC, Conestoga International, LLC and Michael C.  
28 McDermott are hereby ordered to desist and refrain from offering or selling or buying or offering to

1 buy any security in the State of California including, but not limited to, life settlement contracts, by  
2 means of any written or oral communication which includes an untrue statement of a material fact or  
3 omits to state a material fact necessary in order to make the statements made, in light of the  
4 circumstances under which they were made, not misleading.

5 This order is necessary, in the public interest, for the protection of investors and consistent  
6 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

7 Dated: February 6, 2013

8 JAN LYNN OWEN  
9 California Corporations Commissioner

10 By \_\_\_\_\_  
11 Mary Ann Smith  
12 Deputy Commissioner  
13 Enforcement Division  
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