

1 STATE OF CALIFORNIA  
2 BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY  
3 DEPARTMENT OF BUSINESS OVERSIGHT  
4

5 TO: Conestoga Settlement Services, LLC  
6 Conestoga International, LLC  
7 Michael McDermott

8 1455 Pennsylvania Avenue, Suite 400  
9 Washington, DC 20004

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

12 Jeffery Allen Converse  
13 6869 Monte Vista Court  
14 Corona, California 92880

15 **DESIST AND REFRAIN ORDER**

16 (For violations of Sections 25110, 25210, 25401 and 25403 of the Corporations Code)

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18 The Commissioner of Business Oversight (Commissioner) finds that:

- 19 1. At all relevant times Conestoga Settlement Services, LLC is and was a Delaware limited
- 20 liability company conducting business at 1455 Pennsylvania Avenue, Suite 400, Washington, DC
- 21 20004.
- 22 2. At all relevant times Conestoga International, LLC is and was a Puerto Rican limited liability
- 23 company conducting business at 644 Avenue Fernandez Juncos, Suite 301, San Juan, Puerto Rico
- 24 00907.
- 25 3. At all relevant times Michael C. McDermott is and was the sole manager and control person
- 26 of both limited liability companies.
- 27
- 28

1 4. At all relevant times Conestoga Settlement Services, LLC, Conestoga International, LLC, and  
2 Michael McDermott (collectively referred to as “Conestoga,”) maintained a password-protected  
3 website at *www.myconestoga.com* and used a phone number of (787) 919-7302.

4 5. At all relevant times Jeffery Allen Converse (Converse) is and was an individual with a last  
5 known address of 6869 Monte Vista Court, Corona, California 92880. Converse acted as a sales  
6 agent for Conestoga and offered and sold securities for Conestoga.

7 6. Beginning at least as early as 2013 to the present date, Conestoga engaged in the business of  
8 offering and selling securities in California in the form of life settlement contracts, an agreement for  
9 the sale of an existing life insurance policy by its owner for more than its cash surrender, but less than  
10 its net death benefit.

11 7. The California Department of Business Oversight (DBO) has not issued a permit or other  
12 form of qualification authorizing Conestoga to offer or sell the above-described securities in this  
13 state, nor is the offering exempt from qualification requirements.

14 8. Beginning in at least as early as 2013 to the present date, Conestoga paid sales agents  
15 commissions to offer and sell its life settlement contracts in California. Conestoga was not licensed as  
16 a broker-dealer nor were its sales agents, including Converse authorized to sell securities in  
17 California.

18 9. In connection with the offers and sale of life settlement contracts to California investors,  
19 Conestoga and its agents including Converse, made the following untrue statement of material facts:

- 20 a. Conestoga told investors it used industry experience and medical experts to identify  
21 insureds that would likely die on or before their policy maturity date, which would  
22 maximize profits. Converse told one California investor that most of the policies would  
23 mature within five years and that the expected returns would be from 11-20%. Converse  
24 told another investor that they could expect returns of 20-30% on their investment.
- 25 b. Conestoga claimed it could protect investors by assigning them fractional interests in  
26 multiple policies to spread the risk if a particular policy didn’t mature on time.
- 27 c. Conestoga also claimed it would set aside a portion of the investment into an escrow  
28 account to cover future premiums should the insured on a given policy outlive their life

1           expectancy. Conestoga represented that these escrowed reserves would be sufficient to  
2           pay the insurance premiums throughout the stated life expectancy, plus an additional  
3           period after that. However, Conestoga routinely demanded advanced premiums from  
4           investors despite having claimed there was sufficient escrowed funds. Investors were  
5           forced to choose between losing their entire investment or having to pay much more than  
6           they expected, which further cut into their investment returns. One California investor sold  
7           her home in order to afford paying these premiums.

8   10.    In connection with the offer and sale of life settlement contracts to California investors,  
9   Conestoga and its agents including Converse, failed to disclose material facts, including that multiple  
10   state agencies had issued enforcement actions against Conestoga for securities law violations  
11   including the Arkansas Securities Division, California Department of Business Oversight, Utah  
12   Division of Securities, Wisconsin Division of Securities, Oklahoma Department of Securities,  
13   Colorado Division of Securities, Idaho Department of Finance, Securities Bureau, and the North  
14   Carolina Securities Division.

15           Based on the foregoing findings, the Commissioner is of the opinion that the life settlement  
16   contracts offered or sold by Conestoga are securities subject to qualification under the Corporate  
17   Securities Law of 1968 and are being or have been offered or sold without first being qualified in  
18   violation of Corporations Code section 25110.

19           Pursuant to Corporations Code section 25532, Conestoga Settlement Services, LLC,  
20   Conestoga International, LLC, and Michael C. McDermott are ordered to desist and refrain from the  
21   further offer and sale of securities in California, including but not limited to life settlement contracts,  
22   unless and until qualification has been made under the Corporate Securities Law of 1968, or unless  
23   exempt.

24           Further, the Commissioner is of the opinion that the life settlement contracts were offered or  
25   sold by independent contractors, operating as a broker-dealers effecting securities transactions,  
26   without having first applied for and secured from the Commissioner a certificate authorizing them to  
27   act in that capacity, in violation of section 25210 of the Corporate Securities Law of 1968, or without  
28   fully complying with an exemption.

1 Pursuant to Corporations Code section 25532, Conestoga Settlement Services, LLC,  
2 Conestoga International, LLC, Michael C. McDermott, and Jeffery Allen Converse are ordered to  
3 desist and refrain from the further offer or sale of securities by independent contractors, operating as  
4 broker-dealers, unless and until having first applied for and securing from the Commissioner a  
5 certificate authorizing them to act in that capacity under the Corporate Securities Law of 1968, or  
6 unless exempt.

7 In addition, the Commissioner is of the opinion that Conestoga Settlement Services, LLC,  
8 Conestoga International, LLC, Michael C. McDermott, and Jeffery Allen Converse offered or sold  
9 securities in this State by means of written or oral communications which included untrue statements  
10 of material facts or omitted to state a material fact necessary in order to make the statements made, in  
11 light of the circumstances under which they were made, not misleading, in violation of Corporations  
12 Code section 25401.

13 Pursuant to Corporations Code section 25532, Conestoga Settlement Services, LLC,  
14 Conestoga International, LLC, Michael C. McDermott, and Jeffery Allen Converse are hereby  
15 ordered to desist and refrain from offering or selling any security in the State of California, including  
16 but not limited to life settlement contracts, by means of any written or oral communication which  
17 includes an untrue statement of a material fact or omits to state a material fact necessary in order to  
18 make the statements made, in light of the circumstances under which they were made, not  
19 misleading.

20 Moreover, the Commissioner is of the opinion that Conestoga Settlement Services, LLC,  
21 Conestoga International, LLC, and Michael C. McDermott directly or indirectly knowingly  
22 controlled and induced or substantially assisted other agents to violate the provisions of the  
23 Corporation Code, within the meaning of Corporations Code section 25403.

24 Pursuant to Corporations Code section 25403, subdivision (b) and (c), any person that  
25 knowingly provides substantial assistance to another person in violation of any provision of this  
26 division or any rule or order thereunder shall be deemed to be in violation of that provision, rule, or  
27 order to the same extent as the person to whom the assistance was provided.

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

3 Dated: April 16, 2020  
4 Sacramento, California

MANUEL P. ALVAREZ  
Commissioner of Business Oversight

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6  
7 By: \_\_\_\_\_  
8 MARY ANN SMITH  
9 Deputy Commissioner  
10 Enforcement Division  
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