

Division of Securities
Utah Department of Commerce
160 East 300 South
P.O. Box 146760
Salt Lake City, Utah 84114-6760
Telephone: 801 530-6600

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

**CONESTOGA SETTLEMENT TRUST;
CONESTOGA SETTLEMENT
SERVICES, LLC;
MICHAEL C. MCDERMOTT;
WALTER C. YOUNG, CRD#1967829;
CREATIVE WEALTH DESIGNS, LLC;
DAYSRING FINANCIAL, LLC;
MICHAEL JOHN WOODS; and
PROVIDENT TRUST GROUP, LLC**

Respondents.

ORDER TO SHOW CAUSE

Docket No. SD-12-00011
Docket No. SD-12-00012
Docket No. SD-12-00013
Docket No. SD-12-00014
Docket No. SD-12-00015
Docket No. SD-12-00016
Docket No. SD-12-00017
Docket No. SD-12-00018

It appears to the Director ("Director") of the Utah Division of Securities ("Division") that the Respondents have engaged in acts and practices that violate the Utah Uniform Securities Act ("Act"), Utah Code Ann. § 61-1-1, *et seq.* Those acts and practices are more fully described herein. Based upon the Division's investigation into this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF FACTS

The Respondents

1. Conestoga Settlement Trust ("Issuer") was formed in 2010 as a Delaware-based trust.

The Austin, Texas law firm of De Leon & Washburn, P.C. (“DLW”) serves as the trustee and legal counsel of Issuer.

2. Conestoga Settlement Services, LLC (“CSS”), a Delaware limited liability company, serves as the trustor and manager of Issuer. Neither entity is licensed in the securities industry in any capacity.
3. Michael C. McDermott (“McDermott”), a Dallas, Texas resident during the period relevant to this matter¹, is the manager of CSS and promoter of Issuer. He is not licensed in the securities industry in any capacity.
4. Walter C. Young (“Young”), a Seattle, Washington resident, is an insurance agent. He is not licensed in the securities industry in any capacity.
5. Creative Wealth Designs, LLC (“CWD”) is a Washington limited liability company. Young is the sole member and manager. CWD is not licensed in the securities industry in any capacity.
6. Dayspring Financial, LLC (“Dayspring”) is a Texas limited liability company. It is not licensed in the securities industry in any capacity.
7. Michael John Woods (“Woods”), a Texas resident, is the managing member of Dayspring. Woods is not licensed in the securities industry in any capacity.
8. Provident Trust Group, LLC (“Provident”) is a limited liability company with its place of business in Las Vegas, Nevada. It is not registered as a broker-dealer or in any other capacity in the securities industry.

¹An amended Form D filed in April 2012 (“Amended Form D”) lists a San Juan, Puerto Rico address for McDermott. The amended Form D also identifies McDermott as the trustor of Issuer.

The Offering

9. On June 14, 2011, the Division received a Form D Rule 506 notice filing for a private placement securities offering by Issuer (“the offering”), Division File No. B01024166. The Form D was signed by McDermott on behalf of Issuer.
10. According to the Form D, the offering solicited investors to purchase “a specified percentage interest in death benefits payable under a life insurance policy.” However, this description conflicts with a disclosure document provided to potential investors, which states that the issuer is offering an equity stake in a pooled investment vehicle, Issuer, that purchases life settlement policies for the benefit of its investors. Thus, the trust, Issuer, is created to hold those policies, investors own an equity stake in Issuer, and Issuer serves as beneficiary under the policies.
11. With respect to the offering in Utah, a cover letter from DLW accompanying the notice filing indicated that sales had been made in Utah on August 4, 2010. Although the Form D identified approximately 100 agents to whom sales compensation was paid, no agent was identified for the Utah sales.
12. Following an inquiry from the Division, Issuer through DLW informed the Division that three transactions with a married Utah couple (referred to at times as “Husband” and “Wife”) were effected on August 4, 2010. DLW indicated that the sales had been made by Young. The letter further noted “[i]t appears that Young was not licensed at the time as a broker dealer in Utah. He was licensed in Washington.² We are surprised and

²Young in fact was not licensed in Washington or any other state in the securities industry during the period relevant to this matter.

concerned in learning this...”

13. In response, the Division requested additional information about the sales to Utah investors, Young, and whether any other parties received sales compensation. By letter dated July 25, 2011, DLW indicated that Dayspring and McDermott were also compensated for the sale to Utah investors.
14. The letter further stated that “Conestoga sells life settlement investment securities to accredited investors only.” The Form D, however, indicated that as of the date of filing, Issuer had made sales to twenty-one non-accredited investors.³

Sales to Utah Investors

15. Pursuant to an Independent Contractor Agreement with CSS, CWD and Young agreed to “market the products and services” of CSS, and “to refer all suitable clients” for CSS’s products and services. Under the terms of the agreement, CWD and/or Young would be compensated 12% of “all client-participant funds placed directly” by CWD and/or Young.
16. In August 2010, after being solicited by Young, the Utah residents made three investments in the offering, all of which were made with retirement monies.
17. Husband made two investments, consisting of \$30,000 in Roth IRA monies and \$180,000 from a traditional IRA account.
18. Wife invested \$45,000 in Roth IRA monies.
19. Pursuant to Young and Issuer’s instructions, Husband and Wife’s monies were deposited with Provident as both “escrow agent” and self-directed IRA administrator. Provident

³The participation agreements provided to the Utah investors did not ask whether they were accredited. However, Issuer has represented to the Division that they were accredited investors.

established self-directed IRA accounts for Husband and Wife.

20. Almost immediately after receipt of their monies, and without investor knowledge or consent, twenty percent of the Utah investors' principal, totaling \$51,000, was paid as sales commissions to Young, McDermott and Dayspring/Woods as follows:

Young:	\$30,600 (12%)
McDermott:	\$10,200 (4%)
Dayspring/Woods:	<u>\$10,200 (4%)</u>
	\$51,000 (20%) ⁴

21. Young, McDermott, and Woods are not licensed in Utah as securities agents and Dayspring is not licensed as a broker-dealer.
22. Provident paid the sales commissions directly to Young, McDermott, and Dayspring/Woods pursuant to the terms of an Outsourcing Service Agreement ("Agreement")⁵ between Provident and CSS.

Life Settlements

23. The Utah investors did not receive a Private Placement Memorandum ("PPM") for the offering but instead very limited documentation generally describing life settlements which contained minimal disclosures. The documents provided describe life settlement

⁴The Amended Form D reports that as of April 2012, approximately \$25,000,000 in sales had been made by Issuer and compensation totaling \$5,000,000 paid to sales agents.

⁵Other services provided by Provident under the Agreement include acting as custodian for investor funds, recordkeeping, acting as agent liaison, managing the commission distribution process, contract processing, client relations, agent training, and preparing account statements. Through a separate Escrow Agreement with CSS, Provident provides escrow services, such as receiving investor monies, holding life settlement policies, making claims, receiving and distributing the proceeds.

transactions as follows:

A “life settlement” is an agreement for the purchase of a percentage of the death benefit payable under a life insurance policy. In this transaction, the person insured under the policy (the “insured”) is paid a cash amount during his or her life. The amount paid is a discount from the actual death benefit payable under the policy. In return for receiving a cash payment during his or her lifetime, the insured transfers ownership of the policy and assigns the right to designate the beneficiary under the policy to the entity which has made such cash payment. In this transaction, the insured person who receives a cash payment in return for assigning the right to designate the beneficiary under the policy is called a “life settlor.”⁶

Conestoga Settlement Services, LLC (hereinafter, “Conestoga”) has arranged for the purchase of the policy from the original purchaser of the policy from the insured, and arranges for participants to participate in life settlement transactions, in which the life settlor has already sold his or her life insurance policy to the original purchaser of the policy. You may direct your IRA custodian to purchase for the benefit of your IRA, certain beneficial interests in a trust which holds life insurance policies. You may choose to have your IRA acquire a beneficial interest in either 100% of the death benefit payable under a life policy, or a fractional interest in such death benefit. If your custodian, for the benefit of your IRA, purchases a beneficial interest in a fractional interest in the policy death benefit, additional beneficial interests in the remaining fractional interests in such policy may be sold to other participants. When the life settlor dies, your IRA would receive the percentage of beneficial interests in the trust which your IRA acquired in the death benefit proceeds paid under the life insurance policy.

24. In selecting policies, Issuer’s investors are presented with a policy list for which CSS has executed “Policy Purchase Agreements.” The list includes information such as the face amount of the policy, insurance company, age and gender of the insured, life expectancy, and the length of time policy premiums are in escrow. Based upon that information, investors commit a certain amount to individual policies. Once the policies are selected, the investors are purportedly linked to those specific policies; however, CSS

⁶Thus, it appears the strategy in making such an investment is to purchase the policy at a discount to its face value, assume responsibility for premium payments, and when the insured dies, the investor receives policy proceeds, hoping to net a gain after subtracting the amount paid for the policy, related fees and expenses, and the necessary premiums.

acknowledges that if a certain policy is not obtained or is already fully subscribed, CSS will replace the policy with one of comparable value and life expectancy.

Misrepresentations and Omissions of Material Facts

25. Respondents omitted material facts in connection with the offer and sale of the offering, including but not limited to:
- a. failing to disclose that an excessive 20% commission would be paid out of the investors' principal to Young, McDermott, and Dayspring/Woods, thereby immediately reducing by \$51,000 the amount of their principal applied to fund the investments;
 - b. failing to disclose that Young, McDermott, and Dayspring/Woods were not licensed to sell securities or give investment advice; and
 - c. failing to disclose relevant information about Issuer, its financial condition and liabilities.
26. In addition, the three Confidential Participant Capacity Information Forms ("Participant Information Forms") completed by Husband and Wife all were initialed by the investors, indicating the statement applies to them, as follows:
- I have a professional financial advisor (a) who is not directly or indirectly affiliated with Conestoga Settlement Services, LLC, or with the Conestoga Settlement Trust; (b) who is not directly or indirectly compensated by Conestoga Settlement Services, LLC or the Conestoga Settlement Trust, their affiliates or representatives; and (c) who has sufficient business and financial experience to protect my interests in connection with this transaction:
The name, address, telephone number, and profession of my professional advisor are:
[Young's name and Washington business address; one Form describes him as "financial advisor"]

27. Despite knowing such representations in the three Participant Information Forms to be false, Issuer, CSS, McDermott, CWD and Young took no action to correct the misinformation, or otherwise disclose to the Utah investors that Young in fact was both directly affiliated with and compensated by CSS; nor to disclose that Young did not have “sufficient business and financial experience” with respect to a securities transaction such as the offering because of his lack of experience in the securities industry and lack of any securities licenses.
28. Provident, which prepares client statements, failed to disclose or otherwise account for the 20% commission on the Utah investors’ account statements, thereby causing the value reflected on the statements to be false.

FIRST CAUSE OF ACTION

Misrepresentations and Omissions of Material Facts under § 61-1-1(2) of the Act

29. Respondents Issuer, CSS, McDermott, CWD and Young violated Section 61-1-1(2) of the Act by omitting material facts as described in paragraphs 25 through 27 in connection with the offer and sale of the offering.
30. Provident failed to disclose or otherwise account for the 20% commission paid by Provident to Young, McDermott, and Dayspring/Woods, thereby causing the value reflected on the statements to be false.

SECOND CAUSE OF ACTION

Unlicensed Broker-Dealer and Agents Under § 61-1-3 of the Act

31. Respondents McDermott, Young, CWD, Woods and Dayspring violated Section 61-1-3 of the Act by transacting business in Utah as agents (McDermott, Young, Woods) and

broker-dealers (CWD, Dayspring) while unlicensed.

32. Provident also violated Section 61-1-3 of the Act by transacting business in Utah as a broker-dealer while unlicensed.
33. Issuer and CSS violated Section 61-1-3(2) of the Act by engaging unlicensed entities and agents to sell the offering and pay compensation to agents while unlicensed.

REQUEST FOR RELIEF

The Director, pursuant to Utah Code Ann. § 61-1-20, hereby orders the Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63G-4-202 and 63G-4-204 through -209, and held before the Division. As set forth in the Notice of Agency Action accompanying this Order, Respondents are required to file a written response with the Division, and an initial hearing on this matter has been scheduled for December 13, 2012 at 9a.m. The initial hearing will take place at the Division of Securities, 2nd floor, 160 East 300 South, Salt Lake City, Utah. The purpose of the initial hearing is to establish a scheduling order and address any preliminary matters. If Respondents fail to file a written response or appear at the initial hearing, findings may be entered, a permanent Order to Cease and Desist may be issued, and a fine may be imposed against Respondents, as provided by Utah Code Ann. §§ 63G-4-206 or -209.

At the Order to Show Cause hearing, Respondents may show cause, if any they have:

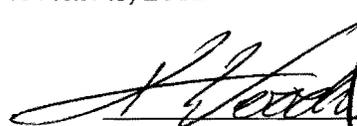
1. Why Respondents should not be found to have engaged in the violations of the Act alleged by the Division in this Order to Show Cause;
2. Why Respondents should not be ordered permanently to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, -3, or

any other section of the Act;

3. Why Respondents should not be ordered to pay fines to the Division as follows:

- a. Issuer, CSS, McDermott, jointly and severally: \$40,000
- b. Young and CWD, jointly and severally: \$40,000
- c. Dayspring and Woods, jointly and severally: \$15,000
- d. Provident \$10,000

Dated this 14th day of November, 2012


Keith M. Woodwell
Director, Utah Division of Securities



Approved:



D. Scott Davis
Assistant Attorney General

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600

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OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

**CONESTOGA SETTLEMENT TRUST;
CONESTOGA SETTLEMENT SERVICES,
LLC;
MICHAEL C. MCDERMOTT;
WALTER C. YOUNG, CRD#1967829;
CREATIVE WEALTH DESIGNS, LLC;
DAYSPRING FINANCIAL, LLC;
MICHAEL JOHN WOODS; and
PROVIDENT TRUST GROUP, LLC**

Respondent.

NOTICE OF AGENCY ACTION

Docket No. SD-12-0001
Docket No. SD-12-0002

Docket No. SD-12-0003
Docket No. SD-12-0004
Docket No. SD-12-0005
Docket No. SD-12-0006
Docket No. SD-12-0007
Docket No. SD-12-0008

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

You are hereby notified that agency action in the form of an adjudicative proceeding has been commenced against you by the Utah Division of Securities (Division). The adjudicative proceeding is to be formal and will be conducted according to statute and rule. See Utah Code Ann. §§ 63G-4-201 and 63G-4-204 through -209; see also Utah Admin. Code R151-4-101, *et seq.* The facts on which this action is based are set forth in the accompanying Order to Show Cause. The legal authority under which this formal adjudicative proceeding is to be maintained is Utah Code Ann. § 61-1-20. You may be represented by counsel or you may represent yourself in this proceeding.

Utah Admin. Code R151-4-110.

You must file a written response with the Division within thirty (30) days of the mailing date of this Notice. Your response must be in writing and signed by you or your representative. Your response must include the file number and name of the adjudicative proceeding, your version of the facts, a statement of what relief you seek, and a statement summarizing why the relief you seek should be granted. Utah Code Ann. § 63G-4-204(1). In addition, pursuant to Utah Code Ann. § 63G-4-204(3), the presiding officer requires that your response:

- (a) admit or deny the allegations in each numbered paragraph of the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission. Allegations in the Order to Show Cause not specifically denied are deemed admitted;
- (b) identify any additional facts or documents which you assert are relevant in light of the allegations made; and
- (c) state in short and plain terms your defenses to each allegation in the Order to Show Cause, including affirmative defenses, that were applicable at the time of the conduct (including exemptions or exceptions contained within the Utah Uniform Securities Act).

Your response, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:

Administrative Court Clerk
c/o Julie Price
Utah Division of Securities
160 E. 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760

A copy to:

D. Scott Davis
Assistant Attorney General
Utah Division of Securities
160 East 300 South, 5th Floor
Salt Lake City, UT 84114-0872
(801) 366-0310

(801) 530-6600

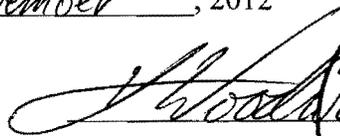
An initial hearing in this matter has been set for December 13, 2012 at the Division of Securities, 2nd Floor, 160 East 300 South, Salt Lake City, Utah, at 9am. The purpose of the initial hearing is to enter a scheduling order addressing discovery, disclosure, and other deadlines, including pre-hearing motions, and to set a hearing date to adjudicate the matter alleged in the Order to Show Cause.

If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code R151-4-710(2). After issuing the default order, the presiding officer may grant the relief sought against you in the Order to Show Cause, and will conduct any further proceedings necessary to complete the adjudicative proceeding without your participation and will determine all issues in the proceeding. Utah Code Ann. § 63G-4-209(4). In the alternative, the Division may proceed with a hearing under § 63G-4-208.

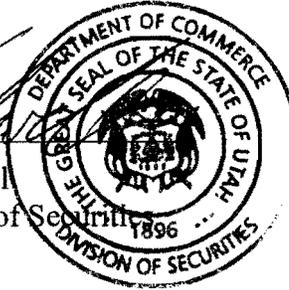
The Administrative Law Judge will be Jennie Jonnson, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6706. This adjudicative proceeding will be heard by Ms. Jonnson and the Utah Securities Commission. At any hearings, the Division will be represented by the Attorney General's Office. You may appear and be heard and present evidence on your behalf at any such hearings.

You may attempt to negotiate a settlement of the matter without filing a response or proceeding to hearing. To do so, please contact the Utah Attorney General's Office. Questions regarding the Order to Show Cause should be directed to D. Scott Davis, Assistant Attorney General, 160 E. 300 South, 5th Floor, Box 140872, Salt Lake City, UT 84114-0872, Tel. No. (801) 366-0310.

Dated this 1st day of November, 2012



Keith M. Woodwell
Director, Division of Securities



Certificate of Mailing

I certify that on the 5th day of NOVEMBER, 2012, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Conestoga Settlement Trust
1455 Pennsylvania Ave., Suite 400
Washington D.C. 20004

Conestoga Settlement Services, LLC
1455 Pennsylvania Ave., Suite 400
Washington, D.C. 20004

Certified Mail # 7007 0220 0001 0004 8069

Certified Mail # 7007 0220 0001 0004 8076

Michael C. McDermott
644 Ave. Fernandez Juncos, Suite 301
San Juan, Puerto Rico 00907

Walter Young
Creative Wealth Designs, LLC
720 North 78th Street
Seattle, WA 98103

Certified Mail # 7007 0220 0001 0004 8083

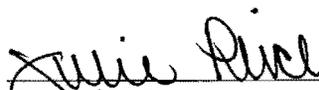
Certified Mail # 7007 0220 0001 0004 8090

Michael John Woods
Dayspring Financial LLC
4504 Tour 18 Dr.
Flower Mound, TX 75022-6400

Provident Trust Group, LLC
Attn: Jason Helquist
8880 W. Sunset Road, Suite 250
Las Vegas, NV 89148

Certified Mail # 7007 0220 0001 0004 8100

Certified Mail # 7007 0220 0001 0004 8113



Executive Secretary