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:	STIPULATION AND CONSENT ORDER
CONESTOGA SETTLEMENT TRUST;	**Docket No. SD-12-0061**
CONESTOGA SETTLEMENT SERVICES, LLC;	**Docket No. SD-12-0062**
MICHAEL C. MCDERMOTT;	**Docket No. SD-12-0063**
WALTER C. YOUNG, CRD#1967829;	**Docket No. SD-12-0064**
CREATIVE WEALTH DESIGNS, LLC;	**Docket No. SD-12-0065**
DAYSPRING FINANCIAL, LLC; and	**Docket No. SD-12-0066**
MICHAEL JOHN WOODS;	**Docket No. SD-12-0067**
Respondents.	

The Utah Division of Securities ("Division"), by and through its Director of Licensing and Compliance, Kenneth O. Barton, and the Respondents, Conestoga Settlement Trust, Conestoga Settlement Services, LLC, Michael C. McDermott, Walter C. Young, Creative Wealth Designs, LLC, Dayspring Financial, LLC, and Michael John Woods (collectively referred to at times as "Respondents"), hereby stipulate and agree as follows:

1. Respondents have been the subject of an investigation by the Division into allegations that they violated the Utah Uniform Securities Act ("Act"), Utah Code Ann. §61-1-1, *et seq.*

2. On or about November 1, 2012, the Division initiated an administrative action against

Respondents by filing an Order to Show Cause.

3. Respondents hereby agree to settle this matter with the Division by way of this Stipulation and Consent Order ("Order"). If entered, the Order will fully resolve all claims the Division has against Respondents pertaining to the Order to Show Cause.

4. Respondents admit that the Division has jurisdiction over them and the subject matter of this action.

5. Respondents hereby waive any right to a hearing to challenge the Division's evidence and present evidence on their behalf.

6. Respondents have read this Order, understand its contents, and voluntarily agree to the entry of the Order set forth below. No promises or other agreements have been made by the Division, nor by any representative of the Division, to induce Respondents to enter into this Order, other than as described in this Order.

7. Respondents are represented by attorney Paul T. Moxley and are satisfied with the legal representation they have received.

I. FINDINGS OF FACT

The Parties

8. 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") previously served as the trustee of Issuer and currently serves as legal counsel of Issuer.

9. Conestoga Settlement Services, LLC ("CSS"), a Delaware limited liability company, served as the initial trustor and manager of Issuer. Neither entity is licensed in the securities industry in any capacity.

10. Michael C. McDermott ("McDermott"), a Dallas, Texas resident during the period relevant to this matter[1], is the manager of CSS and promoter of Issuer. He is not licensed in the securities industry in any capacity.

11. Walter C. Young ("Young"), a Seattle, Washington resident, is an insurance agent. He is not licensed in the securities industry in any capacity. At times relevant to the facts alleged in this Order, Young acted as an agent of CSS.

12. Creative Wealth Designs, LLC ("CWD") at all relevant times was a Washington limited liability company, but it no longer exists. During the period relevant to this action, Young and his wife were the only two members. CWD was not licensed in the securities industry in any capacity. At times relevant to the facts alleged in this Order, CWD acted as an agent of CSS.

13. Dayspring Financial, LLC ("Dayspring") is a Texas limited liability company. It is not licensed in the securities industry in any capacity.

14. Michael John Woods ("Woods"), a Texas resident, is the managing member of Dayspring. Woods is not licensed in the securities industry in any capacity.

The Offering

15. 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.

16. According to the Form D, the offering solicited investors to purchase "a specified

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[1]An 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.

percentage interest in death benefits payable under a life insurance policy." However, this description conflicts with a disclosure document provided to potential investors, which describes the offering as the purchase of beneficial interests in Issuer, which purchases and holds life settlement policies for the benefit of its investors. As a result, Issuer owns the policies and is responsible for maintaining the policies, making premium payments and claims under the individual policies, and distributing the proceeds to investors upon receipt of such funds.

17. 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.

18. 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 concerned in learning this..."

19. 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 by Issuer for the sales to Utah investors.

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[2]Young in fact was not licensed in Washington or any other state in the securities industry during the period relevant to this matter. Young and CWD were erroneously advised by legal counsel that no securities license was required to sell the offering to the Utah investors.

Sales to Utah Investors

20. 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 by Issuer 12% of "all client-participant funds placed directly" by CWD and/or Young.

21. 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.

22. Husband made two investments, consisting of $30,000 in Roth IRA monies and $180,000 from a traditional IRA account.

23. Wife invested $45,000 in Roth IRA monies.

24. Pursuant to Young and Issuer's instructions, Husband and Wife's monies were deposited with CSS's "escrow agent" and self-directed IRA administrator ("trust company"), which established self-directed IRA accounts for Husband and Wife.

25. 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 by Issuer as sales commissions to Young, McDermott and Dayspring/Woods as follows:

Young:	$30,600 (12%)
McDermott:	$10,200 (4%)
Dayspring/Woods:	$10,200 (4%)

$51,000 (20%)[3]

26. Young, McDermott, and Woods are not licensed in Utah as securities agents and Dayspring is not licensed as a broker-dealer.

27. The trust company paid the sales commissions directly to Young, McDermott, and Dayspring/Woods pursuant to the terms of an Outsourcing Service Agreement ("Agreement")[4] between the trust company and CSS.

Life Settlements

28. The Utah investors did not receive a Private Placement Memorandum ("PPM") for the offering. Instead, they received a document entitled "Important Disclosures" which describes life settlements and provides some disclosure of risk. Specifically, the document provided describes life settlement 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."[5]

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[3]The Amended Form D reports that as of April 2012, approximately $25,000,000 in sales had been made in the offering and compensation totaling $5,000,000 paid to sales agents.

[4]Other services provided by the trust company 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, the trust company provides escrow services, such as receiving investor monies, holding life settlement policies, making claims, receiving and distributing the proceeds.

[5]Thus, it appears the strategy in making such a life settlement investment is to purchase the policy at a discount to its face value, assume responsibility for premium payments, and when

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.

29. 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 linked to those specific policies; however, CSS 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.

30. Neither McDermott nor Dayspring/Woods had any contact with the Utah investors.

Omissions of Material Facts

31. Respondents omitted material facts in connection with the offer and sale of the offering, including but not limited to:

    a. failing to disclose that a 20% commission would be paid by Issuer to Young,

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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.

McDermott, and Dayspring/Woods from the amount paid by the investors for the participation interests purchased from Issuer;

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, such as its financial condition and liabilities.

32. In addition, the three Confidential Participant Capacity Information Forms ("Participant Information Forms") provided by Issuer and completed by Husband and Wife were initialed by the investors, indicating the following statement applies to them:

> 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"]

33. 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.

II. CONCLUSIONS OF LAW

34. Respondents Issuer, CSS, McDermott, CWD and Young violated Section 61-1-1(2) of the Act by omitting material facts as described in paragraphs 31 through 33 in connection with the offer and sale of the offering.

35. 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.

36. 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.

III. REMEDIAL ACTIONS/SANCTIONS

37. Respondents neither admit nor deny the Division's findings and conclusions, but consent to the sanctions below being imposed by the Division. Respondents represent that the failure to license was the result of erroneous legal advice.

38. Respondents have fully complied with and cooperated in the Division's investigation. Respondents represent that the information they have provided to the Division as part of the Division's investigation is accurate and complete.

39. Respondents agree to cease and desist from violating the Act and to comply with the requirements of the Act in all future business in this state.

40. Within thirty (30) days following entry of the Order, Respondents agree to send a letter to the Utah investors, in a form not objectionable to the Division, informing the Utah investors of their rights under Section 61-1-22 of the Act and offering rescission. Respondents shall report the Utah investors' response to the Division.

41. Respondents Young, CWD, Dayspring, Woods and McDermott agree to disgorge all

commissions, totaling $51,000.00, to Issuer and to provide the Division with proof of the same within thirty (30) days following entry of this Order. Pursuant to Utah Code Ann. Section 61-1-20, and in consideration of the guidelines set forth in Utah Admin. Code Rule R164-31-1, Respondents agree to pay fines as follows:

a. Issuer, CSS, McDermott, jointly and severally: $20,000

b. Young and CWD, jointly and severally: $5,000

The fines shall be paid within thirty (30) days following entry of the Order.

IV. FINAL RESOLUTION

42. Respondents acknowledge that this Order, upon approval by the Utah Securities Commission, shall be the final compromise and settlement of this matter. Respondents further acknowledge that if the Commission does not accept the terms of the Order, it shall be deemed null and void and without any force or effect whatsoever.

43. Respondents acknowledge that the Order does not affect any civil or arbitration causes of action that third-parties may have against them arising in whole or in part from their actions, and that the Order does not affect any criminal causes of action that may arise as a result of their conduct referenced herein, if any. Respondents also acknowledge that any civil, criminal, arbitration or other causes of actions brought by third-parties against them have no effect on, and do not bar, this administrative action by the Division against them.

44. This Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect this Order in any way.

45. Respondents acknowledge that a violation of this Order is a third degree felony pursuant to Section 61-1-21(1)(b) of the Act.

Dated this 16 day of April, 2013

Kenneth O. Barton
Director of Licensing and Compliance
Utah Division of Securities

Dated this 1[illegible] day of April, 2013

Hector De Leon, legal representative
Conestoga Settlement Trust

Michael C. McDermott
Conestoga Settlement Services, LLC

Walter C. Young
Creative Wealth Designs, LLC

Michael John Woods
Dayspring Financial, LLC

Approved:

Wade Farraway
Assistant Attorney General

Approved:

Paul T. Moxley
Counsel for Respondents

45. Respondents acknowledge that a violation of this Order is a third degree felony pursuant to Section 61-1-21(1)(b) of the Act.

Dated this ____ day of _____, 2013

Kenneth O. Barton
Director of Licensing and Compliance
Utah Division of Securities

Dated this ____ day of _____, 2013

Hector De Leon, legal representative
Conestoga Settlement Trust

Michael C. McDermott
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Approved:

Wade Farraway
Assistant Attorney General

Approved:

Paul T. Moxley
Counsel for Respondents

45. Respondents acknowledge that a violation of this Order is a third degree felony pursuant to Section 61-1-21(1)(b) of the Act.

Dated this ____ day of _____, 2013

Kenneth O. Barton
Director of Licensing and Compliance
Utah Division of Securities

Dated this ____ day of _____, 2013

Hector De Leon, legal representative
Conestoga Settlement Trust

Michael C. McDermott
Conestoga Settlement Services, LLC

Walter C. Young
Creative Wealth Designs, LLC

Michael John Woods
Dayspring Financial, LLC

Approved:

Wade Farraway
Assistant Attorney General

Approved:

Paul T. Moxley
Counsel for Respondents

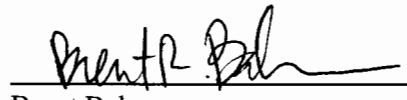
ORDER

IT IS HEREBY ORDERED THAT:

1. The Division's Findings and Conclusions, which are neither admitted nor denied by the Respondents, are hereby entered.
2. Respondents shall cease and desist from violating the Act and comply with the requirements of the Act in all future business in this state.
3. Within thirty (30) days following entry of the Order, Respondents shall send a letter to the Utah investors, in a form not objectionable to the Division, informing the Utah investors of their rights under Section 61-1-22 of the Act and offering rescission. Respondents shall report the Utah investors' response to the Division.
4. Respondents Young, CWD, Dayspring, Woods and McDermott shall disgorge commissions, totaling $51,000.00, to Issuer and provide the Division with proof of the same within thirty (30) days following entry of the Order;
5. Pursuant to Utah Code Ann. § 61-1-20, and in consideration of the guidelines set forth in Utah Admin. Code Rule R164-31-1, Respondents pay fines to the Division, within thirty (30) days following entry of this Order, as follows:
   a. Issuer, CSS, McDermott, jointly and severally: $20,000.00
   b. Young and CWD, jointly and severally: $5,000.00

BY THE UTAH SECURITIES COMMISSION:

DATED this_____day of _____ , 2013



Brent Baker

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Tim Bangerter

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Jane Cameron

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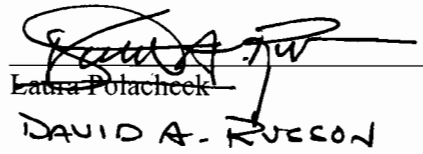
Erik Christiansen



~~Laura Pulacheck~~

DAVID A. RUCCON

BY THE UTAH SECURITIES COMMISSION:

The foregoing Stipulation and Consent Order is hereby accepted, confirmed and approved by the Utah Securities Commission.

DATED this 30 day of May, 2013.

Tim Bangerter

Gary Cornia

Erik Christiansen

Brent Baker

David A. Russon