

**STATE OF NORTH CAROLINA
DEPARTMENT OF THE SECRETARY OF STATE
SECURITIES DIVISION**

IN THE MATTER OF:)	
)	CONSENT ORDER
CONESTOGA TRUST SERVICES)	
LLC, CONESTOGA SETTLEMENT)	File No.: 14SEC090
SERVICES, LLC, and CONESTOGA)	
INTERNATIONAL LLC,)	
)	
Respondents.)	

The North Carolina Secretary of State (the “Administrator”), as Administrator of the North Carolina Securities Act, N.C. Gen. Stat. Chapter 78A, (the “Securities Act”) has considered the evidence and finds that it is in the public interest to resolve this matter on the terms set forth in this Consent Order (“Order”). With the consent of Conestoga Trust Services LLC, Conestoga Settlement Services, LLC, and Conestoga International LLC (collectively referred to herein as “Conestoga”), the Administrator enters this Order.

I. FINDINGS OF FACT

1. The Conestoga Settlement Trust (the “Trust”) was formed in 2010 as a Delaware-based trust. The Trust was established to own and maintain life insurance policies resulting from previously-closed life settlement transactions.
2. Conestoga Trust Services LLC is a Delaware limited liability company organized on December 21, 2011. It is the Trustee of the Trust, and its last known business address is located in Wilmington, Delaware.
3. Conestoga Settlement Services, LLC, a Delaware limited liability company, served as the initial trustor and manager of the Trust until July 15, 2011.
4. Conestoga International LLC was the successor in interest to Conestoga Settlement

Services LLC and is the current trustor for the Trust for all investments after July 16, 2011. Conestoga International LLC was organized in San Juan, Puerto Rico on May 21, 2011 and its last known business address is located in Dallas, Texas.

5. None of the above listed Conestoga entities is or has ever been registered in the securities industry in any capacity.

6. Conestoga was engaged in the offer and sale of fractional interests in life insurance policies owned by the Trust (the "Fractional Interests"). Conestoga claimed investors could receive their Fractional Interests at a price less than the face value of the policies.

7. In order to sell these Fractional Interests, Conestoga entered into Independent Contractor Agreements with North Carolina Independent Contractor Agents ("NC Agents") which agreements stated that the agent "desires to market the products and services of Conestoga" and to refer suitable clients for Conestoga's products and services.

8. NC Agents offered and sold the Fractional Interests to numerous North Carolina residents.

9. Conestoga paid the NC Agents commissions for the sales and referrals.

10. Many of the NC Agents were not registered to sell the Fractional Interests in the State of North Carolina.

II. CONCLUSIONS OF LAW

1. As defined by the Securities Act, a "security" means: any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of

production under a title or lease, viatical settlement contract or any fractional or pooled interest in a viatical settlement contract, or, in general, any interest or instrument commonly known as a "security," or any certificate of interest or participation in, temporary or interim certificate for, receipt for guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. N.C. Gen. Stat. § 78A-2(11).

2. A "viatical settlement contract" means an agreement for the purchase, sale, assignment, transfer, or devise of all or any portion of the death benefit or ownership of a life insurance policy or contract for consideration which is less than the expected death benefit of the life insurance policy or contract. N.C. Gen. Stat. § 78A-2(13).

3. The Fractional Interests were viatical settlement contracts and, as such, were securities as the terms are defined under the Securities Act.

4. Under the Securities Act, it is unlawful for any person to effect transactions in securities unless he is registered as a dealer or salesman or is exempt from registration. N.C. Gen. Stat. § 78A-36.

5. Offering securities, like the Fractional Interests, effects transactions in securities. Therefore, in order to offer securities, like the Fractional Interests, the offeror must be registered as a dealer or salesman.

6. "Dealer" means any person engaged in the business of effecting transactions in securities for the account of others or for his own account. N.C. Gen. Stat. § 78A-2(2).

7. "Salesman" means any individual other than a dealer who represents a dealer in effecting or attempting to effect purchases or sales of securities. N.C. Gen. Stat. § 78A-2(9).

8. Conestoga was a dealer as the term is defined under the Securities Act.

9. The NC Agents were salesmen as the term is defined under the Securities Act.

10. Under the Securities Act, it is unlawful for any dealer to employ a salesman unless the salesman is registered. N.C. Gen. Stat. § 78A-36.

11. Conestoga violated N.C. Gen. Stat. § 78A-36 when it employed NC Agents, who were not registered to sell securities, to sell its Fractional Interests.

12. The Administrator has jurisdiction over Conestoga and the subject matter of this Order.

13. The Administrator has the authority to enter this Order and has concluded that this Order is in the public interest and is consistent with the purposes fairly intended by the policy and provisions of the Securities Act.

III. CONSENT AND WAIVER

Conestoga, as evidenced by the authorized signature on the *Consent to Entry of Order* below, affirmatively states and agrees that:

1. The Administrator has jurisdiction over Conestoga and the subject matter of this Order.

2. Without admitting or denying guilt, Conestoga voluntarily consents to the entry of this Order and understands this is a public document.

3. Conestoga has read the contents of this Order and has had the opportunity to consult with an attorney prior to the signing of this Order.

4. Conestoga freely signs this Order, and states and agrees that no threats or offers of any kind, other than as stated in this document, have been made by the Administrator, Deputy Securities Administrator, any member of the staff of the Securities Division, or any agent or employee of the North Carolina Department of the Secretary of State in connection with the signing of this Order.

5. This Order contains the entire agreement between the undersigned, and Conestoga understands its effect.

6. Conestoga has agreed to resolve this matter through this Order to avoid further administrative proceedings.

7. Conestoga permanently waives any and all rights under the Securities Act, the North Carolina Administrative Procedure Act (N.C. Gen. Stat. Chapter 150B), and any other law to a *Notice of Hearing*, a hearing, the making of findings of fact and conclusions of law, and all further proceedings before the Administrator or other entity to which Conestoga may be entitled related to the subject of this Order, including any court of competent jurisdiction. Conestoga also permanently waives its rights to seek judicial review of this Order under N.C. Gen. Stat. Chapter 150B, to appeal this Order, or to otherwise challenge either the validity or entry of this Order in any court or administrative agency.

8. The presentation of this Order to the Administrator and any subsequent discussion of this Order prior to its entry without Conestoga or its counsel being present shall not constitute an improper *ex parte* communication between the Administrator and the Securities Division or counsel for the Securities Division.

9. This Order shall become final upon entry.

NOW, THEREFORE, the Administrator, with Conestoga's express written consent, orders the following:

IV. ORDER

1. Conestoga shall immediately and permanently cease and desist from violating N.C. Gen. Stat. §78A-36.
2. Conestoga shall immediately and permanently cease and desist from violating any other provisions of the Securities Act and any administrative rules promulgated under the Act.
3. Conestoga shall pay to the Securities Division a civil penalty in the amount of \$5,000.00 within ten days of the date of entry of this Order.
4. Conestoga shall pay to the Securities Division \$7,500.00 as reimbursement for investigative costs associated with this matter within ten days of the date of entry of this Order.
5. Conestoga shall not take any action or make, or permit to be made, any public statement denying, directly or indirectly, any finding in this Order or creating the impression that this Order is without factual basis.
6. The Order shall become final upon entry.

WITNESS MY HAND AND THE OFFICIAL SEAL of the North Carolina Department of the Secretary of State, this the 29th day of November 2018.

Time of entry: 8:14 A.M.



ELAINE F. MARSHALL
SECRETARY OF STATE OF NORTH CAROLINA and
SECURITIES ADMINISTRATOR, by

By: _____

KEVIN M. HARRINGTON
Deputy Securities Administrator