

**UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

**DEE NEUKRANZ, individually and as  
heir of the ESTATE OF LLOYD  
NEUKRANZ, and on behalf of a class of  
similarly situated persons,**

*Plaintiffs,*

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v.

**Civil Action No.** 3:19-cv-1682

**CONESTOGA SETTLEMENT  
SERVICES, LLC; CONESTOGA  
INTERNATIONAL, LLC;  
CONESTOGA TRUST  
SERVICES, LLC; L.L.  
BRADFORD AND COMPANY, LLC;  
PROVIDENT TRUST GROUP, LLC;  
STRATEGIX SOLUTIONS, LTD.; and  
MICHAEL MCDERMOTT,**

*Defendants.*

**NOTICE OF REMOVAL**

Pursuant to the Class Action Fairness Act of 2005, codified at 28 U.S.C. §§ 1332(d), 1446, and 1453 (“CAFA”), Defendant Provident Trust Group, LLC (“Provident”) hereby gives notice of the removal of Cause No. DC-19-08025 currently pending in the 160th District Court of Dallas County, Texas, to the United States District Court for the Northern District of Texas, Dallas Division, and states as follows:

**I. NATURE OF THE ACTION**

1. On June 20, 2019, Provident received service of a putative nationwide class action captioned *Neukranz, et al., v. Conestoga Settlement Services, LLC, et al.*, Cause No. DC-19-08025

filed in the 160th District Court of Dallas County, Texas (the “State Court Action”). The State Court Action alleges class claims against several defendants, including Provident.

2. This putative class action is being brought on behalf of a nationwide class consisting of “all Conestoga life settlement participants who (a) purchased interests in Conestoga life settlements; and (b) received the Written Sales Materials.” Orig. Pet. ¶ 131.<sup>1</sup> The “Written Sales Materials” are defined in the Original Petition as documents provided by Conestoga: “the Fractional Life Settlement Portfolio, the Private Placement Memorandum, the Policy Selection Sheet, and so-called ‘Important Disclosures’ regarding ‘Significant Risk Factors’ (collectively, the ‘Written Sales Materials’).” *Id.* ¶ 40.

3. The Original Petition alleges that Plaintiffs and others in the putative nationwide class lost money “as the result of a life settlement investment scam perpetrated by Conestoga, Provident, and the other Defendants.” Orig. Pet. ¶ 2. Plaintiffs claim they “paid hundreds of thousands of dollars from their Individual Retirement Account (IRA) to purchase fractional interests in eleven life insurance policies.” *Id.* ¶ 6. Plaintiffs allege that Defendants “falsely represented” that the life-settlement investments would pay out upon the death of the insured person, but Defendants failed to maintain adequate reserves to pay the premiums necessary to keep the policies in place. *Id.* ¶¶ 4, 5. Plaintiffs contend that, when Conestoga demanded that Plaintiffs make additional premium payments, they “were given the impossible choice of either capitulating to these demands by paying thousands of dollars in unexpected, undisclosed insurance premiums, or else forfeiting their investments and losing their retirement savings.” *Id.* ¶ 7. Plaintiffs allege that, as a result, they “were forced to pay *nearly \$21,000 more than the annual premiums they were promised.*” *Id.* ¶ 10 (emphasis in original). Plaintiffs allege that Defendants coordinated a

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<sup>1</sup> In the Original Petition, “Conestoga” refers to Defendants Conestoga Settlement Services, LLC, Conestoga International, LLC, and Conestoga Trust Services, LLC.

fraud that caused Plaintiffs and the putative nationwide class to suffer “significant financial harm, including the loss of much of their life savings.” *Id.* ¶ 20.

4. Based on these allegations, on behalf of Plaintiffs and the putative nationwide class, the Original Petition asserts ten separate claims for relief:

a. Common Law Fraud: “The Defendants, either directly or by attribution, made misrepresentations to the class members, including the Plaintiffs, regarding certain facts related to the offers to sell fractional interests in life settlements. These misrepresentations were made in the Written Sales Materials.” Orig. Pet. ¶ 139.

b. Fraud by Non-Disclosure: “The Defendants concealed from or failed to disclose facts to the Plaintiffs and the class, including the fact that (a) the insurance companies could and would increase the cost of insurance, including, but not limited to premiums; (b) the escrow reserves would be insufficient to pay the cost of insurance, including, but not limited to premiums, for the stated life expectancy of the insured and beyond; (c) the stated life expectancies were deliberately understated and based on dishonest medical underwriting conducted by persons with conflicts of interest; and (d) the Defendants were not independent or free from conflicts of interest.” Orig. Pet. ¶ 148.

c. Civil Conspiracy: Defendants conspired “to accomplish an unlawful purpose—to wit, to deceive and defraud participants, including Plaintiffs and the class members, and to conceal the fraudulent conduct. Alternatively, the object of the combination was to accomplish a lawful purpose by unlawful means—to wit, to sell fractional interests in life settlements through the use of false and misleading representations and material omissions and to conceal the fraudulent conduct.” Orig. Pet. ¶ 159.

d. Aiding and Abetting (three separate counts): Conestoga “committed a tort—to wit, common-law fraud, fraud by non-disclosure, and civil theft—against the Plaintiffs and the class,” Orig. Pet. ¶¶ 164, 170, and the other Defendants assisted and encouraged, assisted and participated in, and acted in concert with one another to commit the allegedly tortious conduct, *id.* ¶¶ 167, 171, 179.

e. Breach of Fiduciary Duty: Defendants owed Plaintiffs and the putative nationwide class a fiduciary duty, Orig. Pet. ¶ 182, and breached that duty by engaging in fraudulent conduct, *id.* ¶ 183.

f. Violation of Texas Theft Liability Act, 31.03 TEX. CIV. PRAC. & REM. CODE 134.002-003, et seq.: Defendants “converted Plaintiffs’ investment money and IRA funds” to “pay undisclosed insurance costs” and “pay themselves inflated commissions and other consideration that was contrary to the Written Sales Materials and never authorized by or disclosed to Plaintiffs.” Orig. Pet. ¶¶ 189, 190.

g. Accounting: “Plaintiffs seek an accounting of all funds paid to the Defendants by the class in relation to the Conestoga life settlement contracts.” Orig. Pet. ¶ 194.

h. Declaratory Judgment: Plaintiffs request a declaratory judgment that

- (1) Defendants have wrongfully demanded that Plaintiff[s] pay insurance costs and premiums that were not disclosed to Plaintiffs;
- (2) Defendants misrepresented the amounts held in escrow and misrepresented when such escrow amounts were likely to be depleted;
- (3) Defendants misrepresented and understated the costs of insurance, including premiums, that they intended to charge to Plaintiffs;
- (4) Plaintiffs shall not be required to pay and do not owe insurance charges, including premium payments, that were not disclosed or otherwise exceed what was disclosed, in the PPM;
- (5) Plaintiffs shall not be required to pay and do not owe any insurance costs or premiums that exceed the annual premiums stated in the PPM;
- (6) to the extent Plaintiffs may incur any obligation to pay additional insurance costs or premiums in the future, such payment obligations shall only begin, if at all, after the date the premium reserves were represented to expire, as represented by Defendants to Plaintiffs when soliciting Plaintiffs’ investments.

Orig. Pet. ¶ 201.

5. Plaintiffs, for themselves and the putative nationwide class, seek “monetary and non-monetary damages, including, but not limited to, all expectancy damages, reliance damages, consequential damages, and other direct and indirect damages that are allowed by law or equity.” Orig. Pet. ¶204. They further request “out of pocket and/or rescission damages, and Plaintiff[s] seek to rescind their investments and payments, so as to be put back into the position they were each in prior to making any investments.” *Id.*<sup>2</sup>

## II. REMOVAL UNDER CAFA IS PROCEDURALLY PROPER

6. Venue is proper in this Court under 28 U.S.C. § 1441(a) because the 160th District Court, Dallas County, Texas is located within the Northern District of Texas, Dallas Division. *See* 28 U.S.C. § 124(a)(1).

7. This Notice is timely because thirty days have not yet elapsed from Provident’s receipt of Plaintiffs’ Summons and Original Petition. 28 U.S.C. § 1446(b).

8. A written notice attaching a copy of this Notice of Removal is being served on Plaintiffs and filed with the Clerk of the 160th District Court of Dallas County, Texas, as required by 28 U.S.C. § 1446(d).

9. True and correct copies of process, pleadings, and orders filed in the State Court Action are attached hereto, as required by 28 U.S.C. § 1446 and LR 81.1:

EXHIBIT A: A civil cover sheet.

EXHIBIT B: A supplemental civil cover sheet.

EXHIBIT C: A true and correct copy of the state court docket sheet.

EXHIBIT D: True and correct copies of all pleadings asserting causes of action, all answers to such pleadings, and all orders signed by the state judge, along with an index of all documents that clearly identifies

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<sup>2</sup> Provident disputes the validity of the Original Petition’s factual and class-related allegations and legal conclusions, and denies that Plaintiffs or the putative nationwide class have been harmed in any way as the result of any action or inaction by Provident. For purposes of jurisdiction, however, these allegations define the scope of the dispute and the amount in controversy.

each document and indicates the date the document was filed in state court.

EXHIBIT E: Defendant Provident Trust Group, LLC's Certificate of Interested Persons.

EXHIBIT F: Declaration of Christopher Molnar.

### III. THIS COURT HAS JURISDICTION OVER THIS PUTATIVE CLASS ACTION

10. This action is within the original jurisdiction of this Court, and removal is proper under the Class Action Fairness Act of 2005, P.L. No. 109-2, codified in pertinent part at 28 U.S.C. §§ 1332(d) and 1453(b). CAFA grants district courts original jurisdiction over putative class actions in which: (i) the putative class consists of at least 100 proposed class members; (ii) the amount in controversy exceeds \$5 million in the aggregate, exclusive of interest and costs; and (iii) any member of the putative class of Plaintiffs is a citizen of a State different from that of any Defendant (so-called minimal diversity). CAFA allows removal by “any defendant without the consent of all defendants.” 28 U.S.C. § 1453(b). As set forth below, this action satisfies each of the requirements for original jurisdiction under CAFA.

11. Covered Class Action. Without conceding that there is any merit to the Complaint's allegations or claims, Provident acknowledges that this action meets the CAFA definition of a class action, which is “any civil action filed under [R]ule 23 of the Federal Rules of Civil Procedure or similar State statute or rule of judicial procedure authorizing an action to be brought by 1 or more representative persons as a class action.” 28 U.S.C. §§ 1332(d)(1)(B), 1453(a).

12. Class Action Consisting of More than 100 Members. The Original Petition states that it is being brought on behalf of “all Conestoga life settlement participants who (a) purchased interests in Conestoga life settlements; and (b) received the Written Sales Materials.” Orig. Pet. ¶ 131. Plaintiffs allege that this purported nationwide class “likely constitutes hundreds of

participants,” *id.* ¶ 132, and thus exceeds 100 individuals. Provident has further determined that, based on Plaintiffs’ definition of the putative nationwide class, the number of potential putative class members greatly exceeds 100 individuals. Molnar Decl. ¶ 7. Because the putative nationwide class consists of at least 100 proposed class members, the requirement of 28 U.S.C. § 1332(d)(5) is satisfied.

13. Diversity. The required diversity of citizenship under CAFA is satisfied because “any member of a class of Plaintiffs is a citizen of a State different from any Defendant.” 28 U.S.C. § 1332(d)(2)(A).

a. As alleged in the Original Petition, both named Plaintiffs are citizens of Texas. Plaintiff Dee Neukranz is domiciled in Collin County, Texas. Orig. Pet. ¶ 20. Plaintiff Neukranz Estate “is the estate of decedent Lloyd W. Neukranz,” who, prior to his death, was domiciled in Collin County, Texas. *Id.* ¶ 21. Both Neukranz and Neukranz Estate are citizens of Texas for purposes of diversity.

b. Provident is a Nevada limited liability company. Provident is a wholly owned subsidiary of Pivot Acquisition Sub, Inc., a Delaware corporation with its principal place of business in Pennsylvania. Provident is thus deemed a citizen of Nevada, Delaware, and Pennsylvania for diversity purposes.

c. Defendant Michael McDermott is domiciled in Puerto Rico. Orig. Pet. ¶ 28. McDermott is thus a citizen of the Commonwealth of Puerto Rico for diversity purposes.

d. The diversity requirement of 28 U.S.C. § 1332(d)(2) is thus satisfied because there is diversity of citizenship between at least one proposed class member and at least one defendant.

14. Amount in Controversy. Under CAFA, the claims of the individual class members are aggregated to determine if the amount in controversy exceeds the required “sum or value of \$5,000,000, exclusive of interest and costs.” 28 U.S.C. §§ 1332(d)(2), (d)(6).

a. For purposes of removal, “the question is not what damages the Plaintiff will recover, but what amount is ‘in controversy’ between the parties.” *Brill v. Countrywide Home Loans, Inc.*, 427 F.3d 446, 448 (7th Cir. 2005) (“That the Plaintiff may fail in its proof, and the judgment be less than the threshold (indeed, a good chance that the Plaintiff will fail and the judgment will be zero) does not prevent removal.”). When a complaint does not expressly “state the amount in controversy, the defendant’s notice of removal may do so.” *Dart Cherokee Basin Operating Co., LLC v. Owens*, 574 U.S. 81, 135 S. Ct. 547, 551 (2014) (citing 28 U.S.C. § 1446(c)(2)).

b. The Original Petition seeks “monetary and non-monetary damages, including, but not limited to, all expectancy damages, reliance damages, consequential damages, and other direct and indirect damages that are allowed by law or equity.” Orig. Pet. ¶ 204. It further requests “out of pocket and/or rescission damages, and Plaintiff[s] seek to rescind their investments and payments, so as to be put back into the position they were each in prior to making any investments.” *Id.*

c. Plaintiffs seek to recover attorneys’ fees. Orig. Pet. ¶¶ 202, 206.

d. The Original Petition alleges that the claims of Plaintiffs and the putative nationwide class are “significantly in excess of \$1,000,000.” Orig. Pet. ¶ 208.

e. Plaintiffs define the putative nationwide class as “all Conestoga life settlement participants who (a) purchased interests in Conestoga life settlements; and (b) received



the Written Sales Materials.” Orig. Pet. ¶ 131. The Original Petition asserts that all investors in the Conestoga life settlements received the Written Sales Materials. *Id.* ¶¶ 44, 45, 59, 76, 82.

f. Without conceding there is any merit to Plaintiffs’ allegations or claims, and accepting Plaintiffs’ allegations as true, the amount in controversy satisfies the jurisdictional threshold. According to Provident’s records, hundreds of individuals had self-directed individual retirement accounts with Provident that invested in life settlements through Conestoga Settlement Trust. Molnar Decl.¶ 7. The aggregate value of those investments exceeds \$5,000,000. *Id.* Plaintiffs are seeking rescission of their investments and payments, and their claimed damages would thus exceed the \$5,000,000 threshold.

g. Provident disputes that it is liable to Plaintiffs or the putative nationwide class, or that Plaintiffs or the putative nationwide class suffered any injury or incurred damages in any amount whatsoever as a result of Provident’s conduct. But for purposes of satisfying the jurisdictional prerequisites of CAFA, the amount in controversy exceeds \$5 million.

#### **IV. JURY DEMAND**

15. Plaintiffs demanded a jury in their Original Petition. Orig. Pet. ¶ 209.

#### **V. CONCLUSION**

For the foregoing reasons, Provident Trust Group, LLC hereby removes the above-styled and captioned cause pending in the 160th District Court of Dallas County, Texas to this Court under 28 U.S.C. § 1332(d) and requests that further proceedings be conducted in the Dallas Division of the U.S. District Court for the Northern District of Texas, as provided by law.

Dated: July 15, 2019

Respectfully Submitted,

/s/Christopher M. LaVigne

Christopher M. LaVigne

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Christopher S. Dodrill

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dodrillc@gtlaw.com

**GREENBERG TRAURIG LLP**

2200 Ross Avenue, Suite 5200

Dallas, Texas 75201

Telephone: (214) 665-3600

Facsimile: (214) 665-3601

**ATTORNEYS FOR DEFENDANT  
PROVIDENT TRUST GROUP, LLC**

**CERTIFICATE OF SERVICE**

This certifies that on this 15<sup>th</sup> day of July, 2019, a true and correct copy of the foregoing has been served on all counsel of record by first-class mail, e-mail, and through the Court's CM/ECF system at the address below:

Adam Sanderson  
Brett Rosenthal  
REESE MARKETOS LLP  
750 N. St. Paul St., Ste. 600  
Dallas, TX 75201-3202  
adam.sanderson@rm-firm.com  
brett.rosenthal@rm-firm.com

/s/Christopher M. LaVigne

Christopher M. LaVigne

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

I. (a) PLAINTIFFS

DEE NEUKRANZ, individually and as heir of the ESTATE OF LLOYD NEUKRANZ, and on behalf of a class of similar situated persons

(b) County of Residence of First Listed Plaintiff Collin County, Texas (EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorneys (Firm Name, Address, and Telephone Number)

Adam Sanderson, Brett Rosenthal, Reese Marketos LLP, 750 N. Saint Paul Street, Ste. 600, Dallas, Texas 75201-3202

DEFENDANTS

CONESTOGA SETTLEMENT SERVICES, LLC; PROVIDENT TRUST GROUP, LLC, ET AL

County of Residence of First Listed Defendant (IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

Attorneys (If Known)

(Provident); Greenberg Traurig, LLP; 2200 Ross Ave; Suite 5200; Dallas, TX 75201

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- 1 U.S. Government Plaintiff, 2 U.S. Government Defendant, 3 Federal Question (U.S. Government Not a Party), 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

Table with columns for Plaintiff (PTF) and Defendant (DEF) citizenship and business location (Citizen of This State, Citizen of Another State, Citizen or Subject of a Foreign Country, Incorporated or Principal Place of Business In This State, Incorporated and Principal Place of Business In Another State, Foreign Nation).

IV. NATURE OF SUIT (Place an "X" in One Box Only)

Large table with categories: CONTRACT, REAL PROPERTY, CIVIL RIGHTS, PRISONER PETITIONS, TORTS, FORFEITURE/PENALTY, LABOR, IMMIGRATION, BANKRUPTCY, SOCIAL SECURITY, FEDERAL TAX SUITS, OTHER STATUTES.

V. ORIGIN (Place an "X" in One Box Only)

- 1 Original Proceeding, 2 Removed from State Court, 3 Remanded from Appellate Court, 4 Reinstated or Reopened, 5 Transferred from Another District (specify), 6 Multidistrict Litigation - Transfer, 8 Multidistrict Litigation - Direct File

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):

Brief description of cause: Fraud, Conspiracy, aiding and abetting, civil theft, breach of fiduciary duty

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, F.R.Cv.P. DEMAND \$ 1,000,000.00 CHECK YES only if demanded in complaint: JURY DEMAND: Yes No

VIII. RELATED CASE(S) IF ANY

(See instructions): JUDGE DOCKET NUMBER

DATE SIGNATURE OF ATTORNEY OF RECORD

07/15/2019 /s/ Christopher M. LaVigne

FOR OFFICE USE ONLY

RECEIPT # AMOUNT APPLYING IFP JUDGE MAG. JUDGE

## Supplemental Civil Cover Sheet for Cases Removed From State Court

**This form must be attached to the Civil Cover Sheet at the time the case is filed in the U.S. District Clerk's Office. Additional sheets may be used as necessary.**

**1. State Court Information:**

Please identify the court from which the case is being removed and specify the number assigned to the case in that court.

<u>Court</u>	<u>Case Number</u>
160th District Court	DC-19-08025

**2. Style of the Case:**

Please include all Plaintiff(s), Defendant(s), Intervenor(s), Counterclaimant(s), Crossclaimant(s) and Third Party Claimant(s) still remaining in the case and indicate their party type. Also, please list the attorney(s) of record for each party named and include their bar number, firm name, correct mailing address, and phone number (including area code).

<u>Party and Party Type</u>	<u>Attorney(s)</u>
Plaintiff: DEE NEUKRANZ, individually and as heir of ESTATE OF LLOYD NEUKRANZ, and behalf of class	P: Adam Sanderson; Reese Marketos; 750 N. St Paul St, Suite 600; Dallas, TX 75201; 214-382-9810; Bar No. 24056264
See extra page attached for Defendants	See extra page attached for Defendants' Information

**3. Jury Demand:**

Was a Jury Demand made in State Court?  Yes  No

If "Yes," by which party and on what date?

Plaintiff  
 Party

June 4, 2019  
 Date

**4. Answer:**

Was an Answer made in State Court?  Yes  No

If "Yes," by which party and on what date?

\_\_\_\_\_ Party

\_\_\_\_\_ Date

**5. Unserved Parties:**

The following parties have not been served at the time this case was removed:

<u>Party</u>	<u>Reason(s) for No Service</u>
Conestoga Settlement Services LLC	(to be served through Michael McDermott - Puerto Rico)
Conestoga International, LLC	(to be served through Michael McDermott - Puerto Rico)
Conestoga Trust Services, LLC	In transit, Austin, Texas
Michael McDermott	to be served in Puerto Rico

**6. Nonsuited, Dismissed or Terminated Parties:**

Please indicate any changes from the style on the State Court papers and the reason for that change:

<u>Party</u>	<u>Reason</u>
N/A	

**7. Claims of the Parties:**

The filing party submits the following summary of the remaining claims of each party in this litigation:

<u>Party</u>	<u>Claim(s)</u>
Plaintiffs	Fraud, conspiracy, aiding and abetting, civil theft, and breach of fiduciary duty.

**SUPPLEMENTAL COVER SHEET, ADDITIONAL INFORMATION**

DC-19-08025

**2. Style of the Case:**

Please include all Plaintiff(s), Defendant(s), Intervenor(s), Counterclaimant(s), Crossclaimant(s) and Third Party Claimant(s) still remaining in the case and indicate their party type. Also, please list the attorney(s) of record for each party named and include their bar number, firm name, correct mailing address, and phone number (including area code).

Defendants:

<b>Party and Party Type</b>	<b>Attorney(s)</b>
CONESTOGA SETTLEMENT SERVICES, LLC	Unknown
CONESTOGA INTERNATIONAL, LLC	Unknown
CONESTOGA TRUST SERVICES, LLC	Unknown
L.L. BRADFORD AND COMPANY, LLC	Unknown
PROVIDENT TRUST GROUP, LLC	Christopher M. Lavigne: Bar No.: 24026984 Christopher Dodrill: Bar No.: 24110696 Greenberg Traurig, LLP; 2200 Ross Avenue, Suite 5200; Dallas, Texas 75201
STRATEGIX SOLUTIONS, LTD;	Unknown
MICHAEL MCDERMOTT	Unknown

### Case Information

DC-19-08025 | DEE NEUKRANZ vs. CONESTOGA SETTLEMENT SERVICES, LLC, et al

Case Number DC-19-08025	Court 160th District Court	Judicial Officer REDMOND, AIESHA
File Date 06/04/2019	Case Type OTHER (CIVIL)	Case Status OPEN

### Party

PLAINTIFF

NEUKRANZ, DEE

Aliases

AND AS HEIR OF THE ESTATE OF LLOYD NEUKRANZ

Active Attorneys ▾

Lead Attorney  
SANDERSON, ADAM  
Retained

DEFENDANT

CONESTOGA SETTLEMENT SERVICES, LLC

Address

c/o Michael Dermott  
644 Avenue Fernandez Juncos #301  
San Juan, Santurce 00907

DEFENDANT

CONESTOGA INTERNATIONAL, LLC

Address

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San Juan, Santurce 00907

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DEFENDANT

CONESTOGA TRUST SERVICES, LLC

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1455 PENNSYLVANIA AVE  
SUITE 400  
WASHINGTON DC 00918

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DEFENDANT

L.L. BRADFORD AND COMPANY, LLC

Address

8880 W. Sunset Road  
Las Vegas NV 89148

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DEFENDANT

PROVIDENT TRUST GROUP, LLC

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8880 W. Sunset Road  
Las Vegas NV 89148

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DEFENDANT

STRATEGIX SOLUTIONS, LTD.

Address

8880 W. Sunset Road  
Las Vegas NV 89148

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DEFENDANT

McDERMOTT, MICHAEL

Address

644 Avenue Fernandez Juncos  
Suite 301  
San Juan, Santurce 00907



## Events and Hearings

06/04/2019 NEW CASE FILED (OCA) - CIVIL

06/04/2019 ORIGINAL PETITION ▼

2019\_06\_04 Petition.pdf

Comment

Plaintiffs' Original Petition

06/05/2019 JURY DEMAND ▼

2019\_06\_05 ltr to clerk.pdf

06/10/2019 REQUEST FOR SERVICE ▼

Request For Service

06/10/2019 ISSUE CITATION ▼

Comment

ESERVE

06/12/2019 CITATION ISSUED ▼

DC-19-08025 1- CONESTOGA SETTLEMENT SERVICES, LLC.pdf

DC-19-08025 2- CONESTOGA INTERNATIONAL, LLC.pdf

DC-19-08025 3- CONESTOGA TRUST SERVICES, LLC.pdf

DC-19-08025 4- L.L. BRADFORD AND COMPANY, LLC.pdf

DC-19-08025 5- PROVIDENT TRUST GROUP, LLC.pdf

DC-19-08025 6- STRATEGIX SOLUTIONS, LTD..pdf

DC-19-08025 7- MICHAEL MCDERMOTT.pdf

06/12/2019 CITATION ▼

Anticipated Server

ESERVE

Anticipated Method

Comment

ESERVE/ACC 1- CONESTOGA SETTLEMENT SERVICES, LLC

<p>06/12/2019 CITATION ▼</p> <p>Anticipated Server <b>ESERVE</b></p> <p>Anticipated Method Comment <b>ESERVE/ACC 2- CONESTOGA INTERNATIONAL, LLC</b></p>
<p>06/12/2019 CITATION ▼</p> <p>Anticipated Server <b>ESERVE</b></p> <p>Anticipated Method Comment <b>ESERVE/ACC 3- CONESTOGA TRUST SERVICES, LLC</b></p>
<p>06/12/2019 CITATION ▼</p> <p>Anticipated Server <b>ESERVE</b></p> <p>Anticipated Method Comment <b>ESERVE/ACC 4- L.L. BRADFORD AND COMPANY, LLC</b></p>
<p>06/12/2019 CITATION ▼</p> <p>Anticipated Server <b>ESERVE</b></p> <p>Anticipated Method Actual Server <b>OUT OF STATE</b></p> <p>Returned <b>07/01/2019</b></p> <p>Comment <b>ESERVE/ACC 5- PROVIDENT TRUST GROUP, LLC</b></p>
<p>06/12/2019 CITATION ▼</p> <p>Anticipated Server <b>ESERVE</b></p> <p>Anticipated Method Comment <b>ESERVE/ACC 6- STRATEGIX SOLUTIONS, LTD.</b></p>
<p>06/12/2019 CITATION ▼</p>

<p>Anticipated Server <b>ESERVE</b></p> <p>Anticipated Method Comment <b>ESERVE/ACC 7- MICHAEL MCDERMOTT</b></p>
<p>06/24/2019 REQUEST FOR SERVICE ▼</p> <p>Request For Service</p>
<p>06/24/2019 ISSUE CITATION ▼</p> <p>ISSUE CITATION</p> <p>Comment <b>ESERVE</b></p>
<p>06/27/2019 CITATION ▼</p> <p>Anticipated Server <b>ESERVE</b></p> <p>Anticipated Method Comment <b>ESERVE CONESTOGA TRUST</b></p>
<p>07/01/2019 RETURN OF SERVICE ▼</p> <p>EXECUTED CITATION - PROVIDENT TRUST GROUP LLC</p> <p>Comment <b>EXECUTED CITATION - PROVIDENT TRUST GROUP LLC</b></p>
<p>07/03/2019 RETURN OF SERVICE ▼</p> <p>EXECUTED CITATION - STRATEGIX SOLUTIONS, LTD</p> <p>Comment <b>EXECUTED CITATION - STRATEGIX SOLUTIONS, LTD</b></p>
<p>07/03/2019 RETURN OF SERVICE ▼</p> <p>EXECUTED CITATION - L.L. BRADFORD AND COMPANY, LLC</p> <p>Comment <b>EXECUTED CITATION - L.L. BRADFORD AND COMPANY, LLC</b></p>
<p>08/06/2019 DISMISSAL FOR WANT OF PROSECUTION ▼</p> <p>160th Dismissal</p>

Judicial Officer  
 REDMOND, AIESHA

Hearing Time  
 3:00 PM

Comment  
 CASE FILED 6-4-19; DEF UNSERVED.

### Financial

NEUKRANZ, DEE

Total Financial Assessment	\$396.00
Total Payments and Credits	\$396.00

6/5/2019	Transaction Assessment		\$292.00
6/5/2019	CREDIT CARD - TEXFILE (DC)	Receipt # 37281- 2019-DCLK	NEUKRANZ, DEE (\$292.00)
6/5/2019	Transaction Assessment		\$40.00
6/5/2019	CREDIT CARD - TEXFILE (DC)	Receipt # 37351- 2019-DCLK	NEUKRANZ, DEE (\$40.00)
6/11/2019	Transaction Assessment		\$56.00
6/11/2019	CREDIT CARD - TEXFILE (DC)	Receipt # 38799- 2019-DCLK	NEUKRANZ, DEE (\$56.00)
6/25/2019	Transaction Assessment		\$8.00
6/25/2019	CREDIT CARD - TEXFILE (DC)	Receipt # 41999- 2019-DCLK	NEUKRANZ, DEE (\$8.00)

## Documents

2019\_06\_04 Petition.pdf

2019\_06\_05 ltr to clerk.pdf

160th Dismissal

Request For Service

DC-19-08025 1- CONESTOGA SETTLEMENT SERVICES, LLC.pdf

DC-19-08025 2- CONESTOGA INTERNATIONAL, LLC.pdf

DC-19-08025 3- CONESTOGA TRUST SERVICES, LLC.pdf

DC-19-08025 4- L.L. BRADFORD AND COMPANY, LLC.pdf

DC-19-08025 5- PROVIDENT TRUST GROUP, LLC.pdf

DC-19-08025 6- STRATEGIX SOLUTIONS, LTD..pdf

DC-19-08025 7- MICHAEL MCDERMOTT.pdf

Request For Service

ISSUE CITATION

EXECUTED CITATION - PROVIDENT TRUST GROUP LLC

EXECUTED CITATION - STRATEGIX SOLUTIONS, LTD

EXECUTED CITATION - L.L. BRADFORD AND COMPANY, LLC



CAUSE NO. DC-19-08025

Danitra Wilkerson

DEE NEUKRANZ, individually and as	§	IN THE DISTRICT COURT OF
heir of the ESTATE OF LLOYD	§	
NEUKRANZ, and on behalf of a class of	§	
similarly situated persons,	§	
	§	
<i>Plaintiffs,</i>	§	
v.	§	
	§	DALLAS COUNTY, TEXAS
CONESTOGA SETTLEMENT	§	
SERVICES, LLC; CONESTOGA	§	
INTERNATIONAL, LLC; CONESTOGA	§	
TRUST SERVICES, LLC; L.L.	§	160th
BRADFORD AND COMPANY, LLC;	§	_____ JUDICIAL DISTRICT
PROVIDENT TRUST GROUP, LLC;	§	
STRATEGIX SOLUTIONS, LTD.; and	§	
MICHAEL MCDERMOTT,	§	
	§	
<i>Defendants.</i>	§	CLASS ACTION
	§	JURY DEMAND

**ORIGINAL PETITION**

Dee Neukranz, individually and as heir of the Estate of Lloyd Neukranz and on behalf of a class of similarly situated persons, by and through her attorneys at Reese Marketos LLP, brings this Original Petition against Defendants Conestoga Settlement Services, LLC; Conestoga International, LLC; Conestoga Trust Services, LLC; Michael McDermott (the foregoing, collectively, “Conestoga”); Provident Trust Group, LLC (“Provident”); L.L. Bradford and Company, LLC (“Bradford”); and Strategix Solutions, Ltd. (“Strategix”) (collectively, the “Defendants”).

**I. DISCOVERY LEVEL**

1. Discovery in this action is intended to be conducted under Level 2 of Texas Rule of Civil Procedure 190.

## II. SUMMARY OF THE ACTION

2. This is an action for fraud, conspiracy, aiding and abetting, civil theft, and breach of fiduciary duty, to recover the life savings that Dee Neukranz and her husband Bill (and others like them) have lost as the result of a life settlement investment scam perpetrated by Conestoga, Provident, and the other Defendants.

3. A life settlement is a transaction in which an insured person sells his or her life insurance policy to a third party. Conestoga is in the business of buying life settlements and then selling fractional interests in those life settlements to targeted investors. Conestoga and Provident fraudulently sold fractional interests in life settlement contracts to Dee and Bill Neukranz, among others. When offering the life settlements for sale, Defendants falsely represented that these investments would either “Win Early,” “Win On Time,” or “Win Later,” and that the investments were “safe,” “simple,” “predictable,” and “designed to *always win*.”

4. Although Defendants warned that an inherent risk in a life settlement contract is that the insured person may outlive his or her life expectancy, Defendants assured potential buyers (including Dee and Bill) that it had carefully mitigated this risk by partnering with a supposedly independent escrow agent and an accounting firm—Provident and Bradford, respectively—who would maintain sufficient funds in escrow to cover the premiums due on the insurance policies over the expected life of the insured persons, plus an additional period beyond each insured’s expected life. But this was a lie; in fact, Defendants did not maintain adequate premium reserves.



5. Defendants also vastly understated the annual premiums that investors would be required to pay in the event that the insured person outlived the escrowed reserves, and they failed to disclose the critical fact that premium costs would rise over time.

6. Relying on these and other representations, Dee and Bill paid hundreds of thousands of dollars from their Individual Retirement Account (IRA) to purchase fractional interests in eleven life insurance policies. Unbeknownst to Dee and Bill, nearly everything Defendants had told them about the escrow reserves was false.

7. Within only a few years, the Defendants began demanding that Dee and Bill begin making additional insurance premium payments because the escrow accounts had been depleted sooner than promised. The Neukranzes were given the impossible choice of either capitulating to these demands by paying thousands of dollars in unexpected, undisclosed insurance premiums, or else forfeiting their investments and losing their retirement savings.

8. This demand for more money *did not only happen with respect to one underlying policy, but nearly all of them*. Month after month, the Defendants demanded that the Neukranzes make additional premium payments and these demands for more money continued to escalate in price. Bill, in the midst of battling a terminal illness, wrote to Conestoga and Provident multiple times, seeking answers. Defendants ignored his letters.

9. Not only did premium calls arrive earlier than promised, the amounts demanded greatly exceeded the disclosed costs. In November 2017—just 49 months after

making their initial investment—the Neukranzes were forced to pay \$12,724 on one policy, despite the fact that Defendants had represented that annual premiums would be just \$7,355 and would not begin until 2018. In 2018, the Neukranzes paid \$7491.45 on one policy, \$11,482 on a second, \$10,326 on a third, \$5,823 on a fourth, and an additional \$11,834 on the policy that incurred the November 2017 payment.

10. Each of these payments significantly exceeded the amount promised, and most of them occurred earlier than expected. In 2017 and 2018 alone, even putting aside the early *timing* of the payments, the Neukranzes were forced to pay *nearly \$21,000 more than the annual premiums they were promised.*

11. Bill passed away after a long battle in February 2019, but the premium demands continued. In March 2019, Dee paid \$9,470.66 on one policy. In May, she paid \$5,373.01 on a second. In June, she paid \$7,494.23 on one policy and \$824.61 on another. The Defendants have demanded an additional \$14,050.26 on yet another policy and a whopping \$16,059.34 on still another to be paid later in June. Later this year, Dee will likely face additional calls, including one for \$11,188, another for \$7,200, and another for \$721. If she misses these payments, her interest in the underlying policy will lapse, and her entire investment will be lost.

12. As before, these demands each exceed the amounts that the Defendants represented would be owed, and several of the demands are months or years earlier than represented. What was sold as “win early, win on time, or win later” has turned out to be pay early, pay extra, and pay again and again and again.

13. Meanwhile, only one of the eleven insurance policies in Dee's portfolio has matured; yet, even that policy did *not pay a dime in benefits* to her or any other investors because it turned out to be a stranger originated life insurance policy (STOLI), which are broadly illegal. When the insured person on that policy passed away, the insurance company refused to pay the benefit because the policy was an illegal STOLI. Conestoga and its agents had promised to the Neukranzes when selling them their interests in the policies that they did *not sell STOLIs*. As it turns out, that lie was just the tip of the iceberg.

14. Among the many misrepresentations that the Defendants told people like the Neukranzes, three were particularly material and fundamental to the fraud.

15. First, Defendants failed to disclose that the insurance companies that issued the underlying policies could and would raise the cost of insurance through higher premiums and other fees. Defendants knew that the insurance companies would increase the cost of insurance over time, and Defendants secretly planned to pass these undisclosed costs to participants (including the Neukranzes).

16. Instead of disclosing these important facts, Defendants misled investors by circulating marketing materials that deceived them into believing that the insurance costs on the underlying policies would remain flat over the remaining lives of each of the insureds. For example, Defendants' hypothetical computations of expected returns and calculations of premium reserves assumed flat premium payments. In fact, Defendants knew that the escalating insurance costs would inevitably deplete the premium reserves much faster than promised and, therefore, require the unsuspecting participants (including

the Neukranzes and others) to pay oversized, untimely premiums or, alternatively, forfeit their investments.

17. Second, Defendants falsely represented that they had escrowed enough funds in reserve to cover the future insurance costs on each of the underlying policies over the stated life expectancy of each insured person, *plus an additional grace period beyond the life expectancy*. In truth, Defendants, particularly Conestoga, Provident, and Bradford, knew that there was not enough money in escrow to cover the costs of insurance over the expected lives of the insureds, and they hid this fact from investors, including the Neukranzes.

18. To solicit investors to purchase fractional interests, Provident had promised to handle the escrow funds and pay the premiums in accordance with the disclosed terms of the investment, and Bradford was supposed to audit the escrow accounts as a check-and-balance to purportedly protect investors. The Defendants intentionally misled investors regarding the cost of insurance and the amounts actually held in escrow, and hid the fact that the increasing insurance premiums were causing the escrow reserves to dwindle much faster than represented. Defendants also falsely represented that they were independent of each other and not subject to any conflicts of interest.

19. Third, Defendants misrepresented that the stated life expectancies were based on good-faith estimates and disinterested medical underwriting, even telling the unsuspecting participants that the life expectancy estimates were likely “conservative.” In fact, the estimates were systematically understated due to a deliberately skewed methodology and dishonest medical underwriting.

20. The fraud perpetrated by the Defendants on numerous participants across the country, many of whom are retirees like the Neukranzes, only recently came into view. The Defendants fraudulently concealed the scheme for years through false statements, delay tactics, failure to adequately maintain a promised online portal for investors to track their investments, and material omissions that they had a legal duty to disclose. As a result of Defendants' fraud and other torts, the Neukranzes and many others like them suffered significant financial harm, including the loss of much of their life savings. This Court can and should remedy these harms by granting equitable and monetary relief to the victims.

### III. THE PARTIES

20. Plaintiff Dee Neukranz ("Neukranz") is an individual residing in Collin County, Texas. Neukranz and her husband Lloyd W. "Bill" Neukranz (the "Neukranzes") used community property to buy fractional interests of life settlement contracts that were marketed and serviced by the Defendants. Neukranz brings claims in this action both individually and as heir of the Neukranz Estate.

21. Plaintiff Neukranz Estate is the estate of decedent Lloyd W. Neukranz, who passed away on February 23, 2019. Prior to his death, Mr. Neukranz resided in Collin County, Texas. He is Neukranz's late husband. No administration of the Neukranz Estate is pending, and none is necessary. Neukranz is an heir to the Neukranz Estate and may assert survival claims on behalf of the Neukranz Estate.

22. Defendant Conestoga Settlement Services, LLC is a limited liability company organized under the laws of Delaware. Conestoga Settlement Services, LLC is an

original settlor for the Conestoga Trust and is managed by Michael McDermott. Conestoga Settlement Services, LLC may be served with process by and through Michael McDermott at 644 Avenue Fernandez Juncos, Suite 301, San Juan, Puerto Rico 00907.

23. Defendant Conestoga International, LLC is a limited liability company organized under the laws of Puerto Rico. Conestoga International, LLC is an additional settlor for the Conestoga Trust and is managed by Michael McDermott. Conestoga International, LLC may be served with process by and through Michael McDermott at the Puerto Rico address listed above.

24. Defendant Conestoga Trust Services, LLC is a limited liability company believed to be organized under the laws of Delaware. Conestoga Trust Services, LLC is or was the trustee of the Conestoga Trust (formerly known as the Conestoga Settlement Trust), which holds life insurance policies for the benefit of Conestoga and any investors in Conestoga life settlement contracts. Conestoga Trust Services, LLC may be served with process by and through De Leon Washburn & Ward, P.C., at 901 South Mopac Expressway, Barton Oaks Plaza, Building 5, Suite 230, Austin, Texas 78746.

25. Defendant L.L. Bradford and Company, LLC (“Bradford”) is a limited liability company that is believed to be organized under the laws of Nevada. Bradford was purportedly responsible for numerous accounting, financial, and auditing services in relation to the Conestoga life settlement investments, including reviewing escrow agreements, policies and procedures, and accounting records related to escrow activity. Bradford may be served with process at its principal place of business at 8880 W Sunset Road, Las Vegas, Nevada 89148.

26. Defendant Provident Trust Group, LLC (“Provident”) is a Nevada limited liability company. Provident served as the IRA custodian for Conestoga investors (including the Neukranzes) and as the escrow agent for Conestoga and was entrusted to manage investors’ funds in relation to the investments. Provident may be served with process at its principal place of business, which (like Bradford) is located at 8880 W Sunset Road, Las Vegas, Nevada 89148.

27. Defendant Strategix Solutions, Ltd. (“Strategix”) is a limited liability company organized under the laws of Nevada with its principal place of business in Nevada. At some point after Neukranz invested in Conestoga life settlements, Strategix took over for Provident as Conestoga’s escrow agent. Strategix may be served with process at its principal place of business, which (like Provident and Bradford) is located at 8880 W Sunset Road, Las Vegas, Nevada 89148.

28. Defendant Michael McDermott (“McDermott”) is the founder and manager of Conestoga, including Conestoga Settlement Services, LLC and Conestoga International, LLC. McDermott can be served with process at his principal place of business at 644 Avenue Fernandez Juncos, Suite 301, San Juan, Puerto Rico 00907. Prior to 2019, based on publicly available information, McDermott resided at 4007 Killion Drive, Dallas, Texas 75229.

#### IV. JURISDICTION AND VENUE

29. The Court has subject-matter jurisdiction because the acts or omissions giving rise to the claims occurred in Texas and the amount in controversy is within the jurisdictional limits of the Court.

30. This Court has personal jurisdiction over the Defendants because the claims asserted in this action arise out of and are connected to the Defendants' activities within and specifically directed towards Texas.

31. Venue in this Court is proper because Defendant McDermott resided in Dallas County at the time the causes of action accrued and a substantial portion of the events or omissions giving rise to the claims occurred in Dallas County.

## V. STATEMENT OF FACTS

### A. Conestoga Offered Life Settlements for Sale

32. A life settlement contract (also known as a viatical settlement contract) is a transaction in which an insured person—typically a person that is elderly or terminally ill—sells his or her life insurance policy to a third party for less than the amount of the benefit.

33. Once the life insurance policy has been acquired, the purchaser becomes the beneficiary and has the right to collect the death benefits payable under the policy at maturity (i.e. when the insured person dies). In order to maintain the policy, the purchaser must pay any premiums owed on the policy. The purchaser may also sell the policy, or fractional interests in it, to third parties.

34. Conestoga purportedly purchased numerous life settlements that had been previously purchased from insured persons. According to Conestoga's marketing materials, the aggregate face value (that is, the sum total of the death benefits from all owned policies) of its life settlement portfolio was \$55,650,000. After purchasing the life settlements and becoming the beneficiary on the policies, Conestoga marketed fractional



interests in the life settlements to individuals (which it referred to as “participants”), many of whom were retirees or soon-to-be retirees.

35. Conestoga established the Conestoga Trust to hold the beneficial interests in the life settlements on behalf of the owners of the life settlement interests, including itself and the participants. The trustee of the Conestoga Trust was Conestoga Trust Services, LLC. Pursuant to the trust agreement, the Conestoga Trust would receive the death benefits from a given life settlement policy on behalf of all owners of the life settlement when the policy matured.

36. To help solicit investors, Conestoga represented to investors that it had implemented checks and balances with other independent entities to avoid any conflicts of interest. Conestoga represented that it was working closely with Provident, and that Provident had established escrow accounts and would perform as the escrow agent. The stated purpose of the escrow account was to hold funds, including funds contributed by Conestoga’s third-party participants, and to use those funds to make premium payments on the purchased policies.

37. Bradford was responsible for providing accounting and auditing services for the escrow account. Conestoga represented to participants that Bradford was an independent accounting firm with no relationship or conflicts of interest in relation to Provident or Conestoga. Bradford was supposed to review the participant premium escrow accounts and provide periodic reports about the accounts. Conestoga represented to participants that Dustin Lewis, an audit partner at Bradford who specialized in

accounting and auditing of companies, would be involved in conducting the escrow accounting and auditing work.

38. Strategix took over for Provident as escrow agent at some point after October 2013 and before January 2019.

39. Conestoga employed independent contractors as salespersons, including an individual named Brady Speers. According to Conestoga's written marketing materials, interests in life settlements from Conestoga were "sold exclusively by representatives authorized to do so by Conestoga."

40. In order to induce participants to purchase an interest in Conestoga life settlements, Conestoga provided potential buyers, including the Neukranzes, with written materials that described the proposed life settlement investments and the purported risks of participating. These written sales materials included the Fractional Life Settlement Portfolio, the Private Placement Memorandum, the Policy Selection Sheet, and so-called "Important Disclosures" regarding "Significant Risk Factors" (collectively, the "Written Sales Materials").

41. Provident and Bradford were both prominently featured in the Written Sales Materials regarding the life settlements. Provident and Bradford reviewed and approved the Written Sales Materials before these materials were given to prospective participants.

42. Provident and Bradford knew that the Written Sales Materials contained false and misleading statements regarding the investments.

43. As explained in further detail below, the Written Sales Materials were replete with material falsehoods and omissions.

**B. Misrepresentations About Conestoga Life Settlements**

44. Independent contractors acting at Conestoga's direction, including Speers, solicited the Neukranzes to purchase interests in Conestoga's life settlement contracts. These contractors gave prospective investors like the Neukranzes the Written Sales Materials to provide information about the life settlements.

**i. The Fractional Life Settlement Portfolio**

45. One of the Written Sales Materials that Defendants caused to be delivered to Neukranz and the other participants to solicit their investments was the Fractional Life Settlement Portfolio. The Fractional Life Settlement Portfolio stated that it should be "preceded by or accompanied by, and read in conjunction with the Private Placement Memorandum to fully understand the implications and risks of the offering of interests in life settlements to which [the Fractional Life Settlement Portfolio] relates." The Private Placement Memorandum is discussed below.

46. The Fractional Life Settlement Portfolio described the Conestoga life settlements as "safe," "simple," and "predictable," with "[n]o moving parts, except the passage of time, and the payment of premiums."

47. In fact, the life settlements were highly risky and involved a variety of "moving parts" that were never disclosed, including that the insurance companies had the right, and as a matter of course would, substantially raise premiums on the policies beyond those amounts stated in the Written Sales Materials, causing the premium reserves represented in the materials to be substantially overstated and requiring participants like

Neukranz to meet astronomical premium demands significantly earlier than represented in order to avoid forfeiting their investment.

48. According to the Fractional Life Settlement Portfolio, the Conestoga life settlements “are designed to offer one result.” In particular, the Conestoga life settlements are “designed to always win.” But as Conestoga knew, many participants would not “win” and instead would lose money, sometimes the entirety of their investment, by participating in life settlements offered by Conestoga.

49. The Fractional Life Settlement Portfolio proclaimed three possible results from participating in a Conestoga life settlement: “Win Early,” “Win On Time,” or “Win Later.” By contrast, the document claimed that “traditional investments offer three results”: “Win,” “Lose,” or “Draw.” This falsely implied that participants would make money (“win”), not lose money (“lose”) or come out even (“draw”), by participating in the life settlements.

50. The Fractional Life Settlement Portfolio stated that “[n]o Stranger Originated Life Insurance Policies (STOLI) are offered.” However, at least some of the life insurance policies in Conestoga’s portfolio were STOLIs. For example, at least one of the life insurance policies in which Neukranz and her husband purchased an interest was later revealed to be a STOLI. Neither Conestoga nor any of its representatives ever disclosed that the policy was a STOLI. Conestoga later promised the Neukranzes that it would replace the policy, but it did not do so.

51. The Fractional Life Settlement Portfolio represented that “Conestoga escrows premiums for more than six years to more than eight years for the policies

offered in its portfolio.” However, in fact, participants (including Neukranz) have been routinely required to pay additional premiums within six years of investing to avoid lapsing their interest.

52. The Fractional Life Settlement Portfolio represented that its “escrow agent,” Provident (and later Strategix), “provides clients with a window into the transparency of the process with 24/7 access to view their contracts, interest credited, premiums paid, and individual account balances.” Similarly, the Fractional Life Settlement Portfolio represented that “[p]articipants have online access to monitor their accounts.” This was another material misrepresentation. In fact, the online portal was not adequately maintained, preventing participants such as the Neukranzes from monitoring their investments or the purported escrowed reserves.

53. The Written Sales Materials, including, but not limited to the Fractional Life Settlement Portfolio, represented that all entities involved in the Conestoga life settlement transactions—specifically including several Conestoga entities, Provident, and Bradford—were “independent of each other with the exception of Conestoga Settlement Services, LLC and Conestoga International, LLC.” The Fractional Life Settlement Portfolio continued that the “use of independent entities, including an escrow agent [Provident], accounting firm [Bradford], custodial bank, and compliance law firm, ensures that checks and balances are built into the Conestoga model.”

54. In fact, these entities—particularly (but not limited to) Provident and Bradford (and later Strategix)—were not independent of each other and had conflicts of interest that were not properly disclosed to participants. Provident, Bradford, and

Strategix each have their principal place of business at the same address in Nevada and have other business relationships and common interests.

55. The Fractional Life Settlement Portfolio provides a false and misleading estimate of the expected rate of return for participants. In a Frequently Asked Questions (FAQ) section, the documents addressed the question, “What annual rate of return should I expect?” The answer states, in part, as follows:

Your hypothetical annual rate of return is determined by the duration between the purchase of the investment and when the investment pays off. For example, with a policy paying a 56% total fixed return, an investment of \$100,000 in the policy will return \$156,000 upon maturity. If that term is five years, your annual rate of return would, in effect, be 11.2%. If it's seven years, your return would be 8%. We acquire policies from insureds 75 years of age and older with chronic or degenerative health conditions.

56. As with other disclosures throughout the Written Sales Materials, the answer to this FAQ assumes that participants will not be required to invest additional funds and obfuscates the fact that the participants' annual rate of return will likely be substantially diminished (or even might produce a substantial loss) because the participants will likely be required to make significant premium payments (and in ever-increasing amounts) in the intervening years to maintain the policy due to a shortfall in the escrowed premium reserves and increasing annual insurance costs, as well as understated life expectancies.

57. In response to another FAQ regarding how Conestoga makes money, Conestoga responded: “We simply make a margin above: (1) what we pay for the policy; and (2) costs of funding the premium accounts.” Conestoga failed to disclose the

magnitude of the “margin,” which detracted from funds available in escrow to pay the costs of insurance.

58. Conestoga also failed to properly disclose that, as the ultimate beneficiary on the life settlements, it would also make money on any portion of death benefits that were not attributable to participants at the time the policy matured, including any portion that had previously been owned by participants who defaulted on premium demands and forfeited their interest in the policy.

**ii. The Private Placement Memorandum**

59. Another Written Sales Material provided to the Neukranzes and other participants was the Private Placement Memorandum (PPM). As with the Fractional Life Settlement Portfolio, the PPM was replete with material misrepresentations about the Conestoga life settlements.

60. The PPM represented that the “only variable is the date the policy matures, i.e., when the insured person dies.” However, in fact, there were numerous other variables that were not properly disclosed. These variables included the fact—which was known to Defendants at the time—that the insurance companies had the right to raise the annual premiums and insurance costs on the policies and that, as a matter of course, they would do so. In addition, these variables included the related fact—which was known to Defendants at the time—that the escrowed reserves would be insufficient to cover the costs of insurance during the represented life expectancy of the insured.

61. The PPM represented that the “most important factor in pricing fractional interests in policy benefits is the life expectancy of the insured person.” Elsewhere, the

PPM stated that the “primary factor” in calculating expected returns “is the date when the insured person dies and when the Participant is paid the applicable percentage of the death benefit.” These and other similar representations throughout the PPM are grossly misleading because they downplayed and distracted from other critical variables, including (a) the extent to which the insurance company could and would raise premiums, and (b) the period during which premium reserves would be sufficient to cover required premiums.

62. Like the Fractional Life Settlement Portfolio, the PPM gave the false and misleading impression that participants were likely to be protected from future premium calls because the PPM misrepresented that the amounts held in escrow would be enough to cover the stated life expectancy of each insured, *plus* an additional cushion period, and that the cost of each insurance policy would remain a fixed amount until such policy matured. For example, the PPM stated:

The cost of participation in a policy is established as a function of the insured person’s life expectancy estimates (as described herein) as of the time the policy had been purchased. Depending upon the particular policy and the person insured thereunder, some additional time may be added to the average life expectancy calculated. In those instances, estimated premiums are calculated and placed into escrow for the extended time period.

63. In describing the calculation of life expectancy, the PPM similarly stated: “If the insured person dies before the period of life expectancy, the Participant *will have funds remaining in escrow.*” (emphasis added). The PPM continued: “No one can with certainty predict the date of death of the insured person. For that reason, Conestoga *requires that premiums for an additional amount of time beyond the estimated life*



*expectancy of the insured person be placed into escrow, to keep the policy in force.”* (emphasis added) These statements misled investors into believing that the escrowed reserves would be sufficient to pay the costs of insurance throughout the stated life expectancy, plus an additional period.

64. Further, the PPM represented that Defendants would “protect participants against the risk of increased longevity of the insureds whose policies Conestoga purchases” because “Conestoga’s pricing model may include estimated premiums to pay for the policies for *an additional period of time beyond the life expectancy estimate placed on a particular policy.*” Later, the PPM stated that Conestoga “may add an additional period of time to that average [life expectancy] to obtain the final figure for purposes of calculating the amount of premium to escrow.” These statements implied that escrow reserves would be sufficient to pay premiums for an additional period beyond the stated life expectancy of the insured.

65. In fact, however, the amounts held in escrow were nearly always insufficient to cover the stated period of life expectancy, much less any additional amount of time beyond the stated life expectancy. At the time these representations were made, Conestoga and Provident knew that the escrowed reserves would be insufficient to cover insurance costs for the stated life expectancy of the insured and typically would be insufficient to cover premiums for any additional period beyond the stated life expectancy of the insured.

66. The PPM reiterated the falsehood regarding so-called STOLI policies, stating that “[n]o STOLI (stranger originated life insurance) policies are considered for

purchase in the Conestoga portfolio of policies.” In fact, Conestoga’s portfolio included STOLI policies, including, for example, at least one in which the Neukranzes purchased a fractional interest.

67. The PPM deliberately underestimated the expected life expectancy of the insured. The PPM represented that “[a]verage life expectancies are predicted by two licensed and registered independent life expectancy underwriting companies, or by a combination of an underwritten life expectancy and a life expectancy issued by the United States Social Security Administration.” Although the PPM warned that measuring life expectancy estimates are “inherently uncertain,” it failed to disclose that its methodology for calculating life expectancies was intended to understate life expectancies by a significant margin for the insured persons on most of the policies in the Conestoga life settlement portfolio.

68. Conestoga knew that the methodology it used to calculate the stated life expectancies was unreliable. Conestoga also knew that the medical underwriting reports contained false and misleading representations that were unduly negative about the health condition of the insured persons.

69. Conestoga failed to disclose that the medical underwriters had conflicts of interest with Conestoga and were not truly independent.

70. Due to the flawed methodology, the majority of insured persons have outlived their stated life expectancies by a considerable margin. For example, in November 2013, the Neukranzes purchased interests in eleven life settlements with stated life expectancies of the insured persons of 36, 39, 48, 48.5, 51, 58, 61, 65, 66, 72, and 74

months, respectively. However, as of June 2019, only one of the eleven insured persons has died (and that policy did not pay a death benefit because the policy turned out to be a STOLI).

71. Despite the fact that Conestoga's life expectancy estimates were deliberately understated and the fact that Conestoga knew that most insured persons would likely outlive the stated life expectancies, the PPM falsely and misleadingly represented that "Conestoga's life expectancy reports are conservative." Conestoga knew the estimates were not conservative.

72. The PPM failed to make adequate disclosures regarding the risks of the Conestoga life settlements. As before, the PPM emphasized that "the primary risk factor involved in this transaction is time" and that, "[a]fter the funds held in escrow for the payment of premiums has been depleted, Participants who own beneficial percentages of the policies affected will be required to pay additional premiums to maintain the policy and to keep it in force." However, these disclosures did not adequately convey that insurers could and would raise premiums, that the premium reserves would be insufficient to cover the premium payments during the stated life expectancy of the insured (much less for an additional period), and that the stated life expectancy was systematically underestimated. The PPM failed to adequately warn of these substantial risks of the investment.

73. In addition, the PPM failed to disclose that the insurance companies would undoubtedly increase the costs of the underlying insurance policies and that Defendants would pass these undisclosed rising costs to participants.

74. The PPM also misleadingly stated that, “Conestoga sets aside a portion of each investor’s purchase amount in an escrow accounted estimated to be sufficient to pay premiums on the policies through the averaged life expectancies of the insureds and may designate funds to pay premiums for an additional time period.” These statements reinforced the false and misleading impression that premium reserves would cover the stated life expectancy of the insured person.

75. All of these representations misrepresented and obfuscated that the investments were extremely risky because the insurance companies would raise premium costs on the underlying policies, the premium reserves would be insufficient to cover these increased premium costs for the stated life expectancy of the insured persons (plus an additional period), and the life expectancies were understated.

**iii. The “Important Disclosures” of “Significant Risk Factors”**

76. Another Written Sales Material provided to Neukranz and other Conestoga participants was the Important Disclosures of Significant Risk Factors (the “Disclosures”). The Disclosures repeated and reinforced many of the misrepresentations described above.

77. For example, regarding the escrowed premium reserves, the Disclosures stated: “No one can with certainty predict the date of death of the life settlor. For that reason, Conestoga escrows additional premiums for an additional amount of time beyond the estimated life expectancy of the insured, to keep the policy in force.” However, as explained above and as Defendants knew at the time, the premium reserves very likely

would not cover the premiums even for the stated life expectancy of the insured, much less for an additional period.

78. Similarly, the Disclosures represented that, “[i]f the life settlor lives longer than expected, and beyond the additional amount of time for which additional estimated premiums have been escrowed, you [i.e. the participant] may be requested to pay your percentage share of additional premiums necessary to continue to keep the life insurance policy in force.” However, as Defendants knew at the time, the participant would likely be required to pay significant additional premiums within the stated life expectancy of the insured, not only if the life settlor lived longer than expected.

79. The Disclosures stated that the “change in the value of your participation will be higher than expected if the maturity date comes before the expected life expectancy of the life settlor, and will be lower than expected if the maturity date comes after the estimated life expectancy of the life settlor.” However, the value of the policy was almost certain to be lower than expected *regardless when the life settlor died* due to higher-than-expected premium costs.

80. In various hypothetical “examples” of how the life settlements would be managed, the Disclosures consistently misled the participants about the realities of the transaction. One example describes a hypothetical insured person with a (stated) 58-month life expectancy. The example stated: “While the life expectancy for the life settlor is estimated at 58 months, Conestoga shall add an additional period of 30 months for which to keep the estimated premium amount in escrow.” Thus, the Disclosures

explained, the participant would only be required to make premium payments “[i]f the settlor lives beyond 88 additional months.”

81. Every aspect of this hypothetical was false or misleading. In reality, the stated life expectancy was purposefully underestimated, Defendants did not maintain adequate premium reserves to cover expected premiums for the stated life expectancy, Defendants did not add funds to cover an additional period of premiums beyond the stated life expectancy, and the participant would likely be required to make premium payments before the stated life expectancy period elapsed. The notion that a participant in the hypothetical situation would not pay premiums until 88 months after purchasing the life settlement interest was a total farce.

**iv. The Policy Selection Sheet**

82. Another Written Sales Material provided to Neukranz and other participants was the Policy Selection Sheet (the “PSS”). Although the particular data on each participant’s PSS varied, the PSS given to each participant contained similar misrepresentations because the PSS was a form document and the categories on the form itself were false and misleading.

83. The PSS described the particular life settlements in which the participant was purchasing a fractional interest. This was a critical document for presenting summary information about the proposed purchases, and potential participants (including the Neukranzes) heavily relied on these representations. Defendants encouraged participants to rely on the PSS.



which Conestoga purchased the policy rather than the date on which the participant purchased her interest in the policy. This obscured the relationship between the insured's current age (which was based on the date on which the participant purchased her interest) and the stated life expectancy, premium reserves, and the age at which premium demands would begin.

b. It stated the estimated age when premium calls would begin by simply adding the value in the original premium reserve column to the value in the current age column. However, this was false and misleading because the original premium reserve and current age were correlated to different dates. Thus, the actual estimated age when premium calls would begin (even putting aside the other misrepresentations described below) was likely to be substantially earlier than represented in the document.

c. It stated the estimated annual premium without disclosing (or adjusting for) the fact that the insurance company could and would (as Defendants were well aware at the time) raise the annual premiums. Thus, the document was false and misleading regarding the estimated annual premiums.

d. It calculated the duration of the original premium reserve by dividing the funds designated for premium by the estimated annual premium. However, because the annual premiums would increase substantially when insurers raised premium costs, the duration of the original premium reserve was significantly overstated and therefore false and misleading.



C. The Neukranzes Relied on the Misrepresentations

87. Like other Conestoga participants, the Neukranzes reasonably relied to their detriment on the misrepresentations in the written sales materials.

88. The most important factor to the Neukranzes (and other investors) when deciding whether to participate was the potential for and magnitude of likely future out-of-pocket costs. The Neukranzes (and other investors) relied on Defendants' repeated assurances that annual premiums would not increase, that sufficient escrow reserves would be maintained to pay required premiums throughout the expected life of the insured persons and beyond, and that the stated life expectancies were calculated in good faith.

89. These facts would be highly relevant and material to any reasonable person considering purchasing an interest in a Conestoga life settlement. The Defendants had a duty to disclose these facts because (a) these facts would have been highly material to any reasonable participant considering an investment; (b) the Defendants, including at least Conestoga and Provident, owed fiduciary duties to the participants as a result of the trust and confidence placed in them; (c) the omitted information was only available to Defendants, and not available to investors; and (d) the Defendants had made false and misleading statements that gave rise to a legal duty to supplement and/or correct the false statements.

90. Conestoga never disclosed one of the most important risks of participating in these investments: that the underlying insurance policies *were not premium-level policies*. This meant that the insurance companies could and would increase the payments

owed on a regular and consistent basis throughout the remaining lives of the insured. This fact was material to any reasonable person.

91. Had Conestoga been forthcoming about the true facts and risks, the Neukranzes—as well as all other reasonable participants—would not have participated. No reasonable person would knowingly participate in a life settlement contract wherein the insurer could and would substantially increase the cost of insurance, or the premium reserves were inadequate to cover the stated life expectancy of the insureds, or life expectancies were deliberately understated.

92. In addition, the representation that Conestoga did not offer STOLIs was material to Neukranz because STOLIs are illegal and an insurance company that issues a STOLI is not required to pay death benefits when the policy matures. When the STOLI policy that the Neukranzes unwittingly purchased matured, the insurance company refused to pay the death benefit. The Neukranzes received no proceeds from the policy, and despite repeated requests by the Neukranzes, Conestoga failed to honor its promise that it would issue a refund or replace the STOLI policy with another substantially similar, non-STOLI policy.

**D. The Other Defendants' Roles in the Fraudulent Enterprise**

93. McDermott managed (and still manages) the Conestoga entities and was responsible for the conduct of the Conestoga entities.

94. Provident and Bradford played an instrumental role in perpetuating the fraudulent scheme. Investors, including, but not limited to the Neukranzes, would never

have agreed to invest in the life settlements if Provident and Bradford had not helped promote and sell the investments.

95. Provident and Bradford were prominently featured in the written sales materials used to solicit investors. The Written Sales Materials emphasized their involvement as an important selling point.

96. Provident and Bradford reviewed and approved the Written Sales Materials before they were distributed to potential participants.

97. Provident also provided specific written information to the individual sales agents who personally solicited investors.

98. Provident and Bradford knew, or were willfully blind to the fact, that the Written Sales Materials included false and misleading statements to induce participants to purchase the life settlements under false pretenses.

99. Provident and Bradford allowed their reputations to be used to induce participation in, and allay investors' concerns about, the fraudulent scheme. For instance, the PPM stated that, "[i]n an attempt to avoid the major pitfalls associated with life settlement transactions and to deliver the most favorable outcomes to its Participants, Conestoga has aligned itself with strategic partners and industry experts to actuate its business model."

100. The PPM described Provident as "an escrow agent that is completely independent from any Conestoga entity," and Bradford as "the certified public accounting firm engaged by Conestoga to review the escrow accounts at Provident."

101. Conestoga emphasized Provident and Bradford's purported credentials to lend legitimacy to the enterprise. The PPM noted that Provident "has over \$3 Billion currently under management." The PPM further explained that Provident is a "full service trust company, licensed and bonded for the purpose of administering custodial services" and that Provident "serves more than 10,000 clients." The PPM promoted Provident's CEO Teresa Fette and President Jason Helquist, calling Ms. Fette "nationally recognized for her expertise in Domestic and International income and estate tax planning for the high net worth individuals."

102. The PPM stated that, "[a]s the entities that regulate and oversee Conestoga are all independent of one another, there is no conflict of interest between or among entities." Provident and Bradford were specifically identified as entities that would "regulate and oversee Conestoga."

103. In fact, however, Provident and Bradford conspired with Conestoga to defraud participants, and they failed to disclose conflicts of interests.

104. These representations about Provident and Bradford reasonably gave participants, including the Neukranzes, the impression that the life settlement offerings were supported, endorsed, regulated, overseen, and approved by independent entities, including Provident and Bradford.

105. Provident, in particular, played a critical role in the scheme because it served as Conestoga's "escrow agent." According to the PPM, the "express purpose of the relationship [was] for Provident to hold funds collected for payment of life settlement

acquisition costs, fees, and future life insurance premiums on behalf of the Conestoga Trust.”

106. In addition, Provident managed participants’ (including the Neukranzes’) individual retirement account (IRA) funds. Conestoga participants, including the Neukranzes, granted Provident a power of attorney to effectuate transactions related to their IRA funds.

107. Due to the relationship of trust and confidence between the investors on the one hand and Provident on the other, including by virtue of Provident’s management of their IRA funds and their funds held in escrow and Provident’s power of attorney in regards to the investors’ IRA funds, Provident owed fiduciary duties to the Conestoga participants.

108. While serving as a fiduciary, Provident failed to disclose to the participants (including the Neukranzes) that the Conestoga life settlement transactions were predicated on false and misleading statements and failures to disclose material facts. Provident also failed to disclose that it was spending the IRA funds that had been entrusted to guard and protect on behalf of the participants in a manner that was not disclosed in the Written Sales Materials or otherwise authorized. These acts breached Provident’s fiduciary duties.

109. While serving as a fiduciary, Provident also wrongly paid money out of the escrow accounts that was not authorized by participants and that exceeded the amounts that had been disclosed to participants. In an effort to prevent discovery of the fraud, Provident failed to disclose these payments to the participants and failed to properly

maintain the promised online portal so that participants could monitor the escrow account. These failures were breaches of Provident's fiduciary duties.

110. Provident simultaneously purported to act as the agent of both Conestoga and the participants at a time when their interests were adverse and at a time when Conestoga was actively perpetrating a fraud against the Conestoga participants. This was a breach of Provident's fiduciary duties to participants.

111. Provident and Bradford actively and knowingly supported and facilitated a scheme to defraud participants by inducing them to participate in Conestoga life settlements under false pretenses and based on false and misleading information, and by failing to disclose material facts. Provident and Bradford benefitted financially from this fraudulent scheme.

112. Defendants' "margin" on the purchase price for the fractional interests, as well as fees and costs taken by them after the initial investments were made, exceeded what was disclosed and wrongfully reduced the amount of funds available to pay future costs of insurance from the escrow account. Conestoga, Provident, and Bradford did not adequately disclose the amount of these fees and their impact on premium reserves. Provident engaged in self-dealing with respect to these funds. Bradford failed to conduct proper audits and to report misuse of funds.

113. At some point after Neukranz invested, Strategix took over for Provident as escrow agent managing the Conestoga life settlement funds. Investors did not receive adequate notice that Strategix would become the escrow agent.

114. Acting as escrow agent, Strategix continued to make unauthorized premium payments using investors' escrowed funds in excess of the premium amounts that were promised to investors.

115. Strategix failed to disclose the fraudulent scheme to the investors, in violation of its fiduciary duties. Strategix also failed to disclose its relationship to and conflicts of interest with Conestoga, Provident, and Bradford.

**E. Fraudulent Concealment**

116. The Defendants engaged in an unlawful scheme to prevent participants, including the Neukranzes, from discovering the fraud until years after the transaction when premium demands started to be made.

117. Defendants did not provide participants, including the Neukranzes, with the underlying life insurance policies. As such, the participants, including the Neukranzes, could not reasonably discover that the policies allowed the insurer to raise the premiums. Neukranz did not learn that the policies allowed the insurer to raise premiums until the Spring of 2019 when an administrative assistant for Conestoga finally admitted this fact to Neukranz.

118. Conestoga participants, including the Neukranzes, relied on the fiduciary relationship with the Defendants. The participants were not required to question the loyalty of fiduciaries who were obligated to report fraud and other claims.

**F. Injuries and Unjust Enrichment**

119. As a result of the Defendants' false and misleading statements and failure to disclose material facts that they had a duty to disclose, the participants (including the

Neukranzes) purchased interests in life settlements that they would not otherwise have purchased. In the Neukranzes' case, these misrepresentations caused them to spend \$770,000 for fractional interests in eleven life settlements, plus additional premium payments, that they never would have otherwise agreed to pay.

120. The participants, including the Neukranzes, have incurred many thousands of dollars in costs to pay oversized and untimely premium demands. These demands occurred months or years before, and cost substantially more, than the Defendants had represented.

121. The Neukranzes' experience is typical of that of the class. In November 2017—just 49 months after making their initial investment—the Neukranzes were forced to pay \$12,724 on one policy, despite the fact that Defendants had represented premium payments on that policy would be just \$7355 and would not begin until 2018. In 2018, the Neukranzes paid \$7491.45 on one policy, \$11,482 on a second, \$10,326 on a third, \$5,823 on a fourth, and an additional \$11,834 on the same policy that had incurred the November 2017 payment.

122. Each of these payments far exceeded the amount promised, and most of them occurred earlier than expected. In 2017 and 2018 alone, even putting aside the early timing of the payments, the Neukranzes were forced to pay *nearly \$21,000 more than the annual premiums represented in the PSS.*

123. The untimely and escalated premium demands have continued in 2019. In March 2019, Neukranz paid \$9,470.66 on one policy. In May, she paid \$5,373.01 on a second. In June, she paid \$7,494.23 on one policy and \$824.61 on another. Later in June,



the Defendants have told Neukranz that she must pay an additional \$14,050.26 on yet another policy and a whopping \$16,059.34 on still another. Later this year, she will likely face additional premium calls, including one for \$11,188, another for \$7,200, and a third for \$721.

124. As before, these demands each far exceed the amounts that the Defendants represented in the PSS would be owed on each policy, and several of the demands are months or years earlier than represented. If Neukranz makes all of the payments in 2019 (and again putting aside the timing of the payments), the amounts will *exceed the represented annual premiums on these policies by a total of \$31,632.*

125. In summary, in the span of two years, the Neukranzes will have been forced to pay about \$53,000 more in premiums than the amounts promised in the PSS, and several of these payments will have occurred earlier than promised. To coerce these payments, Defendants have threatened that failure to pay will result in the loss of the Neukranzes' entire investment in the respective policies.

126. As a result of the Defendants' wrongdoing, some participants have been forced to forfeit their interests in the life settlements because they could not afford to pay premiums. They have thus suffered the loss of their initial payment, all premiums paid, and their fractional share of the benefit of the forfeited policies.

127. As a result of the Defendants' wrongdoing, the participants, including the Neukranzes, have also paid (and the Defendants have wrongfully benefitted from) fees and costs that would not otherwise have been paid to the Defendants.

128. As a result of the Defendants' wrongdoing, Neukranz has suffered severe emotional distress caused by the financial strain of being forced to meet multiple demands for premium payments, including several payments in excess of \$10,000, shortly after the death of her husband.

129. As a result of the Defendants' wrongdoing, fractional shares of numerous beneficial interests in life settlements have unjustly enriched Conestoga after the participants defaulted on untimely and outsized premium demands. Conestoga wrongfully benefitted from the payments, including the original investment and any premium payments, made by participants on any and all policies in which Conestoga owns a beneficial interest.

**G. Class Claims**

130. Neukranz brings some of the claims asserted below both on behalf of herself and the Neukranz Estate and on behalf of a class of those similarly situated.

131. The putative class consists of all Conestoga life settlement participants who (a) purchased interests in Conestoga life settlements; and (b) received the Written Sales Materials.

132. The injured class likely constitutes hundreds of participants and is so numerous that joinder of all members is impracticable.

133. There are questions of law or fact common to the class, including whether the Written Sales Materials contained fraudulent misrepresentations and omissions, whether those misrepresentations and omissions were material to reasonable participants,

whether reasonable participants would have relied on those misrepresentations and omissions, and whether the Defendants breached fiduciary duties to the class.

134. Neukranz's claims are typical of the claims of the class. Like other participants, the Neukranz purchased an interest in the life settlements under false pretenses based on the false and misleading statements and failures to disclose material facts in the Written Sales Materials.

135. Neukranz will fairly and adequately protect the interests of the class because she has no conflicts of interests with the class.

136. Common questions of law and fact predominate over questions affecting individual class members, and a class action is superior to other methods for fairly and efficiently adjudicating the controversy.

## VI. CONDITIONS PRECEDENT

137. All conditions precedent, if any, have been performed.

## VII. CAUSES OF ACTION

### **Count One: Common Law Fraud**

*(Against all Defendants except Strategix on behalf of Plaintiffs and the class)*

138. The foregoing allegations are each incorporated herein by reference.

139. The Defendants, either directly or by attribution, made misrepresentations to the class members, including the Plaintiffs, regarding certain facts related to the offers to sell fractional interests in life settlements. These misrepresentations were made in the Written Sales Materials.

140. The misrepresentations included that (a) escrow reserves would be sufficient to cover the insurance costs, including but not limited to premiums, for the stated life of

the insured and for an additional period; (b) the annual cost of insurance, including, but not limited to the premiums owed on the policies, would not increase; (c) the life expectancies of the insured persons were estimated in good faith and according to reliable and accepted methods; (d) the handling of the escrow accounts would be fully disclosed, and the participants could easily monitor the escrow transactions and the status of their fractional interests online; (e) Provident would act on behalf of each participant regarding the handling, management, and administration of the fractional interests and escrow accounts; (f) Bradford would diligently audit the escrow accounts as a further safeguard to protect and benefit the participants; and (g) Defendants were each independent of one another and free of any conflicts of interests that would jeopardize their independence when making disclosures or acting on behalf of the participants.

141. These representations were material to any reasonable person considering purchasing an interest in a Conestoga life settlement.

142. The representations were false and misleading because (a) the escrow reserves were not sufficient to cover the cost of insurance for the stated life of the insured and for an additional period; (b) the annual cost of insurance and premiums on the policies would increase; (c) the life expectancies of the insured persons were not estimated in good faith or in accordance with reliable and accepted methods; (d) the handling of the escrow accounts was not transparent or fully disclosed and the participants were not provided online access to monitor the escrow transactions or the status of their fractional interests; (e) Provident has not acted faithfully on behalf of the participants regarding the handling, management, or administration of the fractional interests or escrow accounts;

(f) Bradford did not diligently audit the escrow accounts; and (g) Defendants were not independent and free of conflicts of interest.

143. Defendants knew that the statements were false and misleading at the time they were made. Alternatively, the Defendants made the statements recklessly without knowing whether the statements were true.

144. The Defendants made the statements with the goal and expectation that the Plaintiff and members of the class would rely on them to their detriment.

145. The Plaintiff and members of the class did rely on the representations, and such reliance was objectively reasonable.

146. The Plaintiff and members of the class were injured as a result of the Defendants' false and misleading representations.

**Count Two: Fraud by Non-Disclosure**

*(Against all Defendants except Strategix on behalf of Plaintiffs and the class)*

147. The foregoing allegations are each incorporated herein by reference.

148. The Defendants concealed from or failed to disclose facts to the Plaintiffs and the class, including the fact that (a) the insurance companies could and would increase the cost of insurance, including, but not limited to premiums; (b) the escrow reserves would be insufficient to pay the cost of insurance, including, but not limited to premiums, for the stated life expectancy of the insured and beyond; (c) the stated life expectancies were deliberately understated and based on dishonest medical underwriting conducted by persons with conflicts of interest; and (d) the Defendants were not independent or free from conflicts of interest.

149. The Defendants had a duty to disclose these facts to the participants because (a) their own statements, or statements attributable to them, were false or otherwise created misconceptions among participants that gave rise to a duty to correct; (b) they actually knew that the participants were purchasing fractional interests in the life settlements based on a false understanding of material facts relating to the life settlements; (c) the Defendants, including Conestoga, Provident, and Bradford, owed fiduciary duties to the participants; and (d) the information needed to discover the truth was available to Defendants but not participants.

150. In addition to, or in the alternative, Provident, Bradford, and Strategix actually learned after-the-fact that the participants were targets of an ongoing fraud and/or wrongful conduct perpetrated by Conestoga, giving rise to a duty to disclose such fraud and/or wrongful conduct to the participants, but Provident, Bradford, and Strategix nevertheless did not disclose the material facts to participants and instead chose to assist Conestoga in escaping liability.

151. The facts that the Defendants failed to disclose were material to any reasonable person considering purchasing an interest in Conestoga life settlements.

152. The Defendants knew that the Plaintiffs and the class members were ignorant of the undisclosed facts and did not have an equal opportunity to discover the truth regarding the undisclosed facts.

153. The Defendants were deliberately silent despite having a duty to disclose to the participants the truth regarding the undisclosed facts.

154. By failing to disclose the facts, the Defendants intended to induce the Plaintiffs and the class to act or refrain from acting.

155. The Plaintiffs and class members reasonably relied on the Defendant's non-disclosure to their detriment.

156. The Plaintiffs and class members were injured as a result of acting without the knowledge of the undisclosed facts.

**Count Three: Civil Conspiracy**

*(Against all Defendants on behalf of Plaintiffs and the class)*

157. The foregoing allegations are each incorporated herein by reference.

158. The Defendants were members of a combination of two or more persons, originally including (but not limited to) Conestoga, Provident, Bradford, and McDermott, and later including Strategix.

159. The object of the combination was to accomplish an unlawful purpose—to wit, to deceive and defraud participants, including Plaintiffs and the class members, and to conceal the fraudulent conduct. Alternatively, the object of the combination was to accomplish a lawful purpose by unlawful means—to wit, to sell fractional interests in life settlements through the use of false and misleading representations and material omissions and to conceal the fraudulent conduct.

160. The Defendants had a meeting of the minds on the object of the conspiracy and each intended to participate in the unlawful course of action.

161. The Defendants committed multiple overt acts in furtherance of the conspiracy, including producing, reviewing, and approving the written marketing materials, distributing them to independent salespersons, showing them to prospective

participants, transferring interests in the life settlements to participants, establishing an escrow account, making premium payments beyond the amounts disclosed in the written marketing materials, and making demands on participants to pay additional premiums.

162. Plaintiffs and the class members suffered injuries as a proximate result of the acts in furtherance of the conspiracy.

**Count Four: Aiding and Abetting (Assisting or Encouraging)**  
*(Against Provident, Bradford, Strategix, and McDermott on behalf of Plaintiffs and the class)*

163. The foregoing allegations are each incorporated herein by reference.

164. The primary actor, Conestoga, committed a tort—to wit, common-law fraud, fraud by non-disclosure, and civil theft—against the Plaintiffs and the class.

165. Provident, Bradford, and Strategix knew that Conestoga's conduct was a tort.

166. Provident, Bradford, and Strategix intended to assist Conestoga in committing the tort against the Plaintiffs and the class or, in the alternative, intended to help Conestoga cover up and hide the existence of the torts from Plaintiffs and the class and thus help Conestoga escape liability for such torts.

167. Provident, Bradford, and Strategix gave Conestoga assistance or encouragement in committing the tort and hiding the existence of the torts, including by serving as Conestoga's agent, assisting in selling the life settlements, allowing Conestoga to trade on their names and reputations, managing the escrow account, purporting to audit the escrow account, reviewing and approving the written marketing materials, overseeing and regulating Conestoga's activity, failing to notify Plaintiffs and the class



when Provident and Bradford stopped performing the services that they promised Plaintiffs and other participants they would provide, and by failing to report Conestoga's fraud despite having a fiduciary duty to do so.

168. Provident, Bradford, and Strategix's assistance was a substantial factor in causing the tort and the injuries suffered by the Plaintiffs and the class.

**Count Five: Aiding and Abetting (Assisting and Participating)**  
*(Against Provident, Bradford and Strategix on behalf of Plaintiffs and the class)*

169. The foregoing allegations are each incorporated herein by reference.

170. The primary actor, Conestoga, committed a tort—to wit, fraud, fraud by non-disclosure and civil theft—against the Plaintiffs and the class.

171. Provident, Bradford, and Strategix provided substantial assistance in committing the tort, including by serving as Conestoga's agent, allowing Conestoga to trade on their names and reputations, managing the escrow account, purporting to audit the escrow account, reviewing and approving the written marketing materials, overseeing and regulating Conestoga's activity, and failing to report Conestoga's wrongful conduct despite having a fiduciary duty to do so.

172. Provident, Bradford, and Strategix's own conduct, separate and apart from Conestoga's, breached fiduciary duties and ordinary duties of care to the Plaintiffs and the class members.

173. Provident, Bradford and Strategix's assistance was a substantial factor in causing the tort and the injuries suffered by the Plaintiffs and the class.

**Count Six: Aiding and Abetting (Concert of Action)**  
*(Against all Defendants on behalf of Plaintiffs and the class)*

174. The foregoing allegations are each incorporated herein by reference.

175. The Defendants committed an intentional tort—to wit, fraud, fraud by non-disclosure, and civil theft—or were grossly negligent.

176. The tort was an antisocial group activity that was likely to cause certain harm to a large number of people.

177. The Defendants agreed to cooperate in a particular plan and to accomplish the particular result of defrauding the Plaintiffs and the class members.

178. The Defendants' own conduct was independently tortious.

179. The tortious conduct by the Defendants, acting in concert, caused the Plaintiffs and the class members to suffer injuries.

**Count Seven: Breach of Fiduciary Duty**

*(Against Provident, Bradford, Strategic, and Conestoga Trust Services, LLC  
on behalf of Plaintiffs and the class)*

180. The foregoing allegations are each incorporated herein by reference.

181. A fiduciary owes duties of loyalty, complete honesty, full disclosure and transparency, and must put the interest of its beneficiaries ahead of its own selfish interest in all circumstances relating to the fiduciary relationship.

182. Conestoga Trust Services LLC, Provident, Bradford, and Strategix owed fiduciary duties to the Plaintiffs and the class members because they occupied positions of trust and confidence. In particular, Conestoga Trust Services LLC served as trustee of the Conestoga Trust which held life settlements for the benefit of the participants, Provident (and later Strategix) managed escrow funds belonging to Plaintiffs and the class, Provident managed IRA funds for Plaintiffs and the class, and Bradford was entrusted to

perform accounting and auditing services on the escrow funds and to report the results of such auditing and accounting services for the benefit of Plaintiffs.

183. Provident, Bradford, and Strategix breached these fiduciary duties by, among other things, participating in a scheme to defraud Plaintiffs and the class members, making false representations, spending funds from the escrow accounts for purposes that were not disclosed to Plaintiffs and/or authorized by Plaintiffs, improperly managing escrow funds, failing to disclose conflicts of interest and other material facts discussed above, engaging in self-dealing, and assisting in a cover-up to keep Plaintiffs from discovering the scheme.

184. These breaches of fiduciary duty proximately caused injuries to the Plaintiffs and the class members.

185. These breaches of fiduciary duty also resulted in benefits to Provident, Bradford, and Strategix, including direct pecuniary benefits at the expense of the Plaintiffs and the class members.

186. All of the Defendants aided and abetted each other's breaches of fiduciary duty.

**Count Eight: Violation of Texas Theft Liability Act**  
**31.03 Texas Civil Practice & Remedies Code §§ 134.002-003, et seq.**  
*(Against all Defendants on behalf of Plaintiffs and the class)*

187. The foregoing allegations are each incorporated herein by reference.

188. The elements of civil theft include: (1) plaintiff had a possessory right to property; (2) defendant unlawfully appropriated property in violation of the theft

provisions of the Texas Penal Code; and (3) plaintiff sustained damages as a result of the theft.

189. Defendants intentionally and wrongfully converted Plaintiffs' investment money and IRA funds to pay undisclosed insurance costs and other expenses that were contrary to the Written Sales Materials and never authorized by or disclosed to Plaintiffs.

190. Defendants also intentionally and wrongfully converted Plaintiffs' investment money and IRA funds to pay themselves inflated commissions and other consideration that was contrary to the Written Sales Materials and never authorized by or disclosed to Plaintiffs.

191. Plaintiffs were harmed by the wrongful diversion of their funds.

**Count Nine: Accounting**

*(Against all Defendants on behalf of Plaintiffs and the class)*

192. The foregoing allegations are each incorporated herein by reference.

193. Defendants have misappropriated Plaintiffs' funds (including those of the absentee class members) that were purportedly held in escrow by wrongfully spending such funds for purposes and in amounts never disclosed to Plaintiffs and never authorized by Plaintiffs.

194. Plaintiffs seek an accounting of all funds paid to the Defendants by the class in relation to the Conestoga life settlement contracts. Plaintiffs seek to require Defendants to fully and properly account for all money provided to Defendants by the class, invested by the class, or otherwise deposited into investments accounts relating to the life settlements.

195. Defendants must also fully and properly account for all fees, commissions, charges, and other monetary compensation that they paid to themselves from the money entrusted to them by the class.

196. Defendants must account for all money spent to purchase, maintain, or otherwise finance the costs of the underlying insurance policies, including, but not limited to premiums.

197. Defendants must fully and properly account for all life insurance benefits paid out by any and all life insurance companies relating to the underlying life insurance policies.

198. Defendants should be compelled to fully account for all spending, investing, savings, transferring, withdrawing, or otherwise handling of Plaintiff's investment money and premium payments.

**Count Ten: Claim for Declaratory Judgment  
Pursuant to Texas Civil Practice & Remedies Code 37.001, et seq.**

199. The foregoing allegations are each incorporated herein by reference.

200. There is an immediate justiciable controversy regarding whether, and to what extent, Plaintiffs should be required to pay ongoing insurance charges and premiums relating to the underlying insurance policies.

201. Pursuant to Section 37.004 of the Texas Civil Practice and Remedies Code, Plaintiffs seek the following judicial declarations: (1) Defendants have wrongfully demanded that Plaintiff pay insurance costs and premiums that were not disclosed to Plaintiffs; (2) Defendants misrepresented the amounts held in escrow and misrepresented when such escrow accounts were likely to be depleted; (3) Defendants misrepresented and

understated the costs of insurance, including premiums, that they intended to charge to Plaintiffs; (4) Plaintiffs shall not be required to pay and *do not owe* insurance charges, including premium payments, that were not disclosed or otherwise exceed what was disclosed, in the PPM; (5) Plaintiffs shall not be required to pay and do not owe any insurance costs or premiums that exceed the annual premiums stated in the PPM; (6) to the extent Plaintiffs may incur any obligation to pay additional insurance costs or premiums in the future, such payment obligations shall only begin, if at all, after the date the premium reserves were represented to expire, as represented by Defendants to Plaintiffs when soliciting Plaintiffs' investments.

202. Plaintiffs seek to recover attorney fees in connection with this claim for declaratory relief.

**Damages Sought**

*(Against all Defendants on behalf of Plaintiffs and the class)*

203. The foregoing allegations are each incorporated herein by reference.

204. Plaintiffs seek to recover monetary and non-monetary damages, including, but not limited to, all expectancy damages, reliance damages, consequential damages, and other direct and indirect damages that are allowed by law or equity. Plaintiffs also (or in the alternative) seek out of pocket and/or rescission damages, and Plaintiff seek to rescind their investments and payments, so as to be put back into the position they were each in prior to making any investments.

205. Defendants acted with malice and willful intent to harm Plaintiffs and, therefore, Plaintiffs seek to recover punitive and exemplary damages.

206. To the extent allowed by law, Plaintiffs seek to recover attorney fees and litigation costs, as well as all pre- and post-judgment interest.

207. Plaintiffs seek to recover any and all relief under law or equity that is just and appropriate under the circumstances.

208. Plaintiffs seek total monetary relief, on behalf of the class, significantly in excess of \$1,000,000.

### VIII. JURY DEMAND

209. Plaintiff demands a jury trial on all issues that may be tried before a jury in this matter and has submitted the jury fee.

### X. PRAYER FOR RELIEF

WHEREFORE, Plaintiff requests that the Court grant the following relief on account of the claims in this action:

- a. Certify a class of all persons who purchased interests in Conestoga life settlements and received the Written Sales Materials;
- b. Serve notice on the class in accordance with the Texas Rules;
- c. Award final judgment against the Defendants on all the claims;
- d. Award actual damages (including, but not limited to direct and indirect damages, lost profits, consequential damages, reliance damages, expectancy damages, and out-of-pocket damages);
- e. Award exemplary damages;
- f. As an alternative to damages, grant rescission and return to Plaintiffs all funds that have been paid;
- g. Enjoin the Defendants from continuing their wrongful conduct;

- h. Declare that Plaintiffs shall not owe premium payments or other payments in excess of the annual premiums stated in the PPM and beginning after the date the premium reserves were represented to expire;
- i. Award Plaintiff her attorneys' fees and costs of suit;
- j. Award pre-judgment and post-judgment interest on any moneys to be paid to Plaintiff or the class at the highest permissible rate;
- k. Award Plaintiff an incentive award for bringing this claim on behalf of a class of similarly situated persons; and
- l. Grant such other relief to which Plaintiffs may be justly entitled, whether at law or in equity.

Dated: June 4, 2019

Respectfully submitted,

REESE MARKETOS LLP

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**ATTORNEYS FOR PLAINTIFFS**





This representation is made to enable judges of the Court to evaluate possible disqualification or recusal.

Respectfully Submitted,

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**ATTORNEY FOR DEFENDANT  
PROVIDENT TRUST GROUP, LLC**

**CERTIFICATE OF SERVICE**

This is to certify that on this 15th day of July, 2019, a true and correct copy of the above and foregoing has been served on all counsel of record through the Court's electronic filing system.

/s/ Christopher M. LaVigne

Christopher M. LaVigne



3. As part of my job duties, I am personally familiar with how Provident creates and maintains its business records and with the procedures and systems utilized in connection with the maintenance of files for the storage of account holder records, including account opening documents, account data, account holder agreements, and directions of investment.

4. I have reviewed and am familiar with the allegations in the Original Petition filed in the putative class action captioned *Neukranz, et al., v. Conestoga Settlement Services, LLC, et al.*, Cause No. DC-19-08025, pending in the 160th District Court, Dallas County, Texas.

5. The Original Petition asserts claims on behalf of a putative nationwide class of individuals. The putative class would include individuals who (i) owned self-directed individual retirement accounts at Provident and (ii) either have held, or currently hold, investments in a life settlement asset through Conestoga Life Settlement Trust.

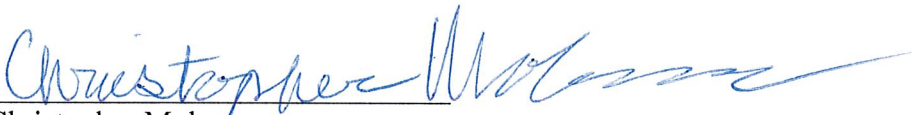
6. I reviewed account-related data pertaining to individuals who met the description of the putative nationwide class. I ran a custom query in Provident's accounting software, which is used to store all account-related data, to search for all current Provident account holders who made a purchase of a Conestoga Life Settlement Trust investment. The account-related data is derived from account records. It is the regular practice of Provident's business to keep these records. Both the account-related data and the account records are kept in the regular course of business by a Provident employee with knowledge of the events recorded to make the record or to transmit information thereof to be included in such record. The record was made at or near the time of the events recorded or reasonably soon thereafter.

7. My review of those records reflects that over 100 individuals owned Provident self-directed individual retirement accounts that held life settlement investments in Conestoga Life

Settlement Trust assets. The aggregate value of the accounts held by the putative class, either currently or previously, is in excess of \$5,000,000.

I declare under penalty of perjury and the law of the United States that the foregoing is true and correct.

Dated this 15th day of July, 2019, in Las Vegas, Nevada.

  
Christopher Molnar

# ClassAction.org

This complaint is part of ClassAction.org's searchable class action lawsuit database and can be found in this post: [Conestoga Sued Over Alleged 'Life Settlement Investment Scam'](#)

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