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Six accused of looting prearranged-funeral company

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ST. LOUIS • Six officials of a former Clayton company known for aggressive sales of prearranged funerals nationwide were accused Monday of diverting as much as \$600 million from buyers' policies for their own gain.

The 50-count federal indictment seeks recovery of the dollar loss as well as a long list of real estate and personal property, including a 36-foot boat and expensive jewelry. Real estate includes condos, homes and other properties here, and in California, Naples, Fla., and Nantucket, Mass.

The indictment accuses the six defendants of fraud, embezzlement, money laundering and conspiracy, all committed through a lengthy series of money transfers.

The company is National Prearranged Services Inc., which stopped selling funeral policies in 2008 as several states, including Missouri, were closing in on its practices. The Texas Department of Insurance forced a liquidation of the company that year.

Among the six charged are members of the Cassity family, including James Douglas Cassity, 64, of Clayton, who bought the company in 1979; and his son, Brent Cassity, 43, also of Clayton. The others are Randall K. Sutton, 65, of Chesterfield; Sharon Nekol Province, 66, of Ballwin; Howard A. Wittner, 73, of Chesterfield; and David R. Wulf, 58, of St. Louis County. All served as officers, directors or advisers of National Prearranged and affiliated insurance companies that Cassity family trusts controlled.

Sutton, a former chief financial officer, and former office manager Province also were indicted in 2009 during the lengthy multistate investigation.

Scott Rosenblum, lawyer for James Douglas Cassity, said his client will fight the charges.

"We have anticipated this (indictment) for a number of years, and he is looking forward to finally confronting these allegations line by line in court," Rosenblum said.

Lawyers for other defendants could not be reached Monday, and the telephone number to National Prearranged Services in Clayton is no longer in service.

Brent Cassity, Wittner and Wulf surrendered Monday and were released on bond, and James Douglas Cassity is to appear at the federal courthouse later this week, said U.S. Attorney Richard Callahan. Sutton and Province did not have to appear Monday because of the previous indictments.

Callahan said the alleged scheme affected about 150,000 people who bought prearranged funeral policies. He said buyers often paid from \$5,000 to \$10,000 for the policies, which are supposed to cover the costs of the buyers' funerals.

National Prearranged employed an aggressive sales strategy playing on the fears of potential customers that their families would be stuck with paying for their funerals.

Callahan said the defendants "failed to maintain the required reserves to provide for those services. ... They diverted it to outside investments, other administrative costs and their own compensation."

Thus the long list of assets targeted for forfeiture, if the defendants are convicted. Callahan said the estimates of total loss are from \$450 million to \$600 million.

State insurance-guarantee associations are among the victims, and policy buyers have some protection through the associations. But Callahan said the protection varies by state.

John H. Moore, who runs Moore Funeral Home in Potosi, Mo., said his business had 77 funeral contracts with National Prearranged that he could be on the hook for.

"I never in my life thought they'd arrest these guys or do anything," Moore said. "It doesn't help my financial condition, my family or the families I served. But I'm very impressed they did this."

The 108-page, 50-count indictment outlines the Cassity family's network of trusts and businesses, including National Prearranged Services, Lincoln Memorial Life Insurance Co., Memorial Services Life Insurance Co. and Forever Enterprises, former owner of funeral homes in the St. Louis area. The 50 counts detail money transfers to and from those companies, banks and individuals, including the defendants.

The fraud allegations cite money transfers by mail, wire and bank that are illegal under federal law.

Callahan said the "nub" of the scheme is that the defendants diverted money that should have been held in trust to cover the funeral policies.

"The principle is the same with regular life insurance," he said. "The problem is that checks and balances in the funeral services business aren't as strong as they are with life insurance."

The indictment alleges the defendants also borrowed against the values of the policies, something they had no right to do. The diversions allegedly enabled James Douglas Cassity to buy real estate and other companies and to pay personal expenses of his son and family members.

The indictment says James Douglas Cassity and son Brent ran the companies. Howard Wittner, a lawyer, served as counsel and an officer in the companies, and Wulf was an investment adviser. Wulf allegedly received \$1 million from 2002 to 2008 for his advice.

The companies have been in court before. In 1992, Missouri filed a civil suit against National Prearranged that led to a court agreement on minimum deposits into trust accounts. That deal wasn't followed, and the defendants concealed their transactions from regulators in Missouri and other states, the federal indictment alleges.

The defendants also face a civil suit in U.S. District Court filed in St. Louis last year by state insurance guaranty companies in Missouri and six other states.

Among the specific allegations in the indictment:

- In 2001, the defendants transferred \$900,000 so that a company owned by James Douglas Cassity's wife, Rhonda, could buy a house in Nantucket, Mass. She was not charged in the indictment.
- In 2004, they transferred \$4.6 million to buy an insurance company.
- In several transactions, Brent Cassity moved a total of \$337,000 into his personal bank accounts.
- Other transactions moved \$1.1 million into Wittner's personal accounts.

Internal Revenue Service special agent Toni Weirauch, who heads the criminal investigation bureau here, said the government will pursue "individuals who allegedly use their businesses as personal piggy banks."

Doug Moore of the Post-Dispatch contributed to this report.