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## Big dreams buried by big questions

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If the funeral industry has celebrities, they are the Cassitys of St. Louis.

An HBO documentary, "The Young and The Dead," showcased how they revived a run-down Hollywood cemetery full of film legends. The family is said to have inspired the hit HBO series "Six Feet Under," about two brothers running a funeral home. One of the Cassity boys consulted on the show. And the parents received some press a couple of years ago when they sold their house on Nantucket for \$16 million to Google's CEO.

The Cassity men — Doug and his two sons, Brent and Tyler — even look like movie stars: handsome in an All-American way with chiseled features and perfect hair. Ambitious, they set out to revolutionize everything from prepaid funerals to how Americans memorialize the dead. They dreamed of turning their Clayton-based Forever Enterprises into the Microsoft of death care. In a staid industry where tradition is etched in granite, where dark suits and hushed tones are the norm, the Cassitys stood out.

"They sure did. Got that right," wryly noted Spencer Hedgepeth, a funeral director in Doniphan, Mo.

It was just in a way they probably never imagined.

The father — a man who worked behind the scenes — built the empire, proving second acts in life are possible. His sons branched out with innovations, garnering acclaim. The family made millions.

But now, the family's empire appears pushed to the breaking point.

Last month, regulators took control of three companies that make up the heart of the Cassitys' holdings. Government agencies in at least 10 states are trying to sort out what happened. Their attention is focused on one unsexy, but lucrative part of the sprawling firm — prepaid funerals. This was Forever's financial engine, spinning off cash and powering the promises of change.

Regulators are trying to determine if enough money remains to honor the prepaid funerals of perhaps 100,000 people, including 46,000 in Missouri. The funeral industry has not seen an emerging scandal like this in years.

"Everything is just falling apart," said Ron Hast, a longtime funeral director and publisher of Mortuary Management and Funeral Monitor magazines.

"It is just ricocheting across the United States."

### THE TROPHY ROOM

A manager handpicked by regulators now occupies Forever's longtime headquarters — a building overlooking Shaw Park in downtown Clayton.

Last week, the fifth-floor executive suite was as quiet as a cemetery. A chandelier dangled over a vacant receptionist's desk. A corridor of polished-wood walls and marble floors was empty. Many of the staff had been laid off. No more prepaid burial plans were being sold.

Down a short hallway, a trophy room of sorts remained. The walls were covered with glowing articles, matted and framed, from publications including the New York Times, Wall Street Journal, Post-Dispatch, Newsweek and Variety. These articles shared a common theme: the Cassitys were bringing new life to the industry, especially with their Life Stories project. They envisioned creating "a library of lives," where cemeteries become places to view short videos rather than stare at stone monuments.

The Cassitys declined repeated requests to talk with the Post-Dispatch, opting to answer questions and confirm details about the family through an attorney.

"It is important to know they didn't shut down in the middle of the night and run off with people's money," said attorney Jack Spooner, who has worked with the company for 18 years. The Cassitys remain in the St. Louis area and are cooperating with regulators.

Spooner says the current problems were created by forces beyond the company's control. It was a domino effect: In 2006, a reinsurance company claimed it had been misled by Forever and a sister company in a business deal, leading to legal bills topping \$4 million, which drained cash reserves and, in turn, attracted the attention of state regulators. Then, states ordered the sister company to stop selling prepaid funerals. The cash flow stopped. Business ground to a halt.

Spooner said the Cassitys are fighting to save Forever and its other companies.

"This is their life," he said. "This is what they built."

The electric bill

Before getting into the funeral business, Doug Cassity was a lawyer in Springfield, Mo.

J. Douglas Cassity, as he was known then, remains a well-known name in some circles there, despite leaving nearly three decades ago. Some of the people who knew him see a familiar pattern in the Cassitys' current troubles.

In the 1970s, Doug Cassity ran an investment club that attracted local physicians. He bought hotels and livestock, especially cattle, recalled Joyce Blades, the wife of one of the original investors.

"He had all the doctors enthralled," she said recently.

Then the deal went bad in the early 1980s. A federal investigation uncovered a complex scheme full of intertwined corporations and missing funds. Cassity pleaded guilty of conspiracy and tax-fraud violations. Just 35, he served six months in federal prison in Marion, Ill.

"I've taken what was a good life and I messed it up," Cassity told the sentencing judge, according to a newspaper article at the time. "I told my boys that if you do something wrong, you must take the punishment for it."

Blades and her husband, Dees, a urologist, were out \$1.5 million in the deal, and "until my husband's death (in 2000), we were always half-a-million dollars in debt," she said.

In the intervening years, Blades has followed Doug Cassity's career with a sense of shock. She remembers seeing, in 1994, an 11-page spread in Traditional Home magazine about the Ladue mansion of Doug and his wife, Rhonda. "Just made me sick," she said.

Attorneys at City Utilities of Springfield have watched Doug Cassity's career,

too. The name brings a knowing laugh from Andy Dalton, a retired utility attorney. The utility has tried for almost 30 years to get Cassity to pay his electric bill.

This is no ordinary debt: It stands at \$242,757.60. Cassity rang up the bill over four months in 1979 with a series of businesses. By now, about two-thirds of the debt is interest and fees. A judgment sits in Greene County court.

But the utility has been unable to collect a penny because, to this day, Cassity appears to be a pauper on paper. "He has been very, very successful financially but still has no assets in his name," Dalton explained.

The Cassitys' attorney said the utility declined his client's offer to pay the original amount, minus interest.

#### ENTERING THE GAME

Before going to prison and losing his law license, Cassity did some legal work for a fellow named O.J. May, who wanted to start a company in Springfield offering prepaid funerals. May's plan: Go door-to-door offering contracts locking in a funeral's price. A local funeral home would promise to honor the deal in the future. May then would invest the customer's money in a trust and split commissions with the funeral home.

May did not have the money to pay Cassity, so he took a piece of the company instead.

In 1979, National Prearranged Services — a precursor to Forever — was born.

Prepaid funerals are attractive to seniors and low-income people who worry about paying for a funeral later. Prepaying provides peace of mind, in the words of the funeral industry.

It was Cassity's ticket back. After getting out of prison, he moved his family to St. Louis to focus on NPS. "He worked hard, he had a good concept and he was able to get good people to go out and knock on doors," Spooner said, recalling stories of salespeople earning \$300,000 a year.

One of the first funeral directors to sign with NPS was Don Lakin. He has been a customer ever since. "Never had any problems with them," Lakin said from his Pierce City, Mo., funeral home.

He remembers O.J. May as "a straight shooter." Another early partner, Jim Crawford, was well-respected, too. Being from near Springfield, Lakin also knew about Doug Cassity's legal troubles, but for years, he had no idea Doug Cassity was involved with NPS. When he found out, Lakin said, "Yes, I was alarmed. But Mr. Crawford was still there, so I was relieved."

Lakin has fresh concerns today. He has several hundred thousands of dollars worth of NPS funeral contracts. He tells his clients he is going to make sure they get buried, even if he pays out of his own pocket. Lakin said he is certain O.J. May, who died in 1982, would be horrified by the current state of affairs.

"I'm sure he is just turning over in his grave."

#### GOING BROAD

The 1990s were a period of great growth and shifting focus for NPS — plus tussles with regulators. The company began using life insurance policies to pay for prepaid funerals. Ideally, the death benefit would cover the funeral cost. It was a novel idea, one the Missouri attorney general's office objected to, saying the value of the insurance policies was not guaranteed.

In 1994, the attorney general and NPS struck a compromise, with NPS agreeing to set aside funds and allow outside monitoring until 2000. But NPS could continue using life insurance. Both sides declared victory. By then, the Cassitys were

snapping up funeral homes and cemeteries, launching a series of corporate entities and compiling a dizzying roster of company names. Nationally, large conglomerates were buying family-run funeral homes across the country, looking to slash costs by merging operations.

"The Cassitys were going to consolidate the death business in St. Louis," said Spooner.

When the dust and paperwork settled in the mid-2000s, the company owned seven cemeteries, including Forever Oak Hill in Kirkwood, Forever Bellerive in Creve Coeur, Forever Mount Hope in Belleville, Forever Valley View in Edwardsville, plus properties in Kansas City and California.

In addition to Forever, the Cassitys also controlled two insurance companies and NPS, the marketer of prepaid funerals.

Despite Doug Cassity's hand in assembling the deals, his name never appeared on any roster of directors or officers. The names of his sons Brent and Tyler began showing up in the top slots in 1992, when Brent was 25, just out of the University of Missouri, and Tyler was 22, fresh out of Columbia University in New York. Over the years, Brent has been listed on a least 18 different related companies; Tyler, 10. Brent, now 41 years old, is the CEO of Forever. Tyler, 38, is president.

According to Forever's attorney, Doug Cassity, now 62, retired from an active role in managing the family's holdings in 2001. He moved to Naples, Fla., where he and his wife own a \$3.4 million, Gulf-view condo. He kept an office at the Clayton headquarters "so when he was in St. Louis he had a place to make phone calls," Spooner said.

But several former employees said Doug Cassity continued to consult on major decisions and sit in on meetings. The arrangement has piqued the interest of regulators as they comb over the related companies' dealings.

"We're still trying to figure out what the hell happened," said a Missouri official familiar with the inquiries, who spoke on the condition of anonymity because the investigations are ongoing. The official said that Doug Cassity "was smart enough not to be president."

"This," the official said, "is going to get very broad."

## TELLING STORIES

While prepaid burials are the focus of regulators' attention, it was the Life Stories concept that made Brent and Tyler the best-known faces of the death care industry.

The idea was simple: Produce a professional video about a dead person's life — an obituary of sight and sound — and play it on touch-screen kiosks at cemeteries and on the Internet.

"People go to cemeteries to remember," Brent Cassity told the Post-Dispatch in 2002. "We really do think of these as a community library. Everybody has a story."

In 1998, the Cassitys — led by Tyler — purchased the decrepit Hollywood cemetery, next to Paramount studios. The family saw the perfect high-profile vehicle to show off their new product, plus a new market for its lucrative pre-need burial plans.

"Everyone in our company was sold on the idea that hopefully this company and the concept of memorialization would take off," Tyler said in a deposition in 2005 taken as part of a suit filed by a former employee. "... We had a concept also that we wanted to be the Microsoft of the cemetery industry, not the Apple. Whereas Microsoft can fit into any hardware, we wanted to be able to fit into any cemetery."

Life Stories already was "getting more press attention than anyone ever dreamed of," Tom Hill, the former employee whose suit for fraud and breach of contract was settled in 2006, said in his deposition. "It wasn't about having a great cemetery that made a lot of money. It was about getting all the press we needed."

This new focus was the reason the family selected the name Forever Enterprises and its trademark Greek symbol for infinity. "The business changed to a brand," Spooner said. "Cassity is not a brand. Forever is a brand."

Many in the funeral industry were skeptical. Why would anyone pay extra for that? The technology for Life Stories also became commonplace, with websites like Flickr and YouTube.

While Life Stories continues to exist in limited form, "it just didn't catch on," Spooner said.

#### A MYSTERY TO SOME

Unlike Forever's splashier plays, the prepaid funeral business rolled on smoothly for years.

When door-to-door and telemarketing sales slowed, Brent Cassity unveiled a new program: NPS Advantage. Taking his cue from pharmaceutical sales, he decided to approach the funeral homes directly. A team known within the industry as "The NPS Girls" was created: Young, bright and attractive women. The NPS Girls got noticed — and tallied up sales.

The Advantage program promised greater growth on funds and set few limits on what a funeral director could charge for a funeral down the road, essentially removing the cap on inflation.

"I don't understand the business model at all," said Shaun Myers, chairman of the National Funeral Directors Association's Preneed with Integrity workgroup. "This is of grave concern. It is illustrative of some of the things happening in the funeral industry today that are unethical."

But NPS was chugging along until regulators stopped the company, Spooner said, pointing out that NPS has paid out \$500 million over the years, each claim paid up usually within 10 days. Now the wait is at least 60 days. Regulators say they hope to honor the prepaid contracts, at least partially. Many funeral directors wonder if they will get paid at all.

"I'm a nervous wreck," said Jim McSpadden, funeral director at Richards Funeral Home in New Madrid, Mo. He has three claims for funerals pending with NPS, plus 60 to 80 policies.

NPS differed from other companies in significant ways: The Cassitys owned not just NPS, which marketed the product; they owned the life insurers that wrote the policies. In Missouri, NPS was the policy beneficiary, too, which is unusual. When clients bought prepaid burials, they paid NPS, which took out the insurance, paid the policy premiums and collected when they died. Regulators are still trying to determine how the arrangement worked.

NPS' operation "was a mystery to us," said Graham Cook, president of Homesteaders Insurance, a competing prepaid funeral company well-regarded by regulators and the industry alike.

Homesteaders uses life insurance, too, but the policy beneficiary is usually the client.

That is what set NPS apart — and perhaps caused its current troubles.

In 2006, a company named Hannover Life Reinsurance filed for private arbitration against NPS and related companies. The insurance giant claimed it had been duped out of \$15 million when it agreed to assume responsibility for some of NPS' insurance policies in return for a share of the premiums.

Last August, Hannover filed a federal civil suit, making similar allegations, only with harsher wording, claiming it was a victim of a racketeering scheme. Hannover's attorney declined to comment.

While regulators had been looking into NPS for months, led by Ohio, it was several more weeks before any state regulatory agency, this time Texas, went public. Other states, including Missouri, Kentucky and Iowa, piled on.

Hannover's claims and regulators' interest focused on this: NPS purchased whole-life insurance policies to fund prepaid burials, named itself beneficiary, then let the policies lapse and replaced the whole-life policies with cheaper term-life insurance.

Complicated and — to outsiders — bewildering. Cook said that NPS had been doing this for years but that state regulators probably did not understand what was going on. "The insurance regulators don't understand the nuances of pre-need," he said.

Even the state official familiar with Missouri's inquiry was incredulous. "I'm astounded by it," the official said. "How did state auditors not catch this?"

#### NEVER FORGETTING

It will be a while before anyone determines what really happened at NPS and Forever, whether all those funerals will be paid for, whether it was just a bad business deal or something more.

But Doug Cassity's involvement raises the suspicions of people like Joyce Blades, whose husband lost so much money with him in the 1970s. She said that's why she still follows his every move.

Blades, 70, recalled that several years ago, on a visit to St. Louis, she cut through the Neiman-Marcus store in Frontenac on her way to a Bissinger's chocolate store. She was headed past the jewelry counter when she stopped cold. There they were: Doug and Rhonda Cassity. Their backs were turned to her, as they pored over jewelry in a glass case.

Decades-old memories of pain and loss flooded over her.

"I just prayed to the Lord to get me out of there before I raised hell," Blades recalled.

It took a moment, but soon she was putting one foot in front of the other, heading out the door, not looking back, but not forgetting, either.

"He just keeps on with his schemes," she said. "I'm telling you, he's a brilliant man."

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