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FINANCIAL FRAUD CASES

Texas judge clears way to return money in National Life Settlements case

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Texans who invested with a Houston company that was accused of scamming retired teachers, state workers and others out of millions of dollars may get some of their money back after a settlement was announced Thursday.

State District Judge Stephen Yelenosky approved a request by the Texas attorney general and the Texas State Securities Board to begin returning money to investors who gave money to National Life Settlements. Authorities have said the company sold unregistered securities.

National Life Settlements' assets, including a Cadillac SUV owned by a top company executive, were seized earlier this year and a court-appointed receiver is overseeing millions of dollars in assets held by the company.

"Life settlements — interests in the death benefits of older people — are highly speculative investments, and investors should not be misled by claims that they offer safe, guaranteed returns," Texas Securities Commissioner Denise Voigt Crawford said.

The receiver, Houston attorney Janet Mortenson, said state securities officials were able to recover an unusually large amount: more than $20 million of the $28.1 million that was invested. State officials said that's because the securities board intervened early in the case.

As part of the settlement, state officials agreed to waive any civil penalties against company officials Howard Judah and Gregory Jablonski. Neither Judah nor Jablonski have been charged criminally in the case.

National Life Settlements solicited money from investors, who received promissory notes guaranteeing them a fixed rate of return, according to the State Securities Board. The company allegedly secured the notes with proceeds from life insurance policies.

But at the time the company went into receivership, investigators did not find any evidence in bank records that the company actually purchased policies, state officials said.

Ben Dominguez II, a Houston attorney who represents Judah and Jablonski, has said his clients used investors' money to buy beneficiary interest in policies. A separate company bought life insurance policies and paid the premiums, Dominguez said.

Judah had been receiving guidance from the Texas Department of Insurance "for years," Dominguez said, when he should have been registered with the State Securities Board.

"Nobody told him that," Dominguez said.

Dominguez maintained that his clients had a legitimate business model and, had the state not intervened, investors would have received a return of more than 2-to-1.

Mortenson has estimated that about 300 Texans invested with the company, which had offices in Northwest Austin as well as Houston and South Texas.

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