

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF:)

Genadi Yagodayev,)

Rockford Funding Group, LLC,)
and its partners, members, officers,)
directors, agents, employees, affiliates,)
successors and assigns.)

File No. 1000073

TEMPORARY ORDER OF PROHIBITION

TO THE RESPONDENTS:

Genadi Yagodayev
80 Broad Street, Floor 5
New York, NY 10004-2257

Rockford Funding Group, LLC
c/o Genadi Yagodayev
80 Broad Street, Floor 5
New York, NY 10004-2257

On information and belief, I, Jesse White, Secretary of State for the State of Illinois, through my designated representative, who has been fully advised in the premises by the staff of the Securities Department, Office of the Secretary of State, herein find:

FRAUD IN THE OFFER AND SALE OF SECURITIES

1. Respondent **Genadi Yagodayev** ("Yagodayev") is an individual with a last known address of 80 Broad Street, Floor 5, New York, NY 10004-2257.
2. Yagodayev is the President and sole member of Respondent **Rockford Funding Group, LLC d/b/a the Rockford Group, LLC** ("Rockford Group"), an entity with a last known address of 80 Broad Street, Floor 5, New York, NY 10004-2257.
3. In approximately March of 2009, the Rockford Group held out on its website that it "is a leading private equity firm equipped with an \$800 million dollar pipeline of investments."

4. Furthermore, the Rockford Group stated that its investment opportunities provided opportunities for income, capital appreciation and preservation.
5. Investments offered by the Rockford Group were purportedly “Fixed Dividend Contracts” that were sold to investors. The Rockford Group’s website stated that the proceeds of the sale of Fixed Dividend Contracts were used to invest in:

... portfolio companies that have valuable patents, trademarks, brand names, copyrights, royalty streams, trade secrets and other intangible assets. [The Rockford Group] possess the flexibility to offer subordinated or secured debt which provides our portfolio companies with the working capital for organic growth, acquisitions, strategic IP licensing and litigation funding.

6. At least as early as May of 2009, the Rockford Group began soliciting investments from individuals, including residents of Illinois.
7. One such advertisement was sent by the Rockford Group to Investor A, an Illinois resident, through the United States mail. The advertisement boasted that an investment with the Rockford Group would provide:

- **Fixed Income – A fixed annual return of 15%**
- **Income Stream – 12 monthly distributions of 1.25% of the face value of the Fixed Dividend Contract (FDC)**
- **Capital Preservation – 100% of the invested principle (sic) is collateralized by liens against the cash value of a pooled basket of settlements**
- **Liquidity – Rockford Group, LLC has established a secondary market, through an existing client database for all Fixed Dividend Contract (FDC) investors. Any FDC holder can request transfer of ownership at any point prior to maturity. Upon transfer the former owner forfeits all accrued interest and will be charged a 2% transfer fee of the face value of the FDC**
- **Balanced Portfolio – Rockford Group, LLC FDC is a suitable hedge for any portfolio against the volatility of any equity markets, the fluctuation of interest rates and variable annuity payments.**

8. Based on the advertisement that he had received, Investor A invested on three separate occasions with the Rockford Group by purchasing Fixed Dividend Contracts:
 - a. \$1,000 on May 5, 2009;
 - b. \$2,000 on July 10, 2009;
 - c. \$2,000 on August 14, 2009.
9. Each Fixed Dividend Contract that Investor A signed had the same language regarding the payments that were to be made in Investor A:

Fixed Dividend Contract

The Duration of such Contract is twelve (12) months. The principal shall be disbursed in full upon maturity of this Fixed Dividend Contract (FDC). Upon execution of said contract, interest will begin to accrue on the 15th calendar day of the execution month of this contract; or the first calendar day of the month following the execution month of this contract. The date of the dividend term (the first or 15th day of the month) is contingent upon the date of the funding of the Fixed Dividend Contract (FDC). The return is set at 15% annual. The investor shall receive 12 monthly payments of 1.25% each.

10. Despite the representations that the Rockford Group made on its website and in its advertising material and despite the terms of the Fixed Dividend Contract, the Rockford group failed to make the promised payments to Investor A.
11. Instead of making the promised payments to Investor A, the Rockford Group first sent a letter to Investor A stating that he cannot receive any distributions for ninety (90) days because he did not complete paperwork required by the "US Patriot Act."
12. Once the "paperwork" issue was resolved, the Rockford Group did send Investor A check for his monthly interest payment, but after depositing the check, the check was returned with a notation to "refer to maker", and Investor A did not receive the funds.
13. To date, Investor A has not received the principal or interest back from his investments with the Rockford Group.
14. On December 7, 2009, the United States Securities and Exchange Commission ("SEC") filed a civil complaint (the "complaint") in the U.S. District Court for the Southern District of New York (the "District Court") against, among others, Yagodavev and the Rockford Group.

15. The complaint included a “summary” of the allegations:

1. This emergency action arises from an ongoing, early stage Ponzi scheme orchestrated by defendant Rockford Group, involving at least 200 investors who have invested at least \$11 million with Rockford Group.
2. Touting itself to potential investors as “a leading private equity firm equipped with an \$800 million pipeline of investments,” Rockford Group purports to offer investors securities that it calls “Fixed Dividend Contracts.” It represents to investors that these contracts generate fixed returns of 15% per year or more. Rockford Group claims that investments in these contracts are secured by rights to future recoveries that it has purchased from plaintiffs in personal injury lawsuits.
3. From at least March 2009 through November 2009, Rockford Group has knowingly or recklessly made a number of material false or misleading statements to lure potential investors, through both written materials and telephone calls, including (1) falsely or misleadingly claiming that Rockford Group has been in existence since 1999, when it actually was not incorporated until December 2008; (2) falsely claiming that from August 2009 through June 30, 2009, the firm’s “portfolio has increased 251% compared to a 12.8% increase in the Dow Jones Index,” when – in fact – Rockford Group did not exist until December 2008 and does not appear to engage in any investment activity that would generate returns for investors, much less its claimed returns; (3) falsely claiming that Rockford Group is a member of the Securities Investor Protection Corp. (“SIPC”) when, in fact, Rockford Group is not a SIPC member or otherwise associated with SIPC; (4) falsely identifying 20 Fortune 500 corporations as Rockford Group “major industrial pension plan clients” when in fact at least several, and apparently all, of those corporations have no connection to Rockford Group; (5) falsely suggesting that Rockford Group is invested or associated with a particular asset management company; and (6) falsely indicating to at least one investor that Rockford Group is “going public” and indicating that large investors in Fixed Dividend Contracts will receive special access to shares sold in its claimed initial public offering.
4. In addition, Rockford Group appears to have misled investors concerning the nature of its business operations and has failed to use investor funds as promised. Rockford Group has not used investor funds to purchase interests in personal injury cases. Instead, Rockford Group has sent over \$10.4 million of investor funds to bank accounts in Latvia and Hong Kong, much of it purportedly to be used to pay for “cooling systems,” “construction equipment,” “electronic systems,” and other equipment unrelated to Rockford Group’s claimed investment business. The balance of any remaining investor funds is on deposit in certain Rockford Group bank accounts in the United States.

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5. Rockford Group began seeking investor funds in or about March 2009, using a web site and making unsolicited telephone calls to contact potential investors. As of the end of November 2009, it has collected over \$11 million from at least 200 investors. Those investors live in at least 41 different states and Canada.
6. By virtue of the conduct alleged herein, defendant Rockford Group, directly or indirectly, has engaged and is engaging in acts, practices, and courses of business, that constitute violations of Sections 5(a), 5(c) 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. §§ 77e(a), 77e(c), 77q(a)] and violations of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §§78j(b) and 78o(a)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].
7. In recent weeks, Rockford Group has solicited large sums of money from United States investors and promptly transferred them out of the country. Unless Rockford Group is preliminarily and permanently restrained and enjoined, it will continue to engage in these acts, practices, and courses of business set forth in this Complaint and in acts, practices, and courses of business of similar type and object.
16. Yagodavev and the Rockford Group had an opportunity to contest the allegations made by the SEC, but Yagodavev and the Rockford Group failed to answer, plead or otherwise defend themselves in the SEC's action. As result, a Default Judgment was entered by the District Court against Yagodavev and the Rockford Group for violating the Securities Act and the Exchange Act. The Default Judgment further ordered that Yagodavev and the Rockford Group are liable for disgorgement, prejudgment interest and civil penalties totaling nearly \$12 million.
17. Furthermore, the entry of the Default Judgment against Yagodavev and the Rockford Group constituted a final determination of the issues presented in the SEC's civil complaint and gives sufficient basis for the entry of this Temporary Order of Prohibition.
18. The activities described above constitute the offer and sale of a security as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5/1 *et. seq.*] (the "Act").
19. Section 12.F of the Act states that it shall be a violation of the provisions of this Act for any person to, engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
20. Section 12.G of the Act states that it shall be a violation of the provisions of this Act for any person to, "obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in

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order to make the statements made, in light of the circumstances under which they were made, not misleading.

21. Section 12.H of the Act states that it shall be a violation of the provisions of this Act for any person “to sign or circulate any statement, prospectus, or other paper or document required by any provision of this Act or pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue.”
22. Section 12.I of the Act states that it shall be a violation of the provisions of this Act for any person to, “employ any device, scheme, or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.”
23. By virtue of the foregoing, Yagoddayev and the Rockford Group violated Sections 12.F, 12.G, 12.H and 12.I of the Act.

OFFER AND SALE OF UNREGISTERED SECURITIES

24. Section 5 of the Act provides, *inter alia*, that all securities except those exempt under Section 3 or those offered or sold in transactions exempt under Section 4 “shall be registered either by coordination or qualification prior ... to their offer or sale” in the State of Illinois.
25. Yagoddayev, both personally and as the President of the Rockford Group, failed to file with the Secretary of State an application for registration of the securities described above as required by the Act and, as a result, the securities were not registered pursuant to Section 5 of the Act prior to their offer or sale in the State of Illinois.
26. Furthermore, Yagoddayev, both personally and as the President of the Rockford Group, failed to file any notice filings with the Secretary of State claiming that the securities being offered were exempt from registration.
27. Section 12.A of the Act provides that it shall be a violation for any person to offer or sell any security except in accordance with the provisions of the Act.
28. Section 12.D of the Act provides, *inter alia*, that it shall be a violation for any person to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of the Act or any rule or regulation made by the Secretary of State pursuant to the Act.
29. By virtue of the foregoing, the Respondents violated Sections 12.A and 12.D of the Act.

PROHIBITION

30. Section 11.F(2) of the Act provides, *inter alia*, that the Secretary of State may temporarily prohibit the offer or sale of securities by any person, without notice and prior

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hearing, if the Secretary of State shall deem it necessary to prevent an imminent violation of the Act or to prevent losses to investors that will occur as a result of prior violations of the Act.

31. The entry of this **Temporary Order of Prohibition** prohibiting Respondents Genadi Yagodayev and the Rockford Funding Group, LLC or their agents, affiliates, successors and employees, from offering or selling securities in the State of Illinois is in the public interest and for the protection of the investing public and is consistent with the purposes intended by the provisions of the Act.

NOW THEREFORE IT IS HEREBY ORDERED THAT: pursuant to the authority granted by Section 11.F of the Act, Respondents **Genadi Yagodayev and the Rockford Funding Group, LLC** and each of their partners, members, officers and directors, agents, employees, affiliates, successors and assigns, are **Temporarily Prohibited** from offering or selling securities in or from this State for a maximum period of ninety (90) days.

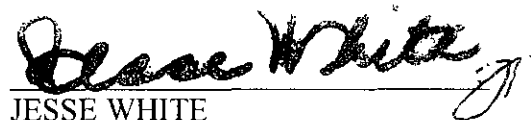
NOTICE is hereby given that the Respondents may request a hearing on this matter by transmitting such request in writing to:

James Gleffe
Enforcement Attorney
Illinois Securities Department
Office of the Secretary of State
69 West Washington Street, Suite 1220
Chicago, Illinois 60602

Such request must be made within thirty (30) calendar days of the date of entry of the **Temporary Order of Prohibition**. Upon receipt of a request for hearing, a hearing will be scheduled as soon as reasonably practicable. A request for hearing will not stop the effectiveness of this Temporary Order of Prohibition.

FAILURE OF ANY RESPONDENT TO REQUEST A HEARING WITHIN THIRTY (30) CALENDAR DAYS AFTER ENTRY OF THIS TEMPORARY ORDER OF PROHIBITION SHALL CONSTITUTE AN ADMISSION OF ANY FACTS ALLEGED HEREIN AND SHALL CONSTITUTE SUFFICIENT BASIS TO MAKE THIS TEMPORARY ORDER OF PROHIBITION FINAL.

Dated this 1st day of July 2011.



JESSE WHITE
Secretary of State
State of Illinois

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Attorney for the Secretary of State:

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