

BEFORE THE  
STATE OF WISCONSIN  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF SECURITIES

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In the Matter of

GENADI YAGODAYEV,  
MARC SIMMONS, and  
ROCKFORD FUNDING GROUP, LLC  
Respondents.

PETITION FOR ORDER

File No. S- 222294 (EX)

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The staff of the Bureau of Enforcement of the Division of Securities, Department of Financial Institutions, State of Wisconsin has conducted an investigation in this matter pursuant to § 551.602, Wis. Stats., and as a result thereof alleges as follows:

1. Rockford Funding Group, LLC ("Rockford Group") is a business entity with a last known business address of 80 Broad Street, Floor 5 New York, NY 10004-2257.
2. Genadi Yagodayev ("Yagodayev ") is an individual born in November 1977 who at all times material hereto has been an owner, officer, or controlling person of Rockford Group, with a last known business address at 80 Broad Street, Floor 5, New York, NY 10004-2257. His last known home address was 10540 62<sup>nd</sup> Road #7B, Forest Hills, NY 11375.
3. Marc Simmons ("Simmons"), is an individual who at all times material hereto has been an agent and officer of the Rockford Group with a last known business address at 80 Broad Street, Floor 5, New York, NY 10004-2257.
4. In 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."
5. Furthermore, the Rockford Group stated that its investment opportunities provided opportunities for income, capital appreciation and preservation.
6. Investments offered by the Rockford Group were purportedly "Fixed Dividend Contracts" that were sold to investors. The Rockford Group's website ([www.rockfordgroupllc.com](http://www.rockfordgroupllc.com)) 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] possesses 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.**
7. At least as early as November of 2009, The Rockford Group began soliciting investments from individuals including residents of Wisconsin.
8. One such solicitation was sent by the Rockford Group to at least one investor residing in the State of Wisconsin through the United States mail. The solicitation was signed by Marc Simmons as Vice President, Private Client Services. The solicitation boasted that an investment with the Rockford Group would provide:

- **Fixed income – A fixed annual return of 9.99%**

- **Income Stream** – 12 monthly distributions of 0.835% of the face value of the Fixed Dividend Contract (FDC)
- **Capital Preservation** – 100% of the invested principle 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 is a suitable hedge for any portfolio against the volatility of any equity markets, the fluctuation of interest rates and variable annuity payments.

9. Based on the solicitation, the Wisconsin investor invested \$3,000.00 with the Rockford Group on November 18, 2009 by purchasing a Fixed Dividend Contract.

10. The Fixed Dividend Contract that the Wisconsin investor signed had the following language regarding the payments that were to be made:

**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 15<sup>th</sup> calendar day of the execution month of this contract; or on the first calendar day of the month following the execution month of this contract. The date of the dividend disbursement term (the first of 15<sup>th</sup> day of the month) is contingent upon the date of the funding of this Fixed Dividend Contract (FDC). The return is set at 9.99% annual. The investor shall receive 12 monthly payments of 0.835% each.

11. Despite the representations 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 promised payments to the Wisconsin investor.

12. To date, the Wisconsin investor has not received the principal or interest back from his investment with the Rockford Group.

13. On December 7, 2009, the United States Securities and Exchange Commission (“SEC”) filed a civil complaint in the U.S. District Court for the Southern District of New York against Yagodayev and the Rockford Group, among others.

14. The SEC 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 1999 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 an 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 located 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.

5. Rockford Group began seeking investor funds in or about March 2009, using a website 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 780(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.

15. Yagodavev and the Rockford Group had an opportunity to contest the SEC allegations, but Yagodavev and the Rockford Group failed to answer, plead, or otherwise defend themselves in the SEC's action. As a result, a the District Court entered a default judgment against Yagodavev and the Rockford Group for violating the Securities Act and the Exchange Act. The

Default Judgment ordered that Yagodavev and the Rockford Group are liable for disgorgement, prejudgment interest, and civil penalties totaling nearly \$12 million.

16. The entry of Default Judgment against Yagodavev and the Rockford Group constituted a final determination of the issues presented in the SEC's civil complaint and provides sufficient basis for this order.

17. Upon information and belief, investors will play a passive role in the company with no duties and responsibilities.

18. Since the investors will be involved in a common enterprise with the expectation of profits to be derived from the essential managerial efforts of others, the "Fixed Dividend Contracts" offered by the Respondents constitute investment contract securities as defined by § 551.28(d)(1.), Wis. Stats.

19. The Rockford Group securities have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.

20. Each Respondent has violated § 551.301, Wis. Stats., by offering unregistered securities to investors in Wisconsin.

21. In connection with the offers of the securities described above, Yagodavev transacted business in Wisconsin as a "broker-dealer," as that term is defined by § 551.102(4), Wis. Stats.

22. Yagodavev has never been registered as a securities broker-dealer pursuant to Ch. 551, Wis. Stats.

23. Respondent Yagodavev has violated § 551.401(1), Wis. Stats., by transacting business in Wisconsin as a broker-dealer without registration.

24. In connection with the offers of the securities described above, Simmons transacted business in Wisconsin as an "agent" for Yagodavev and Rockford Funding, as that term is defined by § 551.102(2), Wis. Stats.

25. Simmons has never been registered as a securities agent pursuant to Ch. 551, Wis. Stats.

26. Simmons has violated § 551.402, Wis. Stats., by transacting business in Wisconsin as a securities agent without registration.

27. Yagodavev and Rockford Group have violated § 551.401(3), Wis. Stats., by employing an unregistered agent to represent them in Wisconsin.

28. All Respondents have violated § 551.501(3), Wis. Stats., by engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit on another person in connection with the offer and sale of securities to persons in Wisconsin.

Therefore, the staff of the Division petitions the Administrator of the Division of Securities for the issuance of the attached Order pursuant to Chapter 551, Wis. Stats.

James Lackey, Jr. 2/24/12  
James Lackey, Jr. Date  
Examiner  
Bureau of Enforcement

Leslie M. Van Buskirk 2/24/12  
Leslie M. Van Buskirk Date  
Attorney Supervisor  
Bureau of Enforcement