

**STATE OF NORTH DAKOTA**

**SECURITIES DEPARTMENT**

In the Matter of:	)	
Core Funding Group, L.P., and	)	<b>CEASE AND DESIST ORDER,</b>
Thomas F. Emmick,	)	<b>ORDER FOR CIVIL PENALTY,</b>
	)	<b>AND NOTICE OF RIGHT TO</b>
Respondents.	)	<b>REQUEST A HEARING</b>

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**THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA TO THE ABOVE-NAMED RESPONDENTS:**

The North Dakota Securities Commissioner has a reasonable basis to believe that the Respondents have engaged in, are engaging in, or are about to engage in, acts, practices or transactions, as more fully described below, which are prohibited under Chapter 10-04 of the North Dakota Century Code (N.D.C.C.). It is necessary and appropriate in the public interest and for the protection of investors to restrain these acts, practices, or transactions of the Respondents.

1. Respondent, Core Funding Group, L.P., ("CFG") is a Texas limited partnership with its last known office at 40 Lake Bellevue Drive, Suite 100, Bellevue, Washington, offering investment contracts in the form of beneficial interests in a pool of legal receivables and assigned legal settlements and awards, known as "Verdicts and Settlements Trust III dated 5<sup>th</sup> day of December, 2004" with a guaranteed rate of return of at least 8.39%. For all times relevant to this matter, CFG has been controlled by the Respondent, Thomas F. Emmick ("Emmick").
2. Alan Bernhagen, ("Bernhagen") is an individual providing insurance and investment advice under the trade name "Life Security Agency" with his

principal office at 2050 West Main, #9, Rapid City, South Dakota, and offering investment contracts as described above as an agent for CFG.

3. On or about December 28, 2004, the Respondents offered for sale and sold through Bernhagen at least one investment contract as described above to at least one North Dakota resident in the principal amount of \$20,000. Said investment contract is a security as defined in N.D.C.C. §10-04-02(19).
4. The subject security has not been registered with the Securities Department under N.D.C.C. §§ 10-04-07.1, 10-04-08, or 10-04-08.1; is not an exempt security under N.D.C.C. § 10-04-05; and has not been offered for sale or sold in an exempt transaction under N.D.C.C. § 10-04-06; and is not a federal covered security or has not been properly filed as a federal covered security under N.D.C.C. § 10-04-08.4. The offer and sale of the subject security was made in violation of N.D.C.C. § 10-04-04 and each of the Respondents engaged in at least one violation of N.D.C.C. § 10-04-04.
5. The transaction referenced above was conducted at a time when the Respondent, CFG, was not registered as a broker-dealer with the Securities Department. The Respondent, CFG, engaged in at least one violation of N.D.C.C. § 10-04-10(1).
6. The transaction referenced above was conducted at a time when the Respondent, Emmick, was not registered as an agent with the Securities Department. The Respondent, Emmick, engaged in at least one violation of N.D.C.C. § 10-04-10(2).

7. Pursuant to N.D.C.C. § 10-04-16(1), the Securities Commissioner has the authority to Order that a person Cease and Desist from violations of the Securities Act, to rescind transactions made in violation of the Securities Act, and to assess civil penalties in an amount not to exceed \$10,000 for each violation of the Securities Act or a total of \$40,000 based on the violations described above. The violations described above are sufficient grounds for the Commissioner to assess civil penalties against the Respondents pursuant to N.D.C.C. § 10-04-16(1).

8. This Order is issued in the public interest and for the protection of investors.

**NOW, THEREFORE, IT IS ORDERED**, pursuant to N.D.C.C. § 10-04-16, that the Respondents shall immediately **CEASE AND DESIST**:

1. From offering for sale or selling in North Dakota the subject securities, or any other securities however denominated, unless and until such securities have been registered with the Securities Department.
2. From offering for sale or selling securities, or effecting transactions in securities, in North Dakota unless and until they have registered with the Securities Commissioner as broker-dealers or agents.

#### **ORDER FOR CIVIL PENALTIES**

1. Each Respondent is hereby assessed, and shall pay a civil penalty of \$20,000 to the North Dakota Securities Department based on the violations discussed above. The civil penalties assessed under this paragraph shall be deposited as follows:

- (a) The amount necessary to reimburse the North Dakota complainants shall be deposited into the North Dakota Investor Restitution Fund (Fund # 262), for the purpose of reimbursing the complainants for losses incurred as a result of the investment with the Respondents.
- (b) The remaining balance shall be deposited into the General Fund for the State of North Dakota.

The civil penalties assessed herein are due and payable immediately upon the entry of this Order, except to the extent that a hearing has been timely requested by the respective Respondent. If a hearing is requested, the Securities Commissioner expressly reserves the authority to modify this provision and to assess civil penalties, not to exceed \$10,000 per violation, regarding the violations outlined above or any other violations subsequently discovered.

This order does not prohibit the offer or sale of securities through exempt securities transactions under N.D.C.C. § 10-04-06, nor does it prohibit registered broker-dealers and agents from offering or selling exempt securities under N.D.C.C. § 10-04-05 or federal covered securities offered pursuant to a notice filing made to the Securities Department pursuant to N.D.C.C. § 10-04-08.4.

**YOU ARE NOTIFIED that any willful violation of this order is a Class B Felony pursuant to N.D.C.C. § 10-04-18(1). Pursuant to N.D.C.C. § 12.1-32-01(3), a Class B Felony is punishable by a \$10,000 fine and 10 years' imprisonment, with respect to a natural person. Pursuant to N.D.C.C. § 12.1-32-01.1(2), a**

Class B Felony is punishable by a \$35,000 fine with respect to an organization.

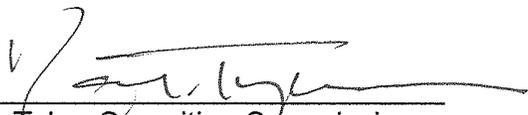
YOU ARE FURTHER NOTIFIED that, pursuant to N.D.C.C. § 12.1-09-03, a person is guilty of a criminal offense if that person intentionally “alters, destroys, mutilates, conceals, or removes a record, document, or thing with intent to impair its verity or availability” in an official proceeding. As such, intentional destruction of any documents related to this matter may result in criminal prosecution.

#### NOTICE OF RIGHT TO REQUEST HEARING

YOU ARE NOTIFIED that pursuant to N.D.C.C. § 10-04-12 you may request a hearing before the Securities Commissioner if such a request is made in writing WITHIN FIFTEEN (15) DAYS AFTER THE RECEIPT OF THIS ORDER. The Respondents have the right to be represented by legal counsel at the hearing.

IN TESTIMONY WHEREOF, witness my hand and seal this 8<sup>th</sup> day of February, 2012.



  
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Karen J. Tyler, Securities Commissioner  
North Dakota Securities Department  
600 East Boulevard Ave.  
State Capitol – Fifth Floor  
Bismarck, ND 58505-0510  
(701) 328-2910

**STATE OF NORTH DAKOTA**

**SECURITIES DEPARTMENT**

In the Matter of:	)	
Core Funding Group, L.P., and	)	<b>AFFIDAVIT OF SERVICE</b>
Thomas F. Emmick,	)	<b>BY MAIL</b>
	)	
Respondents.	)	

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I, Caitlin Poeppel, being first duly sworn, state that I am a citizen of the United States over the age of twenty-one years and not a party to or interested in the above-entitled proceeding.

On this 9<sup>th</sup> day of February, 2012, I deposited in the Central Mailing Bureau of the United States Post Office Department in the State Capitol in Bismarck, North Dakota, a true and correct copy of each of the following documents:

**CEASE AND DESIST ORDER, ORDER FOR CIVIL PENALTIES,  
AND NOTICE OF RIGHT TO REQUEST A HEARING**

Copies of the above documents were securely enclosed in an envelope with postage duly prepaid, sent via certified mail, return receipt requested, addressed to each of the following:

Core Funding Group, L.P.  
Thomas F. Emmick, President and Registered Agent  
40 Lake Bellevue Drive, Suite 100  
Bellevue, WA 98005

Thomas F. Emmick  
40 Lake Bellevue Drive, Suite 100  
Bellevue, WA 98005

To the best of my knowledge, information, and belief, the address given above is the actual mailing address for the party intended to be served or of the attorney representing that party.



Caitlin Poeppel

Subscribed and sworn to before me this 9<sup>th</sup> day of February, 2012.



Diane Lillis, Notary Public  
Burleigh County, North Dakota  
My commission expires 4/26/2014

