

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: SIEGFRIED INVESTMENT FUND, LLC)
 SUCCESSOR IN INTEREST TO THE)
 SIEGFRIED INVESTMENT PARTNERSHIP,)
 BARBAROSSA INVESTMENT PARTNERSHIP)
 THEIR OFFICERS, DIRECTORS,) FILE NO: 0500061
 EMPLOYEES, AGENTS, AFFILIATES,)
 SUCCESSORS, AND ASSIGNS, AND)
 GEORGE S. RIEG VI)
)
)

CONSENT ORDER

TO THE RESPONDENTS: Siegfried Investment Fund, LLC
 Successor in interest to the Siegfried
 Investment Partnership
 Barbarossa Investment Partnership
 George S. Rieg VI

C/o John Blatchford
Vedder, Price, Kaufman & Kammholz, PC
222 North LaSalle St.
Chicago, Illinois 60601

WHEREAS, the Respondents on April 11, 2007 executed a certain Stipulation To Entry Of Consent Order (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, the Respondents have admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing in this matter and the Respondents have consented to the entry of this Consent Order.

WHEREAS, the Secretary of State, by and through his designated representative, the Securities Director, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceeding.

WHEREAS, the Respondents have acknowledged, without admitting nor denying that the allegations contained in paragraph

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seven (7) of the Stipulation shall be adopted as the Secretary of State's Findings of Fact as follows:

1. Siegfried Investment Fund, LLC ("Siegfried Fund") is a Delaware registered Limited Liability Company and is the successor organization of the Siegfried Investment Partnership.
2. The Siegfried Fund has a stated purpose: "to acquire, trade, sell dispose of or otherwise invest in cash and cash equivalents, bonds, common stocks, preferred stocks, currencies, money market instruments, financial indices, forward contracts, government instruments and marketable securities..."
3. The Siegfried Fund was first organized, offered and sold as an Illinois registered General Partnership but was later converted to a Delaware registered Limited Liability Company effective January 1, 2002.
4. Barbarossa Investment Partnership ("Barbarossa Fund") is an Illinois Partnership formed in 2000.
5. The Barbarossa Fund has a stated purpose of "...investment in publicly traded stocks."
6. George S. Rieg VI ("Rieg") is the Manager of the Siegfried Investment Fund, LLC and Executive Secretary of the Barbarossa Investment Partnership.
7. Pursuant to an Investment Advisory Agreement between Rieg and the Siegfried Fund, Rieg is the Investment Advisor to the Siegfried Fund and has full discretion to provide investment advice and execute transactions in the Siegfried Fund.
8. Rieg's advisory fee was an annualized rate of 2% of the Net Asset Value of the Siegfried Fund. From 2000 through 2005, Rieg received \$108,517.38 in advisory fees.
9. As the Executive Secretary of the Barbarossa Fund, Rieg has full discretion to make investment decisions and execute transactions on behalf of the Barbarossa Fund and received quarterly operating expenses of $\frac{1}{4}$ of 1% of each fund member's capital account in the Barbarossa Fund. Rieg received

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\$9,783.85 in operating expenses from the period 2000 through 2005.

10. From January 2000 through March 2005, the Siegfried Fund and Rieg offered and sold to 60 investors, Partnership interests (or after 2002, Membership interests) in the Siegfried Fund raising approximately \$573,296. The Fund has a value of \$2,535,722.15 as of March 31, 2007.
11. From January 2000 through June 2005 the Barbarossa Fund and Rieg offered and sold to 24 investors, Partnership interests in the Barbarossa Fund raising approximately \$580,000. The Fund has a value of \$726,029.27 as of March 31, 2007.
12. The above-referenced partnership and membership interests are securities as that term is defined pursuant to Section 2.1. of the Illinois Securities Law of 1953 [815 ILCS 5/1 et seq.] (the "Act").
13. Section 5 of the Act provides, inter alia, that all securities except those set forth under Section 2A of the Act or those exempt under Section 3 of the Act or those offered and sold in transactions exempt under Section 4 of the Act shall be registered with the Secretary of State prior to their offer or sale in the State of Illinois.
14. Section 12.A of the Act provides, inter alia, that it shall be a violation of the Act for any person to offer or sell securities except in accordance with the provisions of the Act.
15. Section 12.D of the Act provides, inter alia, that it shall be a violation of the Act for any person to fail to file with the Secretary of State any document or application required to be filed under the provisions of the Act.
16. The Respondents have asserted that their offers and sales of the above-referenced securities qualified for exemptions under Section 4.G. However, the Respondents failed to file the required filings with the Department until 2005 several years after the sales took place.

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17. The Siegfried Fund and the Barbarossa Fund prepared certain financial statements delivered to their members or partners that purported to report the annual performance rates of each Fund. The annual performance rates did not subtract advisory fees paid by the Siegfried Fund or operating expenses paid by the Barbarossa Fund but rather reported the performance rates before fees and expenses were deducted. If fees and expenses were deducted, the performance rates for the Barbarossa Fund and the Siegfried Fund would have been less. For example, both Funds for 2005 had a pre-expense performance rate of 16.42% which would have been 14.12% after expenses.
18. The Respondents did not disclose to their members or partners that the performance rates reported by the Siegfried Fund and the Barbarossa Fund were before any fees and expenses were paid and that if the performance rates were calculated after a subtraction of fees and expenses the performance rates would be lower.
19. Section 12.F of the Act provides inter alia that it shall be a violation of the 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 purchase or seller thereof.
20. Section 12.H of the Act provides inter alia that it shall be a violation of the Act for any person to sign or circulate any statement, prospectus, or other paper or document pertaining to any security knowing or having reasonable ground to know any material representation therein contained to be false or untrue.
21. That by virtue of the foregoing, the Respondents have violated Sections 12.A, D, F and H of the Act.
22. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsections D, F or H of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State.

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23. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act.
24. That by virtue of the foregoing, the Secretary of State has the authority to subject the Respondents to a fine of up to \$10,000.00 per violation and an order which permanently prohibits the Respondents from offering or selling securities in the State of Illinois.

WHEREAS, the Respondents have acknowledged, without admitting nor denying that the allegations contained in paragraph eight (8) of the Stipulation shall be adopted as the Secretary of State's Conclusion of Law as follows:

1. That by virtue of the foregoing, the Respondents have violated Sections 12.A, D, F and H of the Act; and
2. That by virtue of the foregoing, the Secretary of State has the authority to subject the Respondents to an order permanently prohibiting the Respondents from offering or selling securities in the State of Illinois and to a fine of up to \$10,000 per violation.

NOW THEREFORE IT IS HEREBY ORDERED THAT:

1. The allegations contained in paragraphs seven (7) and eight (8) of the Stipulation shall be and are hereby adopted as the Secretary of State's Findings of Fact and Conclusion of Law;
2. George Rieg VI or any successor individual or entity who acts as the fund manager, investment adviser or in any other capacity provides investment advice to the Barbarossa and Siegfried Funds and/or its members/partners or any other similar fund shall be registered with the Illinois Securities Department as an Investment Adviser pursuant to the Act. The Respondents shall have 30 days from the date of the Consent Order to submit an application for registration of George Rieg VI as an investment adviser.

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3. The Respondent, Rieg, or any other individual or entity acting as the fund manager, investment adviser or in any other capacity provides investment advice to the Barbarossa and Siegfried Funds and/or its members/partners shall not collect investment advisory fees of \$3,750 for each fund over a period of one year beginning from the date of entry of the consent order; A total of \$7,500 in fees not collected shall be credited to each investor/member of the Barbarossa and Siegfried Funds pro-rata on a quarterly basis;
4. The Respondents shall report and/or disclose performance rates for the Siegfried and Barbarossa Funds after deducting any applicable advisory fees or operational expenses for the relevant period;
5. The Respondents shall send a written notice, not unacceptable to the Securities Department, by mail to each of the current and former investors/members of Siegfried and Barbarossa Funds that informs them that performance rates for the Funds had been previously reported before fees were deducted and now are reported after any applicable fees are deducted. Such Notice shall be sent within 15 days of the Respondents being notified by the Securities Department that the proposed notice is not unacceptable to the Securities Department; and
6. The formal hearing scheduled on this matter is hereby dismissed without further proceeding.

ENTERED: This 13th day of April, 2007.

 

JESSE WHITE
Secretary of State
State of Illinois

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NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act"). Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony.

Attorney for the Secretary of State:
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