



*United States Attorney  
Southern District of New York*

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**MANHATTAN U.S ATTORNEY CHARGES SULLIVAN COUNTY HEDGE  
FUND PRESIDENT WITH DEFRAUDING INVESTORS  
OF OVER \$12 MILLION**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced today the indictment of LLOYD BARRIGER on securities and mail fraud charges stemming from his operation of the Gaffken & Barriger Fund LLC (the "Fund"), which was based in Monticello, Sullivan County, New York. BARRIGER was the president of the Fund and the principal shareholder, director, and officer of G&B Partners, Inc., the Fund's managing member and sole common shareholder. BARRIGER surrendered this morning to Federal Bureau of Investigation ("FBI") agents.

Manhattan U.S. Attorney PREET BHARARA stated:  
"Investors entrusted their hard-earned dollars to Lloyd Barriger, believing his promises that their savings would be safe and secure in his fund. But, as we have alleged, they were sorely mistaken. Even as problems with the fund multiplied, Barriger allegedly continued to lure investors in with his misinformation. Today's arrest makes it clear that those who defraud innocent investors will not get away with it."

According to the Indictment filed in White Plains federal court:

From July 2006 through March 5, 2008, when he froze the Fund, BARRIGER perpetrated a scheme to defraud investors by soliciting millions of dollars under false pretenses. BARRIGER presented the Fund to prospective investors as a relatively safe and liquid investment that paid a minimum return of eight percent per year, which was referred to as the "Preferred Return" and reported to investors as income on periodic account statements produced by the Fund. The Preferred Return was supposed to be funded by the Fund's net income and thus subject to the Fund's actual performance. As alleged in the Indictment, BARRIGER knew that the Fund's actual performance did not justify these

performance claims. During this time period, the Fund raised approximately \$12.6 million from new and existing investors.

BARRIGER fraudulently induced victims to invest and reinvest their money by failing to inform investors that: (1) delinquencies on the Fund's loan portfolio spiked to over 25% in July 2007 and increased to approximately 34% in November 2007; (2) the Fund had defaulted on its \$20 million line of credit with a third party lender, which had a lien on all the Fund's assets, in March 2007 and remained in default for much of the period thereafter; (3) as a result of the failure of its borrowers to repay their loans, the Fund was experiencing a severe liquidity crunch; and (4) the Fund lacked sufficient income to support the promised eight percent return, and was continuing to pay, or credit, the promised return by simply creating a large and growing deficit in BARRIGER's capital account with the Fund.

The Indictment charges BARRIGER with one count of securities fraud and one count of conspiracy to commit mail fraud. BARRIGER faces a maximum sentence of 20 years in prison on each count. He also faces on the securities fraud count a fine of the greater of \$5 million or twice the gross gain or gross loss from the offense, and on the mail fraud count a fine of the greater of \$250,000 or twice the gross gain or gross loss from the offense.

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BARRIGER was arraigned this afternoon on the Indictment in White Plains federal court before Chief U.S. Magistrate Judge GEORGE A. YANTHIS. He was released on a \$250,000 personal recognizance bond to be secured by property and co-signed by a financial responsible party. In addition, as part of his bail conditions, he also agreed to cease any role in the day to day operations of the Fund as of May 17, 2011. The case was assigned to United States District Judge VINCENT L. BRICCETTI.

Mr. Bharara praised the investigative work of the Federal Bureau of Investigation and thanked the U.S. Securities and Exchange Commission for its extraordinary assistance.

This case is being handled by the White Plains Division of the U.S. Attorney's Office. Assistant U.S. Attorney JOHN P. COLLINS, JR. is in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendant is presumed innocent unless and until proven guilty.