

FILED
U.S. DISTRICT COURT
DISTRICT OF COLORADO
IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

2005 APR -5 PM 1:13

Civil Action No.

05-WM-6211 (BUB)

GREGORY C. LANGHAM
CLERK

BY _____ DEP. CLK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

JOSEPH A. FERONA JR.,
CASTLE ROCK TRADING COMPANY, AND
THE GLOBAL PROSPERITY FUND,

Defendants.

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission (the "Commission"), alleges the following for its complaint:

I. SUMMARY

1. Joseph A. Ferona Jr. ("Ferona") and Castle Rock Trading Company are unlawfully operating as unregistered investment advisers and the Global Prosperity Fund is unlawfully operating as an unregistered investment company. In addition, Ferona, Castle Rock Trading, and the Global Prosperity Fund have not complied with their statutory duty to make records available to the Commission for a compliance examination of their books and records, and Ferona and the Global Prosperity Fund have unlawfully offered unregistered securities for sale.
2. Ferona offered interests to the public in the Global Prosperity Fund on an Internet website. The website claimed that the Global Prosperity Fund had a "leverage

base” of over \$25 million in managed assets and had achieved over 40% annual returns in each year from 2000-2003. Feronia admitted to the Commission staff that he generated these significant returns for investors largely through options trading. The website represented that Castle Rock Trading Company manages the Global Prosperity Fund. Feronia told the Commission staff that he keeps any amount above the guaranteed return on investment for himself as a fee, which he admitted is his sole source of income.

II. JURISDICTION AND VENUE

3. The Commission brings this action pursuant to Section 42(d) of the Investment Company Act of 1940 (“Investment Company Act”) [15 U.S.C. § 80a-41(d)], Section 209(d) of the Investment Advisers Act of 1940 [15 U.S.C. § 80b-9(d)] (the “Investment Advisers Act”), and Section 20(b) of the Securities Act of 1933 [15 U.S.C. § 77t] (the “Securities Act”), to enjoin the Defendants from engaging in the transactions, acts, practices and courses of business alleged in this Complaint, and transactions, acts, practices and courses of business of similar purport and object, and to obtain other relief.
4. The Commission seeks an order requiring Feronia to pay civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t] and Section 209(e) [15 U.S.C. § 80b-9(e)] of the Investment Advisers Act.
5. This Court has jurisdiction over this action pursuant to Section 42(d) of the Investment Company Act, Section 209(d) of the Investment Advisers Act, and Section 20(b) of the Securities Act.
6. The Defendants, directly and indirectly, have made use of the mails, the means and instrumentalities of transportation and communication in interstate commerce,

or the means and instruments of interstate commerce, in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

7. Venue lies in this Court pursuant to Section 42(d) of the Investment Company Act, Section 209(d) of the Investment Advisers Act, and Section 20(b) of the Securities Act because certain of the transactions, acts, practices and courses of business constituting violations have occurred within the District of Colorado and the defendants reside in or have offices in Colorado.

III. THE DEFENDANTS

8. Joseph A. Feron Jr. age 43, is a resident of Castle Rock, Colorado and directs and controls Castle Rock Trading Company and the Global Prosperity Fund.
9. Castle Rock Trading Company is an unregistered investment adviser located in Castle Rock, Colorado that purports to manage the Global Prosperity Fund.
10. The Global Prosperity Fund is an unregistered investment company located in Castle Rock, Colorado.

IV. FACTUAL ALLEGATIONS

11. Since at least August 20, 2004 until December 14, 2004, Castle Rock Trading Company maintained a public website. The website claimed that Castle Rock Trading had \$25 million dollars of managed assets and made several suspicious claims concerning the performance of the Global Prosperity Fund.
12. Specifically, the website claimed that the Global Prosperity Fund had produced annual returns exceeding 40% for each year from 2000-2003, and projected over 50% profit in 2004. The website also claimed that "compounding profits usually double within two short years."

13. The accompanying application for the fund, which offered interests in the fund, claimed that “ROI-Return on Investment—will be **at least 10%** per full quarter investment” (emphasis in original). The application also stated that the Global Prosperity Fund’s motto is “Growing Wealth through double digit profits, always!!” (emphasis in original).
14. On or about October 21, 2004, Feronia contacted Colorado state regulators to inquire about the steps necessary to register a new hedge fund, the Hedge Fund of Colorado with the state. Feronia told the state regulators that Castle Rock Trading had investment advisory agreements with 38 investors and had \$30-\$35 million under management.
15. On December 14, 2004, pursuant to its inspection authority, the Commission staff requested by letter that Feronia produce certain books and records. The letter requested that Feronia produce records identifying the investors in the Global Prosperity Fund and Castle Rock Trading Company, the location and amount of the investor funds, any trading records, records supporting the Global Prosperity Fund’s performance claims, and records relating to the fees and commissions charged. Feronia failed to produce any documents in response to this letter.
16. The Commission staff visited the office for Feronia’s new hedge fund on January 13, 2005. The staff found an office with a sign outside displaying the “Hedge Fund of Colorado” name. The office had three persons working in a reasonably furnished space with newer computers and office furniture. These persons stated that Feronia was teaching them how to trade options. They refused to discuss

anything else related to Castle Rock Trading, the Global Prosperity Fund, or the Hedge Fund of Colorado.

17. On January 19, 2004, the Colorado Securities Division received a call from someone who identified himself as Feron's attorney. The attorney wanted to know the procedure for registering a fund with the state.
18. The Commission staff only recently identified three limited liability corporations registered in Colorado by Feron that share the same address as Castle Rock Trading Company and they are: GP, LLC, J. Feron & Co., Investment Advisors, LLC, and CRTCL, LLC.. The relationship of these entities to the Defendants is not known at this time.
19. Pursuant to its statutory regulatory and examination authority, the Commission staff made several unsuccessful attempts to meet with Feron and to obtain documentation concerning his activities during December 2004 and early January 2005. On January 24, 2005, Feron attended a meeting with the Commission staff but failed to produce any of the documents requested in the Commission staff's December 14, 2004 letter.
20. Feron admitted that he retained any amount above the guaranteed return on investment as payment for his services. He stated that he had made under \$50,000 in fees annually for 2001-2002 and between \$50,000-\$100,000 annually for 2003-2004.
21. Feron refused to disclose to the Commission staff where the investor funds being managed by Castle Rock Trading Company were held, who his investors were, how many accounts he had, and exactly how he had made the claimed returns.

22. Feronia also admitted that he was making efforts to start a new fund, the Hedge Fund of Colorado (the "Hedge Fund").
23. On February 11, 2005, the Commission staff requested in writing that the Global Prosperity Fund produce the documents requested in the Commission's original December 14, 2004 letter by February 16, 2005.
24. Except for limited trading records Feronia, Global Prosperity Fund and Castle Rock Trading Company have refused to produce the records that the Commission staff has sought to examine.

FIRST CLAIM FOR RELIEF

(Violations by the Global Prosperity Fund of Section 7(a) of The Investment Company Act [15 U.S.C. § 80a-7])

25. Paragraphs 1 through 24 are realleged and incorporated by reference.
26. Global Prosperity Fund is not registered as an investment company with the Securities and Exchange Commission. It has directly or indirectly offered for sale, sold or delivered after sale, by the use of the mails and any means or instrumentality of interstate commerce, securities or any interest in a security. Global Prosperity Fund has, as an issuer, held itself out as being engaged primarily, or proposed to engage primarily, in the business of investing, reinvesting, or trading in securities.
27. By reason of the foregoing, the Global Prosperity Fund is violating Section 7(a) of the Investment Company Act and, unless restrained and enjoined, will continue to do so.

SECOND CLAIM FOR RELIEF

(Violations by Feron and Castle Rock Trading Company of Section 203(a) of the Advisers Act [15 U.S.C. §80b-3])

28. Paragraphs 1 through 24 are realleged and incorporated by reference.
29. Feron and Castle Rock Trading Company are not registered as investment advisors with the Securities and Exchange Commission and engaged in the business of advising others about investing in securities, for compensation and made use of the mails or any means or instrumentality of interstate commerce in connection with his or its business as an investment advisor.
30. By reason of the foregoing, Feron and Castle Rock Trading are violating Section 203(a) of the Investment Advisers Act and unless enjoined and restrained, will continue to do so.

THIRD CLAIM FOR RELIEF

(Violation by the Global Prosperity Fund of Section 31(b) of the Investment Company Act [15 U.S.C. §80a-30(b)])

31. Paragraphs 1 through 24 are realleged and incorporated by reference.
32. Global Prosperity Fund, an issuer which held itself out as being engaged primarily, or proposed to engage primarily, in the business of investing, reinvesting or trading securities, has failed to make available all records required to be maintained and preserved for examinations by the Commission, or any member or representative thereof, as the Commission may prescribe.
33. By reason of the foregoing, the Global Prosperity Fund is violating Section 31(b) of the Investment Company Act and unless enjoined and restrained will continue to do so.

FOURTH CLAIM FOR RELIEF

(Violations by Feron and Castle Rock Trading Company of Section 204 [15 U.S.C. §80b-4] and Rule 204-2 of the Investment Advisers Act [17 C.F.R. §275.240-2])

34. Paragraphs 1 through 24 are realleged and incorporated by reference.
35. Feron and Castle Rock Trading Company are investment advisors who make use of the mails or any means or instrumentality of interstate commerce in connection with his or her business as investment advisor and has failed to make their books and records available for examinations by representatives of the Commission as the Commission deems necessary or appropriate in the public interest or for the protection of investors.
36. By reason of the foregoing, Feron and Castle Rock Trading Company are violating Section 204 and Rule 204-2 of the Investment Advisers Act and unless restrained and enjoined will continue to do so.

FIFTH CLAIM FOR RELIEF

(Violation by Feron and the Global Prosperity Fund of Section 5(c) of the Securities Act of 1933 [15 U.S.C. §77e(c)])

37. Paragraphs 1 through 24 are realleged and incorporated by reference.
38. Feron and Global Prosperity Fund, directly or indirectly, to made use of means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise securities without a registration statement having been filed as to such security with the Commission.

39. By reason of the foregoing, Feron and the Global Prosperity Fund violated Section 5(c) of the Securities Act and unless restrained and enjoined will continue to do so.

PRAYER FOR RELIEF

Wherefore, the Commission respectfully requests that the Court:

I.

Find that the Defendants, and each of them, committed the violations alleged.

II.

Enter a temporary restraining order, preliminary and permanent injunctions enjoining Defendants, their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the order of injunction, by personal service or otherwise, and each of them, whether as principals or as aiders and abettors, from violating, directly or indirectly, from violating Section 7(a) and 31(b) of the Investment Company Act, Section 203(a) , Section 204, and Rule 204-2 of the Investment Advisers Act, and Section 5(c) of the Securities Act of 1933.

III.

Order Defendants to provide a written accounting under oath to be filed with the Court and submitted to the Commission on an expedited basis which includes the following:

- A. Identify by name, address and telephone number, all investors in the Global Prosperity Fund, the dates upon which each investor invested, the amount invested by each investor, any amount returned to each investor, however termed, and the total amount of principal and earnings on the investment owed to each investor.

- B. Identify by name, address and telephone number, all clients of Castle Rock Trading Company, the date upon which each client became a client of Castle Rock Trading Company, the amount of money managed by Castle Rock Trading Company for each client, the amount of money returned to each client, and the total amount of principal and earnings now owed to each client.
- C. Records of any bank accounts into which investor money or proceeds of trading have been deposited and any other records showing the disposition or disbursement of investor or fund assets.
- D. Records for all purchases and sales of portfolio investments for the Global Prosperity Fund.
- E. Records showing all assets currently held by Feron, Castle Rock Trading, and the Global Prosperity Fund, or in the names of any subsidiary or affiliate, or under their direct or indirect control or in which they have or have had a direct or indirect beneficial interest, stating the description, amount, and location of such assets;
- F. Each account, including safe deposit boxes, with any bank, financial institution or brokerage firm, maintained in the name of Joseph A. Feron Jr., Castle Rock Trading, and the Global Prosperity Fund, in which they have direct or indirect control or beneficial interest or have had any direct or indirect beneficial interest since January 1, 2000;
- G. Records supporting the Global Prosperity Fund's performance from 2000-present.

- H. Records showing the annual compensation of Feronia for managing Castle Rock Trading and the Global Prosperity Fund from 2000-present.
- I. Records showing the fees or commission charged by Castle Rock Trading and the Global Prosperity Fund from 2000-present.

IV.

Enter an order requiring Feronia to pay penalties pursuant to pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77f] and Section 209(e) [15 U.S.C. § 80b-9(e)] of the Investment Advisers Act.

V.

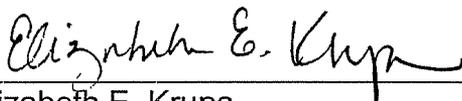
Enter an order allowing expedited discovery and prohibiting the destruction of documents.

VI.

Such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

Dated: April 5, 2005

Respectfully submitted,



Elizabeth E. Krupa
Robert M. Fusfeld
James A. Scoggins
John H. Mulhern
Counsel for Plaintiff
Securities and Exchange Commission
1801 California Street, Suite 1500
Denver, Colorado 80202
(303) 844-1000