

**UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

SECURITIES AND
EXCHANGE COMMISSION,

Plaintiff,

Case No.:

v.

JEFFREY R. NEUFELD and
PARIDON CAPITAL MANAGEMENT LLC
f/k/a TRITONE CAPITAL MANAGEMENT, LLC

Defendants.

COMPLAINT

Plaintiff Securities and Exchange Commission (the “Commission”) alleges as follows:

SUMMARY

1. For over three years, Defendant Paridon Capital Management LLC (“Paridon”) f/k/a Tritone Capital Management, LLC (“Tritone Capital Management”), an unregistered investment adviser, and its owner, Defendant Jeffrey Neufeld (“Neufeld”), have fraudulently operated the TCM Global Strategy Fund, LP (“TCM Fund” or “Fund”), an unregistered investment commodity pool. Since the Fund’s inception in 2006, Paridon and Neufeld have reported false and fictitious rates of returns and assets under management to the TCM Fund investors and prospective investors. Neufeld and Paridon used false performance and assets under management to lure prospective investors to join the Fund and then continued to report fictitious rates of return and hide trading losses from investors. Neufeld also engaged in improper self-dealing by having the Fund purchase \$75,000 of “debt securities” from the Fund’s general partner, Paridon. Investors were never told about this purchase, which was in reality a

\$75,000 loan from the Fund to Paridon. These debt securities were not only the Fund's largest holding but they were not the kind of investment the Fund – a commodity pool – was supposed to own.

2. Neufeld's and Paridon's violations of the federal securities laws, and the rules promulgated thereunder, are ongoing and will continue to put the investment public at risk. When interviewed by the Commission's staff, Neufeld represented that he closed the TCM Fund and had no other funds under management. The SEC subsequently discovered that, at the time, Neufeld and Paridon also operated the Paridon Currency Fund, LP ("Paridon Currency Fund"), which had recently accepted an investment of \$100,000. Neufeld now claims that the Paridon Currency Fund is closed, but admits that he and Paridon are financially strapped and owe at least one investor in the Paridon Currency Fund around \$82,000. Because of this and possibly other debts, Neufeld and Paridon may try to fraudulently raise additional money by soliciting new investors.

DEFENDANTS

3. Neufeld, age 35, is the founder and managing partner of Tritone Capital Management. Neufeld resides and conducts business in Elgin, IL. Neufeld controls and operates the TCM Fund which was an unregistered investment pool and an Illinois registered limited partnership. Neufeld also controls and operates the Paridon Currency Fund, an unregistered investment pool and an Illinois registered limited partnership.

4. Paridon is an Illinois limited liability corporation located at 847 South Randall Road, Unit 169, Elgin, IL 60123. Paridon was founded in January 2006 as Tritone Capital Management but changed its name in April 2009. Neufeld and his wife, Barbara Sandeford-Neufeld, are the owners and managers of Paridon. Paridon was the TCM Fund's general partner

and investment adviser and is also the general partner and investment adviser for the Paridon Currency Fund.

JURISDICTION AND VENUE

5. The Commission brings this action pursuant to the authority conferred on it by Section 20(b) of the Securities Act of 1933 (the “Securities Act”) [15 U.S.C. § 77t(b)], Sections 21(d) and (e) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. §§ 78u(d) and 78u(e)], and Section 209(d) of the Investment Advisers Act of 1940 (the “Advisers Act”) [15 U.S.C. § 80b-9(d)].

6. The Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], Section 27 of the Exchange Act [15 U.S.C. §78aa], Section 214 of the Advisers Act [15 U.S.C. § 80b-14], and 28 U.S.C. §1331.

7. Venue is proper in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], Section 27 of the Exchange Act [15 U.S.C. §78aa], and Section 214 of the Advisers Act [15 U.S.C. § 80b-14].

8. The acts, practices, and courses of business constituting the violations alleged herein occurred within the jurisdiction of the United States District Court for the Northern District of Illinois and elsewhere.

9. Neufeld and Paridon, directly and indirectly, have made, and are making, use of the means and instrumentalities of interstate commerce and of the mails in connection with the acts, practices and courses of business alleged herein in the Northern District of Illinois and elsewhere.

FACTS

The TCM Fund

10. In September 2006, Neufeld started the TCM Fund, an unregistered investment pool. Paridon served as the TCM Fund's general partner and investment adviser. Neufeld handled the day-to-day management of the Fund and oversaw the Fund's investment portfolio on behalf of Paridon.

11. Neufeld drafted the TCM Fund's Private Placement Memorandum ("PPM"). The PPM provides that the "core" portion of the Fund's assets will be invested in a portfolio that replicates the Rogers International Commodity Index ("RICI"). The PPM further represents that the "Fund will use optimized contract rolls, options, commodity-related equities, active cash management and foreign exchange contracts to hedge risk in the RICI and to achieve additional alpha over the return of the RICI." The PPM does not contain any language that gives Paridon broad discretion regarding the kind of investments the Fund can purchase, nor does the PPM allow Paridon the ability to alter the Fund's investment strategy at any time.

12. As the general partner of the TCM Fund, Paridon was entitled to a monthly management fee of 2% of the net asset value of the Fund. The PPM also provided Paridon with a yearly "incentive allocation," payable quarterly. The incentive allocation was 20% of any net new profits.

13. Neufeld and Paridon are investment advisers as defined by the Advisers Act. Neufeld and Paridon manage the investments of the TCM Fund in exchange for compensation in the form of performance and management fees.

14. The TCM Fund did not have any investments until March 2007. At that time, Neufeld put \$10,000 of his own money in the TCM Fund which was deposited into a brokerage

account at Interactive Brokerage LLC (“IB Account”). Neufeld bought and sold securities in the TCM Fund’s IB Account from March 2007 through September 2007.

15. In May 2007, Neufeld listed the TCM Fund on Hedgefund.net, an online source for hedge fund news and performance data. Neufeld began posting performance statistics and assets under management for the TCM Fund beginning with the month of March 2007. Neufeld updated the data monthly. The information Neufeld posted on Hedgefund.net generated a few inquiries per month from prospective investors. When Neufeld received an inquiry from a prospective investor, he emailed or mailed a PPM, a subscription agreement, and the Fund’s performance figures.

16. In September 2007, Neufeld withdrew all of his money from the TCM Fund. From September 2007 to September 2008, there was no money in the TCM Fund and no trades were made. Nevertheless, Neufeld reported monthly performance figures and assets under management for the TCM Fund to Hedgefund.net for the months October 2007 through August 2008. The performance figures for these months were generated by Neufeld’s paper trading in a model portfolio and not by actual trading.

Investors Join the TCM Fund

17. In September 2008, the TCM Fund received \$100,000 from its first investor. In October 2008, the Fund received \$100,000 from a second investor. The Fund received an additional \$50,000 from the second investor in July 2009. From September 2008 until the Fund closed in October 2009, the TCM Fund had only two investors.

18. The investors learned about the TCM Fund through Hedgefund.net, and reviewed the performance and assets under management figures Neufeld reported. Each investor also received the PPM and monthly performance data from Neufeld prior to investing.

19. Paridon and Neufeld provided the two TCM Fund investors with monthly email updates regarding the performance of the Fund. The Funds' investors also received Quarterly Partner Capital Account Statements reflecting each investor's net gain or loss on investments, a quarterly balance, and an estimated period net performance. Neufeld, on behalf of Paridon, prepared the statements and manually computed performance on a spreadsheet using bank and brokerage statements.

The TCM Fund's Investments

20. On October 1, 2008, shortly after receiving \$100,000 from the Fund's first investor, Neufeld caused Paridon to issue a promissory note (the "Note"). The Note had a par value of \$150,000, and purported to issue unsecured senior debt securities in denominations of \$1,000. The debt securities were issued against the future revenues and assets of Paridon. The Note was due September 30, 2013, and paid a fixed rate of 18% interest per year.

21. Neufeld controls Paridon. Neufeld, as principal of both Paridon and the Fund, had the TCM Fund purchase \$75,000 of Paridon's debt securities in October 2008. Neufeld initiated this investment because Paridon needed cash for operations, and according to Neufeld, the interest earned on the Note was higher than that offered by money market funds.

22. Neufeld and Paridon did not disclose to the TCM Fund or its investors the Note or the Fund's purchase of \$75,000 of Paridon's debt securities. Nor did Neufeld or Paridon obtain the TCM Fund's or investors' written consent to purchase the debt securities.

23. Neufeld and Paridon included interest earned and gains on the Note when calculating the Fund's value beginning the month of October 2008. The monthly email and Quarterly Partner Capital Account Statements sent to the Fund's investors did not inform them that their returns included interest and performance for the Note.

24. The remaining money in the TCM Fund was put in the IB Account or a TCM Fund bank account. Neufeld used the funds in the IB Account to trade in stocks, stock and equity options, and some futures. Although the TCM Fund was supposed to be modeled on RICI, the Fund held few commodities. Between September 2008 and its dissolution, the Fund lost approximately \$18,000 from trading in the IB Account.

**Misrepresentations Regarding the TCM Fund's
Performance and Assets Under Management**

25. Neufeld and Paridon misrepresented the performance of the TCM Fund. From March 2007 to September 2007, the returns Neufeld reported for the TCM Fund were based on Neufeld's personal \$10,000 investment. During this period, the reported rate of return was materially different than the actual rate of return. For example, in April 2007, the TCM Fund lost 32%, but Neufeld reported a loss of only 7%. In August 2007, the TCM Fund lost 39%, but Neufeld reported a 3.69% gain.

26. The performance figures Neufeld and Paridon reported for the TCM Fund from October 2007 through August 2008 were entirely fictitious. The TCM Fund had no monies and no actual trades were made in the Fund. The performance figures for this time period were based on Neufeld's and Paridon's "paper" trading in a model portfolio.

27. Neufeld and Paridon reported false performance figures for the Fund from October 2008 to September 2009. Among other things, Neufeld and Paridon improperly wrote up the market value of the \$75,000 Note to offset losses in the IB Account. For example, at the end of the first month, Neufeld and Paridon valued the Note at \$80,812.50, a purported gain of \$5,812.50. At the end of November 2008, Neufeld and Paridon recorded an additional \$8,520, bringing the purported value of the Note to \$89,332.50. From December 2008 until the Fund was dissolved, the value of the Note fluctuated from a high of \$91,215 to a low of \$86,040.

28. Neufeld and Paridon misrepresented the assets under management for the TCM Fund. At its height, the TCM Fund had investments valued at approximately \$212,000. Neufeld and Paridon, however, consistently reported values that exceeded the actual assets under management. For example, for October 2007, Neufeld and Paridon reported that the TCM Fund had assets under management of \$270,000. However, the Fund had no assets and no investors. For August 2008, the month immediately before the TCM Fund's first investor, Neufeld and Paridon reported that the TCM Fund had \$710,000 of assets under management when, in reality, the Fund had no assets under management. Neufeld continued to report false values, and by April 2009, he was reporting that the TCM Fund had \$1.07 million in assets under management.

29. Neufeld and Paridon misrepresented the value and performance of the limited partners' investment in the TCM Fund. Neufeld, on behalf of Paridon, sent investors by email or mail quarterly reports and updates. The numbers reported to the investors on their monthly performance e-mails and on their quarterly reports differed from actual performance because Neufeld, among other things, included the improperly inflated value of the Note, which was entirely of Neufeld's own creation. For example, for fourth quarter 2008, trading in the IB account resulted in losses of \$7,412.52, but Paridon recorded a gain on the Note of \$16,215, which turned a loss for the period into a gain.

30. The false performance was reflected on investor statements. For example, Neufeld and Paridon advised an investor on his fourth quarter 2008 account statement that his net gain on investments for the quarter, which was comprised of the IB Account and the Note, was \$3,608.68. Additionally, Neufeld sent out an e-mail to investors and prospective investors stating that the TCM Fund was up 6.69% for the quarter. The 2008 fourth Quarter Partner

Capital Account Statements and investor emails were false and misleading as they did not accurately report the performance of the Fund.

31. Neufeld's and Paridon's misrepresentations of the Fund's performance and assets under management to prospective and current investors were material. The false statements regarding the Fund's performance and size were material because they pertain to the anticipated performance of the TCM Fund and serve as a basis for a reasonable investor to assess the merits of an investment in the Fund. There is a substantial likelihood that a reasonable investor would consider these facts important in deciding whether to buy limited partnership interests in the TCM Fund, and the disclosure of these facts would have significantly altered the total mix of information made available to the reasonable investor.

32. Neufeld's and Paridon's misrepresentations were material as a reasonable investor in the Fund would have considered it important that the Fund was not performing as represented. Neufeld made these misrepresentations knowingly or recklessly because he knew the true performance and size of the Fund and did not disclose accurate information to prospective investors and the Fund's limited partners.

33. Neufeld and Paridon also did not disclose the Note to investors in connection with the offer, purchase, or sale of interests in the TCM Fund. For example, in connection with a \$50,000 investment in July 2009, Neufeld and Paridon did not tell the investor about the Note, its inclusion in the Fund's valuation, or that the Fund's largest holding was debt securities issued by Paridon. In addition, Neufeld and Paridon did not disclose this information to prospective investors on Hedgefund.net. These misrepresentations are material as a reasonable investor would want to know if the TCM Fund was making investments that are consistent with its

investment strategy. Investors would also want to know before investing that nearly half of the Fund's assets went to the Fund's general partner and investment adviser for operating capital.

Threat of Ongoing Investor Harm

34. Neufeld closed the TCM Fund in September 2009. He lied to investors about why the Fund was closing. Neufeld told the Fund's two investors that he was closing the Fund because certain major investors needed to withdraw their funds, and that there were insufficient funds to keep the TCM Fund open and to pay the costs of auditing and compliance. These statements were false. There were no other investors in the TCM Fund, nor had there ever been any audits or compliance activity.

35. Between October 30, 2009 and January 3, 2010, the TCM Fund returned \$182,237.62 to one investor and \$66,495.65 to the second investor (who had previously withdrawn \$50,000). The TCM Fund had insufficient funds to return to investors their principal plus the returns they were advised they had earned, so Paridon paid the difference of approximately \$20,000. Neither Neufeld, nor anyone on his behalf, disclosed to investors the shortfall or that part of the money used to pay them came from Paridon.

36. SEC staff interviewed Neufeld on January 20, 2010. During the interview, Neufeld provided false, inaccurate, and misleading information.

37. At the interview, Neufeld advised the staff that the TCM Fund was closed and that he had no other advisory clients, had no other funds under management, and was not currently using the name Paridon. The staff subsequently discovered that Paridon also managed the Paridon Currency Fund, which opened in July 2006 and was purportedly closed in February 2010.

38. The Paridon Currency Fund purported to invest in global currencies, exchange-traded funds, and hard assets. For 2008, Neufeld reported to Hedgefund.net that the Paridon

Currency Fund had a return of 153.89% and assets of \$1,250,000. The Paridon Currency Fund's last reported monthly performance to Hedfund.net was a return of 2.55% and \$780,000 of assets under management in September 2009.

39. There were at least two investors in the Paridon Currency Fund – the same individuals who invested in the TCM Fund. The day before Neufeld's interview with SEC staff, Neufeld accepted a \$100,000 investment in the Paridon Currency Fund from a TCM Fund investor.

40. Neufeld and Paridon do not have the money to pay back approximately \$82,000 owed to a Currency Fund Investor.

41. Neufeld and Paridon also appears to have managed a third investment fund called the TCM Hard Currency Strategies Fund, LP ("TCM Hard Currency Fund"). Neufeld reported on Hedfund.net that the TCM Hard Currency Fund had \$4.06 million in assets at its height in July 2008. The TCM Hard Currency Fund last reported performance and assets in October 2008.

42. During the interview, Neufeld said that he wants to continue working in the securities industry and is contemplating becoming a registered investment adviser.

COUNT I

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

[15 U.S.C. § 78j; 17 C.F.R. § 240.10b-5]

43. Paragraphs 1 through 42 are realleged and incorporated by reference.

44. At the times alleged in the Complaint, Defendants, in connection with the purchase and sale of securities in the form of limited partnership interests in the TCM Fund, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly, have employed devices, schemes and artifices to defraud; have made

untrue statements of material fact and have omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and have engaged in acts, practices and courses of business which operated and will operate as a fraud and deceit upon purchasers and sellers of such securities.

45. Defendants engaged in the acts alleged above with scienter.

46. By reason of the activities described herein, Defendants have violated and unless restrained and enjoined will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

COUNT II

Violations of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)]

47. Paragraphs 1 through 42 are realleged and incorporated by reference.

48. At the times alleged in this Complaint, Defendants, in the offer and sale of securities in the form of limited partnership interests in the TCM Fund, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, have employed and are employing devices, schemes and artifices to defraud, all as more fully described above.

49. In the offer and sale of securities described above and as part of the scheme to defraud, Defendants have made and are making false and misleading statements of material fact or have omitted and are omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading to investors and prospective investors.

50. Defendants engaged in the acts alleged above with scienter.

51. By reason of the activities described herein, Defendants have violated and are violating Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT III

**Violations of Sections 17(a)(2) and 17(a)(3)
of the Securities Act
[15 U.S.C. §§ 77q(a)(2) and (3)]**

52. Paragraphs 1 through 42 are realleged and incorporated by reference.

53. At the times alleged in this Complaint, Defendants, in the offer and sale of securities in the form of limited partnership interests in the TCM Fund, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, obtained money or property by means of an untrue statement of a material fact or an omission to state a material fact necessary in order to make statements made, in the light of the circumstances under which they were made, not misleading, as more fully described above.

54. At the times alleged in this Complaint, Defendants, in the offer and sale of securities in the form of limited partnership interests in the TCM Fund, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, engaged in transactions, practices and courses of business which operated or would have operated as a fraud and deceit upon purchasers, as more fully described above.

55. By reason of the activities described herein, Defendants have violated and are violating Sections 17(a)(2), and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and (a)(3)].

COUNT IV

**Violations of Section 206(1) and (2)
of the Advisers Act
[15 U.S.C. § 80b-6(1) and (2)]**

56. Paragraphs 1 through 42 are realleged and incorporated by reference.

57. Each of the Defendants, while acting as an investment adviser, by the use of the means and instrumentalities of interstate commerce and of the mails, directly and indirectly, has employed and is employing devices, schemes and artifices to defraud its client, the TCM Fund; and has engaged and is engaging in transactions, practices, and courses of business which operate as a fraud or deceit upon its client, the TCM Fund.

58. Defendants engaged in the acts alleged above with scienter.

59. By reason of the activities described herein, Defendants have violated and are violating Sections 206(1) and (2) of the Advisers Act. [15 U.S.C. § 80b-6(1) and 80b-6(2)].

COUNT V

**Violations of Section 206(3) of the Advisers Act
[15 U.S.C. § 80b-6(3)]**

60. Paragraphs 1 through 42 are realleged and incorporated by reference.

61. Each of the Defendants, while acting as an investment adviser, by the use of the means and instrumentalities of interstate commerce and of the mails, directly and indirectly, has acted and is acting as a principal for their own account, knowingly to sell any security from a client, or acting as broker for a person other than such client, knowingly to effect any sale or purchase of any security for the accounts of such client, without disclosing to such client in writing before the completion of such transaction the capacity in which they are acting and obtaining the consent of the client to such transaction.

62. By reason of the activities described herein, Defendants have violated and are violating Sections 206(3). [15 U.S.C. § 80b-6(3)].

COUNT VI

**Violations of the Section 206(4) of the Advisers Act
and Rule 206(4)-8 Thereunder
[15 U.S.C. § 80b-6(3); 17 C.F.R. § 275.206(4)-8]**

63. Paragraphs 1 through 42 are realleged and incorporated by reference.

64. Defendants, while acting as investment advisers to a pooled investment vehicle, have made untrue statements of material fact or omitted to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, to an investor or prospective investor in the pooled investment vehicle or otherwise engaged in acts, practices, or courses of business that are fraudulent, deceptive or manipulative with respect to an investor or prospective investor in the pooled investment vehicle.

65. By reason of the foregoing, Defendants have violated Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

- (a) find that Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5], Section 17(a)(1), (a)(2), and (a)(3) of the Securities Act [15 U.S.C. § 77q(a)(1), (a)(2), and (a)(3)], and Sections 206(1), 206(2), 206(3), and 206(4) of the Advisers Act [15 U.S.C. § 80b-6(1), (2), (3), and (4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8];
- (b) permanently enjoin Defendants from violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder [15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-

5], Section 17(a)(1), (a)(2), and (a)(3) of the Securities Act [15 U.S.C. § 77q(a)(1), (a)(2), and (a)(3)], and Sections 206(1), 206(2), 206(3), and 206(4) of the Advisers Act [15 U.S.C. § 80b-6(1), (2), (3), and (4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8];

(c) order Defendants to pay disgorgement of all profits or proceeds that they have received as a result of the acts and courses of conduct complained of herein, with prejudgment interest;

(d) order Defendants to pay civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. §77t(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)], and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)]; and

(e) retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court; and order such other relief as the Court may deem appropriate.

Dated: April 19, 2010

Respectfully submitted,

By: /s/ Linda T. Ieleja

Linda T. Ieleja (IL Bar No. 6204335)
Gregory von Schaumburg (IL Bar No. 3127782)
Andrew Shoenthal (IL Bar No. 6279795)
175 West Jackson Blvd., Suite 900
Chicago, Illinois 60604
Telephone: (312) 353-7390
Facsimile: (312) 353-7398

*Attorneys for the Plaintiff Securities and
Exchange Commission*