

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 11077 / June 24, 2022**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 95158 / June 24, 2022**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 6057 / June 24, 2022**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 34637 / June 24, 2022**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-20906**

**In the Matter of**

**GELUK CAPITAL  
MANAGEMENT LTD. AND  
DOUGLAS GERALD  
FATHERS,**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTION 8A OF THE  
SECURITIES ACT OF 1933, SECTION 21C  
OF THE SECURITIES EXCHANGE ACT  
OF 1934, SECTIONS 203(e), 203(f), AND  
203(k) OF THE INVESTMENT ADVISERS  
ACT OF 1940, AND SECTION 9(b) OF THE  
INVESTMENT COMPANY ACT OF 1940,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Geluk Capital Management Ltd. and Douglas Gerald Fathers (“Respondents”).

## II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933, Section 21C of the Securities Exchange Act of 1934, Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

## III.

On the basis of this Order and Respondents’ Offers, the Commission finds that:

### Summary

These proceedings arise from misrepresentations by investment advisers Geluk Capital Management Ltd. (“GCM”) and Douglas Gerald Fathers (“Fathers”) in connection with their offer and sale of securities in the Geluk Global Fund Limited SAC (“Geluk Fund”), a private fund that Fathers founded and operated. Specifically, from January through December 2018 (the “Relevant Period”), GCM and Fathers represented to investors and prospective investors that the Geluk Fund had its own proprietary trading strategy and risk controls that had resulted in a multi-year track record of positive performance. However, the Geluk Fund had none of these things and was instead sending investor money to a third-party manager (the “Manager”). GCM and Fathers also charged the Geluk Fund fees in a manner that was inconsistent with fund governing documents. As a result of the conduct described herein, GCM and Fathers willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Section 17(a) of the Securities Act, and Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder.

### Respondents

1. **Geluk Capital Management Ltd. (“GCM”)** is an entity formed under the laws of the Commonwealth of The Bahamas with its principal place of business in Nassau, The Bahamas. GCM is not registered with the Commission. GCM served as an investment adviser to the Geluk Fund pursuant to an “Investment and Management Agreement” where GCM agreed “to provide investment advisory, investment management and investment management evaluation and monitoring services for the [Geluk] Fund.” GCM agreed to provide these services in exchange for compensation in the form of performance fees and management fees.

2. **Douglas Gerald Fathers (“Fathers”)**, 57 years old, is a resident of Fort Lee, New Jersey. Fathers controlled GCM as the founder, president, and a director, and had sole discretion

over making investment decisions on behalf of GCM and the Geluk Fund. He was formerly a registered representative and was last associated with a broker-dealer in 2002.

### **Other Relevant Entities**

3. **Geluk Global Fund Limited SAC (“Geluk Fund”)** was an entity formed under the laws of the Commonwealth of The Bahamas. The Geluk Fund was licensed as a professional fund by the Securities Commission of The Bahamas from 2016 until it surrendered its license in late 2019. The Geluk Fund was managed by GCM, and Fathers was the president and a director of the Geluk Fund.

### **Background**

4. Throughout the Relevant Period, GCM and Fathers offered the Geluk Fund to numerous prospective investors, ultimately raising approximately \$450,000 from U.S.-based investors. GCM and Fathers provided prospective investors with a number of offering and marketing documents, including a Confidential Explanatory Memorandum (“CEM”), Fund Fact Sheets, and an Investor Presentation (together, the “Offering Documents”). Fathers, through GCM, drafted and disseminated the Offering Documents to prospective investors.

5. GCM and Fathers, through the Offering Documents, represented to potential investors that the Geluk Fund had a sophisticated investment strategy complemented by rigorous risk controls. However, GCM and Fathers did not disclose in the Offering Documents that when the Geluk Fund received money from investors, it promptly transferred those funds to the Manager.

6. In September 2019, the Commission filed an enforcement action in U.S. District Court for the District of Colorado alleging that the Manager, its affiliates, and its three principals operated a fraudulent, Ponzi-like scheme. The Commission obtained a preliminary injunction and order freezing defendants’ assets, and the matter remains pending. *See SEC v. Mediatrix Capital Inc., et al.*, 19-cv-02594-RM-SKC (D. Colo.).

7. The Geluk Fund has not returned any portion of the investments back to the U.S.-based investors.

### **The Geluk Fund Offering Documents Contained Material Misrepresentations and Omissions**

8. GCM and Fathers misrepresented or omitted material information concerning at least three primary attributes of the Geluk Fund: (1) past performance, (2) investment strategy, and (3) risk controls.

9. The Geluk Fund’s purported past performance was detailed in charts, tables, and figures that featured prominently in the Offering Documents, reporting consistently positive performance dating back to 2014. For example, a two-page Fund Fact Sheet dated February 2018

that was used to solicit investors displayed historical performance dating to June 2014, including three-month returns of 14.53%, year-to-date returns of 10.19%, and returns since inception of 309.85%.

10. The representations concerning the Geluk Fund's performance were misleading, however, because it had no outside investors as of February 2018, therefore, it did not have a track record dating to 2014, and the performance figures were not the Geluk Fund's performance, but instead described the purported investment returns obtained by the Manager.

11. The Offering Documents summarized the Geluk Fund's investment strategy as follows: "The Fund uses a proprietary trading methodology implementing both systematic and discretionary trading. As an uncorrelated multi-tier strategy, it captures positive returns in a multi-directional market within the short term, medium-term and long-term cycles."

12. In reality, the Offering Documents were materially misleading because the Geluk Fund did not implement its own represented investment strategy, and instead relied solely on the Manager to make investment decisions, including the formulation and implementation of the investment strategy.

13. The Offering Documents also contained a detailed description of the Geluk Fund's risk management process. Risk management was presented as a key feature of the investment, and the CEM touted the relative significance, explaining that the Geluk Fund's "risk management is arguably more important than trading strategy." As summarized in the CEM, GCM purported to manage numerous, specific types of risk, including "market, operational, legal, technical, liquidity, exchange rate and regulatory" risks.

14. These statements were misleading, however, because GCM had no risk management processes and was entirely reliant on the Manager to control all risks relating to trading and operations.

#### **GCM Charged Fees to the Geluk Fund that Exceeded Fees Disclosed to Investors**

15. Both the Offering Documents and the Investment and Management Agreement between GCM and the Geluk Fund stated that GCM was entitled to a 20% performance fee net of fund expenses. Specifically, the Geluk Fund agreed to pay a "Performance Fee . . . equal to twenty percent (20%) of the annual appreciation in the Net Asset Value." The Net Asset Value ("NAV") was defined as "the value of the portfolio securities and other assets of the Fund, less liabilities and accruals for Fund fees and expenses."

16. Contrary to these representations, GCM and Fathers calculated the performance fee using the gross monthly appreciation of Geluk Fund assets, not the Geluk Fund's NAV. As a result of calculating the fees in this manner, GCM took performance fees from the Geluk Fund that were, on average, 6% higher than permitted. The performance fees charged to the U.S.-based investors totaled \$29,081.69.

### **Violations**

17. As a result of the conduct described above, GCM and Fathers willfully violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent statements and conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

18. As a result of the conduct described above, GCM and Fathers willfully violated Sections 206(1), 206(2), and 206(4) of the Advisers Act, which prohibit fraud by an investment adviser upon any client or prospective client, and Rule 206(4)-8 thereunder, which prohibits fraud by an investment adviser to a pooled investment vehicle against any investor or potential investor in the pooled investment vehicle.

### **Disgorgement**

19. The disgorgement and prejudgment interest ordered in paragraph E is consistent with equitable principles and does not exceed Respondents' net profits from their violations, and will be distributed to harmed investors to the extent feasible. The Commission will hold funds paid pursuant to paragraph E in an account at the United States Treasury pending distribution. Upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to investors, and any amounts returned to the Commission in the future that are infeasible to return to investors, may be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

### **Undertakings**

Respondents have undertaken to:

20. Distribute any funds obtained as a result of any recovery arising from *SEC v. Mediatrix Capital Inc., et al.*, 19-cv-02594-RM-SKC (D. Colo.), any related action brought by the U.S. Department of Justice, and any private related action brought by the Geluk Fund or GCM (together, "Mediatrix Litigation"), to investors of the Geluk Fund. Within 120 days of the receipt of any funds from any Mediatrix Litigation, Respondents have agreed to provide the Commission staff with proof of the receipt of funds from the Mediatrix Litigation and proof of payment to the investors of the Geluk Fund. Respondents may provide as proof of payment, and Commission staff will consider in assessing Respondents' compliance with this undertaking, any monies paid to investors prior to any distribution of funds in connection with the Mediatrix Litigation. No portion of any recovery from any Mediatrix Litigation will be paid to any Geluk Fund investor account in which Respondents have a financial interest.

21. In determining whether to accept the Offers, the Commission has considered these undertakings.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents GCM's and Fathers' Offers.

Accordingly, pursuant to Section 8A of the Securities Act, Section 21C of the Exchange Act, Sections 203(e), 203(f), and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondents GCM and Fathers cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Section 17(a) of the Securities Act, and Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder.

B. Respondent Fathers be, and hereby is:

barred from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter.

C. Respondent GCM is censured.

D. Any reapplication for association by Respondent Fathers will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, compliance with the Commission's order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Respondent in any action brought by the Commission; (b) any disgorgement amounts ordered against the Respondent for which the Commission waived payment; (c) any arbitration award related to the conduct that served as the basis for the Commission order; (d) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (e) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

E. Respondents GCM and Fathers shall pay, jointly and severally, disgorgement of \$29,081, prejudgment interest of \$3,607, and a civil money penalty of \$60,000, to the Securities and Exchange Commission. Payment shall be made in the following installments: \$29,081 within 10 days of entry of this Order, \$15,901.75 within 91 days of entry of this Order, \$15,901.75 within 182 days of entry of this Order, \$15,901.75 within 273 days of entry of this Order, and \$15,901.75 within 364 days of entry of this Order. Payments shall be applied first to post order interest, which

accrues pursuant to SEC Rule of Practice 600 and/or pursuant to 31 U.S.C. 3717. Prior to making the final payment set forth herein, Respondents shall contact the staff of the Commission for the amount due. If Respondents fail to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Douglas Gerald Fathers and Geluk Capital Management Ltd. as Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Kimberly L. Frederick, Division of Enforcement, Denver Regional Office, Securities and Exchange Commission, 1961 Stout Street, Suite 1700, Denver, CO 80294-1961.

F. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the disgorgement, prejudgment interest, and penalties referenced in paragraph E above. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed

in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondents, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondents under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondents of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman  
Secretary