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**UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY**

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SECURITIES AND EXCHANGE COMMISSION,	:
	:
Plaintiff,	:
	:
-against-	:
	:
SHREYANS DESAI and	:
SHREYSIDDH CAPITAL, LLC,	:
	:
Defendants.	:
	:
-----X	

11 Civ. \_\_\_\_\_ ( )  
**COMPLAINT**

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against defendants Shreyans Desai ("Desai") and ShreySiddh Capital, LLC ("SSC"), alleges as follows:

**SUMMARY OF ALLEGATIONS**

1. This action involves fraudulent conduct by Desai in connection with the purchase and sale of securities on behalf of investors who provided Desai with more than \$245,000 to invest on their behalf. From April 2009 to February 2011, Desai, acting through SSC, an unregistered securities broker and investment adviser founded by Desai, made numerous materially false and misleading statements to potential investors, including that SSC was a securities broker registered with the Commission and that potential investors would receive

returns of at least 50% if they invested their money with SSC. Desai also guaranteed to investors that he would not lose their money. On the basis of Desai's misrepresentations, five individuals gave Desai money to invest on their behalf through SSC. Desai then misappropriated investor money, using it to, among other things, make donations to a local religious institution and pay the personal debts and expenses of Desai's family members. Desai also lost investor money through a trading strategy that yielded negative returns, contrary to Desai's guarantees to investors that he would generate returns of at least 50% and would not lose investor money. To hide the fact that Desai had misappropriated investor money and that Desai's trading on behalf of investors had yielded negative returns, Desai provided SSC investors with account statements that overstated the value of the investors' accounts by as much as 300%.

2. Desai and SSC also acted as securities brokers by engaging in the regular business of effecting transactions in securities for the accounts of others and by holding themselves out as securities brokers that were registered with the Commission. At the time, however, neither Desai nor SSC was registered with the Commission as a broker-dealer and neither was associated with a registered broker-dealer.

3. By virtue of the conduct alleged herein, Desai and SSC have engaged, directly or indirectly, in transactions, acts, practices, or courses of business that constitute violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], Section 15(a) of the Exchange Act [15 U.S.C. § 78(o)(a)], and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 ("Advisers Act") [15 U.S.C. §§ 80b-6(1) and 80b-6(2)]. Unless Desai and SSC are permanently restrained

and enjoined, they will again engage in the transactions, acts, practices and courses of business set forth in this Complaint and in transactions, acts, practices and courses of business of similar type and object.

#### **JURISDICTION AND VENUE**

4. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)], Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], and Section 209 of the Advisers Act [15 U.S.C. § 80b-9], seeking to restrain and enjoin Desai and SSC permanently from engaging in the transactions, acts, practices, and courses of business alleged in this Complaint.

5. The Commission also seeks a judgment (i) requiring Desai and SSC to disgorge any ill-gotten gains that they obtained through their fraudulent conduct in connection with the purchase and sale of securities and through their activities as unregistered securities brokers, plus prejudgment interest thereon and (ii) imposing civil money penalties pursuant to Section 20(c) of the Securities Act [15 U.S.C. § 77(t)(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u-1(a)], and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)].

6. This Court has jurisdiction over this action, and venue lies in this District, pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], Section 27 of the Exchange Act [15 U.S.C. § 78(u)(d)(3)], and Section 209 of the Advisers Act [15 U.S.C. § 80b-9]. Desai and SSC, directly and indirectly, singly or in concert, made use of the means or instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged herein. Certain of the relevant conduct, transactions, acts, practices, and courses of business occurred in the District of New Jersey; specifically, Desai and the

harmed investors reside in the District of New Jersey, SSC was formed in the District of New Jersey, and SSC's office and principal place of business is located in the District of New Jersey.

#### **DEFENDANTS**

7. **Desai**, age 24, founded SSC and is its President and Chief Executive Officer. Desai resides in Edison, New Jersey. Desai is not registered with the Commission in any capacity.

8. **SSC** is a New Jersey limited liability corporation formed in 2008 that offers investment advisory and securities brokerage services. SSC's principal place of business is in Iselin, New Jersey. SSC is not registered with the Commission in any capacity.

#### **DEFENDANTS' FRAUDULENT CONDUCT**

9. Desai formed SSC in 2008, purportedly to provide securities brokerage and investment advisory services. In or around 2009, Desai began soliciting potential investors to invest with SSC. In order to induce potential investors to invest with SSC, Desai falsely represented that SSC was registered with the Commission as a broker and that Desai was a "licensed financial adviser." These statements were false because SSC was not then, and has never been, registered with the Commission as a broker and Desai has never held any financial or securities licenses.

10. Desai represented to potential investors that he would invest money on their behalf and that potential investors would receive, at a minimum, a 50% return on money they invested with SSC. For example, Desai told one investor, who invested \$42,000 with SSC, that he would receive returns of 50% to 100% in one to two years. Desai told the same investor that the investor would receive an annual income of approximately \$10,000, if the investor held his

investment with SSC for at least one year. At the time that he made these statements, Desai had no reasonable basis to make the statements and Desai knew or was reckless in not knowing that he could not generate the annual returns or annual income that he promised to potential investors.

11. Desai also guaranteed to potential investors that he and SSC “will not lose your money” and promised that he would repay any losses of principal incurred by potential investors. For example, in response to one investor who told Desai that he wanted a less risky investment because he was concerned about a loss of principal, Desai assured the investor that his investment “would never lose money.” At the time that he made these statements, Desai had no reasonable basis to make the statements and Desai knew or was reckless in not knowing that the statements were false.

12. From June 2009 through November 2010, Desai obtained a total of approximately \$246,558 from five investors to whom Desai made the misrepresentations alleged above. Desai deposited money received from investors in bank accounts held in SSC’s name and then transferred the money to one of four brokerage accounts held in SSC’s name at a registered broker-dealer. On behalf of SSC, Desai entered into written agreements with SSC’s investors in which the investors agreed to provide SSC, and thus Desai, a percentage of any profits realized in each investor’s account.

13. From June 2009 through February 2011, Desai purchased and sold securities, including stocks and equity options, on behalf of investors. From September 2009 through February 2011, Desai also traded in foreign currency on behalf of investors. Desai had complete discretion over all trading effected on behalf of SSC’s investors. However, contrary to Desai’s

promises to investors that he would generate returns of at least 50% to 100% in a one to two year period, Desai's trading actually yielded negative returns.

14. In or around March 2010, Desai began using some of the money belonging to SSC's investors to pay for business and personal expenses. For example, without the knowledge of SSC's investors, Desai used investor money to make over \$20,000 in contributions to a local religious institution.

15. To cover up his trading losses and the misappropriation of investor funds, Desai made materially false and misleading statements to SSC investors. For example, on an account statement prepared by Desai in or around August 2010 for an SSC investor ("Investor A"), who invested \$10,000 with SSC in 2010, Desai misrepresented to Investor A that his account had a value of \$16,237 and an estimated annual income of \$35,000. These statements were false and misleading because, at the time, Desai knew or was reckless in not knowing that the then current value of Investor A's account was significantly less than \$16,237 and he had no reasonable basis to claim that Investor A's account would earn \$35,000, or anything approximating that amount, in annual income. On the same account statement, Desai falsely represented that SSC was a member of the Financial Industry Regulatory Authority ("FINRA"), the Securities Investor Protection Corporation ("SIPC"), and the National Futures Association ("NFA"). These statements were false because, in fact, SSC was not then, and has never been, a member of FINRA, SIPC, or NFA.

16. Beginning in or around September 2010, another SSC investor ("Investor B"), who invested approximately \$150,000 with SSC in 2010, asked Desai to provide more detailed information regarding Investor B's SSC account. On September 8, 2010, Desai e-mailed

Investor B a statement indicating that Investor B's account had a "net liquidating value" of \$299,291 and a "net value" of \$271,015. On October 29, 2010, Desai e-mailed Investor B a statement indicating that Investor B's account had a "net liquidating value" and "balance" of \$417,210. These statements were false and misleading because, in September and October 2010, the value of Investor B's account was less than \$150,000. At the time that he made these false statements, Desai knew or was reckless in not knowing that the account values he was providing to Investor B did not reflect the then current value of Investor B's account.

17. In November 2010, Investor B requested that Desai close Investor B's SSC account. On December 2, 2010, Desai e-mailed Investor B an account statement that showed that Investor B's account had a "net liquidating value" of \$309,580. This statement was false, and Desai knew or was reckless in not knowing that the statement was false, because, at the time the actual value of Investor B's account was less than \$150,000.

18. In January 2011, SSC entered into a settlement agreement with Investor B wherein Desai agreed that SSC would pay Investor B \$349,000. SSC only paid Investor B \$50,000 and, instead, in February 2011, Desai used some of Investor B's funds to partially repay other SSC investors.

19. As a result of losses incurred due to Desai's trading on behalf of investors and Desai's use of investor funds for personal and business expenses, Desai lost at least \$100,000 of investor money.

**FIRST CLAIM FOR RELIEF**

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

20. The Commission realleges and incorporates by reference each and every allegation contained above in paragraphs 1 through 19.

21. Desai and SSC, by the use of the means or instrumentalities of interstate commerce or of the mails, in connection with the offer or sale of securities: (a) with scienter employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions 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/or (c) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon the purchasers of the securities offered and sold by the defendants.

22. Desai's and SSC's false and misleading statements and omissions were material.

23. By reason of the foregoing, Desai and SSC, singly or in concert, directly or indirectly, violated, and unless enjoined will again violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

**SECOND CLAIM FOR RELIEF**

Violations of Section 10(b)  
of the Exchange Act [15 U.S.C. § 78j(b)]  
and Rule 10b-5 [17 C.F.R. § 240.10b-5]

24. The Commission realleges and incorporates by reference each and every allegation contained above in paragraphs 1 through 23.

25. Desai and SSC, directly or indirectly, by the use of a means or instrumentality of interstate commerce, or of the mails, or of any facility of a national securities exchange, in connection with the purchase and sale of securities, with scienter: (a) employed devices,

schemes, or artifices to defraud; (b) obtained money or property by means of, or otherwise made, untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, acts, practices and courses of business which operated or would have operated as a fraud or deceit upon other persons.

26. Desai's and SSC's false and misleading statements and omissions were material.

27. By reason of the foregoing, Desai and SSC, singly or in concert, directly or indirectly, violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5].

**THIRD CLAIM FOR RELIEF**  
Violations of Section 15(a) of the Exchange Act  
[15 U.S.C. § 78(o)(a)]

28. The Commission realleges and incorporates by reference each and every allegation contained above in paragraphs 1 through 27.

29. In connection with the purchase and sale of securities on behalf of investors, Desai and SSC acted as securities brokers by engaging in the regular business of effecting transactions in securities for the accounts of others. Desai and SSC made use of the mails or the means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of securities while they were not registered with the Commission as broker-dealers or associated with a registered broker-dealer.

30. By reason of the foregoing, Desai and SSC, singly or in concert, directly or indirectly, violated, and unless enjoined will again violate, Section 15(a) of the Exchange Act [15 U.S.C. § 78(o)(a)].

**FOURTH CLAIM FOR RELIEF**

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

31. The Commission realleges and incorporates by reference each and every allegation contained above in paragraphs 1 through 30.

32. Desai and SSC, by use of the means or instrumentalities of interstate commerce or the mails, and while engaged in the business of advising others for compensation as to the advisability of investing in, purchasing or selling securities: (a) with scienter employed devices, schemes, or artifices to defraud; and (b) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon clients or prospective clients.

33. By reason of the foregoing, Desai and SSC, singly or in concert, directly or indirectly, violated, and unless enjoined will again violate Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and (2)].

**PRAYER FOR RELIEF**

**WHEREFORE**, the Commission respectfully requests a Final Judgment:

A. Permanently enjoining Desai and SSC, their agents, servants, employees, and attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 17(a) of the Securities Act [15 U.S.C. § 77(q)(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], Section 15(a) of the Exchange Act [15 U.S.C. § 78(o)(a)], and Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

B. Ordering Desai and SSC to disgorge any ill-gotten gains derived from the unlawful conduct alleged herein;

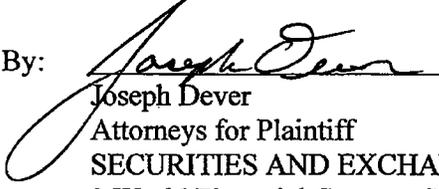
C. Ordering Desai and SSC to pay civil money penalties pursuant to Section 20(c) of the Securities Act [15 U.S.C. § 77(t)(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u-1(a)], and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)]; and,

D. Granting such other and further relief as the Court shall deem just and proper.

Dated: New York, New York  
September 27, 2011

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By:

  
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