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**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK**

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<b>SECURITIES AND EXCHANGE COMMISSION,</b>	)	<b>16 Civ. ( )</b>
	)	
<b>Plaintiff,</b>	)	
	)	<b><u>COMPLAINT</u></b>
<b>v.</b>	)	
	)	
<b>NICHOLAS SAVVA</b>	)	<b>ECF CASE</b>
	)	
<b>Defendant.</b>	)	
_____	)	

Plaintiff Securities and Exchange Commission (the “Commission”) alleges the following against defendant Nicholas Savva (“Savva” or “Defendant”):

**SUMMARY OF ALLEGATIONS**

1. From May 2015 through February 2016, Savva, a former registered representative who was statutorily disqualified by FINRA from association with its member firms, made false and misleading statements while soliciting approximately \$1.4 million from 12 investors in Savva’s hedge fund, Five Star Capital Fund LP (“Five Star”). While soliciting investments, Savva lied to his investors about: (i) the management of Five Star; (ii) Savva’s true industry experience; and (iii) Five Star’s historic investment performance.

2. While operating Five Star, Savva misappropriated \$38,719.98 from Five Star for purely personal expenses, including, among other things, lodging during an international vacation, home improvement expenditures, and cash withdrawals. During the period when Savva was acting as a corrupt investment adviser and stealing money from Five Star, Savva also collected \$19,600 in fees for managing Five Star's investments.

### **VIOLATIONS**

3. By virtue of the conduct alleged herein, Savva, directly or indirectly, singly or in concert, has engaged and is engaging in transactions, acts, practices and 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 thereunder [17 C.F.R. § 240.10b-5], and Sections 206(1), 206(2) and 206(4) of the Investment Advisers Act of 1940 ("Advisers Act") [15 U.S.C. §§ 80b-6(1), 80b-6(2) and 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8].

4. Unless Savva is permanently restrained and enjoined, he will again engage in the acts, practices, transactions and courses of business set forth in this complaint and in acts, practices, transactions and courses of business of similar type and object.

### **NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT**

5. The Commission brings this action pursuant to authority conferred 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(d) of the Advisers Act [15 U.S.C. § 80b-9(d)].

6. The Commission seeks a final judgment: (a) restraining and permanently enjoining Savva from engaging in the acts, practices, transactions and courses of business alleged herein and from committing future violations of the above provisions of the federal

securities laws; (b) ordering Savva to disgorge his ill-gotten gains and to pay prejudgment interest thereon; (c) imposing civil money 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 (d) ordering such other and further relief as the Court may deem just and proper.

### **JURISDICTION AND VENUE**

7. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), 77v(a)], Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa], and Section 214(a) of the Advisers Act [15 U.S.C. § 80b-14(a)].

8. Venue is proper in this district 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]. Certain of the events constituting or giving rise to the alleged violations occurred in the Eastern District of New York. For instance, Defendant sold securities to certain investors in this district, and Defendant resides in and maintained an office in this district.

9. In connection with the conduct alleged in this complaint, the Defendant, directly or indirectly, has made use of the means or instruments of transportation or communication in, and the means or instrumentalities of, interstate commerce, or of the mails, or of the facilities of a national securities exchange.

### **DEFENDANT**

10. Savva, age 41, is a resident of Brooklyn, New York, and is the founder, sole owner and manager of Five Star, which he operated from his residence.

11. Savva first became registered with FINRA as a registered representative in 1996. He worked at various broker-dealers until 2014, when he was terminated by his broker-dealer employer, following a 2012 FINRA decision to deny his employer's application to allow his continued association with that employer and a 2014 denial by the Commission of Savva's and his then-employer's appeal of the 2012 FINRA decision.

### **FACTUAL ALLEGATIONS**

#### **Savva's Five Star Fund**

12. In 2014, after the Commission denied Savva's appeal, he founded a hedge fund, Five Star. Savva operated Five Star out of his home in Brooklyn, New York.

13. Savva drafted promotional materials for Five Star, which he provided to potential investors when soliciting investments.

14. Between May 2015 and November 2015, Savva sold to 12 investors a total of \$1.4 million worth of limited partnership interests in Five Star, whose assets were held at bank and brokerage accounts that Savva controlled.

15. Between May 2015 and February 2016, Savva used the majority of Five Star's assets to trade securities via its brokerage accounts. His trading strategy, however, was thoroughly unsuccessful, and resulted in net losses of over \$1.3 million. In February 2016, Savva ceased trading and closed Five Star's brokerage accounts, which, by that point, held just \$24,123.71 in total assets.

#### **Savva's False and Misleading Statements While Soliciting Five Star Investors**

16. Savva made false and misleading statements to his investors when he sold interests in Five Star.

17. First, promotional materials, which Savva drafted and provided to investors

during his solicitations, claimed that Five Star had a “team” of investment professionals with a total of over 30 years of securities trading experience. Savva also included photos and resumes of successful investment professionals in promotional materials, which he gave to investors, to convey the impression that these professionals were associated with Five Star. In fact, these materials were false and misleading because Savva was the only person associated with Five Star, and none of the investment professionals knew that their photos and resumes were being used by Savva.

18. Second, these promotional materials touted Savva’s vast work experience in the securities industry, claiming that he “has over twenty years market experience, with a bachelor’s degree from Stony Brook University. He has traveled the world and has taken courses with some of the best technical and fundamental strategists in the country.... Surrounding himself with these investment legends [referring to the photos/resumes of the various securities professionals], he has been successful at developing investment strategies.” However, the materials misleadingly omitted to disclose that he had been statutorily disqualified from associating with any FINRA firm.

19. Third, Savva lied to investors about Five Star’s performance and provided at least one investor with a false statement showing gains in his account. Additionally, when soliciting one investor in July and August 2015, Savva falsely told the investor that Five Star was then profitable when, in fact, Five Star had incurred unrealized losses of over \$100,000 in July 2015 and unrealized losses of over \$600,000 in August 2015.

#### **Savva Misappropriated Five Star Assets**

20. Savva misappropriated a total of \$38,719.98 from Five Star for purely personal expenses. Although Five Star’s operating agreement permitted Savva to use fund assets to pay

for specific business expenses, Savva used Five Star assets for personal expenses that were well outside the type of legitimate business expenses permitted by the operating agreement.

21. In particular, Savva misappropriated Five Star funds to pay for his personal expenses, including: medications, hotel expenses during a vacation to Greece, food shopping, home improvement purchases, payments to a building contractor, and various cash withdrawals.

22. During the period when Savva was acting as a corrupt investment adviser and stealing money from Five Star, Savva also collected \$19,600 in fees for managing Five Star's investments.

**FIRST CLAIM FOR RELIEF**  
**(Violations of Section 17(a) of the Securities Act)**

23. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 22 of this Complaint.

24. From around May 2015 through the present, Defendant, directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in interstate commerce, or of the mails, in connection with the offer or sale of securities, has: (a) employed, and is employing, devices, schemes and artifices to defraud; (b) obtained, and are obtaining, money or property by means of untrue statements of material fact, or have omitted, and is omitting, to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged, and is engaging, in transactions, acts, practices and courses of business which would operate as a fraud or deceit upon the Defendant's clients.

25. By reason of foregoing, Defendant, directly or indirectly, singly or in concert, has violated, is violating, and unless enjoined, will continue to violate Section 17(a) of the Securities Act [15U.S.C. § 77q(a)].

**SECOND CLAIM FOR RELIEF**  
**(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder)**

26. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 22 of this Complaint.

27. From around May 2015 through the present, Defendant, directly or indirectly, singly or in concert, by use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, in connection with the purchase or sale of securities, has: (a) employed, and is employing, devices, schemes and artifices to defraud; (b) made, and is making, untrue statements of material fact, or has omitted, and is omitting, to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged, and is engaging, in transactions, acts, practices and courses of business which operated or would have operated as a fraud or deceit upon the Defendant's clients.

28. By reason of the foregoing, Defendant, directly or indirectly, singly or in concert, has violated, is violating, and unless 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].

**THIRD CLAIM FOR RELIEF**  
**(Violations of Sections 206(1), 206(2) and 206(4) of the Advisers Act  
and Rule 206(4)-8 Thereunder)**

29. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 22 of this Complaint.

30. From around May 2015 through the present, Defendant, as an investment adviser, directly or indirectly, singly or in concert, by use of the mails or any means or instrumentality of interstate commerce or of the mails, has employed, and is employing, devices, schemes and artifices to defraud his clients, and has engaged, and is engaging, in transactions, acts, practices

and courses of business which operate as a fraud and deceit upon his clients.

31. By reason of the foregoing, Defendant, directly or indirectly, singly or in concert, has violated, is violating, and unless enjoined, will continue to violate, Sections 206(1), 206(2) and 206(4) of the Advisers Act [15 U.S.C. §§ 80b-6(1), 80b-6(2) and 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8].

### **PRAYER FOR RELIEF**

**WHEREFORE**, the Commission respectfully requests that the Court enter a Final Judgment:

#### **I.**

Permanently, restraining and enjoining Savva, his agents, servants, employees and attorneys and all persons in active concert or participation with him, 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. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5], and Sections 206(1), 206(2) and 206(4) of the Advisers Act [15 U.S.C. §§ 80b-6(1), 80b-6(2) and 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8].

#### **II.**

Ordering Savva to disgorge his ill-gotten gains, plus prejudgment interest thereon.

#### **III.**

Ordering Savva to pay a civil money penalty 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)].

IV.

Such other and further relief as this Court deems just and proper.

Dated: September 29, 2016  
New York, New York

By:

A handwritten signature in blue ink, appearing to be "A. Calamari", written over a horizontal line.

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