

UNITED STATES DISTRICT COURT  
DISTRICT OF CONNECTICUT

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SECURITIES AND EXCHANGE COMMISSION,		)	
		)	
	Plaintiff,	)	
v.		)	Civil Action No. _____
		)	
Leon Vaccarelli, individually and doing business as,		)	JURY TRIAL DEMANDED
LUX FINANCIAL SERVICES		)	
LWLVACC, LLC		)	
	Defendants.	)	
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**COMPLAINT**

Plaintiff Securities and Exchange Commission (the “Commission”) alleges the following against Leon Vaccarelli (“Vaccarelli”) individually and doing business as Lux Financial Services (“Lux Financial”) and LWLVACC, LLC. (“LWLVACC”) (Collectively, “Defendants”):

**SUMMARY**

1. Vaccarelli (individually and doing business as Lux Financial) and his limited liability company LWLVACC, misappropriated and misused investment funds they obtained from clients and customers. Vaccarelli also stole money from a trust fund for which he was the trustee, while he was a registered representative with The Investment Center (“TIC”) as well as an investment adviser associated with IC Advisory Services, Inc (“IC Advisory”).

2. In some instances, Vaccarelli persuaded several of his brokerage customers to invest in notes and/or other investments that he offered for sale. In other instances, Vaccarelli falsely represented that customers’ money would be invested in their investment accounts at the brokerage company with which Vaccarelli was affiliated. In some instances, Vaccarelli persuaded customers to fund such investments with money from their existing investment

accounts at the brokerage company. In other instances, Vaccarelli persuaded customers to sell other investments, such as annuities, to fund their purchases of notes.

3. On multiple occasions, instead of investing customers' funds as he represented, Vaccarelli deposited customer funds into his own personal and business bank accounts, commingled those funds with his own money and paid living and business expenses. In some instances, he also used customer funds to pay back prior investors. Between late 2012 and mid-2017, Vaccarelli obtained in excess of \$1 million from at least nine investors, several of whom were elderly.

4. As a trustee, Vaccarelli sold more than \$450,000 in securities that were held in trust for the care and maintenance of a beneficiary. Vaccarelli used some of this money to pay business and personal expenses, including home mortgage payments.

5. Through Vaccarelli's conduct, Defendants have violated and, unless enjoined, will continue to violate provisions of Section 17(a) of the Securities Act of 1933 (the "Securities Act"); Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rules 10b-5 and 21F-17(a) thereunder.

6. Based on these violations, the Commission seeks: (1) entry of a temporary restraining order, preliminary injunction, order freezing assets, expedited discovery, an accounting and order for other equitable relief in the form submitted with the Commission's motion for such relief; (2) entry of a permanent injunction prohibiting Defendants from further violations of the relevant provisions of the federal securities laws; (3) disgorgement of Defendants' ill-gotten gains, plus pre-judgment interest; and (4) imposition of civil monetary penalties based on the egregious nature of Defendants' violations.

#### **JURISDICTION AND VENUE**

7. The Commission brings this action pursuant to the enforcement authority

conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. §77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. §§78u(d)]. This Court has jurisdiction over this action pursuant to 28 U.S.C. §1331, Section 22(a) of the Securities Act [15 U.S.C. §77v(a)], and Sections 21(d) and (e) and 27 of the Exchange Act [15 U.S.C. §§78u(e) and 78aa].

8. Venue is proper in this district pursuant to 28 U.S.C. §1391(b)(2), Section 22(a) of the Securities Act [15 U.S.C. §77v(a)] and Section 27 of the Exchange Act [15 U.S.C. §78aa] because a substantial part of the acts constituting the alleged violations occurred in the District of Connecticut and because Vaccarelli is a Connecticut resident and LWLVACC is headquartered and incorporated in Connecticut.

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

10. Defendants' conduct involved fraud, deceit, or deliberate or reckless disregard of regulatory requirements, and resulted in substantial loss, or significant risk of substantial loss, to other persons.

11. Unless enjoined, Defendants will continue to engage in the securities law violations alleged herein, or in similar conduct that would violate the federal securities laws.

### **DEFENDANTS**

12. **Leon Vaccarelli**, 40, resides in Waterbury, Connecticut. From February 2011 to July 19, 2017, Vaccarelli was a registered representative of the brokerage company TIC, as well as an investment adviser associated with IC Advisory at a branch in Waterbury, Connecticut.

13. In 2015, FINRA fined Vaccarelli \$7,500 and suspended him from associating with a broker-dealer for one month for unauthorized trading in four customer accounts.

Subsequently, TIC placed him on heightened supervision. On July 17, 2017, Vaccarelli was

fired by TIC and IC Advisory Services for his failure to comply with firm policies requiring him to allow access to his office during an examination to investigate the allegations raised by this Complaint. Vaccarelli conducted his business under a DBA, "Lux Financial", for which he had a separate bank account at the bank that held his personal account.

14. **LWLVACC, LLC** is a limited liability company incorporated in Connecticut with its principal place of business in Waterbury, Connecticut, with Vaccarelli as its only member. Vaccarelli sometimes used the LLC for his so-called investment business. Vaccarelli had sole signing authority over its bank account (held at the same bank as his personal and Lux Financial accounts) and used that account interchangeably with other accounts to deposit monies from investors and from the trust that Vaccarelli managed.

### **FACTUAL ALLEGATIONS**

#### **I. Investment Ponzi Scheme**

15. From no later than September 2012, through early 2017, Vaccarelli personally and through his entity LWLVACC induced at least nine of Vaccarelli's brokerage customers and other individuals to invest approximately \$1 million in what Vaccarelli represented were private loans and investments. Vaccarelli used the money raised for those so-called investments to pay personal expenses or to make Ponzi-like payments to prior investors.

16. On various occasions, to fund these purported loans and purported investments, Vaccarelli persuaded brokerage customers to sell investments in their securities accounts at TIC, or to write checks payable directly to him. On other occasions, Vaccarelli persuaded customers to pay for their "investments" with money liquidated from other investments, such as pensions, 401(k) accounts and annuities. Vaccarelli repeatedly represented that the customers' money would be invested on the customers' behalf, either in an investment account at TIC or otherwise.

A. *Michael B*

17. Michael B “invested” approximately \$80,000 with Vaccarelli. Michael B gave Vaccarelli a \$38,862.61 check, dated December 4, 2013 payable to the order of Fidelity Investments, FBO of Michael B. This check represented the proceeds of Michael B’s liquidation of his retirement account at a former employer. Vaccarelli represented that he would invest Michael B’s money in a money market account at TIC. Shortly thereafter, in January 2014, Vaccarelli had Michael B sign account opening documents for a brokerage account at TIC. However, on or about January 16, 2014, Vaccarelli deposited Michael B’s check into his LWLVACC account. Instead of investing Michael B’s money, Vaccarelli used the money to pay personal expenses and expenses of his business, including payments on a loan connected with Vaccarelli’s investment in an office building.

18. Subsequently, Michael B liquidated a pension account he held at another brokerage company. In March 2016, a check for \$41,011.18 was issued by the broker-dealer that had held this pension account, payable to Lux Financial for the benefit of Michael B’s IRA account.

19. Michael B gave the March 2016 check to Vaccarelli to deposit into his brokerage account at TIC. Because the check was made out to Lux Financial, instead of TIC’s clearing brokerage firm, TIC was unable to deposit the check and returned it. Vaccarelli then represented to Michael B that he, Vaccarelli, could cash it so that it could be deposited in Michael B’s brokerage account at TIC.

20. Michael B believed that the money would then be invested in a securities money market account. Vaccarelli also told Michael B that the money was locked up and Michael B could only withdraw it if he were to be repaid within 60 days.

21. In reality, Vaccarelli did not deposit the March 2016 check into Michael B’s TIC

investment account. Instead, Vaccarelli deposited that check into his personal Lux Financial account. None of that money was ever invested, or even kept in a segregated account. Instead Vaccarelli used Michael B's money for personal expenses and to pay expenses related to his business.

22. As recently as July 2017, during a meeting at a restaurant owned by Vaccarelli, Vaccarelli represented to Michael B that Michael B had in excess of \$90,000 invested. In fact, Vaccarelli had not invested a single dollar on Michael B's behalf. Although a TIC account had been opened in Michael B's name, it was never funded.

*B. Ciro P*

23. Ciro P had been a customer of Vaccarelli for 2 ½ years and had an IRA at TIC. Ciro P had transferred his IRA from another broker-dealer. Vaccarelli represented to Ciro P. that he was obtaining 7% interest on Ciro P's investment. After Vaccarelli obtained control over Ciro P's IRA, the mutual fund holdings that Ciro P had previously owned were sold and the money was put into a government money market fund that provided minimal returns. In or about February 2016, Ciro P invested an additional \$100,000 with Vaccarelli. Vaccarelli represented to Ciro P that he would invest the \$100,000 at 3% interest, by adding it to Ciro P's account at TIC. Vaccarelli represented that the investment would be similar to Ciro P's existing IRA but that Ciro P would have to give thirty days' notice to get his money back.

24. On or about February 3, 2016, Ciro P endorsed a check for \$100,000, made it payable to LWLVACC, LLC and gave the check to Vaccarelli. Vaccarelli deposited the check into his LWLVACC, LLC account. Vaccarelli did not invest the money. Vaccarelli used Ciro P's money to pay personal expenses, including home mortgage payments and expenses of Vaccarelli's business, including mortgage payments in connection with Vaccarelli's investment in an office building.

25. In or about September 2016, *Ciro P* requested the return of the \$100,000 he had entrusted to *Vaccarelli*. *Vaccarelli* persuaded *Ciro P* instead to take the money out of *Ciro P*'s IRA. *Vaccarelli* represented that he would move the \$100,000 that *Ciro P* had invested in March 2016 to replace the monies withdrawn from *Ciro P*'s IRA.

26. In September 2016, *Vaccarelli* directed the distribution of approximately \$108,000 from *Ciro P*'s IRA to *Ciro P*'s bank, causing *Ciro P* to incur a tax liability for early IRA withdrawals. *Vaccarelli* never replaced the money that had been withdrawn from the IRA. In or about late 2016, learned from his accountant that the money had not been replaced.

27. In or about December 2016 *Ciro P* confronted *Vaccarelli* with a copy of his IRA statement, which reflected a balance of less than \$500. *Vaccarelli* represented that the statement was incorrect and told *Ciro P* that the IRA account held more than \$90,000. *Vaccarelli* then hand-wrote \$90,476 on *Ciro P*'s account statement, to confirm the "actual" amount in the account. In fact, there was only \$476 in *Ciro P*'s IRA account at the end of December of 2016.

*C. Christine C*

28. In September 2015, *Vaccarelli* persuaded *Christine C* to invest in what he described as a private direct investment. He initially requested \$90,000 but accepted \$47,000, which *Christine C* obtained by selling an annuity she owned.

29. On September 24, 2015, *Vaccarelli* directed *Christine C* to sign a "Private Direct Investment Agreement," which described her investment as a "Separately Managed Account[s] 15 month senior note 8% per annum no liquidity of principal." LWLVACC, LLC (*Leon Vaccarelli*)" was listed as "advisor" in the agreement.

30. *Vaccarelli* represented to *Christine C* that he would invest her money in a friends and family investment fund through LWLVACC. *Christine C* understood this to be an investment in securities. Also on September 24, 2015, at *Vaccarelli*'s direction, *Christine C*

wrote a check for \$47,000 payable to LWLVACC. Vaccarelli endorsed the check and deposited the funds into LWLVACC's bank account.

31. Christine C understood that her money was to be used for investments in securities for her benefit. In reality, Vaccarelli used it to pay personal expenses and expenses of his business, including a mortgage payment in connection with Vaccarelli's investment in an office building. In or around June 2016, Christine C learned that she would incur a tax penalty in connection with the withdrawal from her annuity and contacted Vaccarelli to find out why. Several months later, in October 2016, Vaccarelli met with Christine C and provided Christine C with a letter dated October 11, 2016, which stated that an accounting firm would provide her with "appropriate income tax documents and independent verification" at year end.

32. The day after she received the letter, Christine C called the accounting firm named in Vaccarelli's letter and found that the firm was not familiar with the investment and was unable to provide such verification.

33. During the October meeting in which Vaccarelli hand-delivered the letter to Christine C, he also asked her not to tell TIC about LWLVACC. He told Christine C that the reason for his request was that he was not supposed to have an outside investment business while he was associated with TIC.

34. Upon hearing this, Christine C, who was already concerned by Vaccarelli's evasive behavior, became more concerned. She retained an attorney who negotiated the return of her \$47,000 principal as well as interest and associated penalties. As part of the agreement to return Christine C's money to her, Vaccarelli and his lawyer required Christine C to sign a release in favor of Vaccarelli and LWLVACC that she would not discuss the matter with "FINRA, The [sic] SEC or anyone else."

35. In mid-December Vaccarelli purchased a bank check to pay the settlement to

Christine C. However, this left him with insufficient funds in his bank accounts to cover his personal expenses, causing numerous bounced checks. Vaccarelli then had the bank check canceled and deposited the proceeds into his own bank account.

36. On January 17, 2017, after Vaccarelli had obtained money from yet another client, Vaccarelli purchased a bank check payable to himself for \$59,692.66, using funds from his Lux Financial account. Vaccarelli endorsed the bank check to Christine C's attorney to settle Christine C's claim.

*D. Carmela T*

37. As described above, in January 2017, Vaccarelli needed \$59,692.66 to pay back Christine C.

38. To fund the settlement with Christine C, Vaccarelli obtained \$300,000 from Carmela T, an 88-year old woman living in a nursing home in Connecticut. Carmela T had a securities account at TIC, which was held in the name of a living trust for her benefit. In around November of 2016, she deposited roughly \$300,000 into her living trust account at TIC. This money constituted the proceeds from the sale of her condominium. This money was initially invested in mutual funds.

39. In December 2016, Vaccarelli persuaded Carmela T to obtain an account at a local bank in the name of the trust, telling her this local bank account would enable her to pay for her assisted living expenses. As part of that account opening, Carmela T was provided with three starter checks.

40. On or about January 11, 2017, Vaccarelli met with Carmela T and her daughter at the assisted living facility. While the daughter was out of the room, Vaccarelli obtained a signed starter check from the local bank account, payable to the order of Lux Financial for \$300,000. On January 11, Vaccarelli caused \$300,000 of mutual funds to be sold from Carmela T's living

trust account at TIC and on January 12, 2017, as described below, caused the money to be transferred to Carmela T's local bank account, using a voided second starter check. TIC records reflect that Vaccarelli had solicited the sale of the mutual funds while at the assisted living facility.

41. The next day, January 12, 2017, a wire transfer request, purportedly signed by Carmela T on January 12, 2017, was sent to TIC, directing that \$300,000 be wired to Carmela T's local bank account. The wire transfer request bore a notary seal representing that Carmela T had signed the wire request in the presence of the notary. The notary who purportedly signed the signature verification was Vaccarelli's office manager. On information and belief, Vaccarelli's office manager never met Carmela T and was not present at Carmela T's assisted living facility on January 11 or 12, 2017.

42. On January 17, 2017, Vaccarelli deposited the \$300,000 check drawn on Carmela T's local bank account into his Lux Financial account. An incomplete "Direct Investment Agreement Managed Account Agreement" form, with an endorsement that purported to be Carmela T's signature, reflected that Vaccarelli had solicited Carmela T for an investment, to be made through LWLVACC, with LWLVACC and Vaccarelli as an investment adviser.

43. Carmela T did not agree to provide Vaccarelli with a loan. Nor did she ever agree to change her investments without the input of her daughter and her son-in-law, who is an attorney. By tricking Carmela T into opening a local bank account and manipulating various bank and investment account documents, Vaccarelli schemed to sell \$300,000 worth of mutual fund investment from Carmela T's living trust, and deposited the proceeds into his personal account.

44. Vaccarelli used Carmela T's money to pay personal and business expenses, and to pay-off prior investors, including Christine C. Vaccarelli did not invest any of the funds obtained

from Carmela T's living trust account in any of the contemplated investments listed on the incomplete direct investment agreement for Carmela T.

45. On or about July 3, 2017, Vaccarelli represented to Carmela T's daughter that Carmela T's \$300,000 was invested in a 30 month investment at 6%. In actuality, Carmela T's money had not been invested. Indeed, it was not even segregated. Instead it was commingled with Vaccarelli's personal and business accounts.

## **II. Theft from a Trust**

46. In 1999 the beneficiary of a living trust amended the trust so that when she died, a percentage of the trust's proceeds would be held in trust for the benefit for the beneficiary's daughter. In 2008, the beneficiary of the trust died and the daughter became a beneficiary of the trust. The purpose of the trust was to pay for the daughter's health, maintenance, and support. At the time of the beneficiary's death, a Connecticut bank functioned as the trustee of the trust.

47. In September 2014, Vaccarelli became the trustee of the living trust, held for the benefit of the daughter. At the beginning of 2014, the trust held approximately \$480,000 in assets, which were invested in a mixture of blue-chip equity securities and mutual funds.

48. Prior to formal transfer of trustee responsibility, the bank asked Vaccarelli for direction as to the disposition of amounts held in mutual funds. Vaccarelli directed the bank to sell the mutual funds for cash. Vaccarelli provided his personal bank account number as the account to which the money should be deposited. On March 27, 2014, the bank wired over \$164,000 into Vaccarelli's personal account.

49. Also as part of the transfer of trustee responsibilities, on March 18, 2014, the bank transferred approximately \$280,000 (market value) in blue chip equities such as Exxon Mobil, Abbott Labs, and Coca-Cola into a brokerage account in the name of the trust, with Vaccarelli having sole trading and check writing ability. By September 2016, the account had a \$1400

balance; all the blue chip securities in the account had been sold. In September 2014, the bank transferred the last of the trust assets it held, approximately \$21,000 in cash, into Vaccarelli's personal bank account.

50. From December 2014 through September 2016, Vaccarelli transferred over \$200,000 from the trust's brokerage account to his personal and business accounts. A portion of this money went to personal expenses, including home mortgage payments, and expenses of Vaccarelli's business, including mortgage payments in connection with Vaccarelli's investment in an office building.

**First Claim for Relief**  
**(Violation of Section 10(b) of Exchange Act and**  
**Rule 10b-5 Against Defendants)**

51. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 50 above as if set forth fully herein.

52. Defendants, directly or indirectly, acting intentionally, knowingly or recklessly, in connection with the purchase or sale of securities, by use of the means or instrumentalities of interstate commerce or the facilities of a national securities exchange or the mail: (a) have employed or are employing devices, schemes, or artifices to defraud; (b) have made or are making untrue statements of material fact or have omitted or are omitting to state material facts necessary to make the statements made not misleading; or (c) have engaged or are engaging in acts, practices, or courses of business which operate as a fraud or deceit upon certain persons.

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

**Second Claim for Relief**

**(Violation of Section 17(a)(1) of Securities Act Against Defendants)**

54. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 50 above as if set forth fully herein.

55. Defendants, directly or indirectly, acting intentionally, knowingly or recklessly, by use of the means or instrumentalities of transportation or communication in interstate commerce or by the use of the mails, in the offer or sale of securities have employed or are employing devices, schemes, or artifices to defraud.

56. By engaging in the conduct described above, Defendants have violated, and unless enjoined will continue to violate, Section 17(a)(1) of the Securities Act [15 U.S.C. §77q(a)(1)].

**Third Claim for Relief**

**(Violation of Section 17(a)(2) of Securities Act Against Defendants)**

57. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 50 above as if set forth fully herein.

58. Defendants, by engaging in the conduct described above in the offer or sale of securities, by use of the means or instrumentalities of transportation or communication in interstate commerce or by the use of the mails, obtained property by means of untrue statements of material fact or omissions to state material facts necessary to make the statements not misleading.

59. By engaging in the conduct described above, Defendants violated, and unless enjoined will continue to violate, Section 17(a)(2) of the Securities Act [15 U.S.C. §§ 77q(a)(2)].

**Fourth Claim for Relief**

**(Violation of Section 17(a)(3) of Securities Act Against Defendants)**

60. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 50 above as if set forth fully herein.

61. Defendants, by engaging in the conduct described above in the offer or sale of securities, by use of the means or instrumentalities of transportation or communication in interstate commerce or by the use of the mails, engaged in transactions, practices, or courses of business which operated as a fraud or deceit upon the purchasers of such securities.

62. By engaging in the conduct described above, Defendants violated, and unless enjoined will continue to violate, Section 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(3)].

**Fifth Claim For Relief**  
**(Violation of Rule 21F-17(a) Against Defendants)**

63. The Commission repeats and incorporates by reference the allegations in paragraph 1 through 50 as if set forth fully herein.

64. Defendants, by engaging in the conduct described in paragraph 34 above took action to impede an individual from communicating directly with the Commission staff about a possible securities law violation, including by requiring an individual to sign a confidentiality agreement prohibiting such communications.

65. By engaging in the conduct described above Defendants violated and unless enjoined will continue to violate, Rule 21F-17(a) of the Exchange Act [17 C.F.R. § 240.21F-17(a)].

**PRAYER FOR RELIEF**

WHEREFORE, the Commission requests that this Court:

A. Enter a temporary restraining order, order freezing assets and requiring an accounting, and granting other equitable relief in the form submitted with the Commission's motion for such relief, and, upon further motion, enter a preliminary injunction for the same relief, including asset freeze, accounting, and other equitable relief;

B. Enter a permanent injunction restraining Defendants and each of their agents,

servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, including facsimile transmission or overnight delivery service, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, in violation 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 Rules 10b-5 [17 C.F.R. § 240.10b-5] and 21F-17(a) [17 C.F.R. § 240.21F-17(a)] thereunder.

C. Require Defendants to disgorge their ill-gotten gains, plus pre-judgment interest, with said monies to be distributed in accordance with a plan of distribution to be ordered by the Court;

D. Require Defendants to pay appropriate civil monetary penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

E. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and

F. Grant such other and further relief as the Court deems just and proper.

**JURY DEMAND**

The Commission hereby demands a trial by jury on all claims so triable.

Respectfully submitted,

SECURITIES AND EXCHANGE COMMISSION

By its attorneys,

/s/ Deena R. Bernstein

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