

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

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 4095 / May 22, 2015**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-16556**

**In the Matter of**

**STEPHEN A. COLANGELO,**  
**JR.,**

**Respondent.**

**ORDER INSTITUTING**  
**ADMINISTRATIVE PROCEEDINGS**  
**PURSUANT TO SECTION 203(f) OF THE**  
**INVESTMENT ADVISERS ACT OF 1940**  
**AND NOTICE OF HEARING**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Stephen A. Colangelo, Jr. (“Respondent” or “Colangelo”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**A. RESPONDENT**

1. Colangelo founded and controlled the Brickell Fund, LLC (“Brickell Fund”), a pooled investment vehicle, and three start-up entities – Hedge Community, LLC (“Hedge Community”); Start a Hedge Fund, LLC (“Start a Hedge Fund”); and Under the Radar SEO, LLC (“Under the Radar”). From March 2009 to February 2011, Colangelo offered interests in each of these entities to investors. During the same time period, Colangelo also provided investment advisory services to private advisory clients. Colangelo is 47 years old and is incarcerated in a federal correctional institute in Loretto, Pennsylvania. Prior to his incarceration, Colangelo resided in Congers, New York.

**B. ENTRY OF THE INJUNCTION/RESPONDENT’S CRIMINAL CONVICTION**

2. On April 22, 2015, a final judgment was entered against Colangelo, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”), Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and

Rule 10b-5 thereunder, and Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, in the civil action entitled Securities and Exchange Commission v. Stephen A. Colangelo, Jr., Civil Action Number 7:12-cv-8439, in the United States District Court for the Southern District of New York.

3. The Commission's complaint alleged that, from April 2009 to June 2009, Colangelo raised \$760,000 from investors in the Brickell Fund, which Colangelo controlled as its investment adviser, by making numerous material misrepresentations to investors, including misrepresentations concerning the use of investor funds and historical trading returns that Colangelo purported to earn. The complaint also alleged that, from April 2009 to January 2011, Colangelo obtained over \$1 million from three investment advisory clients, on whose behalf Colangelo promised to buy and sell securities in exchange for a percentage of any profits earned in each client's account, by making similar misrepresentations. The complaint further alleged that, from July 2009 to October 2011, Colangelo obtained over \$2 million from investors in Start a Hedge Fund, Hedge Community, and Under the Radar, by making numerous material misrepresentations to investors regarding, among other things, the use of investor funds. Finally, as alleged in the complaint, Colangelo misappropriated investor and client funds, which Colangelo then attempted to conceal by making false statements to at least some investors and clients about the value of their accounts.

4. On December 19, 2013, Colangelo pleaded guilty to two counts of securities fraud and two counts of wire fraud in violation of Title 15 United States Code, Section 78j(b) and Title 18 United States Code, Section 1343, before the United States District Court for the Southern District of New York, in United States v. Stephen Colangelo, Jr., 12-CR-838. On April 10, 2014, a judgment in the criminal case was entered against Colangelo. Colangelo was sentenced to a prison term of 87 months followed by three years of supervised release and ordered to make restitution in the amount of \$3,526,815.

5. The counts of the indictment to which Colangelo pleaded guilty alleged, among other things, that Colangelo held himself out as an investment adviser and solicited funds from clients by promising to invest money on the client's behalf exchange for a percentage of any profits earned, that Colangelo defrauded investors and clients, and that Colangelo obtained money and property from investors and clients by making materially false and misleading statements in furtherance of the fraudulent schemes set forth the Commission's complaint described in Paragraph 3 above.

### III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act.

#### IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Brent J. Fields  
Secretary