

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

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-21578**

**In the Matter of**

**TAREK D. BAHGAT,**

**Respondent.**

**DIVISION OF ENFORCEMENT’S MOTION FOR DEFAULT JUDGMENT AND  
REMEDIAL SANCTIONS AGAINST RESPONDENT TAREK D. BAHGAT**

Pursuant to the Order to Show Cause dated May 28, 2024, the Division of Enforcement (“Division”) respectfully submits this motion for default judgment and sanctions against Respondent Tarek D. Bahgat (“Bahgat” or “Respondent”).

**PRELIMINARY STATEMENT**

From December 2014 through September 2015, Bahgat, a former investment adviser with offices in Amherst, New York, misappropriated about \$378,000 from seven of his advisory clients. In flagrant violation of his fiduciary duty to these clients, Bahgat gained access to their online brokerage accounts without authorization and caused transfers to be made from the client accounts to himself or to Wealth CFO, LLC, a company Bahgat owned. In furtherance of his scheme, Bahgat impersonated his clients in calls to brokerage firms, and directed his office manager, Laurmarie Colangelo, to impersonate a client in order to obtain online access. In late 2016, Bahgat fled the United States for Egypt, where he continues to reside. Bahgat defaulted in

the district court case filed in 2017, and has failed to respond in the follow-on administrative proceeding. The Commission should bar him from the securities industry in any capacity.

## **PROCEDURAL BACKGROUND**

### **District Court Proceedings**

On September 28, 2017, the SEC filed a Complaint in the United States District Court for the Western District of New York against defendants Bahgat and Lauramarie Colangelo (“Colangelo”) and relief defendant WealthCFO, LLC (“WealthCFO”). Ex. 14.<sup>1</sup> The Complaint alleged that Bahgat violated Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 (“Advisers Act”). *Id.* ¶ 3. Colangelo, who was Bahgat’s assistant and office manager, was alleged to have aided and abetted Bahgat’s violations by impersonating a client to permit Bahgat’s unauthorized access to a client account. *Id.* ¶¶ 11, 41-49. 11. Bahgat directed most of misappropriated client funds to an account in the name of WealthCFO, a New York limited liability company owned by Bahgat. *Id.* ¶ 11; Ex. 26.

On April 6, 2018, the District Court entered a judgment as to Colangelo which enjoined her from violating Sections 206(1) and 206(2) of the Advisers Act and also provided that the Court would determine the amount of her civil penalty. Ex. 15 (*Judgment as to Defendant Lauramarie Colangelo*). Following briefing by the parties and a hearing, the Court issued a Decision and Order finding that “[l]ikely at Bahgat’s direction, Colangelo pretended to be one of Bahgat’s clients, a widow in her seventies, and called the Charles Schwab customer-service line to set up online access to the client’s account. Colangelo went out of her way to mislead Charles

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<sup>1</sup> “Ex.” refers to the 27 exhibits listed in the attachment to the Declaration of David Stoelting dated July 9, 2024 (“Decl.”), filed herewith. “¶” in this motion refer to paragraph numbers in the Complaint, which is Exhibit 14.

Schwab by concealing her identity.”<sup>2</sup> Ex. 16 at 1. The Court also found that “[a]fter Colangelo set up online access, Bahgat created a user name and password that gave him access to his clients’ funds and never disclosed any of that to his client.” *Id.* at 2. After gaining access to his client’s account, Bahgat made seven transfers to WealthCFO and himself totaling \$24,370. *Id.*; Ex. 26. Colangelo’s violation, however, was “limited to one isolated action” and “[s]he readily admitted her wrongdoing”, and so the Court ordered Colangelo to pay a “reasonable and appropriate” penalty of \$7,500. *Id.* at 4; Ex. 17 (*Final Judgment Imposing a Civil Penalty on Defendant Lauramarie Colangelo* entered June 8, 2018).

On September 4, 2018, after relief defendant WealthCFO defaulted, the Court entered a final judgment which ordered it to pay disgorgement of \$369,601.97, and prejudgment interest of \$39,803.65. Ex. 18 (*Final Judgment as to Relief Defendant WealthCFO, LLC*)

Bahgat also failed to respond to the Complaint, and the SEC moved for a default judgment. The Court at first denied the motion, finding that the SEC’s attempts to serve Bahgat in Egypt via email “did not comport with due process.” Ex. 19. After the SEC retained Egyptian counsel who, in late 2021, served Bahgat with the Complaint under Egyptian law, the Court found that personal service “met the constitutional requirements for service.” Ex. 20 at 2.

On June 6, 2023, the District Court entered a final judgment against Bahgat that permanently enjoined him from future violations of Advisers Act Sections 206(1) and 206(2) and ordered him to pay disgorgement of \$378,021.97 plus prejudgment interest of \$142,057.43, and a civil penalty of \$378,854. Ex. 21 (*Final Judgment as to Defendant Tarek D. Bahgat*).

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<sup>2</sup> The Court also noted that in her investigative testimony, “[w]hen asked a series of questions about the phone call [with Schwab], Colangelo asserted her Fifth Amendment rights.” Ex. 16 at 4 n.2.

### **Follow-On Administrative Proceeding**

On August 22, 2023, based on the entry of the permanent injunction against Bahgat, the Commission issued an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940 and Notice of Hearing (“OIP”). Ex. 22. Bahgat was personally served with the OIP in Egypt on February 29, 2024, in accordance with Rule of Practice 141(a)(2)(iv)(C)(3). Ex. 23.

On May 28, 2024, the Commission ordered Bahgat to show cause by June 25, 2024, “why he should not be deemed in default and why this proceeding should not be determined against him due to his failure to file an answer and to otherwise defend this proceeding.” Ex. 24. The Commission further ordered that “[i]f Bahgat does not file a response, the Division shall file a motion for entry of an order of default and the imposition of remedial sanctions by July 9, 2024.” *Id.* at 2.

As of the date of this motion, Bahgat has not filed an answer, responded to the show cause order, or entered any appearance.

### **STATEMENT OF FACTS**

#### **Bahgat Was an Investment Adviser**

Bahgat, age 61, was a resident of Williamsville, New York and was registered with several financial firms from 1986 through late 2016. Ex. 25 at 7 (BrokerCheck Report). In September 2016, Bahgat left the United States for Egypt. ¶ 9. Bahgat was the owner of WealthCFO. *Id.* at 8; Ex. 1 at 13 . Bahgat was also the managing member of WealthCFO Advisors, LLC, a New York State-registered investment adviser from January 3, 2012 until

November 30, 2014. Ex. 1 at 13 (Form ADV). Bahgat also operated as an investment adviser under the name WealthCFO Partners, LLC. Ex. 11 (Form ADV).

### **Bahgat Misappropriated Funds From His Advisory Clients**

By improperly obtaining seven clients' online account information, Bahgat accessed these accounts without his clients' knowledge or approval and transferred funds to a WealthCFO account or his own account. Each of these misappropriations is listed on Exhibit 26, which was compiled from extensive account records obtained from Charles Schwab & Co., Inc. ("Schwab") and TD Ameritrade, Inc. ("TDA"). *See* Decl. ¶ 4. The advisory clients (identified by their initials) that Bahgat victimized were S.F. O.F.; R.H.; J.O.; B.S.; and P.&P.S.<sup>3</sup> Bahgat managed these clients brokerage accounts and, as an investment adviser, had a fiduciary duty to each of them. ¶¶ 24, 33, 39, 48, 47.

S.F. was a 77-year-old retired doctor, who was a client of Bahgat. ¶ 13; Exs. 4, 8 (Investment Advisory Agreement). On September 9, 2015, Bahgat phoned Schwab's customer service and obtained S.F.'s online credentials. ¶ 18; Ex. 27. On December 23, 2015, Bahgat used these credentials to transfer \$8,958.46 to WealthCFO, which S.F. did not authorize. ¶¶ 19-20; Ex. 26 at 1; Ex. 27 at 1.

Bahgat also obtained internet access to the TDA accounts of O.F., S.F.'s 38-year-old son, who also was an advisory client. ¶¶ 14, 21; Ex. 2 (account opening form). From December 2014 through August 2016, Bahgat caused 15 transfers totalling \$104,150 to be made to WealthCFO. Ex. 26 at 1.

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<sup>3</sup> The victims are referred to in the Complaint as Clients A and B (S.F. and O. F.); Client C (R.H.); Client D (J.O.); Client E (B.S.); and Clients F and G (P.&P.S.). Schwab is identified in the Complaint as Broker A and TDA as Broker B.

R.H. was a 57-year-old doctor and an advisory client of Bahgat. Ex. 5 (Investment Advisory Agreement). Bahgat had internet access to R.H.'s TDA accounts and caused 15 transfers totaling \$196,703.51 to be made to the WealthCFO account. Ex. 26 at 1.

J.O. was an 82-year-old doctor and client of Bahgat. ¶ 35. On December 1, 2015, J.O. gave Bahgat a \$40,000 check to invest. ¶ 36; Ex. 10 (check). Rather than investing the funds, however, and without authorization, Bahgat deposited the check into the WealthCFO account and spent the funds on business and personal expenses. ¶ 37; Ex. 26 at 2. In September 2016, Bahgat gave J.O. a "Statement of Assets and Liabilities" listing a "Harbortoch Note Receivable" for \$40,000 that purportedly paid 8.25% interest. ¶ 38; Ex. 12 (Statement). The "Harbortech Note" was fictitious, however, and J.O. never received any interest or principal of the \$40,000 he gave to Bahgat. ¶ 38.

B.S. was a 77-year-old widow who had an account at Schwab managed by Bahgat. ¶¶ 41-42; Ex. 7 (Investment Advisory Agreement). On November 15, 2015, Bahgat provided to Colangelo B.S.'s date of birth and home telephone number and directed Colangelo to phone Schwab and claim to be B.S. ¶ 44. Believing that Colangelo was B.S., the Schwab service agent helped Colangelo to set up online access to B.S.'s Schwab account by providing a temporary password. ¶¶ 44-45; Ex. 9. In late 2015 and early 2016, Bahgat, without authorization, effected seven transfers totaling \$24,370 from B.S.'s Schwab account to his WealthCFO account and to his personal account. Ex. 26 at 2; Ex. 27 at 1-2.

The transcript of Colangelo's recorded call to Schwab shows that Colangelo, pretending to be B.S., stated that she was "like 75 years old" and that she was "trying to get onto the

computer and I want to get onto my account, but I don't know how.” Ex. 9.<sup>4</sup> In sworn testimony taken on July 14, 2017, Colangelo invoked her Fifth Amendment right against self-incrimination as to all questions relating to the phone call and transfers from B.S.'s account to Bahgat. Ex. 13.

In addition, in March 2016, Bahgat misappropriated \$3,840 from two advisory clients, P.&P.S. Exs. 3, 6; Ex. 26 at 2. Bahgat called Schwab customer service posing as P.S. and obtained credentials which allowed him to access their account, and Bahgat caused a \$3,840 payment to be made to WealthCFO. ¶¶ 53-55; Ex. 26 at 1; Ex. 27.

Schwab's fraud detection team became aware of Bahgat's conduct and investigated it as “Customer Impersonation & Possible Elder Abuse.” Ex. 27. According to an internal report, Schwab determined that an internet protocol address associated with Bahgat's email had accessed the accounts of S.F., B.S. and P.& P.S. *Id.* The Schwab report identified certain transfers from the client accounts of S.F., B.S. and P.&P.S. that match the transfers listed on the SEC's summary chart. *Compare* Ex. 27 *with* Ex. 26.

### **ARGUMENT**

Bahgat has not responded to the OIP although he was served over four months ago. Accordingly, the Commission should find Bahgat in default, deem the allegations against him to be true, and bar him from associating in the securities industry in any capacity.

#### **I. Entry of Default Judgment is Appropriate**

Rule of Practice 155(a) provides that “[a] party to a proceeding may be deemed to be in default and the Commission or the hearing officer may determine the proceeding against the party upon consideration of the record, including the order instituting proceedings, the

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<sup>4</sup> The transcript was prepared from an audio recording of the call that was received from Schwab, and it (incorrectly) identifies B.S. as the speaker.

allegations of which may be deemed to be true, if that party fails . . . [t]o answer, to respond to a dispositive motion within the time provided, or to otherwise defend the proceeding.” Here, because Bahgat has failed to “answer . . . or otherwise defend the proceeding,” a default judgment should be entered against him, as is specifically contemplated by Rules of Practice 155(a) and 220(f).

## **II. Barring Bahgat is in the Public Interest**

Section 203(f) of the Advisers Act authorizes the Commission to suspend or bar a person from the securities industry if it finds, after a notice and opportunity for a hearing, that: (1) the person was enjoined from engaging in or continuing any conduct or practice in connection with acting as an investment adviser; (2) the person was associated with an investment adviser at the time of the alleged misconduct; and (3) such a sanction is in the public interest. *See* 15 U.S.C. §80b-3(f).

Each of these elements is readily proven here. The District Court “permanently restrained and enjoined [Bahgat] from violating, directly or indirectly, Sections 206(1) and 206(2) of the Investment Advisers Act of 1940,” and Bahgat was associated with an investment adviser at the time of the misconduct Exs. 1; 11; 21 at 2; 25.

The remaining issue is whether barring Bahgat is in the public interest. The *Steadman* factors, which are applied to determine the appropriate public interest remedies, all favor barring Bahgat from the securities industry. *See Steadman v. SEC*, 603 F.2d 1126, 1140 (5<sup>th</sup> Cir. 1979). Those factors are: (1) the egregiousness of the Respondent’s actions; (2) the isolated or recurrent nature of the infractions; (3) the degree of scienter involved; (4) the sincerity of the Respondent’s assurances against future violations; (5) the Respondent’s recognition of the wrongful nature of



their conduct; and (6) the likelihood that the Respondent's occupations will present opportunities for future violations. *Id.*

In this case, the relevant factors suggest that full collateral bars are appropriate and in the public interest. The conduct at issue was egregious and resulted in investor losses of more than \$378,000. Bahgat's misconduct was repeated and exhibited a high degree of scienter, taking place from December 2014 through September 2016. During this period, Bahgat, acting as an investment adviser to clients to whom he owed a fiduciary duty, defrauded his clients and misappropriated his clients' assets. Bahgat also directed his office manager Colangelo to impersonate one of his advisory clients in a recorded call with Schwab to permit him to misappropriate funds from that client.

The Schwab report shows that Bahgat accessed client accounts to transfer funds to himself. Ex. 27. In addition, the transcript of Colangelo's recorded call impersonating B.S. proves the deception, and because Colangelo invoked her Fifth Amendment protections regarding the phone call and Bahgat's scheme, an adverse inference against Bahgat can be drawn.<sup>5</sup> Exs. 9, 27. And because Bahgat failed to answer the OIP or respond to the show cause order, he has made no showing that he will not commit future violations.

The record establishes that Bahgat is unfit to participate in the securities industry and that his participation in it in any capacity would pose a risk to investors. Given that Bahgat has defaulted in this proceeding, he has not opposed the imposition of any associational bar or a bar

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<sup>5</sup> See *United States v. Mallory*, 988 F.3d 730, 740 (4<sup>th</sup> Cir. 2021) (affirming jury instruction allowing jury draw adverse inference against defendant based on co-conspirator's invocation of Fifth Amendment); *FTC v. RCG Advances, LLC*, -- F. Supp. 3d --, 2023 WL 6281138, at \*3 (S.D.N.Y. Sept. 27, 2023) ("[T]he Court is permitted to draw adverse inferences against [the defendant] based on co-conspirators or associated non-parties invoking the Fifth Amendment.").

from participating in an offering of penny stock. As a result, it is in the public interest to bar him from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization and from participating in an offering of penny stock.

### **CONCLUSION**

For these reasons, Bahgat should be deemed in default, and the Commission should: (a) bar Bahgat from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and (b) bar Bahgat from participating in any offering of a penny stock, including acting as a promoter, finder, consultant, agent, or other person who engages in activities with a broker, dealer, or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Dated: July 9, 2024  
New York, NY

Respectfully submitted,

*/s/ David Stoelting*

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CERTIFICATE OF SERVICE

I have caused the attached motion for default judgment and remedial sanctions against Respondent Tarek D. Bahgat, and the accompanying Declaration of David Stoelting dated July 9, 2024, with Exhibits 1-27, to be served on the following parties:

Office of the Secretary  
Securities and Exchange Commission  
100 F. Street, N.W.  
Washington, D.C. 20549  
(by efap only)

Mr. Tarek D. Bahgat



(via Federal Express)

Dated: July 9, 2024  
New York, New York

s/David Stoelting  
David Stoelting

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

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-21578**

**In the Matter of**  
  
**TAREK D. BAHGAT,**  
  
**Respondent.**

**DECLARATION OF**  
**DAVID STOELTING**

I, David Stoelting, pursuant to 28 U.S.C. §1746, declare as follows under penalty of perjury:

1. I am employed as a Senior Trial Counsel in the Division of Enforcement of the Securities and Exchange Commission. I submit this declaration in support of the Division's motion for an order of default and imposition of remedial sanctions against Respondent Tarek D. Bahgat ("Bahgat").

2. As of the filing of this declaration, the Division has not received any response from Respondent Bahgat to the *Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1934 and Notice of Hearing* issued August 22, 2023, nor does the docket of this proceeding reflect any filing by Bahgat.

3. Attached hereto is list of the 27 exhibits submitted by the Division in support of this motion for a default judgment and sanctions.

4. Exhibit 26 is a summary of the transfers from the accounts of clients of Bahgat identified by their initials: S.F., O.F., R.H., J.O., B.S. and P.&P.S. (the “Clients”). During the investigation that preceded the filing of the Complaint on September 28, 2017, the SEC staff served document subpoenas and requests on financial firms, including Charles Schwab Bank and TD Ameritrade, Inc. (where the Clients maintained accounts) and M&T Trust Company (where Bahgat and WealthCFO maintained accounts). In 2018, Eric M. Schmidt, an attorney with the Division, reviewed these documents and prepared the summary that is being submitted, in redacted form, as Exhibit 26. The unredacted version of Exhibit 26 can be viewed on the ECF system for *SEC v. Bahgat*, 17-cv-971-LJV (W.D.N.Y.), Document 44-3. The underlying bank records used by Mr. Schmidt to create Exhibit 26 are also on the ECF system for *SEC v. Bahgat*, Documents 32-4, 32-5, 32-6, 32-7, 32-8, 32-9 and 44-4.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: New York, New York  
July 9, 2024

/s/ David Stoelting  
David Stoelting

**List of Exhibits in Support of the Division's Motion for Default and Sanctions dated July 9, 2024**

<b>Exhibit</b>	<b>Date</b>	<b>Description</b>
1	4/1/2013	Form ADV - WealthCFO Advisors LLC
2	8/23/2013	TD Ameritrade account application re O.S.
3	11/11/2013	P.S. Investment Advisory Agreement with WealthCFO Advisors LLC
4	1/16/2014	S.F. Investment Advisory Agreement with WealthCFO Advisors LLC
5	2/10/2014	R.H. Investment Advisory Agreement with WealthCFO Advisors LLC
6	4/2/2014	P.S. Investment Advisory Agreement with WealthCFO Advisors LLC
7	6/23/2014	B.S. Investment Advisory Agreement with WealthCFO Advisors LLC
8	10/14/2014	S.F. Investment Advisory Agreement with WealthCFO Advisors LLC
9	11/18/2015	Transcription of call to Charles Schwab
10	12/1/2015	J.O. \$40,000 check to WealthCFO, LLC dated 12/1/15
11	2/26/2016	Form ADV - WealthCFO Partners, LLC
12	8/30/2016	WealthCFO Partners, LLC - J.O. current holdings
13	7/14/2017	Investigative testimony of L. Colangelo dated 7/14/17 (excerpt)
14	9/28/2017	USDC: Complaint in SEC v. Bahgat (WDNY)
15	4/5/2018	USDC: Judgement as to Lauramarie Colangelo
16	5/23/2018	USDC: Decision and Order as to Colangelo
17	6/8/2018	USDC: Final Judgment Imposing a Civil Penalty on Colangelo
18	9/4/2018	USDC: Final Judgment as to WealthCFO, LLC
19	4/6/2020	USDC: Decision and Order denying SEC's motion for a default judgment
20	5/17/2023	USDC: Decision and Order granting SEC's motion for a default judgment
21	6/6/2023	USDC: Final Judgment as to Bahgat
22	8/22/2023	AP: OIP against Bahgat
23	3/12/2024	AP: Proof of Service of OIP
24	5/28/2024	AP: Order to Show Cause
25		Finra BrokerCheck Report - Terry Dean Bahgat
26		Summary of transfers from Bahgat clients to WealthCFO/Bahgat
27		Charles Schwab internal investigation report