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

**SECURITIES AND EXCHANGE COMMISSION,**

**Plaintiff,**

**v.**

**TAREK D. BAHGAT and  
LAURAMARIE COLANGELO**

**Defendants,**

**And**

**WEALTHCFO, LLC**

**Relief Defendant.**

**No. 17-CV-\_\_\_\_ ( )**

**COMPLAINT**

Plaintiff Securities and Exchange Commission (“Commission”), for its Complaint against Defendants Tarek D. Bahgat (“Bahgat”) and Lauramarie Colangelo (“Colangelo”), and Relief Defendant WealthCFO, LLC (“WealthCFO”), alleges as follows:

### **SUMMARY**

1. Bahgat is an investment adviser who lived in Williamsville, New York and had offices in Amherst, New York until about September 2016. From at least December 2014 through September 2016, Bahgat misappropriated approximately \$378,000 from his advisory clients.

2. Bahgat misappropriated his clients' money by, among other things, obtaining internet access to his clients' brokerage accounts and causing transfers from their accounts to be made to Bahgat or to WealthCFO, a company that Bahgat owned. In some instances, Bahgat obtained internet bill-paying privileges in client accounts by posing – or having his assistant, Colangelo, pose – as his clients in telephone calls with broker-dealers holding the client accounts..

### **VIOLATIONS**

3. Based on the conduct alleged in this Complaint, Bahgat is liable for violations of 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).

4. Based on the conduct alleged in this Complaint, Colangelo is liable for aiding and abetting some of Bahgat's violations of Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) and 80b-6(2).

### **JURISDICTION AND VENUE**

5. The Commission brings this action pursuant to the authority conferred upon it by Section 209(d) of the Advisers Act, 15 U.S.C. § 80b-9(d), seeking permanently to enjoin Defendants from engaging in the acts, practices and courses of business alleged herein.

6. The Commission also seeks a final judgment requiring Defendant Bahgat and Relief Defendant WealthCFO to disgorge ill-gotten gains, if any, with prejudgment interest thereon, and requiring Defendants Bahgat and Colangelo to pay civil money penalties pursuant to Section 209(e) of the Advisers Act, 15 U.S.C. § 80b-9(e).

7. This Court has jurisdiction over this action pursuant to Sections 209(d) and 209(e) of the Advisers Act, 15 U.S.C. §§ 80b-9(d) and 80b-9(e).

8. Venue is proper in the Western District of New York pursuant to Section 214(a) of the Advisers Act, 15 U.S.C. §§ 80b-14(a). Certain of the transactions, acts, practices and courses of business constituting the violations alleged herein occurred in the Western District of New York, which is where Colangelo currently resides and where Bahgat resided until September 2016, when he moved to Egypt. Bahgat, Colangelo and WealthCFO conducted their businesses in the Western District of New York.

### **DEFENDANTS**

9. Bahgat, age 55, was a resident of Williamsville, New York until around September 2016, when he left the United States for Egypt. Bahgat is the managing member of WealthCFO. Bahgat also was the managing member of WealthCFO Advisors, LLC, a New York State-registered investment adviser from January 3, 2012 until November 30, 2014. In addition, Bahgat operated as an investment adviser under the name WealthCFO Partners, LLC (“WealthCFO Partners”). WealthCFO Partners was a New York State-registered investment adviser from May 2016 through December 2016, listing its principal place of business in Amherst, New York, and Bahgat as its managing member.



10. From July 6, 2015 until October 18, 2016, Bahgat was a registered representative at an SEC-registered broker-dealer and investment adviser. Prior to then, from October 1, 2010 to July 6, 2015, Bahgat was a registered representative at another SEC-registered broker-dealer, and for a portion of such period, he was also associated with an SEC-registered investment adviser affiliate of such broker-dealer.

11. Colangelo, age 47, is a resident of Amherst, New York. Colangelo was employed by WealthCFO, most recently as operations manager, under Bahgat's supervision from 2012 until at least September 2016.

12. WealthCFO is a New York limited liability company that had its principal place of business in Amherst, New York. WealthCFO was a payroll and accounting firm, which provided payroll services to clients in the Buffalo, New York area.

#### **FACTS**

##### **Bahgat Misappropriated Over \$110,000 from Client A and Client B.**

13. One of the advisory clients from whom Bahgat misappropriated funds, referred to herein as "Client A," is a 77-year old retired doctor, who was a long-time advisory client and social friend of Bahgat.

14. Client A's 38-year old son, referred to herein as "Client B," also was one of Bahgat's advisory clients.

15. Client A held brokerage accounts at a broker-dealer registered with the Commission and referred to herein as "Broker A." These accounts were managed by Bahgat.

16. Client B held brokerage accounts at a broker-dealer registered with the Commission and referred to herein as "Broker B." These accounts were managed by Bahgat.

17. Based on their long-term business and social relationship with Bahgat, Client A and Client B placed their trust in Bahgat to manage their accounts.

18. On September 9, 2015, Bahgat called Broker A's customer service and represented himself as Client A. Bahgat provided Broker A's customer service agent with Client A's home telephone number and date of birth and was able to obtain online credentials that permitted Bahgat to make payments from Client A's accounts at Broker A.

19. On December 23, 2015, Bahgat caused \$8,958.46 to be paid from one of Client A's accounts at Broker A to WealthCFO.

20. Client A did not authorize the transfer from his account at Broker A to WealthCFO.

21. Bahgat had also obtained internet access to Client B's accounts at Broker B.

22. On fifteen occasions from December 2014 through August 2016, Bahgat accessed one of Client B's accounts at Broker B and caused transfers to be made from Client B's account to WealthCFO. These payments aggregated \$104,150.

23. Client B did not authorize any of the transfers from his account to WealthCFO.

24. As an investment adviser, Bahgat owed a fiduciary duty to Client A and Client B.

25. Bahgat violated his fiduciary duty to Client A and Client B by misappropriating money from Client A and Client B, and by failing to disclose to Client A and Client B that he was doing so.

**Bahgat Misappropriated Over \$196,000 from Client C.**

26. One of Bahgat's advisory clients, referred to herein as "Client C," is a 57-year old doctor who was a social friend of Bahgat.

27. Client C held brokerage accounts at Broker B that were managed by Bahgat.

28. Bahgat had internet access to Client C's accounts at Broker B.

29. Based on his business and social relationship with Bahgat, Client C trusted Bahgat to manage his accounts.

30. On fifteen occasions from April 2015 through September 2016, Bahgat accessed Client C's accounts at Broker B and caused transfers to be made from one of Client C's accounts to WealthCFO. These transfers totaled \$196,703.51.

31. Client C did not authorize any of the transfers from his account to WealthCFO.

32. In November 2016, Bahgat admitted to Client C that he had taken money from Client C's account because Bahgat was in financial distress. Bahgat promised to repay the money, but he has not done so.

33. As an investment adviser, Bahgat owed a fiduciary duty to Client C.

34. Bahgat violated his fiduciary duty to Client C by misappropriating money from Client C and by failing to disclose to Client C that he was doing so.

**Bahgat Misappropriated \$40,000 from Client D.**

35. One of Bahgat's advisory clients, referred to herein as "Client D," is an 82-year old doctor who was a social friend of Bahgat.

36. In 2015, Client D agreed to give Bahgat \$40,000 to invest. On December 1, 2015, at Bahgat's instruction, Client D gave Bahgat a \$40,000 check made out to WealthCFO. Bahgat told Client D that WealthCFO would hold the funds until Bahgat decided how to invest the money on Client D's behalf. Instead of investing the money, however, Bahgat misappropriated Client D's money by depositing the \$40,000 into WealthCFO's account, commingling it with other funds and spending it on WealthCFO's business expenses and Bahgat's personal expenses.



37. Client D did not authorize Bahgat to use the \$40,000 to pay WealthCFO's and Bahgat's expenses.

38. In or about September 2016, Bahgat gave Client D a document stating that Client D's \$40,000 had been invested in a "Harbortoch Note Receivable" that purportedly paid 8.25% annually, and that the investment's value had grown to \$42,000. The "Harbortoch Note" investment was fictitious, and Client D has never received any interest or principal on the \$40,000 he gave to Bahgat.

39. As an investment adviser, Bahgat owed a fiduciary duty to Client D.

40. Bahgat violated his fiduciary duty to Client D by misappropriating money from Client D, by failing to disclose to Client D that Bahgat had misappropriated Client D's money, by misrepresenting to Client D that Bahgat would invest Client D's money, and by misrepresenting to Client D that Bahgat had invested Client D's money in a "Harbortoch Note."

**Bahgat, Aided by Colangelo, Misappropriated Over \$24,000 from Client E.**

41. One of Bahgat's advisory clients, referred to herein as "Client E," is a 77-year old widow.

42. Client E held brokerage accounts at Broker A that were managed by Bahgat.

43. Client E placed full trust in Bahgat to manage the accounts for her.

44. On November 18, 2015, Colangelo, at Bahgat's direction, telephoned Broker A customer service and represented herself as Client E. Colangelo provided Broker A's customer service agent with Client E's date of birth and home telephone number, which Colangelo had been provided by Bahgat. The Broker A customer service agent, believing Colangelo to be Client E, then assisted Colangelo with setting up on-line access to Client E's accounts at Broker

A, including providing Colangelo with a temporary password and telling her how to create a new password.

45. Through Colangelo, Bahgat obtained a user name and password that enabled him to access Client E's accounts at Broker A.

46. From December 2015 through March 2016, Bahgat accessed Client E's accounts at Broker A and caused four transfers totaling \$15,950 to be made from Client E's accounts at Broker A to WealthCFO, and three transfers aggregating \$8,420 to be made from Client E's accounts at Broker A to Bahgat personally.

47. Client E did not authorize the transfers from her accounts at Broker A to WealthCFO or Bahgat.

48. As an investment adviser, Bahgat owed a fiduciary duty to Client E.

49. Bahgat violated his fiduciary duty to Client E by misappropriating money from Client E and by failing to disclose to Client E that he was doing so.

**Bahgat Misappropriated Over \$3,800 from Client F and Client G.**

50. One of Bahgat's clients, referred to herein as "Client F," is a 66-year old clerk. Her husband, referred to herein as "Client G," is a 70-year old retired factory worker.

51. Client F and Client G maintained accounts at Broker A that were managed by Bahgat.

52. Client F and Client G placed full trust in Bahgat to manage the accounts for them.

53. On March 14, 2016, Bahgat twice called Broker A customer service posing as Client G. After Bahgat provided the Broker A customer service agent with Client G's social security number, date of birth and home telephone number, the customer service agent, believing that



Bahgat was Client G, assisted Bahgat in setting a user ID and temporary password that would provide access to Client G's accounts at Broker A. Bahgat, with the assistance of the Broker A agent, transferred \$3,000 from Client G's IRA account to a joint account held by Client G and Client F.

54. On March 24, 2016, Bahgat, again posing as Client G, called Broker A customer service and reset the password on Client G's accounts. Bahgat then transferred an additional \$3,285 from Client G's IRA account to the joint account.

55. On March 29, 2016, Bahgat, using the user ID and password he had established for Client G, caused a \$3,840 payment to be made to WealthCFO through a bank account linked to the joint account.

56. Neither Client F nor Client G authorized Bahgat to take money from their accounts and pay it to WealthCFO.

57. As an investment adviser, Bahgat owed a fiduciary duty to Client F and Client G.

58. Bahgat violated his fiduciary duty to Client F and Client G by misappropriating money from Client F and Client G and by failing to disclose to Client F and Client G that he was doing so.

### **FIRST CLAIM FOR RELIEF**

#### **Violations of Sections 206(1) and 206 (2) of the Advisers Act (Bahgat)**

59. Paragraphs 1 through 58 are hereby realleged and incorporated by reference.

60. At all relevant times, Bahgat was an "investment adviser" within the meaning of Section 202(a)(11) of the Advisers Act, 15 U.S.C. § 80b-2(a)(11).

61. As an investment adviser, Bahgat owed his clients duties of utmost good faith, fidelity, and care to make full and fair disclosure to them of all material facts – including any conflicts or potential conflicts of interests – as well as the duty to act in the best interests of his clients, and not to act in Bahgat’s own interests to the detriment of his clients.

62. Bahgat breached his fiduciary duty to his clients, engaged in fraudulent conduct and engaged in a scheme to violate Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) and 80b-6(2).

63. Bahgat, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, acting intentionally, knowingly or recklessly: (a) has employed or is employing devices, schemes, or artifices to defraud clients or potential clients; or (b) has engaged or is engaging in transactions, practices, or courses of business which operate as a fraud or deceit upon a client or prospective client.

64. By reason of the foregoing, Bahgat directly or indirectly, singly or in concert, has violated, is violating, 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).

**SECOND CLAIM FOR RELIEF**

**Aiding and Abetting Violations of Sections 206(1) and 206 (2) of the Advisers Act  
(Colangelo)**

65. Paragraphs 1 through 64 are hereby realleged and incorporated by reference.

66. Bahgat, by use of the mails or any means or instrumentality of interstate commerce, directly or indirectly, acting intentionally, knowingly or recklessly: (a) has employed or is employing devices, schemes, or artifices to defraud clients or potential clients; or (b) has engaged

or is engaging in transactions, practices, or courses of business which operate as a fraud or deceit upon a client or prospective client.

67. Colangelo knew or recklessly disregarded that Bahgat's conduct was improper and knowingly rendered to Bahgat substantial assistance in this conduct.

68. By reason of the foregoing, Colangelo aided and abetted, and unless enjoined will continue to aid and abet, Bahgat's violation of Sections 206(1) and 206 (2) of the Advisers Act, 15 U.S.C. § 80b-6(1) and (2).

### **THIRD CLAIM FOR RELIEF**

#### **(WealthCFO)**

69. Paragraphs 1 through 68 are hereby realleged and incorporated by reference.

70. WealthCFO received, directly or indirectly, without consideration, funds that are the proceeds of the unlawful activities alleged herein and to which it has no legitimate claim.

71. WealthCFO obtained the funds as part of and in furtherance of the securities violations alleged herein and under circumstances in which it is not just, equitable, or conscionable for it to retain the funds, and accordingly, WealthCFO should disgorge its ill-gotten gains, plus prejudgment interest.

### **PRAYER FOR RELIEF**

**WHEREFORE**, the Commission respectfully requests that the Court:

#### **I.**

Enter a Final Judgment permanently restraining and enjoining Bahgat and Colangelo from violating Sections 206(1) and 206 (2) of the Advisers Act, 15 U.S.C. §§80b-6(1) and 80(b)-6(2).



**II.**

Enter a Final Judgment ordering Bahgat and WealthCFO to disgorge their ill-gotten gains, if any, plus prejudgment interest thereon;

**III.**

Enter a Final Judgment imposing civil money penalties upon Bahgat and Colangelo pursuant to Section 209(e) of the Advisers Act, 15 U.S.C. § 80b-9(e);

**IV.**

Grant such other and further relief as the Court may deem just and proper.

**JURY DEMAND**

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, Plaintiff demands that this case be tried to a jury.

Dated: September 28, 2017  
New York, New York



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