

ORIGINAL

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION

FILED IN CLERK'S OFFICE

FEB 27 2006

LUTHER J. JONES, Clerk  
Deputy Clerk

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

Civil Action No.

v.

KIRK S. WRIGHT; INTERNATIONAL  
MANAGEMENT ASSOCIATES, LLC;  
INTERNATIONAL MANAGEMENT  
ASSOCIATES ADVISORY GROUP, LLC;  
INTERNATIONAL MANAGEMENT  
ASSOCIATES PLATINUM GROUP, LLC;  
INTERNATIONAL MANAGEMENT  
ASSOCIATES EMERALD FUND, LLC;  
INTERNATIONAL MANAGEMENT  
ASSOCIATES TAURUS FUND, LLC;  
INTERNATIONAL MANAGEMENT  
ASSOCIATES GROWTH & INCOME  
FUND, LLC; INTERNATIONAL  
MANAGEMENT ASSOCIATES SUNSET  
FUND, LLC; PLATINUM II FUND, LP; and  
EMERALD II FUND, LP,

Defendants.

1 06 - CV - 0438

COMPLAINT FOR INJUNCTIVE RELIEF

It appears to Plaintiff, Securities and Exchange Commission ("Commission"), and it alleges, that:

**OVERVIEW**

1. This matter involves fraudulent conduct by Kirk S. Wright ("Wright"), an Atlanta-based promoter, and International Management Associates, LLC ("IMA") and International Management Associates Advisory Group, LLC ("IMA Advisory"), investment advisers controlled by him, and seven hedge funds managed by IMA or IMA Advisory.

2. Between approximately February 1997 and the present, Wright, IMA and IMA Advisory have raised approximately \$115 million and as much as \$185 million from up to 500 investors by selling investments in seven hedge funds. The hedge funds are defendants International Management Associates Platinum Group, LLC ("Platinum I"); International Management Associates Emerald Fund, LLC ("Emerald Fund"); International Management Associates Taurus Fund, LLC ("Taurus Fund"); International Management Associates Growth & Income Fund, LLC ("Growth & Income Fund"); International Management Associates Sunset

Fund, LLC (“Sunset Fund”); Platinum II Fund, LP (“Platinum II”) and Emerald II Fund, LP (“Emerald II”).

3. Since at least 2003, IMA and IMA Advisory, through Wright, have been providing investors with quarterly statements that misrepresented the amount of assets in the respective funds and misrepresented the rates of return obtained by the respective funds. In fact, without disclosure to the investors, virtually all of the assets of the funds have been dissipated.

#### VIOLATIONS

4. Defendants have engaged, and unless restrained and enjoined by this Court, will continue to engage in acts and practices that constitute and will 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 [15 U.S.C. 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5], and defendants Wright, IMA and IMA Advisory have violated Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 (“Advisers Act”)[15 U.S.C. 80b-6(1) and(2)].

### **JURISDICTION AND VENUE**

5. The Commission brings this action pursuant to Sections 20 and 22 of the Securities Act [15 U.S.C. 77t and 77v], Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. 78u(d) and 78u(e)], and Sections 209 and 214 of the Advisers Act [15 U.S.C. 80b-9, 80b-14], to enjoin the defendants from engaging in the transactions, acts, practices, and courses of business alleged in this complaint, and transactions, acts, practices, and courses of business of similar purport and object, for civil penalties and for other equitable relief.

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

7. Defendants, directly and indirectly, made use of the mails, the means and instruments of transportation and communication in interstate commerce and the means and instrumentalities of interstate commerce in connection with the transactions, acts, practices, and courses of business alleged in this complaint.

8. Certain of the transactions, acts, practices, and courses of business constituting violations of the Securities Act, Exchange Act and Advisers Act occurred in the Northern District of Georgia. In addition, Defendant Wright resides in the Northern District of Georgia. Defendants IMA and IMA Advisory maintain offices in the Northern District of Georgia.

9. Defendants Wright, IMA and IMA Advisory, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and courses of business alleged in this complaint, and in transactions, acts, practices, and courses of business of similar purport and object.

#### **THE DEFENDANTS**

10. **International Management Associates, LLC**, is a limited liability company organized in Virginia. IMA's principal place of business is in Atlanta, Georgia. IMA is registered in 17 states and District of Columbia as an investment adviser. IMA was founded in 1997. IMA is owned and operated by defendant Wright and others. According to its Form ADV, dated January 25, 2006, it has \$166.6 million in funds under management, in the five hedge funds it manages and advises.

11. **International Management Associates Advisory Group, LLC**, is a limited liability company organized in Georgia. IMA Advisory's principal place of business is in Atlanta, Georgia. IMA Advisory is registered as an investment adviser in 3 states—Georgia, California, and Nevada. IMA Advisory is owned and operated by Wright and others.

12. **Kirk S. Wright**, according to IMA's Form ADV, is a principal of IMA and a control person with 50% to 75% ownership interest in IMA. According to IMA Advisory's Form ADV, Wright is chief information officer and a control person with a 25% to 50% ownership interest in IMA Advisory.

13. **International Management Associates Platinum Group LLC** is a Georgia limited liability company that commenced operations in November 2000.

14. **International Management Associates Emerald Fund, LLC** is a Virginia limited liability company that commenced investment operations in March 2004.

15. **International Management Associates Taurus Fund, LLC** is a Virginia limited liability company that began operations in February 1997.

16. **International Management Associates Growth & Income Fund, LLC** is a Virginia limited liability company that commenced operation in 1997.

17. **International Management Associates Sunset Fund, LLC** is a Virginia limited liability company that commenced operation in 1997.

18. **Platinum II Fund, LP** is a Delaware limited partnership.

19. **Emerald II Fund, LP** is a Delaware limited partnership.

#### **The Fraudulent Scheme**

20. During various periods between February 1997 and the present, IMA, through Wright, has been offering and selling interests in five hedge funds. IMA has managed those funds since they began doing business. The hedge funds managed by IMA, and the amounts IMA represents (in its Form ADV) are invested in those funds, are defendants Platinum I (\$49.3 million); Emerald Fund (\$16.2 million); Taurus Fund (\$83.6 million); Growth & Income Fund (\$11.2 million); and Sunset Fund (\$6.3 million).

21. IMA Advisory has managed two hedge funds since they began doing business. Those funds, and the amount IMA Advisory represents (in its Form

ADV) has been invested in them, are defendants Platinum II (\$9.7 million) and Emerald II, LP (\$8.4 million).

22. From 1997 through the present, IMA and Wright have been selling interests in the Taurus Fund, the Sunset Fund and the Growth and Income Fund. According to the offering memoranda provided to prospective investors, the minimum initial investment in each fund was \$100,000 per investor.

23. A January 2005 version of the Growth and Income Fund offering memorandum represented that as of December 31, 2003, the Fund had \$5,176,503 in assets under management.

24. A January 2005 version of the Sunset Fund offering memorandum represented that as of December 31, 2003, the Sunset Fund had \$2,400,753 in assets under management.

25. A February 2004 version of the Taurus Fund offering memorandum represented that as of December 31, 2003, the Taurus Fund had \$70,203,988 in assets under management.

26. The Taurus Fund, Sunset Fund and the Growth and Income Fund offering memoranda all represented that the IMA would be the manager of the



respective fund and that management, operation and control of the fund would be vested exclusively in IMA.

27. The Taurus Fund, Sunset Fund and Growth and Income Fund offering memoranda represented that defendant Wright was the sole owner of IMA and would be responsible for the day-to day investment activities and administration of the respective fund.

28. The Taurus Fund offering memorandum represented that IMA would be compensated by a management fee of two percent of the fund's total net asset value on an annual basis, and would also receive an annual performance fee equivalent to 20% of any positive investment return earned by the fund on an annual basis.

29. The Sunset Fund and Growth and Income Fund memoranda further represented that the manager would be compensated by a fee of 2.5 percent of the net asset value of the respective fund on an annual basis.

30. The Sunset Fund and the Growth and Growth and Income Fund offering memoranda further represented that the funds would seek to achieve their respective investment objectives by investing, under "normal circumstances" at

least 80 percent for Sunset Fund and 90 percent for the Growth and Income Fund of their total assets in the securities of U.S. and foreign companies.

31. From November 2000 to the present, IMA and Wright have been selling "membership interests" in Platinum I. According to the offering memorandum provided to investors, the minimum initial investment which would be accepted from any investor was \$500,000.

32. The Platinum I offering memorandum stated that IMA would be the manager of the fund and that the management, operation and control of the fund would be vested exclusively in IMA. The offering memorandum further stated that Wright was the sole owner of IMA and would be responsible for the day-to day operations of the fund.

33. The Platinum I offering memorandum further stated that IMA would be compensated through a management fee of two percent of the net asset value of the fund and an annual performance fee equivalent to 20 percent of any positive investment return earned by the fund.

34. The Platinum I offering memorandum stated that the fund would achieve its investment objective by investing, under normal circumstances, at least 85 percent of its total assets in the securities of U.S. and foreign companies.

35. A January 2004 version of the Platinum I offering memorandum represented that as of December 31, 2003, Platinum I had \$6,978,360 in assets under management.

36. In March 2004, IMA and Wright began offering and selling membership interests in the Emerald Fund.

37. The Emerald Fund offering memorandum provided to prospective investors represented that IMA would be the manager of the fund and would have exclusive power over the management, operation and control of the fund.

38. The Emerald Fund offering memorandum represented that Wright was the Chief Investment Officer of IMA and would be responsible for the strategic daily operations of the fund.

39. The Taurus Fund offering memorandum represented that IMA would be compensated by a management fee of two percent of the fund's total net asset value on an annual basis, and would also receive an annual performance fee

equivalent to 20% of any positive investment return earned by the fund on an annual basis.

40. The Emerald Fund offering memorandum stated that the fund would achieve its investment objective by investing, under normal circumstances, at least 95 percent of its total assets in the securities of U.S. and foreign companies.

41. In early 2004, Wright and others began operating IMA Advisory. In December 2004, IMA Advisory and Wright began selling limited partnership units in Emerald II Fund.

42. The offering memorandum provided to prospective investors in the Emerald II Fund represented that IMA Advisory would be the investment adviser to Emerald II Fund and that Grey Crest Partners LLC, an entity owned by Wright and others, would be the general partner.

43. The offering memorandum stated that the investment objective of the Emerald II Fund would be to obtain the highest possible return on capital by investing primarily in publicly traded equity securities and options.

44. The Emerald II offering memorandum stated that the minimum investment in the fund would be \$250,000, subject to reduction by the general

partner and that the Investment Adviser (IMA Advisory) would receive a quarterly management fee calculated at an annual rate of two percent of each limited partner's capital account.

45. In January 2005, IMA Advisory and Wright began selling limited partnership units in Platinum II Fund.

46. The offering memorandum provided to prospective investors in Platinum II stated that IMA Advisory would be the investment adviser to the Platinum II.

47. The Platinum II offering memorandum stated that the general partner of the Platinum II fund would be Grey Crest Partners LLC, a Delaware limited liability company controlled by Wright and others.

48. The offering memorandum provided to investors stated that the minimum investment in Platinum II was \$750,000, subject to reduction at the discretion of the general partner.

49. The Platinum II offering memorandum stated that the investment adviser would receive a quarterly management fee calculated at the annual rate of two percent of each limited partner's capital account.

50. The Platinum II offering memorandum stated that the fund would try to achieve its objective by investing “under normal circumstance” at least 95 percent of its assets in the securities of U.S. companies.

**Misrepresentations and Omissions**

51. Wright, IMA and IMA Advisory have provided periodic account statements to investors in the respective funds managed by IMA, IMA Advisory and Wright.

52. The account statements, beginning at least as early as 2004, have grossly misrepresented the value of remaining assets in the funds attributable to the specific investor and have grossly overstated the rate of return for the respective investor’s interest. For example, IMA account statements sent to one investor showed his investment in the Taurus fund appreciating 20% between December 31, 2004 and December 31, 2005.

53. In fact, by 2005, the assets of the respective funds had been largely dissipated. That fact was not disclosed to the investors in the respective funds.

54. Wright has provided to at least some of the investors in various hedge funds blatantly false information regarding the value of assets in the funds or held by IMA or IMA Advisory.

55. When several investors demanded in October 2005 to see the brokerage account statements for the IMA hedge funds, Wright produced several statements purporting to be from Ameritrade (a securities broker-dealer) for August 2005. These account statement show over \$155 million in securities in account numbers 783-662180, 783-574128, 783-074372 and 783-047145. In fact, the first three accounts do not exist and the fourth account is not held by any of the Defendants.

56. An investor sent a representative (Mr. Dopp) to verify assets in the funds in which he had invested. On February 10 and/or 11, 2006, Wright displayed to the representative a computer screen purporting to be from the website of Ameritrade, a securities broker-dealer, and summarizing the balances of Platinum I, Platinum II and Emerald Fund as of December 30, 2005.

57. The account statements and summaries displayed by Wright to the representative were fabricated and reflected assets which the funds did not possess at that time.

58. During the first four months of 2005, the Platinum II and Emerald II funds incurred more than \$10 million in trading losses, losing a substantial portion of their assets. The account statements that Wright and IMA Advisory sent to investors in these funds, or directed other employees to send to those investors, for this period showed positive rates of return and affirmatively misrepresented the current value of the assets in the accounts.

58. During January 2006, IMA and IMA advisory filed Form ADV registration forms with several states claiming that the funds advised by them have approximately \$185 million in assets. Although Wright has claimed to investors, a state court receiver and others that the assets are at Ameritrade, there is less than \$500,000 in related accounts at Ameritrade.

59. The membership interests and limited partnership interests sold by the respective defendants are securities.



60. Wright personally managed the securities trading for all of the funds, and was aware of all times of the profitability or lack thereof of that trading, and of the dissipation of assets. He nevertheless distributed offering memoranda which did not disclose enormous losses, and delivered to investors periodic statements which concealed the losses and falsely reflected a positive rate of return.

**COUNT I—FRAUD**

**Violations of Section 17(a)(1) of the Securities Act  
[15 U.S.C. § 77q(a)(1)]**

61. Paragraphs 1 through 60 are hereby realleged and are incorporated herein by reference.

62. From in or about 1997 through the present, defendants Wright, IMA, IMA Advisory, Sunset Fund and Growth and Income Fund, and for various periods after 1997 and until the present, defendants Platinum I, Taurus, Fund, Emerald Fund, Platinum II and Emerald II, in the offer and sale of the securities described herein, by the use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly, employed devices, schemes and artifices to defraud purchasers of such securities, all as more particularly described above.

63. Defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud.

64. While engaging in the course of conduct described above, the defendants acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

65. By reason of the foregoing, the defendants, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

## **COUNT II—FRAUD**

### **Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act[15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]**

66. Paragraphs 1 through 60 are hereby realleged and are incorporated herein by reference.

67. From in or about 1997 through the present, defendants Wright, IMA, IMA Advisory, Sunset Fund and Growth and Income Fund, and for various periods after 1997 and until the present, defendants Platinum I, Taurus, Fund, Emerald Fund, Platinum II and Emerald II, in the offer and sale of the securities described

herein, by use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly:

a. obtained money and property by means of untrue statements of material fact and omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

b. engaged in transactions, practices and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities,

all as more particularly described above.

68. By reason of the foregoing, the defendants, directly and indirectly, have violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

### **COUNT III—FRAUD**

#### **Violations of 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]**

69. Paragraphs 1 through 60 are hereby realleged and are incorporated herein by reference.

70. From in or about 1997 through the present, defendants Wright, IMA, IMA Advisory, Sunset Fund and Growth and Income Fund, and for various periods after 1997 and until the present, defendants Platinum I, Taurus, Fund, Emerald Fund, Platinum II and Emerald II, in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

- a. employed devices, schemes, and artifices to defraud;
- b. made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and
- c. engaged in acts, practices, and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

71. The defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, the

defendants acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

72. By reason of the foregoing, the defendants, directly and indirectly, 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].

#### **COUNT IV—FRAUD**

##### **Violations of Section 206(1) of the Advisers Act [15 U.S.C. § 80b-6(1)]**

73. Paragraphs 1 through 60 are hereby realleged and are incorporated herein by reference.

74. From in or about 1997 through the present, defendants Wright and IMA, and from approximately January 2005 through the present, defendant IMA Advisory, acting as investment advisers, using the mails and the means and instrumentalities of interstate commerce, directly and indirectly, employed devices, schemes and artifices to defraud one or more advisory clients and/or prospective clients.

75. Defendants IMA, IMA Advisory and Wright knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to

defraud. In engaging in such conduct, defendants IMA, IMA Advisory and Wright acted with scienter, that is, with intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

76. By reason of the foregoing, defendants Wright, IMA and IMA Advisory, directly and indirectly, have violated, and unless enjoined, Wright, IMA and IMA Advisory will continue to violate Section 206(1) of the Advisers Act [15 U.S.C. § 80b-6(1)].

**COUNT V—FRAUD**

**Violations of Section 206(2) of the Advisers Act**  
**[15 U.S.C. § 80b-6(2)]**

77. Paragraphs 1 through 60 are hereby realleged and are incorporated herein by reference.

78. From in or about 1997 through the present, defendant IMA, and from approximately January 2005 through the present, defendant IMA Advisory, acting as investment advisers, aided and abetted by defendant Wright, by the use of the mails and the means and instrumentalities of interstate commerce, directly and indirectly, engaged in transactions, practices, and courses of business which would

and did operate as a fraud and deceit on one or more advisory clients and/or prospective clients.

79. By reason of the foregoing, defendants IMA and IMA Advisory, aided and abetted by defendant Wright, directly and indirectly, has violated and, unless enjoined, IMA, IMA Advisory and Wright will continue to violate and aid and abet violations of Section 206(2) of the Advisers Act [15 U.S.C. § 80b-6(2)].

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff Commission respectfully prays for:

**I.**

Findings of Fact and Conclusions of Law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that the defendants named herein committed the violations alleged herein.

**II.**

A temporary restraining order, preliminary and permanent injunctions enjoining the defendants, their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the order of injunction, by personal service or otherwise, and each of them,

from violating, directly or indirectly, 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] promulgated thereunder, and enjoining Wright, IMA and IMA Advisory from violating Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. 80b-6(1) and 80b-6(2)].

### **III.**

An order requiring an accounting by of the use of proceeds of the sales of the securities described in this Complaint and the disgorgement by IMA, IMA Advisory and Wright of all ill-gotten gains or unjust enrichment with prejudgment interest, to effect the remedial purposes of the federal securities laws and an order appointing a receiver for defendants (other than defendant Wright).

### **IV.**

An order 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)] imposing civil penalties against defendants Wright, IMA and IMA Advisory.

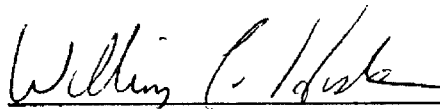


V.

Such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

Dated this 27th day of February, 2006.

Respectfully submitted,



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