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CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
LOS ANGELES

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BY _____

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

IU GROUP, INC., ELIJAH BANG, a/k/a
ELIJAH BHANG, and DANIEL LEE,

Defendants.

Case No. **CV 11 00556**-mmm
(AJW)
**COMPLAINT FOR
VIOLATIONS OF THE
FEDERAL SECURITIES LAWS**

1 Plaintiff Securities and Exchange Commission (“Commission”) alleges as
2 follows:

3 JURISDICTION AND VENUE

4 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
5 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C.
6 §§ 77t(b), 77t(d)(1), and 77v(a), and Sections 209(d), 209(e)(1), and 214 of the
7 Investment Advisers Act of 1940 (“Advisers Act”), 15 U.S.C. §§ 80b-9(d), 80b-
8 9(e)(1), and 80b-14. Defendants have, directly or indirectly, made use of the
9 means or instrumentalities of interstate commerce, of the mails, or of the facilities
10 of a national securities exchange, in connection with the transactions, acts,
11 practices, and courses of business alleged in this complaint.

12 2. Venue is proper in this district pursuant to Section 22(a) of the
13 Securities Act, 15 U.S.C. § 77v(a), and Section 214 of the Advisers Act, 15 U.S.C.
14 § 80b-14, because certain of the transactions, acts, practices, and courses of
15 conduct constituting violations of the federal securities laws occurred within this
16 district, and at least two of the defendants reside and/or are located in this district.

17 SUMMARY

18 3. This matter involves an ongoing offering fraud and investment adviser
19 fraud by IU Group, Inc. (“IU Group”), through its affiliate IU Wealth
20 Management, LLC (“IU Wealth”), which purports to operate as a hedge fund,
21 Elijah Bang a/k/a Elijah Bhang (“Bang”), its principal, and Daniel Lee (“Lee”), its
22 sales associate (IU Group, Bang, and Lee collectively, “Defendants”). In 2009, the
23 California Department of Corporations ordered Bang and Lee to desist and refrain
24 from conducting a prior offering fraud. Beginning in at least September 2010,
25 Bang, Lee and IU Group started their new offering fraud and purported wealth
26 management business.

27 4. The Defendants have solicited investors and clients on behalf of IU
28 Wealth with several false representations. These representations include

1 statements that the purported hedge fund has had a successful performance history
2 since January 2007, generating substantial monthly returns of up to 23%; that the
3 majority of IU Wealth's clients are professional athletes, actors, producers,
4 doctors, professors, politicians, and executives of private corporations; and that
5 IU Wealth has over \$800 million under management. Each of these
6 representations made to investors was false.

7 5. The Defendants made their misrepresentations to investors through IU
8 Wealth's and an affiliate's websites and in emails sent by Lee to prospective
9 investors and clients. Although the websites are no longer operational, Lee
10 repeated many of the misrepresentations in communications with prospective
11 investors as recently as November 23, 2010.

12 6. By engaging in the conduct described in this Complaint, the
13 Defendants have violated, and unless enjoined will continue to violate, the
14 antifraud and securities registration provisions of the federal securities laws. Bang
15 also has violated, and unless enjoined will continue to violate, the investment
16 adviser fraud and pooled investment vehicle fraud provisions of the federal
17 securities laws. By this Complaint, the Commission seeks emergency relief
18 against the Defendants, including a temporary restraining order, accountings, an
19 order expediting discovery, and an order prohibiting the destruction of documents,
20 as well as preliminary and permanent injunctions, disgorgement with prejudgment
21 interest, and civil penalties against each of the Defendants.

22 **DEFENDANTS**

23 7. IU Group, Inc. is a California corporation with its principal place of
24 business in Beverly Hills, California. The State of California has suspended IU
25 Group's business license. IU Group is not registered with the Commission in any
26 capacity. IU Wealth is one of several affiliated companies of IU Group. On May
27 19, 2009, the California Department of Corporations ordered IU Investments, LLC
28 to desist and refrain from the unlawful offer or sale of securities and from the

1 fraudulent sale of securities.

2 8. Elijah Bang, a/k/a Elijah Bhang, age 30, apparently resides in Los
3 Angeles, California. Bang is IU Group's and IU Wealth's principal and is the
4 registrant of the IU Wealth website. Bang is not registered with the Commission in
5 any capacity and does not hold any securities licenses. Bang was named as a
6 respondent in and is subject to the provisions of the California Department of
7 Corporations' May 19, 2009 desist and refrain order involving IU Investments.

8 9. Daniel Lee, age and residence unknown. Lee is IU Wealth's sales
9 associate. Lee does not appear to be registered with the Commission in any
10 capacity or hold any securities licenses. Lee was named as a respondent in and is
11 subject to the provisions of the California Department of Corporations' May 19,
12 2009 desist and refrain order involving IU Investments.

13 THE FRAUDULENT CONDUCT

14 A. IU WEALTH'S HEDGE FUND AND ADVISORY BUSINESS

15 10. Although it is not a licensed business entity, IU Wealth purports to
16 have been operating as a hedge fund and advisory business since at least January
17 2007. IU Wealth purports to be a hedge fund and claims that it specializes in
18 handling the wealth of high-net worth individuals, with over \$800 million in assets
19 purportedly under management.

20 11. IU Group and IU Wealth have offered preferred units, at \$50,000 per
21 unit, in IU Wealth's hedge fund, promising at least a 12% annual return. The
22 Defendants solicited potential investors and advisory clients both through websites
23 and through "cold-call" e-mail solicitations, including to university professors,
24 often targeting those planning to retire or who have recently retired. The
25 Defendants also apparently targeted the Christian community and claimed on IU
26 Wealth's website that the purported hedge fund was founded by "devoted
27 Christians who believe in God, Jesus Christ, and the Holy Spirit." In addition to its
28 hedge fund, IU Wealth also purported to offer customized portfolios and other

1 wealth management services to potential advisory clients.

2 12. Despite their aggressive solicitation campaign, the Defendants may
3 have been unsuccessful in obtaining hedge fund investors or advisory clients.

4 13. The offering of IU Wealth securities by the Defendants was not
5 registered with the Commission, as required by federal securities laws and
6 regulations.

7 **B. MATERIAL MISREPRESENTATIONS AND OMISSIONS**

8 14. Bang and Lee made numerous misrepresentations to potential
9 investors and clients on IU Wealth's website and through email solicitations. As
10 of November 2010, IU Wealth's website falsely represented: (1) that IU Wealth
11 ran an operational hedge fund; (2) that the hedge fund had a successful
12 performance history since January 2007, with an average monthly return of 8.29%;
13 and (3) that the majority of IU Wealth's clients were professional athletes, actors,
14 and producers. None of these statements were true.

15 15. IU Wealth's website was taken down in November 2010. IU Wealth
16 also operated under the name of Icon Capital, which on its website made
17 misrepresentations that were similar to those on IU Wealth's website, including
18 misrepresentations regarding Icon Capital's purported track record and the nature of
19 its purported clients. The Icon Capital website was taken down in November 2010.

20 16. Lee made similar misrepresentations in emails that he sent to potential
21 investors and clients. In unsolicited emails to potential investors and clients in
22 September 2010, Lee represented that IU Wealth had over \$800 million under
23 management and that 98% of IU Wealth's clients were professional athletes,
24 actors, producers, doctors, professors, politicians, and executives of private
25 corporations. None of these statements made by Lee were true.

26 17. The Defendants repeated some of the misrepresentations in a
27 document titled "Client Presentation" that Lee emailed to at least one potential
28 investor on November 16, 2010. The Client Presentation document falsely stated

1 that IU Wealth's hedge fund had enjoyed gross returns of 1,051% since 2007, with
2 an average monthly gross return of 23%. It repeated the misrepresentation that IU
3 Wealth had over \$800 million under management, including a purported \$550
4 million in stocks, \$150 million in real estate/developments, and \$100 million in a
5 reserve. The Client Presentation document again falsely described IU Wealth's
6 clients as consisting of professional athletes, entertainment moguls, public
7 officials, including senators and congressmen, and other professionals. It also
8 represented that IU Wealth's purported investment strategy involved minimal risk
9 and would generate a guaranteed annual return of 12%. The representations in the
10 Client Presentation document were virtually identical to the representations that
11 had been posted on the IU Wealth and Icon Capital's websites, and contained in
12 Lee's emails to prospective investors, which were false.

13 18. On November 23, 2010, Lee sent a follow-up email to the same
14 prospective investor to whom he had previously sent the Client Presentation
15 document. In his November 23 email, Lee touted the "guaranteed" interest rate
16 that IU Wealth would pay and represented that an investment in IU Wealth would
17 be "as safe as you can get." Lee has continued to solicit this prospective investor
18 as recently as January 11, 2011, and continues to try to set up meetings with him.

19 **FIRST CLAIM FOR RELIEF**

20 **UNREGISTERED OFFER AND SALE OF SECURITIES**

21 **Violations of Section 5(c) of the Securities Act**

22 **(Against All Defendants)**

23 19. The Commission realleges and incorporates by reference paragraphs 1
24 through 18 above.

25 20. The defendants, and each of them, by engaging in the conduct
26 described above, directly or indirectly, made use of means or instruments of
27 transportation or communication in interstate commerce or of the mails, to offer to
28 sell securities.

1 21. No registration statement has been filed with the Commission with
2 respect to the offering alleged herein.

3 22. By engaging in the conduct described above, each of the defendants
4 violated, and unless restrained and enjoined will continue to violate, Section 5(c)
5 of the Securities Act, 15 U.S.C. § 77e(c).

6 **SECOND CLAIM FOR RELIEF**

7 **FRAUD IN THE OFFER OR SALE OF SECURITIES**

8 **Violations of Section 17(a) of the Securities Act**

9 **(Against All Defendants)**

10 23. The Commission realleges and incorporates by reference paragraphs 1
11 through 18 above.

12 24. The defendants, and each of them, by engaging in the conduct
13 described above, directly or indirectly, in the offer or sale of securities by the use
14 of means or instruments of transportation or communication in interstate
15 commerce or by use of the mails:

- 16 a. with scienter, employed devices, schemes, or artifices to
17 defraud;
- 18 b. obtained money or property by means of untrue statements of a
19 material fact or by omitting to state a material fact necessary in
20 order to make the statements made, in the light of the
21 circumstances under which they were made, not misleading; or
- 22 c. engaged in transactions, practices, or courses of business which
23 operated or would operate as a fraud or deceit upon the
24 purchaser.

25 25. By engaging in the conduct described above, each of the defendants
26 violated, and unless restrained and enjoined will continue to violate, Section 17(a)
27 of the Securities Act, 15 U.S.C. § 77q(a).

28 ///

1 misleading, to any investor or prospective investor in the
2 pooled investment vehicle; or

- 3 b. engaged in acts, practices, or courses of business that were
4 fraudulent, deceptive, or manipulative with respect to any
5 investor or prospective investor in the pooled investment
6 vehicle.

7 36. By engaging in the conduct described above, defendant Bang violated,
8 and unless restrained and enjoined will continue to violate, Section 206(4) of the
9 Advisers Act, 15 U.S.C. § 80b-6(4), and Rule 206(4)-8 thereunder, 17 C.F.R.
10 § 275.206(4)-8.

11 **PRAYER FOR RELIEF**

12 WHEREFORE, the Commission respectfully requests that the Court:

13 **I.**

14 Issue findings of fact and conclusions of law that the Defendants committed
15 the alleged violations.

16 **II.**

17 Issue judgments, in forms consistent with Fed. R. Civ. P. 65(d), temporarily,
18 preliminarily and permanently enjoining the Defendants and their officers, agents,
19 servants, employees, and attorneys, and those persons in active concert or
20 participation with any of them, who receive actual notice of the judgment by
21 personal service or otherwise, and each of them, from violating Sections 5(c) and
22 17(a) of the Securities Act, 15 U.S.C. §§ 77e(c) and 77q(a).

23 **III.**

24 Issue a judgment, in a form consistent with Fed. R. Civ. P. 65(d),
25 temporarily, preliminarily and permanently enjoining Bang and his agents,
26 servants, employees, and attorneys, and those persons in active concert or
27 participation with any of them, who receive actual notice of the judgment by
28 personal service or otherwise, and each of them, from violating Sections 206(1),

1 206(2), and 206(4) of the Advisers Act, 15 U.S.C. §§ 80b-6(1), 80b-6(2), and
2 80b-6(4), and Rule 206(4)-8 thereunder, 17 C.F.R. § 275.206(4)-8.

3 **IV.**

4 Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining
5 order and a preliminary injunction prohibiting each of the Defendants from
6 destroying documents, granting expedited discovery, and requiring accountings
7 from each of the Defendants.

8 **V.**

9 Order each Defendant to disgorge all ill-gotten gains from their illegal
10 conduct, together with prejudgment interest thereon.

11 **VI.**

12 Order each Defendant to pay civil penalties under Section 20(d) of the
13 Securities Act, 15 U.S.C. § 77t(d), and Section 209(e) of the Advisers Act,
14 15 U.S.C. § 80b-9(e).

15 **VII.**

16 Retain jurisdiction of this action in accordance with the principles of equity
17 and the Federal Rules of Civil Procedure in order to implement and carry out the
18 terms of all orders and decrees that may be entered, or to entertain any suitable
19 application or motion for additional relief within the jurisdiction of this Court.

20 **VIII.**

21 Grant such other and further relief as this Court may determine to be just and
22 necessary.

23
24
25 DATED: January 19, 2011



David J. Van Havermaat
Attorney for Plaintiff
Securities and Exchange Commission