2 managers of private-share funds charged by SEC

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(AP) -- Federal regulators filed charges Wednesday against two managers of investment funds that buy stocks of privately held Internet companies including Facebook Inc. They were accused of misleading investors and failing to disclose fees.

The Securities and Exchange Commission also announced it had settled charges with SharesPost, an online exchange for trading stock in companies before they go public, and its CEO Greg Brogger. The market for that kind of stock has been growing fast, and the SEC has been investigating it for a year. The agency said SharesPost failed to register as a securities brokerage.

The SEC reached a settlement with one of the managers it charged, Laurence Albukerk, and his firm EB Financial Group. Charges are pending against the other manager, Frank Mazzola, and his firms Felix Investments and Facie Libre Management Associates. An attorney representing Mazzola and the firms didn't immediately return telephone calls seeking comment.

Albukerk and Mazzola together raised more than $70 million from investors, according to the SEC.

SharesPost agreed to pay an $80,000 fine; Brogger is paying a $20,000 fine. The exchange neither admitted nor denied the SEC's allegations. Early last year, following the SEC's investigation, SharesPost acquired a brokerage firm and its registration was approved by the SEC and securities industry regulators.

SharesPost said in a statement Wednesday it concluded "that it better serves its clients by entering into this (settlement), and believes its time, energy and resources are best spent continuing to build what has become the industry's largest, most active platform during a crucial phase of its growth."

Albukerk and EB Financial agreed to pay combined restitution plus interest of $210,499 and a $100,000 fine. They neither admitted nor denied the allegations.

In a statement, EB Financial said it "believes this settlement with the SEC is in the firm's best interests and we are pleased to put this matter behind us."

The SEC alleged that Albukerk and his firm concealed from investors substantial compensation gained from managing two Facebook funds.

The agency said Mazzola and his firms set up two funds to buy shares of Facebook and other prominent technology companies. They earned "secret" commissions on buying and selling the stock that exceeded the 5 percent level disclosed in offering materials, according to the SEC. The hidden charges effectively raised the prices paid by investors for Facebook shares because Mazzola and the firms didn't have an incentive to negotiate a lower price for investors, the agency said.

The SEC also alleged that Mazzola and the firms misled an investor into believing that a fund had acquired Zynga stock when it hadn't, and made false representations about Twitter's revenue to lure investors to their Twitter fund.

The SEC is seeking unspecified fines and restitution from Mazzola and his two funds.

"While we applaud innovation in the capital markets, new platforms and products must obey the rules and ensure the basic fairness and disclosure that are the hallmarks of sound financial regulation," SEC Enforcement Director Robert Khuzami said in a statement.

Facebook shares have represented a large proportion of the booming private-shares market. The eight-year-old social network is aiming to go public this spring, in an initial public offering of stock that analysts believe could give it a market value of at least $100 billion - more than Yahoo, AOL and Hewlett Packard Co. combined.