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9 **UNITED STATES DISTRICT COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**

11 SECURITIES AND EXCHANGE
12 COMMISSION,

13 Plaintiff,

14 vs.

15 EFSTRATIOS “ELIAS” D.
16 ARGYROPOULOS and
PRIMA CAPITAL GROUP, INC.,

17 Defendants.
18

Case No.

COMPLAINT

19 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

20 **JURISDICTION AND VENUE**

21 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
22 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§
23 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27 of the
24 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
25 78u(d)(3)(A), 78u(e) & 78aa. Defendants have, directly or indirectly, made use of
26 the means or instrumentalities of interstate commerce, of the mails, or of the
27 facilities of a national securities exchange in connection with the transactions, acts,
28 practices and courses of business alleged in this complaint.

1 participate in the secondary market established by Felix, which participation
2 required a \$100,000 minimum investment. The price investors were to pay for the
3 alleged purchase of Facebook shares included an additional mark-up to the share
4 price Felix purportedly charged Prima for the shares.

5 10. The Defendants raised over \$1,294,805 from at least 53 investors
6 nationwide pursuant to Argyropoulos' email solicitation.

7 11. Once an investor sent funds to Prima for investment, Argyropoulos
8 provided the investor with an "Acknowledgment of Receipt" of funds. The
9 Acknowledgment listed the amount the investor had invested with Prima and the
10 number of actual Facebook shares the investor purportedly purchased. The
11 Acknowledgements did not disclose the amount Prima purportedly paid for the
12 Facebook shares or the amount of the mark-up the investor was paying.

13 Additionally, instead of depositing investor funds in a separate account for
14 investment with Felix, Argyropoulos simply commingled investor monies with
15 other monies in Prima's bank account.

16 12. According to the email solicitation and the Acknowledgment,
17 Facebook shares stayed "under the Prima umbrella" until either: (1) Facebook was
18 acquired; or (2) Facebook went public. The Acknowledgement further stated that
19 when either of these events occurred, the Facebook shares would be distributed to
20 investors. Argyropoulos also promised investors in the Acknowledgement that if
21 they wanted to exit the investment before Facebook was acquired or went public,
22 Prima would buy the investor's Facebook position or find another investor to buy
23 it. Argyropoulos repeated these representations to investors through email and
24 over the telephone.

25 13. Beginning in late 2010 and through April 2011, Prima deposited
26 \$1,294,805 million of investor funds in Facie Libre Associates II, LLC ("Facie
27 Libre"), a fund established by Felix to hold Facebook shares purchased in the
28 secondary market. Prima made these deposits purportedly pursuant to a

1 subscription agreement it had entered into with Facie Libre. Defendants did not
2 disclose to Felix that the monies deposited with Facie Libre belonged to individual
3 investors solicited by the Defendants.

4 14. On March 1, 2011, Felix's outside counsel sent Argyropoulos an
5 email stating that Felix had learned that Prima and Argyropoulos were making
6 false and misleading representations to potential investors that implied that Prima
7 was acting as Felix's agent or representative. On March 21, 2011, Argyropoulos
8 received another letter from Felix's counsel demanding confirmation that Prima
9 had not transferred interests in Facie Libre to third parties, was still a qualified
10 purchaser, and had not violated Facie Libre's operating agreement and subscription
11 documents. On June 16, 2011, despite false representations by Argyropoulos that
12 Prima was not transferring shares to third parties, Facie Libre terminated Prima's
13 membership based upon its conclusion that Prima had breached its subscription
14 agreement with Facie Libre and fraudulently represented to Facie Libre that it was
15 not investing others' monies. Facie Libre sought and received Argyropoulos'
16 acknowledgement that Prima's membership was rescinded along with a general
17 release from liability.

18 15. On June 23, 2011, following Argyropoulos' return of the signed
19 release, Facie Libre wired \$1,294,805 – the entire amount of Prima's investment in
20 the fund – back to Prima's bank account. Argyropoulos immediately transferred
21 \$625,000 of the returned funds to Prima's brokerage account, repaid \$637,841 to a
22 select group of Prima's Facebook investors, and misappropriated the remaining
23 \$31,964 of investor funds. Argyropoulos used the \$625,000 in Prima's brokerage
24 account to day trade stocks and options, resulting in the loss of substantially all of
25 the funds. Argyropoulos commingled the \$31,964 of investor funds with other
26 funds in Prima's bank account and used the money to pay his personal expenses.

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1 16. The Defendants then subjected certain Prima investors whom the
2 Defendants did not repay to a “bait and switch” tactic. Argyropoulos represented
3 to investors who complained about their missing Facebook shares that they could
4 substitute their investment in Facebook with shares in E-Waste Asset Recovery,
5 Inc., a start-up company that Argyropoulos founded purportedly to recycle
6 electronic waste. Prima and Argyropoulos falsely represented to at least one
7 investor that he would make fifty times his original Facebook investment with the
8 E-Waste shares, when Argyropoulos had no basis for making such a
9 representation.

10 **2. The Defendants Fraudulently Raise and then Misappropriate**
11 **Investor Funds after Depositing them with SharesPost, Inc.**

12 17. Beginning in March 2011, Argyropoulos again solicited investments
13 by email, representing that Prima had some “amazing” pre-IPO opportunities in
14 fast growing technology companies, and that its ongoing project was Facebook.
15 The Defendants raised over \$1,031,138 from at least 32 investors nationwide
16 pursuant to Argyropoulos’ March 2011 email solicitation.

17 18. In March 2011, Argyropoulos, on Prima’s behalf, entered into a
18 relationship with SharesPost, an online platform supporting the purchase and sale
19 of private company stock. Similar to the arrangement with Felix, using investor
20 monies, the Defendants bought units in Prima’s name in six single purpose funds
21 established by SharesPost that entitled Prima to Facebook shares purchased
22 through auctions in the secondary market. These funds were SP Private
23 Investments II, LLC; SP Private Investments III, LLC; SP Private Investments VI,
24 LLC; SP Private Investments IX, LLC; SP Private Investments XI, LLC; and SP
25 Private Investments XIX, LLC.

26 19. Once investors sent money to Prima for investment, Prima then
27 provided at least some investors with an “Acknowledgment of Receipt” of funds.
28 The Acknowledgment listed the total amount the investor had invested with Prima,

1 which included an unspecified mark-up by the Defendants added to the
2 undisclosed share price SharesPost charged Prima, and the number of Facebook
3 shares the investor purportedly purchased. This Acknowledgment stated that
4 shares would “stay under the Prima umbrella with Sharespost [*sic*] in a Limited
5 Liability Company called SP Private Investments, LLC-Facebook” until either: (1)
6 Facebook was acquired; or (2) Facebook went public, and that once either of these
7 events occurred, a distribution of shares would be made to investors either when
8 Facebook was acquired or six months after Facebook went public.

9 20. From March 2011 to May 2012, Prima made seven investments
10 totaling \$1,031,138 in the six SharesPost investment funds. Prima received 24,982
11 units in the SharesPost investment funds after SharesPost’s fees were paid.

12 21. On July 9, 2012, undisclosed to investors, Prima sold 16,202 units
13 from the six SharesPost investment funds to a Canadian investment fund. Prima
14 executed an agreement assigning these units to the Canadian investment fund for
15 \$25 per unit, constituting a total purchase price of \$405,050. SharesPost escrowed
16 the funds received from the Canadian investment fund for this transaction and then
17 wired the money to Prima. Argyropoulos immediately misappropriated most of
18 the funds by wiring \$320,000 of the sale proceeds to Prima’s brokerage account,
19 which was under his sole control. Argyropoulos proceeded to use the \$320,000 to
20 day trade stocks and options, resulting in the loss of substantially all of the funds.

21 22. The Defendants then attempted to convince investors to change their
22 investments and take shares in other companies in lieu of Facebook shares, without
23 disclosing that Prima had sold two-thirds of its SharesPost units for substantially
24 less than it had paid for them. In November 2012, the remaining units in the
25 SharesPost investment funds which had not been sold to the Canadian investment
26 fund were converted into 8,721 Facebook shares and deposited into an account
27 Prima maintained with SharesPost. Argyropoulos then transferred the 8,721
28

1 Facebook shares to Prima's brokerage account and transferred some of the shares
2 to a select group of Prima investors.

3 23. Argyropoulos lied to investors about what had happened to their
4 money. For example, Argyropoulos wrote in an email to one investor who was
5 seeking return of his money:

6 As we took money in we immediately sent it out. Your group's
7 \$300,000 went to Shares Post [*sic*] immediately. The net effect
8 on us is we are short Facebook, not long. We are not holding
9 on to your money!! This is why I said, with one entity failing
10 to deliver, it put Prima in a precarious position.

11 **3. Argyropoulos Misappropriates an Additional \$756,301 from**
12 **Facebook Investors**

13 24. Of the \$3,082,244 the Defendants raised from Facebook investors, the
14 Defendants initially invested \$1,294,805 with Felix and \$1,031,138 with
15 SharesPost, and misappropriated most of these monies, as alleged above.
16 Defendant Argyropoulos also misappropriated and misused the remaining
17 \$756,301, including by compensating himself with certain of these funds as
18 purported "mark-ups" for his services and by commingling the remainder with
19 other funds in Prima's bank account and using funds from that Prima account to
20 pay his personal expenses.

21 **B. The Defendants Fraudulently Offer and Sell Twitter Investments**

22 25. From July 2013 through October 2013, Prima and Argyropoulos
23 solicited investors by email to purchase pre-IPO Twitter shares. Prima and
24 Argyropoulos raised \$341,562 in cash from 11 investors for pre-IPO Twitter
25 shares. In addition, Argyropoulos lulled three existing Prima investors to convert
26 their existing investments in other entities, including Facebook, into pre-IPO
27 Twitter shares. These additional noncash investments (excluding the existing
28 Facebook investment) totaled \$11,600, making the total amount invested by

1 investors in pre-IPO Twitter shares \$353,162. The Defendants represented to each
2 of these 14 investors, in an emailed Acknowledgement of Receipt sent by
3 Argyropoulos, that the investor had purchased shares of Twitter from Prima for
4 \$28 per share, which price included an unspecified “modest finders [*sic*] fee.” The
5 Acknowledgement of Receipt further represented that the shares would be held
6 “under the Prima umbrella with SharesPost,” until either: (1) Twitter was acquired;
7 or (2) Twitter went public. The Acknowledgement further represented that Twitter
8 shares would be distributed to investors when either Twitter was acquired or six
9 months after Twitter went public. Argyropoulos also promised investors in the
10 Acknowledgement that if they wanted to exit the investment before Twitter was
11 acquired or went public, Prima would try to find another investor to buy the
12 investor’s Twitter position. Argyropoulos repeated these representations to
13 investors through email and over the telephone.

14 26. In fact, the Defendants never purchased Twitter shares, and never
15 placed any investor funds with SharesPost. In addition, no refund has been made
16 to any of the 14 investors. Of the \$341,562 raised in cash and deposited by
17 Argyropoulos into Prima’s bank account, Argyropoulos misappropriated \$195,000
18 of the Twitter investors’ funds by wire transferring them to Prima’s brokerage
19 account and using them for his personal trading. Argyropoulos misappropriated
20 the remaining \$146,562 of investor funds by using them for his personal expenses.

21 **C. The Defendants Profit from Their Fraud**

22 27. The Defendants received at least \$3,435,406 from investors seeking to
23 invest in pre-IPO Facebook or Twitter shares.

24 28. Because the Defendants returned only \$637,841 to some investors,
25 their net ill-gotten gain was \$2,797,565.

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1 of a national securities exchange, with scienter:

- 2 a. employed devices, schemes, or artifices to defraud;
- 3 b. made untrue statements of a material fact or omitted to state a material
- 4 fact necessary in order to make the statements made, in the light of the
- 5 circumstances under which they were made, not misleading; or
- 6 c. engaged in acts, practices, or courses of business which operated or
- 7 would operate as a fraud or deceit upon other persons.

8 34. By engaging in the conduct described above, the Defendants violated,

9 and unless restrained and enjoined will continue to violate, Section 10(b) of the

10 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. §

11 240.10b-5.

12 **THIRD CLAIM FOR RELIEF**

13 **Failure to Register as a Broker or Dealer**

14 **Violations of Section 15(a)(1) of the Exchange Act**

15 **(Against All Defendants)**

16 35. The SEC realleges and incorporates by reference paragraphs 1

17 through 28 above.

18 36. The Defendants, by engaging in the conduct described above, made

19 use of the mails or means or instrumentalities of interstate commerce to effect

20 transactions in, or to induce or attempt to induce, the purchase or sale of securities,

21 without being registered as brokers or dealers in accordance with Section 15(b) of

22 the Exchange Act, 15 U.S.C. § 78o(b).

23 37. By engaging in the conduct described above, the Defendants violated,

24 and unless restrained and enjoined will continue to violate, Section 15(a)(1) of the

25 Exchange Act, 15 U.S.C. § 78o(a)(1).

26 **PRAYER FOR RELIEF**

27 WHEREFORE, the SEC respectfully requests that the Court:

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I.

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

II.

Issue a judgment, in a form consistent with Fed. R. Civ. P. 65(d) permanently enjoining Defendants, and their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), Sections 10(b) and 15(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) & 78o(a), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

III.

Order Defendants to disgorge all ill-gotten gains from their illegal conduct, together with prejudgment interest.

IV.

Order Defendant Argyropoulos to pay civil penalties under Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

V.

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

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1 **VI.**

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

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5 Dated: December 23, 2014

Respectfully submitted,

6
7 /s/ Jacob A. Regenstreif
8 Karen Matteson
9 Jacob A. Regenstreif
10 Attorneys for Plaintiff
11 Securities and Exchange Commission
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