

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF:

**CHRISTOS FOTIADIS,
his partners, officers and directors, agents,
employees, members, affiliates, successors
and assigns.**

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) **No 1000180**
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NOTICE OF HEARING

**TO RESPONDENT: Christos Fotiadis
2043 West Belmont
Suite 4
Chicago, Illinois 60618**

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 11th day of January, 2012 at the hour of 10:00 a.m. or as soon thereafter as possible before James Kopecky, Esq. or such other designated Hearing Officer as the Secretary of State may appoint.

Said hearing will be held to determine whether a permanent Order shall be entered prohibiting Respondent Christos Fotiadis and his partners, officers and directors, agents and employees, affiliates, successors and assigns from offering or selling securities in or from the State of Illinois and/or granting such other relief as may be authorized under the Act, including but not limited to, the imposition of a monetary fine in the maximum amount pursuant to Sec. 11.E(4) of the Act, payable within ten (10) days of the Order.

The grounds for such proposed action are as follows:

1. Respondent Christos Fotiadis (at times hereinafter "Fotiadis" or "Respondent") had a last known address of 2043 West Belmont, Suite 4, Chicago, Illinois 60618.
2. Respondent Fotiadis, at all times relevant herein, was the majority membership interest owner (80%) and Chief Executive Officer of ProtoGroup, LLC. (hereinafter "ProtoGroup") an Illinois limited liability company engaged in the

business of upgrading outdated computer software to allow the software to work on modern programs.

3. Between December 2008 and May 2009 Respondent Fotiadis solicited and sold portions of his own membership units in ProtoGroup to at least two individuals (hereinafter "Investor #1" and "Investor #2", or together "Investors").

FRAUD – INVESTOR #1

4. In December 2008 Fotiadis made a false representation and omitted to state a material fact regarding ProtoGroup to Investor #1 in order to solicit and entice Investor #1 to provide employee/executive services to ProtoGroup in exchange for approximately 9% ownership of the membership units of ProtoGroup.
5. At that time Investor #1 received the approximate 9% ownership in ProtoGroup and began employment as an officer and member of the Board of Directors of ProtoGroup.
6. The false and fraudulent representation and omission made by Respondent Fotiadis to Investor #1 include the following:
 - a. Fotiadis falsely stated to Investor #1 that he personally and solely designed and was the architect of a unique software upgrading system ("System") which he would operate on behalf of ProtoGroup.
 - b. Fotiadis omitted to inform Investor #1 that another individual ("R.K.") was primarily responsible in the design and architecture of the system and was a key agent in the operation of the System.
 - c. Fotiadis omitted to inform Investor #1 that the individual R.K. was the designer and architect of the System until after Investor #1 joined ProtoGroup.
 - d. Fotiadis omitted to inform Investor #1 that R.K.'s continued and future services were vital to the success of ProtoGroup.
7. Fotiadis knew, or should have known, that the representation made above in paragraph #6 was false, and the omissions were misleading.
8. Investor #1 relied on the misrepresentations/omissions set forth above in paragraphs 6.a through 6.d, and would not have exchanged his services for membership units in ProtoGroup had the misrepresentation and omissions not been made.

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9. In fact, RK later refused to work for Respondent, and stopped working for Respondent and ProtoGroup, which caused the System, and ProtoGroup, to lose substantially all of their value.
10. The membership units in ProtoGroup became worthless, and Investor #1 has lost time and salary that he would have been earned between December 2008 and his resignation from ProtoGroup in March 2010.
11. At the time of the sale Respondent failed and refused to notify Investor #1 of the risk involved in the agreement with Fotiadis that could result in the loss of the time and salary of Investor #1.

FRAUD – INVESTOR #2

12. In December 2008 Fotiadis made a false representation and omitted to state a material fact regarding ProtoGroup to Investor #2 in order to solicit and entice Investor #2 to pay \$100,000 in exchange for 350,000 membership units of ProtoGroup.
13. The false and fraudulent representation and omission made by Respondent Fotiadis to Investor #2 include the following:
 - a. Fotiadis falsely stated to Investor #2 that he personally and solely designed and was the architect of a unique software upgrading system (“System”) which he would operate on behalf of ProtoGroup.
 - b. Fotiadis omitted to inform Investor #2 that another individual (“R.K.”) was primarily responsible in the design and architecture of the system and was a key agent in the operation of the System.
 - c. Fotiadis omitted to inform Investor #2 that the individual R.K. was the designer and architect of the System.
 - d. Fotiadis omitted to inform Investor #2 that R.K.’s continued and future services were vital to the success of ProtoGroup.
 - e. Fotiadis falsely stated to Investor #2, prior to Investor #2’s investment, that ProtoGroup was already “revenue producing”.
14. Fotiadis knew, or should have known, that the representations made above in paragraph #13 were false, and the omissions were misleading.

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15. On or about May 15, 2009 Investor #2 paid \$100,000 to Fotiadis for the purchase of 350,000 membership units in ProtoGroup, representing an interest in ProtoGroup with the exact percentage/value to be determined when certain financial reports became available.
16. Investor #2 relied on the misrepresentations/omissions set forth above in paragraphs 12.a through 12.e, and would not have purchased membership units in ProtoGroup had those misrepresentations/omissions not been made.
17. In fact, RK later refused to work for Respondent, and stopped working for Respondent and ProtoGroup, which caused the System, and ProtoGroup, to lose substantially all of their value.
18. The membership units in ProtoGroup became worthless, and Investor #2 has lost his entire \$100,000 investment in ProtoGroup.
19. At the time of the sale Respondent failed and refused to notify Investor #2 of the risk involved in the purchase of the membership units that could result in the loss of the money paid by the Investor.
20. The activities described above in paragraphs 3-17 constitute the offer and sale of membership units in a limited liability company and are therefore a security as those terms are defined in Sections 2.1, 2.5 and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act").
21. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
22. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.
23. By virtue of the foregoing, Respondent Fotiadis violated Sections 12.F and 12.G of the Act.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear

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shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

The Rules promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department may be viewed online at <http://www.cyberdriveillinois.com/departments/securities/lawrules.html>.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 4th day of November 2011.



JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State:
James J. Tierney
Illinois Securities Department
69 West Washington Street
Chicago, Illinois 60602
Ph: 312-793-9650