

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

---

<b>IN THE MATTER OF:</b>	)	
	)	
	)	
<b>SPIROS PICOULAS,</b>	)	<b>No 1200176</b>
<b>A/K/A SPYROS PICOULAS</b>	)	
<b>his partners, officers and directors, agents,</b>	)	
<b>employees, members, affiliates, successors</b>	)	
<b>and assigns</b>	)	

---

**ORDER OF PROHIBITION AND FINE**

**TO RESPONDENT: Spiros Picoulas  
a/k/a Spyros Picoulas  
111 East Chestnut Street  
Unit 47G  
Chicago, Illinois 60611**

**WHEREAS**, the above-captioned matter came on to be heard on July 24, 2013 pursuant to Notice of Hearing dated May 24, 2013 and served on Respondent through the Secretary of State Index Department after certified mail efforts were unsuccessful, and the record of the matter under the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") has been reviewed by the Secretary of State or his duly authorized representative.

**WHEREAS**, the rulings of the Hearing Officer on the admission of evidence and all motions are deemed to be proper and are hereby concurred with by the Secretary of State.

**WHEREAS**, the proposed Findings of Fact, Conclusions of Law and Recommendations of the Hearing Officer, James Kopecky, Esq., in the above-captioned matter have been read and examined.

**HEARING OFFICER REPORT AND RECOMMENDATION**

On July 24, 2013, James L. Kopecky, Hearing Officer for the Illinois Secretary of State, Department of Securities ("Department"), held a hearing pursuant to Section 11.F of the Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130 Subpart K (the "Code"), to determine whether an order should be entered prohibiting Respondent Spiros Picoulas a/k/a Spyros Picoulas' ("Respondent") from offering or selling securities in or from the State of Illinois and/or granting such other relief as may be authorized

## Order of Prohibition and Fine

-2-

under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to 11.E(4) of the Act.

### **I. Notice of Hearing**

On May 24, 2013 the Department issued a Notice of Hearing ("Notice of Hearing") in this matter. The Department served the Notice of Hearing on Respondent and scheduled a hearing for July 24, 2013, at the office of the Department at 69 W. Washington, Suite 1220, in Chicago, Illinois.

### **II. The Hearing**

The Hearing Officer called the hearing to order at approximately 10:00 a.m. on July 24, 2013. The Department retained a court reporter, Renee T. Apuzzo of Jensen Litigation Solutions, to record the hearing. The Department also retained the original exhibits presented at the hearing. Accordingly, a full record of the proceedings is on file. This Report and Recommendation contains only, and is intended only to be, a summary. The official transcript is the official record of the proceeding.

Enforcement Attorney James Tierney appeared at the hearing on behalf of the Department. Respondent did not appear. Nobody appeared on behalf of Respondent.

After the Hearing Officer called the hearing to order, Enforcement Attorney Tierney brought a motion pursuant to Section 1104 of the Code requesting that the Hearing Officer recommend that the allegations contained in the Notice of Hearing be deemed admitted and that the Hearing Officer recommend that the Respondent be held in default for failing to file a timely answer, special appearance or other responsive pleading. At the same time, the Department also made a motion pursuant to Section 1109 of the Code requesting that the Hearing Officer recommend a finding of default and entry of an appropriate order based on Respondent's failure to appear at the time and place scheduled for the hearing.

In support of its motion, the Department offered Secretary of State Exhibits 1 and 2. Exhibit 1 was the Notice of Hearing. Exhibit 2 contained documents evidencing service of the Notice of Hearing on Respondent by registered mail, return receipt requested and through the Index Department. The Hearing Officer admitted exhibits 1 and 2 into evidence and each exhibit is a part of the record maintained by the Department. Accordingly, the Hearing Officer granted the Department's motions under Sections 1104 and 1109 of the Code.

The Department then proceeded to prove-up the allegations in the Notice of Hearing. First, Enforcement Attorney Tierney called Richard Diaz as a witness. The Court Reporter swore Mr. Diaz as a witness. Mr. Diaz testified that he is a Senior Investigator for the Department of Securities. He has been with the Department for 15 years. He has conducted over 100 investigations, and he was involved in the investigation of Respondent. As part of the investigation, Mr. Diaz interviewed the Respondent, and

## Order of Prohibition and Fine

-3-

interviewed a number of investors. Mr. Diaz went through what he learned from the interviews. Enforcement Attorney Tierney also introduced Exhibits 3 through 12 into evidence through Mr. Diaz's testimony.

The Department closed the evidence, and the Department requested that a recommendation be made that an Order of Prohibition be entered against Respondent, and a recommendation that Respondent be fined \$10,000 for each violation, totaling \$120,000.

**WHEREAS**, the following proposed Findings of Fact of the Hearing Officer are correct, and are hereby adopted as Findings of Fact of the Secretary of State.

### **III. Proposed Findings of Fact**

Based on the evidence presented, the Hearing Officer finds that:

1. Respondent **Spiros Picoulas a/k/a Spyros Picoulas** (at times hereinafter "Picoulas" or "Respondent") has a last known address of 111 East Chestnut Street, Unit 47G, Chicago, Illinois 60611.
2. Respondent Picoulas, at all times relevant herein, was a 50% membership owner and officer of Construction Import Solutions, LLC. (hereinafter "Construction Import") an Illinois Limited Liability Company engaged in the business of developing real estate.
3. Picoulas and his co-owner S.T. ("Co-owner") established Construction Import through a contract ("Agreement") which allotted each of them 50% membership ownership in Construction Import and set the value of the entire company at \$1,000,000.
4. Co-owner loaned Picoulas the entire amount of money (\$500,000) necessary to purchase his 50% ownership interest.
5. Between October 2008 and December 2010 ("Timeframe") Respondent Picoulas solicited and sold percentages of his own membership units ("Units") in Construction Import to numerous investors (hereinafter at times "Investor" or "Investors")
6. During the solicitation process Picoulas made various representations regarding Construction Import to Investors in order to entice Investors to make the purchase of the membership units.
7. During the Timeframe the Investors paid Picoulas between \$25,000 and \$500,000 for the purchase of various percentages of interest in Construction Import

## Order of Prohibition and Fine

-4-

8. During the Timeframe Investors paid Picoulas approximately \$1,248,000 for the purchase of the membership units
9. On or about October 28, 2008 one of the Investors ("Investor #1") agreed to pay \$500,000 to Picoulas for the purchase of 10% of the membership units in Construction Import.
10. Investor #1 paid Picoulas the \$500,000 through eight payments made between October 28, 2008 and July 31, 2009.
11. In October 2008, prior to the sale of the membership units, Picoulas made the following false and fraudulent misrepresentations or omissions to Investor #1 in order to induce Investor to make the purchase:
  - a. Picoulas falsely stated that Construction Import owned real estate in Chicago, Illinois when, in fact, Construction Import did not own any real estate and the true owner of the subject real estate was the Peoples Gas Company.
  - b. Picoulas failed and omitted to inform Investor #1 that Construction Import owned only an option to purchase the real estate for \$3,750,000, or that Construction Import did not have the \$3,750,000 to exercise the option.
  - c. Picoulas stated that the real estate was ready to be developed which was untrue because the option could not be exercised, and the property could not be developed, until an environmental clean-up was completed by Peoples Gas Company, and then approved by the Environmental Protection Agency (clean-up not completed to date).
  - d. Picoulas omitted to inform Investor #1 that Picoulas' 50% ownership interest in Construction Import was encumbered by an un-repaid loan from his Co-owner to Picoulas in the amount of \$500,000 (the entire value of Picoulas' interest).
  - e. Picoulas omitted to inform Investor #1 that any/all new investors were, according to Picoulas' Agreement with Co-owner, required to sign a document agreeing to the terms of the Agreement.
  - f. Picoulas told Investor #1 that the Investor #1 would receive the full return of principal of \$500,000 and an additional \$1,500,000 "within two years" of the date of the October, 2008 purchase of the membership units, but Investor #1 has received no return on the investment to date.

## Order of Prohibition and Fine

-5-

12. Investor #1 relied on all of the misrepresentations/omissions set forth above in paragraphs 12a through 12f, and would not have purchased membership units in Construction Import had Investor #1 known of any of them.
13. Respondent Picoulas failed to provide Investor #1 with a Private Placement Memorandum prior to the investment.
14. At the time of the sale Respondent Picoulas omitted, failed and refused to notify Investor #1 of the risk involved in the purchase of the membership units that could result in the loss of the money paid by Investor #1.
15. On or about October 10, 2009 one of the Investors ("Investor #2") agreed to pay \$250,000 to Picoulas for the purchase of 5% of the membership units in Construction Import.
16. Investor #2 paid Picoulas the \$250,000 through two payments made on October 10, 2009 and October 26, 2009.
17. In October 2009, prior to the sale of the membership units, Picoulas made the following false and fraudulent misrepresentations or omissions to Investor #2 in order to induce Investor to make the purchase:
  - a. Picoulas falsely stated that Construction Import owned real estate in Chicago, Illinois when, in fact, Construction Import did not own any real estate and the true owner of the subject real estate was the Peoples Gas Company.
  - b. Picoulas failed and omitted to inform Investor #2 that Construction Import owned only an option to purchase the real estate for \$3,750,000, or that Construction Import did not have the \$3,750,000 to exercise the option.
  - c. Picoulas stated that the real estate was ready to be developed which was untrue because the option could not be exercised, and the property could not be developed, until an environmental clean-up was completed by Peoples Gas Company, and then approved by the Environmental Protection Agency (clean-up not completed to date).
  - d. Picoulas omitted to inform Investor #2 that Picoulas' 50% ownership interest in Construction Import was encumbered by an un-repaid loan from his Co-owner to Picoulas in the amount of \$500,000 (the entire value of Picoulas' interest).

Order of Prohibition and Fine

-6-

- e. Picoulas omitted to inform Investor #2 that any/all new investors were, according to the Agreement with, required to sign a document agreeing to the terms of the Agreement
  - f. Picoulas omitted to inform Investor #2 that under the Agreement with the Co-owner he was not allowed to sell over 10% of his membership interests, and that by the time of his sales to Investor #2 he had already sold more than 10% to a previous Investor, and therefore the sale to Investor #2 exceeded his allowed 10%.
  - g. Picoulas told Investor #2 that the Investor #2 would receive the full return of principal of 250,000 and an additional \$750,000 "within two years" of the date of the October, 2009 purchase of the membership units, but Investor #2 has received no return on the investment to date.
18. Investor #2 relied on all of the misrepresentations/omissions set forth above in paragraphs 18a through 18g, and would not have purchased membership units in Construction Import had Investor #2 known of any of them
19. Although Investor #2 received a Private Placement Memorandum from Respondent, Investor speaks little English and was unable to understand the Private Placement Memorandum.
20. At the time of the sale Respondent Picoulas omitted, 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 Investor #2.
21. Between February 2009 and October 2009 a total of 5 Investors ("Investors # 3, 4, 5, 6, and 7") agreed, to pay a total of \$263,500 to Picoulas for the purchase of 5% of the membership units in Construction Import.
22. Investors #3, 4, 5, 6, and 7 paid Picoulas the \$263,500 through fourteen payments made between February 19, 2009 and December 10, 2009.
23. Prior to the sale of each membership unit, Picoulas made the following false and fraudulent misrepresentations or omissions to each and every one of Investors #3, 4, 5, 6, and 7, in order to induce the Investors to make the purchases:
- a. Picoulas falsely stated that Construction Import owned real estate in Chicago, Illinois when, in fact, Construction Import did not own any real estate and the true owner of the subject real estate was the Peoples Gas Company.

Order of Prohibition and Fine

-7-

- b. Picoulas failed and omitted to inform Investors #3, 4, 5, 6, and 7 that Construction Import owned only an option to purchase the real estate for \$3,750,000, or that Construction Import did not have the \$3,750,000 to exercise the option.
  - c. Picoulas stated that the real estate was ready to be developed which was untrue because the option could not be exercised, and the property could not be developed, until an environmental clean-up was completed by Peoples Gas Company, and then approved by the Environmental Protection Agency (clean-up not completed to date).
  - d. Picoulas omitted to inform Investors #3, 4, 5, 6, and 7 that Picoulas' 50% ownership interest in Construction Import was encumbered by an un-repaid loan from his Co-owner to Picoulas in the amount of \$500,000 (the entire value of Picoulas' interest).
  - e. Picoulas omitted to inform Investors #3, 4, 5, 6, and 7 that under the Agreement with the Co-owner he was not allowed to sell over 10% of his membership interests, and that by the time of his sales to Investors #3, 4, 5, 6, 7, and 8 that he had already sold more than 10% to previous Investors, and therefore each sale to Investors #3, 4, 5, 6, and 7 exceeded his allowed 10%
  - f. Picoulas omitted to inform Investors #3, 4, and 7 that any/all new investors were, according to the Agreement with, required to sign a document agreeing to the terms of the Agreement.
24. Investors #3, 4, and 7 relied on all of the misrepresentations/omissions set forth above in paragraphs 24a through 24f, and would not have purchased membership units in Construction Import had the Investors known of any of them.
25. Investors #5 and 6 relied on all of the misrepresentations/omissions set forth above in paragraphs 24a through 24f, and would not have purchased membership units in Construction Import had the Investors known of any of them.
26. Respondent Picoulas failed to provide Investors #3 and 4 with Private Placement Memoranda prior to the investment.
27. At the time of the sale Respondent Picoulas omitted, failed and refused to notify Investors #3, 4, 5, 6, and 7 of the risk involved in the purchase of the membership units that could result in the loss of the money paid by Investors #3, 4, 5, 6, and 7.

Order of Prohibition and Fine

-8-

28. Between January 2010 and October 2010 a total of 5 Investors (“Investors #8, 9, 10, 11, and 12”) agreed, separately and independently of each other, to pay a combined total of \$235,000 to Picoulas for the purchase of a total of approximately 4% of the membership units in Construction Import.
29. Investors #8, 9, 10, 11, and 12 paid Picoulas the \$235,000 through seven separate and independent payments made between January 14, 2010 and October 15, 2010.
30. Prior to the sale of each membership unit, Picoulas made the following false and fraudulent misrepresentations or omissions to each and every one of Investors #8, 9, 10, 11, and 12 in order to induce the Investors to make the purchases:
  - a. Picoulas falsely stated that Construction Import owned real estate in Chicago, Illinois when, in fact, Construction Import did not own any real estate and the true owner of the subject real estate was the Peoples Gas Company.
  - b. Picoulas failed and omitted to inform Investors #8, 9, 10, 11, and 12 that Construction Import owned only an option to purchase the real estate for \$3,750,000, or that Construction Import did not have the \$3,750,000 to exercise the option
  - c. Picoulas stated that the real estate was ready to be developed which was untrue because the option could not be exercised, and the property could not be developed, until an environmental clean-up was completed by Peoples Gas Company, and then approved by the Environmental Protection Agency (clean-up not completed to date).
  - d. Picoulas omitted to inform Investors #8, 9, 10, 11, and 12 that Picoulas’ 50% ownership interest in Construction Import was encumbered by an un-repaid loan from his Co-owner to Picoulas in the amount of \$500,000 (the entire value of Picoulas’ interest).
  - e. Picoulas omitted to inform Investors #8, 9, 10, 11, and 12 that any/all new investors were, according to the Agreement with, required to sign a document agreeing to the terms of the Agreement.
  - f. Picoulas omitted to inform Investors #8, 9, 10, 11, and 12 that under the Agreement with the Co-owner he was not allowed to sell over 10% of his membership interests, and that by the time of his sales to Investors #8, 9, 10, 11, and 12 he had already sold more



Order of Prohibition and Fine

-9-

than 10% to previous Investors, and therefore each sale to Investors #8, 9, 10, 11, and 12 exceeded his allowed 10%.

31. Investors #8, 9, 10, 11, and 12 relied on all of the misrepresentations/omissions set forth above in paragraphs 31a through 31f, and would not have purchased membership units in Construction Import had the Investors known of any of them.
32. At the time of the sale Respondent Picoulas omitted, failed and refused to notify Investors #8, 9, 10, 11, and 12 of the risk involved in the purchase of the membership units that could result in the loss of the money paid by Investors #8, 9, 10, 11, and 12.
33. The Agreement between Picoulas and the Co-owner provided that a breach of any term of the Agreement would nullify and negate any equity sales in Construction Import.
34. One of the terms of the Agreement was that any sale of an equity interest in Construction Import required the approval of both owners.
35. Picoulas failed to procure the required approval from the Co-owner, and failed to even notify the Co-owner of all but two of the sales to Investors, thereby breaching the Agreement, and possibly nullifying and negating the sale of the equity interest.
36. Picoulas omitted and failed to inform all but two of the Investors who purchased his membership interests that he did not secure the Co-owner's approval and did not notify the Co-owner of the sales and that therefore the interests that they purchased would possibly be nullified and they might lose the money paid to Picoulas to purchase the interests.

**WHEREAS**, the following proposed Conclusions of Law of the Hearing Officer are correct, and are hereby adopted as the Conclusions of Law of the Secretary of State:

**IV. Proposed Conclusions of Law**

Based on the evidence presented and an application of the law to those facts, the Hearing Officer concludes:

1. The Department properly served the Notice of Hearing on Respondent.
2. The Notice of Hearing included the information required under Section 1102 of the Code.
3. The Secretary of State has jurisdiction over the subject matter pursuant to the Act

## Order of Prohibition and Fine

-10-

4. Because of Respondent's failure to file a timely answer, special appearance or other responsive pleading in accordance with Section 1104:
  - (a) the allegations contained in the Notice of Hearing are deemed admitted;
  - (b) Respondent waived his right to a hearing;
  - (c) Respondent is subject to an Order of Default.
5. Because the Respondent failed to appear at the time and place set for hearing, in accordance with Section 1109, he:
  - (a) waived his right to present evidence, argue, object or cross-examine witnesses; or
  - (b) otherwise participate at the hearing.
6. 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.
7. 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.
8. By virtue of the foregoing, Respondent repeatedly violated Sections 12.F and 12.G of the Act and will violate them again if he makes further offers, or if he makes any sales of limited liability company membership units or other securities described above in the State of Illinois.

### **V. Recommendations as To Disposition**

The Hearing Officer recommends that:

1. An Order of Default be entered against Respondent and the facts contained in the Notice of Hearing be deemed admitted
2. An Order be entered prohibiting Respondent Spiros Picoulas a/k/a Spyros Picoulas' ("Respondent") from offering or selling securities in or from the State of Illinois.

Order of Prohibition and Fine

-11-

3. Respondent be fined \$120,000.00.

**NOW THEREFORE IT IS HEREBY ORDERED THAT:**

1. An Order of Default is entered against Respondent Spiros Picoulas a/k/a Spyros Picoulas', and the facts contained in the Notice of Hearing are admitted.
2. Respondent Spiros Picoulas a/k/a Spyros Picoulas' his partners, officers and directors, agents, employees, members, affiliates, successors and assigns are Prohibited from selling or offering for sale securities in the State of Illinois;
3. Respondent Spiros Picoulas a/k/a Spyros Picoulas' is fined \$120,000.00 (One Hundred Twenty Thousand Dollars) to be paid to the Illinois Secretary of State, Securities Department within 30 (thirty) days of the entry of this Order.

**NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Act. Any person or entity that fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony for each offense.**

**This is a final order subject to administrative review pursuant to the Administrative Review Law [735 ILCS 5/3-101 *et seq.*] and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. 1 Sec. 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.**

ENTERED this 30<sup>th</sup> day of September 2013.

  
JESSE WHITE  
Secretary of State of Illinois

James J. Tierney  
Attorney for the Secretary of State  
Securities Department  
69 West Washington, Suite 1220  
Chicago, Illinois 60602  
Ph: 312-793-9650