

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of
SCOTT KREITMEIR,

PETITION FOR ORDER

Respondent.

File S-213663(EX)

The staff of the Bureau of Enforcement of the Division of Securities, Department of Financial Institutions, State of Wisconsin has conducted an investigation in this matter pursuant to §551.56, Wis. Stats.,¹ and as a result thereof alleges as follows:

1. Scott Kreitmeir (“Kreitmeir”) is an individual with a last known address of 2711 River Ridge Drive, Waukesha, WI 53189. All conduct of Kreitmeir alleged herein was initiated from Wisconsin.

2. Upon information and belief, from late 2006 through mid 2007, Kreitmeir had several contacts with an investor in which he offered the investor the opportunity to invest through Kreitmeir in several large building projects being developed by KBS Construction, Inc. (“KBS”), a Wisconsin corporation.

3. Upon information and belief, Kreitmeir sold to the investor a Promissory Note dated November 1, 2006, in which Kreitmeir agreed to repay the \$75,000 investment on or before November 1, 2007 by paying the investor \$112,500, which included the \$75,000 plus interest on this amount. The investment was to be used in the KBS projects.

4. Upon information and belief, a second investor also invested \$35,000 with Kreitmeir for the KBS projects through a Promissory Note dated November 1, 2006, which stated the investor would receive \$52,500 on or before November 1, 2007 as repayment of her principal and interest.

5. Upon information and belief, on February 21, 2007 and February 22, 2007, Kreitmeir sent several emails to the first investor soliciting additional funds for an investment in a really “big deal” expected in April.

6. Upon information and belief, on February 26, 2007, Kreitmeir emailed the investor again with information that Kreitmeir had secured funds of \$1 million and between the investor and himself the return would be \$500,000 to \$600,000. Kreitmeir also stated it was a two-year commitment and that the building project was a big hotel. Later Kreitmeir stated that the hotel was a Marriott in the downtown Milwaukee area.

¹ Unless otherwise noted, statutory references are to the Wisconsin Statutes (2005-01), which were in effect at the time of the violations alleged herein and apply pursuant to §551.703, Wis. Stats.(2007-08).

7. Upon information and belief, in the emails Kreitmeir sent to the investor on February 26, 2007, Kreitmeir asked the investor to find the right people who might want to invest in the KBS projects also.

8. Upon information and belief, on April 3, 2007, Kreitmeir again sent an email to the investor stating he had secured \$1.8 million which included the investor's funds, but he still needed \$700,000 more, asking the investor for help getting additional money for the KBS project.

9. Upon information and belief, after Kreitmeir requested that the first investor solicit others to invest in the KBS project, the first investor approached a friend in April of 2007 and described the investment as a construction loan to KBS based on Kreitmeir's representations to the first investor. That friend, now the third investor, invested \$100,000 payable by a wire transfer on April 20, 2007.

10. Upon information and belief, the third investor received a Promissory Note signed by Kreitmeir in May, 2007 which stated the investment was for \$100,000 with \$180,000 to be repaid on or before May 1, 2009. The investor understood the investment was for a KBS project.

11. Upon information and belief, Kreitmeir gave the first investor a new Promissory Note dated May, 2007 which stated the investment was \$200,000, including the balance due on the earlier loan of \$75,000 plus \$25,000 interest, and an additional \$100,000 wired April 13, 2007. The Note stated that Kreitmeir would repay the investor \$400,000 on May 1, 2009. The investor understood the investment was for the KBS project.

12. Upon information and belief, Kreitmeir did not repay any of these investors as promised by May 1, 2009, and has yet to repay a substantial amount of any of these investments despite the investors' requests.

13. Upon information and belief, the investors sent an email to Kreitmeir on May 8, 2009 with wire transfer information so Kreitmeir could pay back their investments including principal and interest, which were past due and in default.

14. Upon information and belief, in October of 2009 the third investor was told by Kreitmeir the third investor would be receiving monthly payments out of a savings account Kreitmeir had set up for his children which contained \$22,000.

15. Upon information and belief, the third investor received a payment of \$500 on November 12, 2009 and a \$2,500 payment on December 14, 2009. There have been no payments since that time to any investor.

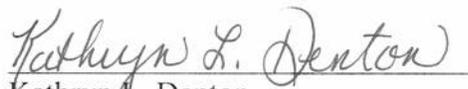
16. According to the Chairman of KBS, Kreitmeir never spoke with the Chairman of KBS about investing in any KBS projects, because KBS is a general contractor only and not a developer, and as such does not solicit investments in projects.

17. The Promissory Notes were investment contracts between Kreitmeir and the investors and thus were securities as provided in §551.02(13), Wis. Stats., and §DFI-Sec.1.02(6), Wis. Admin. Code.

18. In stating that Kreitmeir was raising investment money for use by KBS for the purpose of developing a large hotel, Kreitmeir violated §551.41(2), Wis. Stats., by making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading.

Therefore, the staff of the Bureau of Enforcement petitions the Administrator of the Division of Securities to issue the attached order pursuant to Ch. 551, Wis. Stats.

Dated this 8th day of March, 2011.


Kathryn L. Denton
Examiner
Bureau of Enforcement


Leslie M. Van Buskirk
Attorney Supervisor
Bureau of Enforcement