

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

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In the Matter of

PETITION FOR ORDER

BLACKWOOD & ROSE, INC.,  
STEVE ANDREW ZETCHUS, and  
JUSTIN LUTHER KRELLER a/k/a  
JUSTIN KAY,

File No. S-227662 (EX)

Respondents.

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The staff of the State of Wisconsin, Department of Financial Institutions, Division of Securities ("the Division"), has conducted an investigation in this matter pursuant to Wis. Stat. § 551.602, and as a result thereof alleges as follows:

1. Based upon information received from the Ontario Securities Commission, Blackwood & Rose, Inc. ("Blackwood") is a business entity incorporated federally in Canada on August 8, 2012, with a last known address at 116 Chesterton Drive, Ottawa, Ontario, Canada K2E-5T6.
2. Based upon information received from the Ontario Securities Commission, Steven Andrew Zetchus ("Zetchus") is the sole owner, officer, director and/or controlling person of Blackwood, whose last known address is at Blackwood.
3. Based upon information received from the Ontario Securities Commission, Justin Luther Kreller ("Kreller"), also known as Justin Kay, was acting as an agent of Blackwood at all relevant times, and has a last known business address at Blackwood.
4. During December 2012, on behalf of Blackwood, Kreller offered to sell stocks of various companies to a person in Wisconsin, including Dundee Precious Metals, Inc. ("Dundee") and Barrick Gold Corporation ("Barrick"), which according to Kreller were owned by Blackwood.
5. Kreller provided written information about the investment by electronic mail to the person in Wisconsin, including the following:

"Our company has acquired these stocks from another Brokerage on the verge of bankruptcy. Blackwood & Rose Inc. bought a majority of their holdings below market value, in an Institutional Bulk Buyout.... This is the 20<sup>th</sup> of such deals Blackwood & Rose Inc. has worked on in the last 2 years and our Corporate and Retail Investors have walked away in a profit position on all of them. ... These companies will increase in share value by 20% to 30% over the next 90 to 120 days due to information our company has acquired...."
6. Kreller provided additional information by telephone to the person in Wisconsin in the course of the offer, including that Blackwood has "insider information" unknown to the public regarding the companies whose stocks were being offered, and he could assure investors that the price of the stocks in those companies would be going up in a short period of time.

7. During the course of the offer, Zetchus told the person in Wisconsin that Zetchus was aware from talking to Kreller that the person in Wisconsin was interested in the companies whose stock is held by Blackwood. Zetchus told the person in Wisconsin that Blackwood “has information on what is soon coming” to Dundee and Barrick, which is why Blackwood acquired the stocks of those firms.
8. During the course of the offer, Kreller told the person in Wisconsin that Kreller is paid a 2.5% commission based on the profit when the stock is sold.
9. The stocks of Dundee and Barrick offered by Blackwood have never been registered for offer and sale in Wisconsin pursuant to Wis. Stats. Ch. 551.
10. All Respondents violated Wis. Stat. § 551.301 by offering unregistered securities to at least one person in Wisconsin as described above.
11. In connection with the offers of stock to the person in Wisconsin described above, Kreller transacted business in Wisconsin as an "agent" for Blackwood as that term is defined by Wis. Stat. § 551.102(2).
12. Kreller has never been registered as a securities agent pursuant to Wis. Stats. Ch. 551.
13. Kreller violated Wis. Stat. § 551.402(1) by transacting business in Wisconsin as a securities agent without registration.
14. Blackwood and Zetchus violated Wis. Stat. § 551.402(4) by employing an unregistered agent to represent them in Wisconsin.
15. In connection with the offers of the stock described above, Blackwood transacted business in Wisconsin as a "broker-dealer," as that term is defined by Wis. Stat. § 551.102(4).
16. Blackwood has never been registered as a securities broker-dealer in Wisconsin pursuant to Wis. Stats. Ch. 551.
17. Respondents Blackwood violated Wis. Stat. § 551.401(1) by transacting business in Wisconsin as a broker-dealer without a registration.
18. The representations in the materials provided by Kreller during the offer to the person in Wisconsin that “[t]his is the 20<sup>th</sup> of such deals Blackwood & Rose Inc. has worked on in the last 2 years and our Corporate and Retail Investors have walked away in a profit position on all of them” were material misrepresentations, because, information received from the Ontario Securities Commission shows that Blackwood was not incorporated until August 2012, and has only engaged in the business of trading in securities between September 2012 and December 2012.
19. All Respondents violated Wis. Stats. § 551.501(2) by making untrue statements of material fact in connection with the offer and sale of securities to persons in Wisconsin.

20. The Ontario Securities Commission (“OCS”) made a temporary order on December 18, 2012, prohibiting the Respondents from trading in securities and relying on exemptions contained in Ontario securities law.

21. Division staff requested specific information and documents from the Respondents about their securities-related transactions, but to date have not received the information and documents, despite the due date for the response having passed.

Therefore, the staff of the Division petitions the Administrator of the Division of Securities for the issuance of the attached Orders pursuant to Wis. Stats. Ch. 551.

Dated this 24<sup>th</sup> date of April, 2013.



Mark E. Dorman  
Examiner



Leslie M. Van Buskirk  
Attorney Supervisor