



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

**IN THE MATTER OF
BLACKWOOD & ROSE INC., STEVEN ZETCHUS and JUSTIN KRELLER (also known
as JUSTIN KAY)**

**STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (the “Commission”) make the following allegations:

Overview

1. This proceeding involves a course of conduct by Blackwood & Rose Inc. (“Blackwood”), Steven Andrew Zetchus (“Zetchus”) and Justin Luther Kreller (“Kreller”) (collectively, the “Respondents”) relating to securities that was fraudulent and otherwise in breach of Ontario securities law.
2. Between September 2012 and December 2012 (the “Material Time”), the Respondents held themselves out as engaging in the business of trading in securities without being registered and through misrepresentations and other fraudulent means solicited members of the public in the United States (the “U.S. Residents”) to transfer funds to Blackwood purportedly in furtherance of transactions involving the purchase and/or sale of securities.

3. Zetchus incorporated Blackwood in August 2012 and almost immediately began portraying Blackwood to members of the public as an established and “specialized boutique firm” engaged in the business of trading in securities.
4. During the Material Time, Zetchus was the directing mind of Blackwood and under Zetchus’ supervision Kreller, and other persons employed by Blackwood, cold-called the U.S. Residents to make the fraudulent solicitations referred to above.
5. In total, the U.S. Residents sent approximately USD \$15,000 to Blackwood as a result of these solicitations. On December 19, 2012, Staff of the Commission served a Temporary Order on Blackwood, Zetchus and Kreller halting Blackwood’s operations.

The Respondents

6. Blackwood was incorporated federally in Canada on August 8, 2012.
7. Zetchus is a resident of Ontario. Zetchus incorporated Blackwood and has been its sole director and directing mind since its incorporation. Blackwood’s registered address is Zetchus’ home address in Ottawa.
8. Zetchus rented an office for Blackwood in Ottawa (the “Blackwood Office”) and created a website for the company (the “Blackwood Website”).
9. Kreller is a resident of Ontario and from October 2012 to December 2012 was a salesperson at Blackwood. Kreller used the alias "Justin Kay" when corresponding with the U.S. Residents.
10. None of Blackwood, Zetchus or Kreller (the “Respondents”) has ever been registered in any capacity with the Commission.

The Gigapix Scheme

11. During the Material Time, from the Blackwood Office, Zetchus and Kreller solicited shareholders in Gigapix Studios, Inc. (“Gigapix” and the “Gigapix Shareholders”) to send funds to Blackwood purportedly to facilitate the sale of the Gigapix shares held by

the Gigapix Shareholders (the “Gigapix Scheme”). Gigapix is a U.S. company and its shares are not publicly listed.

12. As part of the Gigapix Scheme, the Gigapix Shareholders were informed by Zetchus and Kreller that Blackwood had buyers for their Gigapix shares but that various payments were required in order to complete the sales. These representations were false and were designed to extract money from the Gigapix Shareholders. Zetchus and Kreller knew or ought to have known that by making these false representations they were perpetrating a fraud on the Gigapix Shareholders.
13. Zetchus and Blackwood raised approximately USD \$15,000 from three Gigapix Shareholders.
14. The funds transferred by the U.S. Residents were misappropriated by Zetchus and were not used to further any transactions involving the purchase of the Gigapix shares.
15. No sales were completed and the Gigapix Shareholders have received no consideration for their payments to Blackwood.

The Respondents Held themselves out as Engaging in the Business of Trading in Securities

16. In addition to the Gigapix Scheme, during the Material Time, the Respondents otherwise held themselves out as engaging in the business of trading in securities and engaged in acts in furtherance of trades in securities as outlined below.
17. During the Material Time, Zetchus and Kreller, through Blackwood, solicited the U.S. Residents to send funds to Blackwood for the purported purpose of opening an account with Blackwood and to purchase shares Blackwood purportedly held in several companies including Toongoggles, Inc., Barrick Gold Corporation (“Barrick”) and Dundee Precious Metals Inc. (“Dundee”).
18. These solicitations were made from the Blackwood Office.

19. To entice the U.S. Residents, Zetchus and Kreller informed investors that Blackwood had purchased the shares in Dundee and Barrick from a distressed brokerage and offered to sell the shares below their market value.
20. Blackwood held no shares and Zetchus and Kreller used deceit, falsehood and other fraudulent means to solicit funds from the U.S. Residents in the manner described above.
21. No funds were raised from these solicitations.

Breaches of the *Securities Act* and Conduct Contrary to the Public Interest

22. By engaging in the conduct described above, the Respondents engaged in and held themselves out as engaging in the business of trading in securities without registration in circumstances where no exemption was available, contrary to section 25 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act").
23. Further, by engaging in the conduct described in paragraphs 11 to 15 above, the Respondents directly or indirectly engaged in or participated in an act, practice or course of conduct relating to securities which they or it knew, or reasonably ought to have known, perpetrated a fraud on investors, contrary to section 126.1(b) of the Act.
24. Zetchus authorized, permitted or acquiesced in Blackwood's non-compliance with Ontario securities law contrary to section 129.2 of the Act.
25. The Respondents' conduct was contrary to the public interest and harmful to the integrity of the Ontario capital markets.

DATED at Toronto this 29th day of January, 2013.