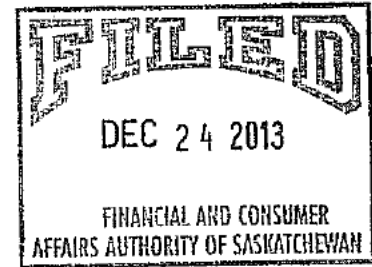


**In the Matter of  
*The Securities Act, 1988***

**and**

**In the Matter of  
Kevin Kelly Krause**



**STATEMENT OF ALLEGATIONS  
OF STAFF OF THE FINANCIAL AND CONSUMER AFFAIRS  
AUTHORITY OF SASKATCHEWAN**

To: **Kevin Kelly Krause**

Staff of Financial and Consumer Affairs Authority of Saskatchewan (Staff of FCAA) make the following allegations:

**The Respondent**

1. The Respondent, Kevin Kelly Krause (Krause) is a resident of Saskatoon, Saskatchewan, and was a resident of Saskatoon, Saskatchewan at all material times.

**Contraventions of subsection 27(1) of *The Securities Act, 1988*, S.S. 1988-89 c. S-42.2 as am. S.S., 1995, c.32, s.18; and 2006, c.8, s.6 (the 2006-2009 Act) and subsections 27(2) and 58(1) of *The Securities Act, 1988* (the Act)**

2. At various times in 2009, 2010 and 2011, Krause maintained the following websites:  
[REDACTED] and  
[REDACTED] (collectively, the Websites).
3. On the Websites, Krause sought investments from members of the public, indicating that he managed private investment pools that used automated robots to earn income for investors. Krause stated that he would show investors how they can see single to double digit monthly returns through the use of his "recession proof" solution. On one of the Websites, beside a logo with the badge "Multi Market Performance Guarantee", Krause indicated that one of the robots he used had seen returns of 330.20% in the first 91 days of 2009, 623.84% in 2008, 612.91% in 2007, 333.05% in 2006, 810.70% in 2005 and 677.67% in 2004.

4. Between April 2009 and March 2011, through the Websites, Krause raised approximately \$150,000 from approximately 135 investors, residing in various countries. Each of the investors entered into an agreement (each, an Investment Agreement) with Krause, pursuant to which they would provide investment funds to Krause for the purpose of pooling these funds with the funds of other investors, which pooled funds would be invested in foreign exchange. Investors expected to share in the profit earned through Krause's efforts in investing the pooled funds.
5. When making their investments, investors chose which automated robot they wanted to utilize. Krause then pooled each investor's funds with the funds of every other investor who chose the same automated robot. Krause used the automated robots to trade the pooled funds in foreign exchange. All investors who had funds invested and chose a particular automated robot were to share in the gains and losses achieved by that robot.
6. Krause received membership or processing fees from investors when they entered into their Investment Agreements.
7. One of these investors, Investor A, is a resident of Saskatchewan. Between in or around November 2009 and in or around January 2011, Investor A invested approximately \$532.00 in an Investment Agreement with Krause.
8. Investor A has received no returns on his investment, nor has he received any refund of his principal amount invested. Investor A has made numerous requests for the same.
9. In carrying out the acts indicated in paragraphs 2 and 3, Krause engaged in the business of advising others as to the investing in securities.
10. Krause has never been registered as an "adviser" pursuant to the Act, and therefore, contravened clause 27(1)(c) of the 2006-2009 Act, and clause 27(2)(b) of the Act, as was in force at the relevant time.
11. In carrying out the acts indicated in paragraphs 2 - 7, Krause engaged in the business of trading in securities in Saskatchewan.
12. Krause has never been registered as a "dealer" pursuant to the Act, and therefore, contravened clause 27(1)(a) of the 2006-2009 Act, and clause 27(2)(a) of the Act.
13. The trades engaged in by Krause related to securities that had not previously been issued, and as such, related to distributions under the Act.
14. No preliminary prospectus relating to the distribution of the securities was filed with the Financial and Consumer Affairs Authority of Saskatchewan (the Authority) and no receipts were issued by the Director, Securities Division (the Director), for the same. No prospectus relating to the distribution of the securities was filed with the Authority and no receipts were issued by the Director for the same. Therefore, Krause contravened subsection 58(1) of the Act.

15. Krause did not file any reports pursuant to section 6.1 of National Instrument 45-106 *Prospectus and Registration Exemptions* (NI 45-106) claiming any of the exemptions in NI 45-106.
16. In carrying on the activities outlined in paragraphs 2 – 5, Krause had the power to direct and exercised the responsibility of directing the affairs of a non-redeemable investment fund, therefore, acted as an investment fund manager.
17. Krause has never been registered as an “investment fund manager” pursuant to the Act, and therefore, contravened clause 27(1)(c) of the Act.
18. Based on the above, Staff of FCAA ask the hearing panel to consider whether it is in the public interest to make the following orders:
  - (a) Pursuant to clause 134(1)(a) of the Act, any and all exemptions in Saskatchewan securities laws do not apply to Krause;
  - (b) Pursuant to clause 134(1)(d) of the Act, Krause shall cease trading in securities or exchange contracts;
  - (c) Pursuant to clause 134(1)(e) of the Act, Krause shall cease giving advice respecting securities, trades or exchange contracts in Saskatchewan;
  - (d) Pursuant to clause 134(1)(h)(i) of the Act, Krause shall resign any position he holds as a director or officer of an issuer, a registrant or an investment fund manager;
  - (e) Pursuant to clause 134(1)(h)(ii) of the Act, Krause is prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager;
  - (f) Pursuant to clause 134(1)(h)(iii) of the Act, Krause shall not be employed by any issuer, registrant or investment fund manager in a capacity that would entitle him to trade or advise in securities;
  - (g) Pursuant to clause 134(1)(h.1) of the Act, Krause is prohibited from becoming or acting as a registrant, and investment fund manager or a promoter;
  - (h) Pursuant to section 135.1 of the Act, Krause shall each pay an administrative penalty to the Authority, in the amount of \$15,000;
  - (i) Pursuant to section 135.6 of the Act, Krause shall pay financial compensation to Investor A in the amount of \$532, and also each other person or company who is found to have sustained financial loss caused, in whole or in part, by Krause’s contravention of Saskatchewan securities laws, in amounts to be determined; and

- (j) Pursuant to section 161 of the Act, Krause shall pay the costs of or relating to the hearing in this matter.

DATED at Regina, Saskatchewan, this 28 day of November, 2013.



Dean Murrison  
Director, Securities Division