



ARIZONA CORPORATION COMMISSION

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Commission Finds Securities Fraud Violations and Orders Over \$2 Million in Restitution

PHOENIX, AZ—The Arizona Corporation Commission today sanctioned a former Maricopa County criminal prosecutor and a real estate developer for defrauding investors in separate cases, ordering more than \$2.07 million in restitution and \$170,000 in administrative penalties.

Shane F. Krauser and Krauser Investment Group, LLC

The Commission has settled its allegations against a former criminal prosecutor, Shane F. Krauser of Gilbert, who admitted to committing securities fraud while he was employed as a Deputy Maricopa County Attorney. The Commission found, while not registered to offer or sell securities in Arizona, Krauser raised investor funds by selling unregistered promissory notes and investment contracts, promising guaranteed returns between 20 and 36 percent. The Commission found that Krauser, who previously had been a licensed securities salesman, represented he would invest the investors' money in the stock market, but he actually invested less than half of their funds. The Commission found that Krauser used the majority of the investors' funds to pay down his home equity line of credit, pay his credit card bills and student loans, purchase a residential lot, and to repay his brother who had previously invested with him. The Commission ordered Krauser and his affiliated company, Krauser Investment Group, LLC, to pay \$79,347 in restitution and a \$20,000 penalty. For more details about this case, view the full text of the Commission's order at [S-20914A-14-0308](#).

Patrick Leonard Shudak

In a separate matter, the Commission ordered Patrick Leonard Shudak of Hawaii to pay \$1,996,500 in restitution and a \$150,000 administrative penalty for committing securities fraud in connection with a real estate investment. The Commission found that, while not registered to offer or sell securities in Arizona, Shudak sold unregistered promissory notes and investment contracts in the form of membership interests in Parker Skylar and Associates, LLC, a company controlled by Shudak. The investor money was to fund the acquisition and development of 1,900 acres near Bisbee, Arizona. The Commission found that Shudak violated the antifraud provisions of the Arizona Securities Act by oversubscribing the offering in his transferring more than 132 percent interest in Parker Skylar, mishandling and mismanaging investor funds, failing to advise investors of the existence of a perfected security interest in Parker Skylar's assets and failing to disclose to investors multiple lawsuits and judgments against Shudak. For more details about this case, view the full text of the Commission's order at [S-20859A-12-0413](#).

The Commission's final order against the named respondents will be posted online as soon as it is signed by all of the Commissioners. Please check the website in a few days:

<http://www.azcc.gov/divisions/securities/enforcement/enforce-orders.asp>

More caution for investors:

Even when selling a legitimate product, some promoters do not recognize the investment program they have created is a security. Determining whether an alternative investment program is a security is not

always easy to determine and depends upon the unique facts and circumstances of the transaction and not on what a promoter calls the investment product. Even when investing with someone they know, investors should verify the registration of sellers and investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242 or toll free in Arizona at 1-866-VERIFY-9 (837-4399). The Securities Division's investor education website also has helpful information at www.azinvestor.gov.

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