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BEFORE THE ARIZONA CORPORATIO



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In the matter of:)
)
 PATRICK LEONARD SHUDAK, a single man;) DOCKET NO.
) S-20859A-12-0413
 PROMISE LAND PROPERTIES, LLC, an)
 Arizona limited liability company; and)
)
 PARKER SKYLAR & ASSOCIATES, LLC, an)
 Arizona limited liability company,)
)
 Respondents.) STATUS
) CONFERENCE

At: Phoenix, Arizona
 Date: January 10, 2013
 Filed: **JAN 29 2013**

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1 BE IT REMEMBERED that the above-entitled and
2 numbered matter came on regularly to be heard before the
3 Arizona Corporation Commission, in Hearing Room 2 of
4 said Commission, 1200 West Washington Street, Phoenix,
5 Arizona, commencing at 10:02 a.m. on the 10th of
6 January, 2013.

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BEFORE: MARC E. STERN, Administrative Law Judge
9

10 APPEARANCES:

11

12 For the Respondent:

13

GREENBERG TRAURIG, LLP
By Mr. Brian J. Schulman
2375 East Camelback Road, Suite 700
14 Phoenix, Arizona 85016

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16 For the Arizona Corporation Commission Securities
Division:

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Mr. Ryan J. Millecam
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COLETTE E. ROSS
Certified Reporter
Certificate No. 50658

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1 ALJ STERN: This proceeding is now open in the
2 matter of Patrick Leonard Shudak, et al., in Docket
3 No. 20859A-12-0413. My name is Marc Stern. I will
4 preside today at this status conference.

5 At this time we will take appearances. And on
6 behalf of the Division.

7 MR. MILLECAM: Ryan Millecam on behalf of the
8 Securities Division.

9 ALJ STERN: And on behalf of the respondents. I
10 guess it is just Mr. Shudak and Parker Skylar at this
11 point.

12 MR. SCHULMAN: No, it is Mr. Shudak and Promise
13 Land.

14 ALJ STERN: Promise Land, okay. Okay. Mr. --

15 MR. SCHULMAN: I guess and Brian Schulman on
16 behalf of Mr. Shudak and Promise Land.

17 ALJ STERN: What is the status of Parker Skylar?

18 MR. MILLECAM: Parker Skylar has been served
19 with a notice, their statutory agent. The time for
20 filing an answer has passed without them filing an
21 answer. As far as we know they are not represented
22 and --

23 ALJ STERN: Those were the investors maybe? Or
24 I don't know how many investors there are.

25 MR. MILLECAM: Yeah, that was one of the

1 entities that several people invested in.

2 ALJ STERN: Are you going to leave them as a
3 respondent in the proceeding?

4 MR. MILLECAM: We are still dealing with that
5 issue, but most likely the entity will be a respondent.
6 And we are deciding whether to default on them, or on
7 that entity or to --

8 ALJ STERN: I mean in that situation, just for
9 curiosity, investors are going to be penalized for
10 investing in the entity, or what would happen in that
11 situation?

12 MR. MILLECAM: We think likely not, because most
13 of the liability will be on the control person, which we
14 think is Patrick Shudak. And, but, like I said, this is
15 an issue that we are, we in the Division, are discussing
16 and are deciding how best to proceed, whether to default
17 that entity for not answering, and those discussions are
18 ongoing.

19 ALJ STERN: Okay. So there is a question on
20 their status. How many people are involved in that
21 entity, do you have any idea, Mr. Millecam?

22 MR. MILLECAM: There are about 27 investors
23 total, I think 17 in Parker Skylar. They were passive
24 investors. The people we have spoken with did not
25 manage it, but we are looking at about 17.

1 ALJ STERN: Total of 17, or 17 and then 20 --

2 MR. MILLECAM: 17 for Parker Skylar. I can -- I
3 apologize for not having that --

4 ALJ STERN: No, that's okay.

5 MR. MILLECAM: -- at the very tip of my tongue.
6 Yes, 17 investors and then another person who made a
7 loan to the entity.

8 ALJ STERN: Okay.

9 MR. MILLECAM: But 17 investors.

10 ALJ STERN: All right. When I went through the
11 notice, it looked like there was 100 percent of
12 ownership in Parker Skylar, like 132 percent was sold.

13 MR. MILLECAM: That's correct.

14 ALJ STERN: Okay. Have you and Mr. Schulman had
15 a chance to discuss a possible resolution, or no?

16 MR. MILLECAM: We have had a chance to discuss
17 it. It seems unlikely and the Division would like to go
18 ahead and set a hearing date.

19 ALJ STERN: Set a hearing, okay. And how many
20 witnesses do you think we are talking about?

21 MR. MILLECAM: Seven.

22 ALJ STERN: Okay. How many investors?

23 MR. MILLECAM: Of those witnesses, three.

24 ALJ STERN: And who would you, who else would
25 you have involved then?

1 MR. MILLECAM: We have our investigator, we
2 actually have two that worked on this case, an
3 accountant, one of the lenders to Parker Skylar, and
4 then possibly one of the managers of the entity that did
5 the construction of the land projects.

6 ALJ STERN: Okay. So we are talking -- and you
7 say about three or four investor witnesses?

8 MR. MILLECAM: Yes.

9 ALJ STERN: And, Mr. Schulman, where is your
10 side of the case at this point in terms of witnesses?

11 MR. SCHULMAN: Your Honor, we don't, we don't
12 know. I mean we are not nearly in a position to be able
13 to identify the number of witnesses or how long we think
14 the hearing is going to be.

15 This is -- I mean, as you know, I have worked on
16 a number of cases like this. This is somewhat unique to
17 me in the sense that at least one of the projects, if
18 not both, is an ongoing, viable project that has been
19 taken over by the alleged victims. And my client has
20 been out of that project for several years.

21 And so there is a lot of information that in,
22 quote, unquote, a normal case my client would have
23 access to, but we don't have any of that. We don't have
24 any idea what has been going on with the projects for
25 the last several years. We don't know who is still

1 involved. We don't know who is calling the shots. And
2 so we are in a -- and the notice does not really provide
3 any details about kind of what happened afterwards. And
4 so there is a fair amount of discovery that we need to
5 do in our case just to figure out what has been going
6 on. For all I know there is no damages in this case.

7 ALJ STERN: I imagine there is. I am just
8 guessing there must be some or the Division wouldn't be
9 here maybe.

10 MR. SCHULMAN: Well, the notice doesn't give any
11 indication of what the damages in this case are.

12 ALJ STERN: What do you think, Mr. Millecam, any
13 damages?

14 MR. MILLECAM: Yes. We have 1.9 million
15 invested in a project that was ongoing. The investors
16 have tried to work and salvage it. Of course the notice
17 is dealing with Mr. Shudak's role in raising the money
18 and how much of that money went to actually developing
19 the project. We are less concerned with what happened
20 after he left as we are regulating securities, not
21 businesses.

22 As the notice explains, he raised a certain
23 amount of money. Much of it didn't go there. And the
24 investors, as you will see, are going to strongly
25 disagree and the Division is going to disagree that

1 there is no damages.

2 ALJ STERN: Well, you know, ultimately, though,
3 there is some sort of question of, even if assuming the
4 Division can prove its allegations with respect to the
5 sale of a security, down the line you have, whether it
6 had to be registered or not registered, et cetera, the
7 amount of any order of restitution and/or penalties
8 might be affected by what Mr. Schulman is raising. You
9 know, it is something that has got to be taken into
10 account.

11 MR. MILLECAM: I definitely will agree. And the
12 Division will consider offsets in value they have
13 received. At this point we haven't received any.

14 ALJ STERN: Okay. How much in the way of
15 discovery, Mr. Schulman, have you had a chance to do any
16 yet?

17 MR. SCHULMAN: No, we haven't done any discovery
18 yet, Your Honor.

19 ALJ STERN: Is there any civil litigation
20 involving these cases between these investors and
21 Mr. Shudak that you are aware of?

22 MR. SCHULMAN: Not that I am aware of.

23 ALJ STERN: Okay. Well, I tell you what.
24 Probably, you know, hearing-wise, assuming this doesn't
25 get resolved some way somehow, we are probably looking

1 maybe seven witnesses, and assuming Mr. Schulman is
2 still in this matter as an active participant, we are
3 probably looking at a minimum of about a week. Unless
4 for some reason your witnesses are short-winded, and
5 Mr. Schulman, if his client is able to afford his
6 continued representation and we go forward, we are
7 talking perhaps a two-week proceeding. I would suggest
8 that would probably run in sometime, and, again, this is
9 January, we are probably talking sometime maybe in
10 May or perhaps into June. I don't know time-wise what
11 our hearing room schedules are presently. And we are
12 still a little bit disjointed with the construction
13 winding down, et cetera, but I know a lot of things are
14 pending.

15 So I can take a look and give you an idea. And
16 if, Mr. Schulman, you think you are going to need a
17 little bit more time to investigate the matter and do
18 some discovery, if the Division can't furnish you what
19 is needed, and usually in these cases you will get
20 copies of exhibits, et cetera, names of witnesses at
21 least 30 to 45 days ahead of time, but I know that will
22 be inadequate for discovery, so if you do have some
23 particular concerns in that area, maybe you can address
24 them to Mr. Millecam while I take a look at our calendar
25 and see what is going on. Okay?

1 MR. SCHULMAN: Okay.

2 ALJ STERN: All right. Go off the record for a
3 minute.

4 (A recess ensued from 10:12 a.m. to 10:22 a.m.)

5 ALJ STERN: Okay. After looking at open dates,
6 et cetera, and you will have a fair amount of time,
7 Mr. Schulman, to do some discovery, because April is not
8 the best month because I will be away for awhile and
9 coming back to a hearing for a couple weeks; I don't
10 think it would work very well in May, I have already got
11 three weeks used up; the first week in June is, I don't
12 know, it is a desk week, but I don't know whether we are
13 going to continue those or not; then the next week has
14 open meeting, two regular open meetings in the middle of
15 the week which may be a problem, so the week we get to
16 is June 15th, excuse me, June 17th, if you have a
17 calendar here or don't have a calendar, and it is a
18 Monday, and then the following week, starting June 24th.
19 I can block those dates out and schedule something that
20 way.

21 So, you know, does anybody have any problems
22 with those at present?

23 MR. SCHULMAN: No.

24 ALJ STERN: No? Well, then I will put a
25 procedural order about the hearing. And then if there

1 is any additional problems respecting either
2 representation or what is going to happen with Parker
3 Skylar, I don't know if you will get that issue resolved
4 in the near future, how that will work, and then I will
5 put out an order for the exchange of witness lists and
6 copies of exhibits about 45 days ahead of time. And
7 anything else you might need, I guess you will advise
8 us, file a motion or something. Okay?

9 Anything else?

10 (No response.)

11 ALJ STERN: All right. With that, this matter
12 is concluded this morning, and maybe things will work
13 out in the interim. Thank you.

14 MR. SCHULMAN: Thank you.

15 (The proceeding concluded at 10:24 a.m.)

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1 STATE OF ARIZONA)
) ss.
 2 COUNTY OF MARICOPA)

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I, COLETTE E. ROSS, Certified Reporter No. 50658 for the State of Arizona, do hereby certify that the foregoing printed pages constitute a full, true and accurate transcript of the proceedings had in the foregoing matter, all done to the best of my skill and ability.

WITNESS my hand this 16th day of January, 2013.



 COLETTE E. ROSS
 Certified Reporter
 Certificate No. 50658