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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

DOCKETED

SEP 15 2014

BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

DOCKETED BY nr

In the matter of)
SHANE F. KRAUSER and JANELLE)
KRAUSER, husband and wife; and)
KRAUSER INVESTMENT GROUP, LLC,)
an Arizona limited liability company,)
Respondents.)

DOCKET NO. S-20914A-14-0308

DECISION NO. 74751

ORDER TO CEASE AND DESIST, ORDER FOR RESTITUTION, ORDER FOR ADMINISTRATIVE PENALTIES, AND CONSENT TO SAME BY SHANE F. KRAUSER, JANELLE KRAUSER, AND KRAUSER INVESTMENT GROUP, LLC

Respondents SHANE F. KRAUSER (“KRAUSER”), JANELLE KRAUSER, and KRAUSER INVESTMENT GROUP, LLC (“KIG”) (collectively, “Respondents”) elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* (“Securities Act”) and Articles 7 and 8 of the Arizona Investment Management Act, A.R.S. § 44-3101 *et seq.* (“Investment Management Act”) with respect to this Order To Cease And Desist, Order for Restitution, Order for Administrative Penalties and Consent to Same (“Order”). Respondents admit the jurisdiction of the Arizona Corporation Commission (“Commission”); admit only for purposes of this proceeding and any other state or federal proceeding in which the Commission is a party, including any proceeding in a

1 bankruptcy court, the Findings of Fact and Conclusions of Law contained in this Order; and
2 consent to the entry of this Order by the Commission.

3 **I.**

4 **FINDINGS OF FACT**

5 1. At all relevant times, JANELLE KRAUSER (“Respondent Spouse” or “wife”) has
6 been the spouse of KRAUSER. Respondent Spouse is joined pursuant to A.R.S. § 44-2031(C)
7 solely for purposes of determining the liability of the marital community.

8 2. At all relevant times, KRAUSER acted for his own benefit and for the benefit or in
9 furtherance of his marital community.

10 3. From July 3, 1996 through December 31, 1997, KRAUSER was a registered Arizona
11 securities salesman, CRD NO. 2750016. He held Series 6 and 63 securities licenses and was
12 registered through WMA Securities, Inc. KRAUSER’s registration as a securities salesman
13 terminated on December 31, 1997.

14 4. On October 29, 2001, KRAUSER was admitted to practice law in Arizona and
15 became a member of the State Bar of Arizona.

16 5. From November 2001 through February 2013, KRAUSER was employed as a
17 Deputy County Attorney with the Maricopa County Attorney’s Office. He worked as a criminal
18 prosecutor throughout that period.

19 6. Between March 26, 2007 and October 30, 2007, KRAUSER opened eleven (11)
20 accounts in his and his wife’s names with Penson Financial Services, Inc. (“Penson”) for margin,
21 options or futures trading in the securities markets. KRAUSER and his wife held the eleven accounts
22 in their own names jointly with rights of survivorship.

23 7. On April 27, 2007, KRAUSER formed KIG with himself and his wife as its sole
24 members and managers. At all relevant times, KRAUSER served as the President of KIG.

25 8. On May 4, 2007, KRAUSER and KIG solicited and received \$50,000 as an
26 investment from an Arizona resident (“Investor One”).

1 9. KRAUSER's half-sister, who would later also invest ("Investor Two"), had worked
2 with Investor One in an assembly plant starting in approximately 2004. They became friends.
3 During that time, Investor One sold his home for a profit, which he saved as a nest egg.

4 10. In March and April 2007, Investor Two discussed that Investor One should invest
5 his nest egg with her brother, KRAUSER. Investor Two said KRAUSER was very successful and
6 a prosecuting attorney.

7 11. Investor Two arranged for KRAUSER to meet with Investor One on May 4, 2007.
8 The meeting occurred in KRAUSER's home in Gilbert, Arizona.

9 12. At that meeting, KRAUSER told Investor One about his work as a Deputy County
10 Attorney. KRAUSER said he prosecuted gang members and dangerous criminals. KRAUSER
11 said it was a serious job and he prosecuted "bad people." KRAUSER told Investor One that he
12 handled high-profile cases, including the one he was then prosecuting against a former professional
13 athlete.

14 13. Investor One believed he could trust KRAUSER because KRAUSER was a
15 prosecutor.

16 14. KRAUSER told Investor One that he traded stocks through KIG and was very
17 successful.

18 15. KRAUSER did not disclose, however, that he had only formed KIG a week earlier
19 on April 27, 2007. KRAUSER also did not disclose that the Penson investment accounts through
20 which KRAUSER traded were held in his and his wife's names, and not by KIG.

21 16. KRAUSER told Investor One that he and KIG also made money by making very
22 short-term loans at high interest rates to potential homebuyers who were trying to qualify for
23 mortgages. KRAUSER said the potential homebuyers put KIG's loan proceeds in their bank
24 accounts while mortgage lenders reviewed their mortgage applications. After the mortgage lenders
25 agreed to fund the homebuyers' mortgages, the homebuyers repaid KIG. Krauser told Investor
26 One that KIG's loans were very lucrative.

1 17. KRAUSER told Investor One that if he invested, KIG would pay him a thirty-six
2 percent return within twelve months.

3 18. Neither KRAUSER nor KIG had historical returns or any other reasonable factual
4 basis for representing they could generate sufficient profits to pay a thirty-six percent return.

5 19. KRAUSER told Investor One that his money would be guaranteed.

6 20. Based on KRAUSER's description of KIG's business, Investor believed
7 KRAUSER's statements that KIG would use Investor One's money to invest in the stock market or
8 to fund short-term, high interest loans to potential homebuyers.

9 21. At the conclusion of the May 4, 2007 meeting, Investor One wrote a \$50,000 check
10 payable to KIG.

11 22. That same day, KRAUSER endorsed and deposited Investor One's \$50,000 check
12 to KIG's Bank of America checking account ending in 8202 ("BOA Xx8202").

13 23. KRAUSER had opened BOA Xx8202 for KIG three days earlier on May 1, 2007,
14 with him and his wife as the signers for the account.

15 24. The deposit of Investor One's funds increased the balance of KIG's checking
16 account from \$0.00 (zero dollars) to \$50,000.00.

17 25. On May 7, 2007, KRAUSER wrote to Investor One on KIG letterhead stationary
18 with the header, "Solid Investments ~ Solid Returns."

19 26. KRAUSER's letter stated: "On May 4, 2007, I deposited your check in the amount
20 of \$50,000. However, because it was a personal check, my banking institution is holding the check
21 until May 11, 2007, at which time I will have access to the funds. As a result, I have revised the
22 promissory note to reflect a payout date of May 16, 2008."

23 27. KRAUSER subsequently executed a promissory note as KIG's President, in which
24 KIG promised to repay the \$50,000 principal amount plus all accrued interest on May 16, 2008.
25 The note stated: "The guaranteed annual rate of return on this loan is 36%."
26

1 28. On May 11, 2007, KRAUSER transferred \$50,000 from BOA Xx8202 to his
2 personal checking account, Bank of America account ending in 6510 (“BOA Xx6510”), which
3 prior to that transfer had a balance of \$34.84.

4 29. Also on May 11, 2007, KRAUSER then paid \$50,000 from BOA Xx6510 to his
5 Bank of America home equity line of credit (“HELOC”) account ending in 5499 (“BOA LOC
6 Xx5499”).

7 30. Prior to the \$50,000 payment, KRAUSER owed \$165,244.44 on the HELOC, which
8 was accruing interest charges at 9.49 percent annually.

9 31. The \$50,000 payment reduced the principal balance owing on KRAUSER’s
10 HELOC to \$115,244.44.

11 32. On May 18, 2007, KRAUSER transferred \$42,500 back from BOA LOC Xx5499 to
12 BOA Xx6510. That same day, KRAUSER transferred \$42,500 to his Penson personal investment
13 account ending in Xx0208.

14 33. Thus, with respect to the \$50,000 Investor One invested on May 4, 2007,
15 KRAUSER and KIG first transferred it to KRAUSER’s personal checking account and then used it
16 to pay down KRAUSER’s HELOC by \$50,000. KRAUSER then used \$42,500 from his HELOC
17 to fund his investment accounts at Penson.

18 34. Of the \$50,000 Investor One provided on May 4, 2007, KRAUSER and KIG
19 invested, at the most, only \$42,500 of it in the stock market.

20 35. In late May 2007, KRAUSER told Investor One that the first \$50,000 investment
21 was doing so well that Investor One should invest another \$50,000, for which KIG would also pay
22 thirty-six percent interest.

23 36. On May 26, 2007, Investor One invested another \$50,000 by a cashier’s check
24 payable to KIG.

1 37. Based on KRAUSER's previous description of KIG's business, Investor One
2 understood that KRAUSER would use the second \$50,000 to invest in the stock market or to fund
3 KIG's short-term, high interest loans to potential homebuyers.

4 38. On May 27, 2007, KRAUSER executed a promissory note in which KIG promised
5 to repay Investor One's second \$50,000 principal amount plus interest on June 1, 2008. Like the
6 prior note, this note stated: "The guaranteed annual rate of return on this loan is 36%."

7 39. On May 29, 2007, KRAUSER endorsed Investor One's \$50,000 cashier's check and
8 deposited it directly into BOA LOC Xx5499 to pay down his and his wife's home equity line of
9 credit. This payment reduced the principal balance KRAUSER and his wife owed from
10 \$158,894.44 to \$108,894.44.

11 40. On May 30, 2007, KRAUSER transferred \$5,500.00 from BOA LOC Xx5499 to his
12 personal checking account, BOA Xx6510. The transfer increased the balance of BOA Xx6510
13 from \$0.57 to \$5,500.57.

14 41. Also on May 30, 2007, KRAUSER transferred \$5,000 from BOA Xx6510 to his
15 Penson personal investment account ending in Xx7108.

16 42. On June 12, 2007, another \$261.73 was transferred or deducted from BOA Xx6510
17 and transmitted to Penson.

18 43. Between June 1 and June 27, 2007, KRAUSER transferred \$5,000 in overdraft
19 protection from BOA LOC Xx5499 to his personal checking account, BOA Xx6510. KRAUSER
20 combined the \$5,000 with \$6,700 he transferred from his Desert Schools Federal Credit Union
21 checking account ending in Xx4364 ("DSFCU Xx4364") and \$4,613.47 he received from Penson.

22 44. Between June 1 and June 27, 2007, KRAUSER paid the following personal
23 expenses from BOA Xx6510:

- 24 a. HELOC payments to BOA LOC Xx5499 - \$8,211.08;
25 b. Mortgage payment to Countrywide Home Loans - \$1,900.00;
26 c. Credit card payment to Chase - \$2,837.09;

1 d. Deposit to purchase a residential lot - \$1,000.00.

2 45. On June 28, 2007, KRAUSER took an advance of \$34,287.52 from the HELOC and
3 used it to purchase a cashier's check in that amount payable to Fidelity Title.

4 46. KRAUSER used the \$34,287.52 cashier's check to partially fund his and his wife's
5 purchase, as an investment for themselves, of a residential lot in Gilbert, Arizona.

6 47. KRAUSER closed on the purchase of that residential lot on June 29, 2007. The
7 purchase price was \$345,000.

8 48. The \$34,287.52 cashier's check KRAUSER used to purchase that residential lot was
9 funded in part by the \$50,000 Investor One invested in KIG on May 26, 2007.

10 49. Of the \$50,000 Investor One provided on May 26, 2007, KIG invested, at the most,
11 only \$5,261.73 of it in the stock market. The \$5,261.73 figure consists of the transfers of \$5,000
12 and \$261.73 on May 30 and June 12, 2007, respectively, from BOA Xx6510 to KRAUSER's
13 Penson personal investment accounts.

14 50. KRAUSER never disclosed to Investor One that he would use Investor One's
15 investment monies for any purpose other than to invest in the stock market or to make short-term
16 loans to potential homebuyers.

17 51. KRAUSER never disclosed to Investor One that he would use Investor One's
18 investment monies to pay down his home equity line of credit, commingle Investor One's funds
19 with monies from his personal checking accounts, and buy a residential lot.

20 52. On June 29, 2007, KRAUSER and KIG solicited and received \$50,000 as an
21 investment from KRAUSER's half-sister, Investor Two.

22 53. According to KRAUSER, of all their siblings, he and Investor Two had the closest
23 relationship. KRAUSER has testified regarding Investor Two: "We just shared everything. We
24 had a great relationship.... I shared with her all the time about my life as a prosecutor.... I mean,
25 we were constantly together, constantly on the phone. She had a great relationship with my wife."
26

1 54. KRAUSER told Investor Two she had no risk in investing with him. KRAUSER
2 said he was the only one taking a risk. KRAUSER guaranteed she would not lose any money.

3 55. Investor Two trusted and believed KRAUSER because he was her half-brother.

4 56. KRAUSER executed two promissory notes totaling \$50,000 in which KIG promised
5 to repay Investor Two's \$50,000 principal amount plus interest.

6 57. On June 29, 2007, Investor Two's \$50,000 cashier's check was deposited directly
7 into BOA LOC Xx5499 to pay down KRAUSER's home equity line of credit.

8 58. On June 29, 2007, KRAUSER also transferred \$4,600 from BOA LOC Xx5499 to
9 KIG's checking account, BOA Xx8202. The transfer increased the balance in BOA Xx8202 from
10 \$30.83 to \$4,630.83.

11 59. Also on June 29, 2007, KIG paid \$4,613.47 to KRAUSER's half-brother, "DS".

12 60. On July 3, 2007, KRAUSER transferred \$44,500 from BOA LOC Xx5499 to his
13 personal checking account, BOA Xx6510, where it was commingled with \$10,615.26 from other
14 sources.

15 61. Also on July 3, 2007, KRAUSER transferred \$55,084.52 from BOA Xx6510 to his
16 investment accounts at Penson.

17 62. KRAUSER never disclosed to Investor Two that he would use her investment funds
18 to pay down his home equity line of credit, pay over \$4,600 to KRAUSER's half-brother, or
19 commingle her funds with monies from his personal checking account before investing it through
20 Penson.

21 63. On August 29, 2007, KRAUSER and KIG solicited and received \$32,000 from a
22 member of KRAUSER's church ("Investor Three"), for KRAUSER and KIG to invest in the stock
23 market.

24 64. KRAUSER had a leadership role within their church, and through that role
25 KRAUSER and Investor Three became friends.

26

1 65. KRAUSER told Investor Three that if he invested, KRAUSER would provide him a
2 promissory note that paid a high rate of interest. KRAUSER represented he would use Investor
3 Three's funds to invest in the stock market.

4 66. On August 29, 2007, Investor Three invested by providing a \$32,000 cashier's
5 check payable to KIG.

6 67. KRAUSER subsequently executed a promissory note in which KIG promised to
7 repay Investor Three's \$32,000 principal amount plus twenty-four percent (24%) interest.

8 68. On August 30, 2007, KRAUSER endorsed and deposited Investor Three's \$32,000
9 cashier's check to KIG's checking account, BOA Xx8202. The deposit increased the balance of
10 KIG's checking account from \$60.16 to \$32,060.16.

11 69. That same day, KRAUSER paid \$32,000 from KIG's checking account to pay down
12 his home equity line of credit, BOA LOC Xx5499.

13 70. Between September 7 and November 6, 2007, KRAUSER transferred \$20,200 in
14 overdraft protection from his home equity line of credit to KIG's checking account, BOA Xx8202.
15 During that same period, KIG paid \$18,387.86 to KRAUSER's half-brother; and \$1,800 to
16 Investor Two.

17 71. KRAUSER and KIG did not deposit any monies with Penson for investment
18 between August 10, 2007 and March 25, 2008. Consequently, between those dates KRAUSER and
19 KIG did not invest any of Investor Three's \$32,000 in the stock market as KRAUSER represented
20 KIG would do.

21 72. Instead, KRAUSER used Investor Three's \$32,000 to pay down and commingle
22 with his home equity line of credit. KRAUSER then transferred \$20,200 of commingled funds
23 from his home equity line of credit to KIG's bank account, from which he disbursed \$21,187.86 to
24 his relatives.

25 73. On December 27 and December 28, 2007, Investor One and Investor Two,
26 respectively, each invested another \$15,000 by cashiers' checks made payable to KIG.

1 74. KRAUSER subsequently executed promissory notes in which KIG promised to
2 repay Investor One his \$15,000 plus interest, and Investor Two her \$15,000 plus interest.

3 75. On December 28, 2007, the two checks totaling \$30,000 were deposited to KIG's
4 checking account, BOA Xx8202. The deposit increased KIG's account balance from \$72.30 to
5 \$30,072.30.

6 76. That same day, KRAUSER transferred \$30,020.00 from KIG's account, BOA
7 Xx8202, to his personal checking account, BOA Xx6510.

8 77. Also on December 28, 2007, KRAUSER paid \$30,000 from BOA Xx6510 to reduce
9 the balance on his home equity line of credit, BOA LOC Xx5499, from \$177,839.47 to
10 \$147,839.47.

11 78. Between December 28, 2007, and February 28, 2008, KRAUSER transferred
12 \$47,900 from his HELOC, BOA LOC Xx5499, to his personal checking account, BOA Xx6510.
13 KRAUSER comingled the \$47,900 with the \$30,000 from Investors One and Two, and funds from
14 other sources.

15 79. KRAUSER and KIG did not invest any of Investor One's \$15,000 or Investor
16 Two's \$15,000 to invest in the stock market as KRAUSER represented KIG would do.

17 80. Between December 28, 2007, and February 28, 2008, KRAUSER used the
18 comingled funds from Investors One and Two, the HELOC, and other sources to pay his personal
19 expenses, including credit cards, utility bills, homeowners' association fees, student loans, and the
20 mortgages on his home and the residential lot he purchased as an investment for himself and his
21 wife on June 29, 2007.

22 81. In August 2008, as KIG's promissory note with Investor Three was coming due,
23 KRAUSER and Investor Three agreed to rollover the \$32,000 plus the accrued interest for another
24 year for KRAUSER to continue investing that money in the stock market.

25 82. On September 4, 2008, Investor Three invested another \$13,600 with KIG for
26 KRAUSER to invest in the stock market.

1 83. When in August and September 2008 Investor Three was agreeing to rollover his
2 \$32,000 investment and invest another \$13,600 with KIG, KRAUSER did not disclose that he had
3 not invested any of the \$32,000 in the stock market, as KRAUSER had told Investor Three he
4 would do. KRAUSER did not disclose that he had used Investor Three's \$32,000 to pay down and
5 commingle with his home equity line of credit, and then transferred and disbursed \$21,187.86 of
6 the commingled funds to his relatives.

7 84. On January 15, 2009, KRAUSER emailed Investor Three in an attempt to solicit
8 Investor Three's mother-in-law to invest. KRAUSER wrote that he had "uncover[ed] something
9 that very few know how the markets truly function." KRAUSER continued:

10 Now, we have all heard that the market has really been hit hard over the last
11 year. From a long term investors [*sic*] perspective, that is perhaps scary. For
12 a trader like me, I thrive in this environment. In fact, the last five months
13 have been the most profitable of my entire trading career.

13 ...

14 I can identify on any chart (either index or stock) when [Market Makers] are
15 being forced to excessively absorb. At this point is where I begin to put my
16 money to work. For the most part, I am very patient and methodical and
17 simply wait for greed or fear to enter so I can effectively take advantage. I
18 have back tested the market to the 1929 crash and this particular dynamic I
19 have described has never failed. The only limitation is capital.

18 ...

19 While there is always risk involved, I am pretty happy with a streak of five
20 months without a losing trade.

21 85. KRAUSER's representation that he was on "a streak of five months without a losing
22 trade" was untrue. For instance, on September 16 and 17, 2008, KRAUSER lost \$9,612.63 trading
23 in Powershares QQQ NASDAQ 100. KRAUSER also lost \$2,430.04 between December 16, 2008
24 and January 2, 2009 trading in a restaurant company's stock.

25 86. Neither Investor Three nor his mother-in-law invested in response to KRAUSER's
26 email offer of January 15, 2009.

1 87. On January 19, 2009, KRAUSER emailed Investor One offering another investment
2 in which KRAUSER proposed to manage a brokerage account for Investor One. KRAUSER wrote
3 in relevant part:

4
5 I have had many people come to me asking me to take money. Given my
6 success, especially over the last four to five months in this market, the interest
7 has been overwhelming. I have not actively sought out money to handle. It
8 has all happened by word of mouth. Given that many people want monthly
9 payout, I have declined to take on any additional money. However, I have
10 done this for a few different individuals:

11 They have set up brokerage accounts ... and have simply given me access to
12 trade their accounts.... They have only given me written permission to trade
13 the accounts via a contract through [the brokerage] as well as a written
14 contract between us.... The contract also included payment to me for my
15 services, (negotiable, but currently around 50% of all profits made).

16 88. KRAUSER further wrote: "I am handling the following: Two \$100,000 accounts
17 (both up 12% so far in January alone). Two very small accounts (\$25,000) – up 8% so far in
18 January."

19 89. Investor One declined to invest in response to KRAUSER's email offer of January
20 19, 2009.

21 90. Between May 8, 2007 and June 24, 2009, KRAUSER or KIG deposited
22 \$287,846.25 to the Penson trading accounts referenced in Paragraph 6. That amount consisted of,
23 at the most, \$111,361.73 of the \$225,600 he received from Investors One, Two and Three, plus
24 KRAUSER's own money and money from other sources.

25 91. KRAUSER hoped to generate trading profits from which he would repay the
26 principal amounts to Investors One, Two and Three plus the stated interest.

 92. KRAUSER's trading and other investments proved unsuccessful. He lost most of
the \$287,846.25 in the Penson accounts, as well as additional monies he had previously invested
himself.

1 material facts, and (c) engaging in transactions, practices, or courses of business that operate or
2 would operate as a fraud or deceit.

3 6. Respondents KRAUSER and KIG violated A.R.S. § 44-3151 by transacting
4 business in this state as an investment adviser representative and investment adviser while neither
5 licensed nor exempt.

6 7. Respondents KRAUSER's and KIG's conduct is grounds for a cease and desist
7 order pursuant to A.R.S. § 44-2032 and A.R.S. § 44-3292(1).

8 8. Respondents KRAUSER's and KIG's conduct is grounds for an order of restitution
9 pursuant to A.R.S. § 44-2032 and A.R.S. § 44-3292(1).

10 9. Respondents KRAUSER's and KIG's conduct is grounds for administrative
11 penalties under A.R.S. § 44-2036 and A.R.S. § 44-3296.

12 10. Respondent KRAUSER acted for the benefit of his and Respondent Spouse's
13 marital community and, pursuant to A.R.S. §§ 25-214 and 25-215, this order of restitution and
14 administrative penalties is a debt of the community.

15 **III.**

16 **ORDER**

17 THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondents'
18 consent to the entry of this Order, attached and incorporated by reference, the Commission finds
19 that the following relief is appropriate, in the public interest, and necessary for the protection of
20 investors:

21 IT IS ORDERED, pursuant to A.R.S. § 44-2032 and A.R.S. § 44-3292, that Respondents
22 KRAUSER and KIG, and any of Respondents' agents, employees, successors and assigns,
23 permanently cease and desist from violating the Securities Act and Investment Management Act.

24 IT IS FURTHER ORDERED that Respondents comply with the attached Consent to Entry
25 of Order.

26

1 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032 and A.R.S. § 44-3292, that
2 Respondent KRAUSER, individually, and the marital community of Respondent KRAUSER,
3 jointly and severally shall, jointly and severally with Respondent KIG, pay restitution to the
4 Commission in the principal amount of \$79,347 as a result of the conduct set forth in the Findings
5 of Fact and Conclusions of Law. This principal restitution amount reflects that Respondents have
6 received a credit toward the principal \$225,600 investment amount they raised for the payments
7 made by Respondents directly to Investors One, Two and Three prior to the date of this Order as
8 shown on the records of the Commission. Payment of the remaining principal restitution amount of
9 \$79,347 is due in full on the date of this Order. Payment shall be made to the "State of Arizona" to
10 be placed in an interest-bearing account controlled by the Commission. Any principal amount
11 outstanding shall accrue interest at the rate of 4.25 percent per annum from the date of this Order
12 until paid in full.

13 The Commission shall disburse the funds on a pro-rata basis to investors shown on the
14 records of the Commission. Any restitution funds that the Commission cannot disburse because an
15 investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an
16 investor because the investor is deceased and the Commission cannot reasonably identify and
17 locate the deceased investor's spouse or natural children surviving at the time of the distribution,
18 shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the
19 Commission. Any funds that the Commission determines it is unable to or cannot feasibly disburse
20 shall be transferred to the general fund of the state of Arizona.

21 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036 and A.R.S. § 44-3296, that
22 Respondent KRAUSER, individually, and the marital community of Respondent KRAUSER,
23 jointly and severally shall, jointly and severally with Respondent KIG, pay an administrative
24 penalty in the amount of \$20,000.00 as a result of the conduct set forth in the Findings of Fact and
25 Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be made to
26 the "State of Arizona." Any amount outstanding shall accrue interest as allowed by law.

1 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be
2 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments
3 shall be applied to the penalty obligation.

4 For purposes of this Order, a bankruptcy filing by a Respondent shall be an act of default.
5 If Respondents do not comply with this Order, any outstanding balance may be deemed in default
6 and shall be immediately due and payable.

7 IT IS FURTHER ORDERED, that if Respondents fail to comply with this order, the
8 Commission may bring further legal proceedings against Respondents, including application to the
9 superior court for an order of contempt.

10 IT IS FURTHER ORDERED that this Order shall become effective immediately.

11 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

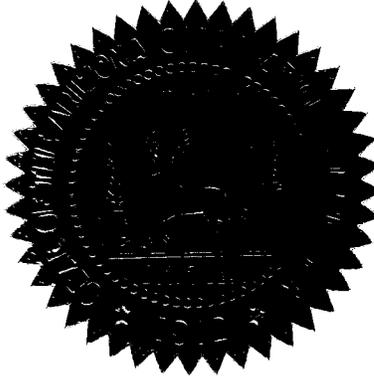
12 
13 CHAIRMAN

12 
13 COMMISSIONER

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15 COMMISSIONER

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15 COMMISSIONER

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15 COMMISSIONER



17 IN WITNESS WHEREOF, I, JODI JERICH, Executive
18 Director of the Arizona Corporation Commission, have
19 hereunto set my hand and caused the official seal of the
20 Commission to be affixed at the Capitol, in the City of
21 Phoenix, this 15th day of September, 2014.

22 
23 JODI JERICH
24 EXECUTIVE DIRECTOR

25 DISSENT

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DISSENT

This document is available in alternative formats by contacting Shaylin A. Bernal, ADA Coordinator, voice phone number 602-542-3931, e-mail sabernal@azcc.gov.

(JDB)

CONSENT TO ENTRY OF ORDER

1
2 1. Respondents SHANE F. KRAUSER, JANELLE KRAUSER, and KRAUSER
3 INVESTMENT GROUP, LLC (collectively, "Respondents") admit the jurisdiction of the
4 Commission over the subject matter of this proceeding. Respondents acknowledge that
5 Respondents have been fully advised of Respondents' right to a hearing to present evidence and
6 call witnesses and Respondents knowingly and voluntarily waive any and all rights to a hearing
7 before the Commission and all other rights otherwise available under Article 11 of the Securities
8 Act or Article 7 of the Investment Management Act, and Title 14 of the Arizona Administrative
9 Code. Respondents acknowledges that this Order To Cease And Desist, Order for Restitution,
10 Order for Administrative Penalties and Consent to Same ("Order") constitutes a valid final order of
11 the Commission.

12 2. Respondents knowingly and voluntarily waive any right under Article 12 of the
13 Securities Act and Article 8 of the Investment Management Act to judicial review by any court by
14 way of suit, appeal, or extraordinary relief resulting from the entry of this Order.

15 3. Respondents acknowledge and agree that this Order is entered into freely and
16 voluntarily and that no promise was made or coercion used to induce such entry.

17 4. Respondents SHANE F. KRAUSER, JANELLE KRAUSER, and KRAUSER
18 INVESTMENT GROUP, LLC acknowledge that they have been represented by the same attorney
19 in this matter, Alan Baskin. Respondents acknowledge that Mr. Baskin has apprised them of their
20 rights regarding any potential and actual conflicts of interest arising from the joint representation.
21 Respondents SHANE F. KRAUSER, JANELLE KRAUSER, and KRAUSER INVESTMENT
22 GROUP, LLC acknowledge that they have each given their informed consent to such
23 representation.

24 5. Respondents have reviewed this Order with their attorney, Mr. Baskin, and
25 understand all terms it contains.
26

1 6. Respondents SHANE F. KRAUSER, JANELLE KRAUSER, and KRAUSER
2 INVESTMENT GROUP, LLC admit only for purposes of this proceeding and any other state or
3 federal proceeding in which the Commission is a party, including any proceeding in a bankruptcy
4 court, the Findings of Fact and Conclusions of Law contained in this Order. Respondents SHANE
5 F. KRAUSER, JANELLE KRAUSER, and KRAUSER INVESTMENT GROUP, LLC each agree
6 that he/she/it shall not contest the validity of the Findings of Fact and Conclusions of Law
7 contained in this Order in any present or future proceeding in which the Commission is a party.

8 7. By consenting to the entry of this Order, Respondents agree not to take any action or
9 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of
10 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual
11 basis.

12 8. With respect to any future proceeding to which the Commission is not a party, this
13 Order is not intended to have any collateral estoppel effect. Nor is this Order intended to be of use
14 in any criminal proceeding.

15 9. While this Order settles this administrative matter between Respondents and the
16 Commission, Respondents understand that this Order does not preclude the Commission from
17 instituting other administrative or civil proceedings based on conduct that is not addressed by this
18 Order.

19 10. Respondents understand that this Order does not preclude the Commission from
20 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
21 that may be related to the matters addressed by this Order.

22 11. Respondents understand that this Order does not preclude any other agency or
23 officer of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal
24 proceedings that may be related to matters addressed by this Order.

1 12. Each Respondent agrees that he/she/it will not apply to the state of Arizona for
2 registration as a securities dealer or salesman or for licensure as an investment adviser or
3 investment adviser representative at any time in the future.

4 13. Each Respondent agrees that he/she/it will not exercise any control over any entity
5 that offers or sells securities or provides investment advisory services within or from Arizona at
6 any time in the future.

7 14. Respondents SHANE F. KRAUSER and JANELLE KRAUSER acknowledge that
8 any restitution or penalties imposed by this Order are obligations of Respondent SHANE F.
9 KRAUSER as well as their marital community.

10 15. Each Respondent consents to the entry of this Order and agrees to be fully bound by
11 its terms and conditions.

12 16. Each Respondent acknowledges and understands that if he/she/it fails to comply
13 with the provisions of the order and this consent, the Commission may bring further legal
14 proceedings against him/her/it, including application to the superior court for an order of contempt.

15 17. Respondents understand that default shall render Respondents liable to the
16 Commission for its costs of collection and interest at the maximum legal rate.

17 18. Each Respondent agrees and understands that if he/she/it fails to make any payment
18 as required in the Order, any outstanding balance shall be in default and shall be immediately due
19 and payable without notice or demand. Respondents agree and understand that acceptance of any
20 partial or late payment by the Commission is not a waiver of default by the Commission.

21 19. SHANE F. KRAUSER represents that he is President of KRAUSER
22 INVESTMENT GROUP, LLC and has been authorized by KRAUSER INVESTMENT GROUP,
23 LLC to enter into this Order for and on behalf of it.

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Shane F. Krauser
SHANE F. KRAUSER

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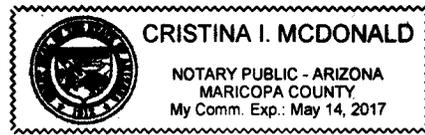
STATE OF ARIZONA)
) ss
County of *Maricopa*)

SUBSCRIBED AND SWORN TO BEFORE me this 20th day of August, 2014.

Cristina I. McDonald
NOTARY PUBLIC

My commission expires:

May 14, 2017



Janelle Krauser
JANELLE KRAUSER

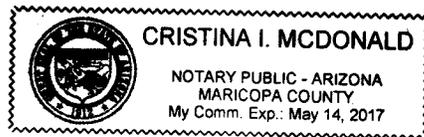
STATE OF ARIZONA)
) ss
County of *Maricopa*)

SUBSCRIBED AND SWORN TO BEFORE me this 20th day of August, 2014.

Cristina I. McDonald
NOTARY PUBLIC

My commission expires:

May 14, 2017



KRAUSER INVESTMENT GROUP, LLC

By Shane F. Krauser

Shane F. Krauser, Its President and
Managing Member

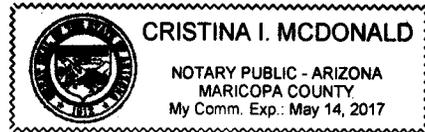
STATE OF ARIZONA)
) ss
County of Maricopa)

SUBSCRIBED AND SWORN TO BEFORE me this 20th day of August, 2014.

Cristina I. McDonald
NOTARY PUBLIC

My commission expires:

May 14, 2017



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1 SERVICE LIST FOR: Shane F. Krauser et al.

2

3 Alan Baskin
4 Baskin Richards PLC
5 2901 N. Central Avenue, Suite 1150
6 Phoenix, AZ 85012
7 *Attorney for Respondents*

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

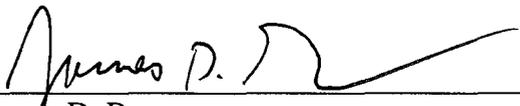
BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

In the matter of:)
)
SHANE F. KRAUSER and JANELLE)
KRAUSER, husband and wife; and)
)
KRAUSER INVESTMENT GROUP, LLC, an)
Arizona limited liability company,)
)
Respondents.)

DOCKET NO. S-20914A-14-0308

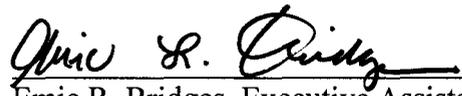
**NOTICE OF FILING OF PROPOSED
OPEN MEETING AGENDA ITEM**

Pursuant to A.A.C. R14-4-303, you are hereby notified that the attached proposed Order to Cease and Desist, for Restitution, and for Administrative Penalty and Consent to Same was filed with the Arizona Corporation Commission's Docket Control.

Dated: 8/25/14 By: 
James D. Burgess
Senior Attorney, Securities Division

I hereby certify that I have this day served the foregoing document on all parties of record in this proceeding by mailing a copy thereof, properly addressed with first class postage prepaid to:

Alan Baskin
Baskin Richards PLC
2901 N. Central Avenue, Suite 1150
Phoenix, AZ 85012
Attorney for Respondents

Dated: 8/25/14 By: 
Emie R. Bridges, Executive Assistant