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AZ CORP COMMISSION
DOCUMENT CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MARC SPITZER, Chairman
JIM IRVIN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON

In the matter of:)
)
DOUGLAS SANCHEZ and KAREN SANCHEZ,)
husband and wife,)
837 West Kiowa)
Mesa, Arizona)
)
DMS POWER CASH FLOW, L.L.C.)
1125 W. Baseline, #2-3)
Mesa, Arizona 85210)
)
PERSANCO, L.L.C.)
1125 W. Baseline, #2-3)
Mesa, Arizona 85210)
)
Respondents.)

DOCKET NO. S-03530A-03-0000

**AFFIDAVIT OF MARK DINELL IN
SUPPORT OF MOTION FOR ADVERSE
INFERENCE REGARDING FAILURE
TO PRODUCE INFORMATION**

Arizona Corporation Commission

DOCKETED

JUL 18 2003

DOCKETED BY

STATE OF ARIZONA)
)
County of Maricopa)

I, Mark Dinell, being duly sworn, say as follows:

1. I am more than 18 years of age, of sound mind and competent to make this affidavit.

The statements herein are based upon my personal knowledge and are true and correct.

2. I am an attorney for the Securities Division of the Arizona Corporation Commission in this matter. On January 15, 2003, the Securities Division issued subpoenas to

1 Douglas Sanchez and DMS Power Cash Flow LLC to produce documents. Copies of the
2 subpoenas are attached to this Affidavit as Exhibits A and B.

3 3. Respondents produced some documents in response to the subpoenas. Attached as
4 Exhibits C and D are cover letters from Respondents' attorney, which accompanied the
5 documents.

6 4. On February 26, 2003, the Securities Division conducted the Examination Under
7 Oath of Douglas Sanchez ("EUO"). In that EUO, he admitted that he had other responsive
8 documents called for by the subpoena which he did not produce. These included bank
9 statements, checks, deposit information and brokerage account statements and detail. Exhibit E,
10 EUO, pp. 25-33.

11 5. Mr. Sanchez also testified in the EUO that he kept track of payments through his
12 check register and that was the only way he determined how much investors had been paid.
13 Exhibit E, p. 51, lns. 5 – 17. Those documents were not produced to the Securities Division.

14 6. Respondents' attorney instructed Respondents to obtain all documents for
15 production to the Securities Division. Exhibit E, p. 33.

16 7. In addition to raising the issue of failure to produce documents at the EUO, I
17 raised the issue of the failure to produce all documents with Respondents' counsel at the
18 prehearing conference in this case on May 22, 2003, and in letters dated June 2, 2003 and July 1,
19 2003. See Exhibits F and G.

20 8. On July 17, 2003, the Securities Division did receive additional documents from
21 Respondents, namely account statements, but have not received any additional documents
22 supporting payments to investors, including the check register. See Exhibits H and I. To date,
23
24
25
26

1 the Securities Division has received none of the documents which would indicate payments to
2 investors, in particular Respondents' check register and supporting documentation.

3 FURTHER AFFIANT SAITH NOT

4 

5
6 Mark Dinell

7
8
9 SUBSCRIBED AND SWORN TO BEFORE me this 18th day of July, 2003.

10 

11
12
13 My Commission Expires:
14
15
16 _____



Notary Public State of Arizona
Maricopa County
Frank C. Samprone
Expires April 13, 2007

Exhibit A

SUBPOENA
SECURITIES DIVISION
ARIZONA CORPORATION COMMISSION

TO Douglas Sanchez
837 W. Kiowa
Mesa, Arizona 85210

In the matter of

D.M.S. Power Cash Flow LLC

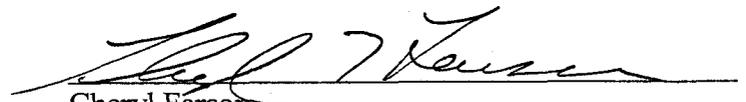
**involving possible violations of the Securities Act
and/or Investment Management Act of Arizona.**

YOU ARE HEREBY REQUIRED to appear before Gary R. Clapper of the SECURITIES DIVISION of the ARIZONA CORPORATION COMMISSION at 1300 WEST WASHINGTON, THIRD FLOOR, PHOENIX, ARIZONA 85007, on the 7th day of February, 2003 at 10:00 AM, to PROVIDE DOCUMENTS SPECIFIED IN EXHIBIT "A", WHICH IS ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE.

THIS IS A CONFIDENTIAL INVESTIGATION. PURSUANT TO A.R.S. § 44-1822 YOU ARE NOT TO DISCLOSE THE EXISTENCE OF THIS SUBPOENA.



The seal of the Arizona Corporation Commission is affixed hereto, and the undersigned, a member of said Arizona Corporation Commission, or an officer designated by it, has set hrt hand at Phoenix, Arizona this 15th day of January , 2003.


Cheryl Farson
General Counsel
Securities Division

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Shelly M. Hood, Executive Assistant to the Executive Secretary, voice phone number 602/542-3931, e-mail shood@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the accommodation.

Pursuant to A.A.C. R14-4-305, any person required to appear at a formal interview may be represented by legal counsel.

Exhibit A

From the period beginning January 1, 1999 to the present, all documents, records, books, and any other papers, whether stored on electronic media or otherwise, incident or relating to D.M.S. Power Marketing LLC, Persanco LLC, D.M.S. Online Health LLC, D.M.S. Online Gifts LLC, D.M.S. Associates LLC, D.M.S. Power Cash Flow LLC, Creative Spirit, Diversified Management Services, Inc., Dynamic Money Strategies, DMS Mentoring Institute, DMS Discipleship-Mentoring Institute, D M S Cash Flow Institute, DMS Associates-Marketing, D.M.S. Power Marketing Institute, DMS Training Institute and Diversified Money Strategies, LLC., hereafter collectively referred to as "The Companies", including but not limited to:

1. All advertisements, correspondence, circulars, offering memoranda, newsletters, prospectuses, tax opinions, legal opinions, reports, brochures, flyers, handouts, or any other records made available to purchasers of any promissory notes or other indication of investment in "The Companies";
2. Names, addresses, and telephone numbers of all individuals or entities that have been offered or sold investments including promissory notes, or other indication of investment in "The Companies";
3. Documents relating to each individual or entity listed in paragraph 2 including any contracts, forms, subscriptions, agreements, notes, questionnaires, records of investment status, checks, wire transfers, receipts, account statements, tax information, and any correspondence, updates, or other communications;
4. The amounts and dates of each investment for each individual or entity listed in paragraph 2;
5. Articles of incorporation or organization, bylaws, and annual reports, including any amendments;
6. Names, addresses, and telephone numbers of all past and present officers and directors of managing members;
7. Records of all salaries, bonuses, reimbursement, distributions, draws, loans, or any other compensation, whether monetary or otherwise, paid to the individuals listed in response to paragraph 6;
8. All financial statements, annual and quarterly financial reports, whether audited or unaudited, with accompanying footnotes and any auditor's reports, all accounting records and books of original entry including but not limited to, cash receipts journal, cash disbursements journal, sales journals, general journal, subsidiary journals, general ledger, subsidiary ledgers and chart of accounts;

9. All assets currently held by "The Companies";
10. All documents concerning inquiries, investigations, or actions by any state or federal governmental agency;
11. Names, addresses, and telephone numbers and position of all past and present employees, independent contractors, or other agents;
12. All records of the terms and amount of commissions, salaries, bonuses, draws, fees, loans, reimbursement, distributions, or any other compensation paid to any name listed in response to paragraph 11;
13. All state and federal tax returns, including any applications, forms, or correspondence;
14. All bank or other depository institution accounts in the name of, or for the benefit of "The Company" or Douglas and/or Karen Sanchez, whether open or closed, including:
 - a. the name of the bank or depository institution and address of the branch at which the account is located;
 - b. the name and number of each account;
 - c. the names of all signatories on each account;
 - d. all account statements for all accounts requested above.

Exhibit B

SUBPOENA
SECURITIES DIVISION
ARIZONA CORPORATION COMMISSION

TO DMS Power Cash Flow LLC
1125 W. Baseline #2-3
Mesa, Arizona 85210

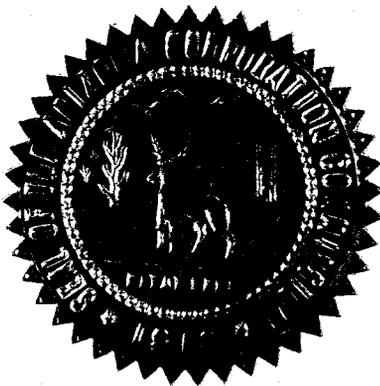
In the matter of

D.M.S. Power Cash Flow LLC

**involving possible violations of the Securities Act
and/or Investment Management Act of Arizona.**

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THIS IS A CONFIDENTIAL INVESTIGATION. PURSUANT TO A.R.S. § 44-1822 YOU ARE NOT TO DISCLOSE THE EXISTENCE OF THIS SUBPOENA.



The seal of the Arizona Corporation Commission is affixed hereto, and the undersigned, a member of said Arizona Corporation Commission, or an officer designated by it, has set her hand at Phoenix, Arizona this 15th day of January, 2003.

A handwritten signature in cursive script, appearing to read "Cheryl Farson", written over a horizontal line.

Cheryl Farson
General Counsel
Securities Division

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Shelly M. Hood, Executive Assistant to the Executive Secretary, voice phone number 602/542-3931, e-mail shood@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the accommodation.

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1. All advertisements, correspondence, circulars, offering memoranda, newsletters, prospectuses, tax opinions, legal opinions, reports, brochures, flyers, handouts, or any other records made available to purchasers of any promissory notes or other indication of investment in "The Companies";
2. Names, addresses, and telephone numbers of all individuals or entities that have been offered or sold investments including promissory notes, or other indication of investment in "The Companies";
3. Documents relating to each individual or entity listed in paragraph 2 including any contracts, forms, subscriptions, agreements, notes, questionnaires, records of investment status, checks, wire transfers, receipts, account statements, tax information, and any correspondence, updates, or other communications;
4. The amounts and dates of each investment for each individual or entity listed in paragraph 2;
5. Articles of incorporation or organization, bylaws, and annual reports, including any amendments;
6. Names, addresses, and telephone numbers of all past and present officers and directors of managing members;
7. Records of all salaries, bonuses, reimbursement, distributions, draws, loans, or any other compensation, whether monetary or otherwise, paid to the individuals listed in response to paragraph 6;
8. All financial statements, annual and quarterly financial reports, whether audited or unaudited, with accompanying footnotes and any auditor's reports, all accounting records and books of original entry including but not limited to, cash receipts journal, cash disbursements journal, sales journals, general journal, subsidiary journals, general ledger, subsidiary ledgers and chart of accounts;

9. All assets currently held by "The Companies";
10. All documents concerning inquiries, investigations, or actions by any state or federal governmental agency;
11. Names, addresses, and telephone numbers and position of all past and present employees, independent contractors, or other agents;
12. All records of the terms and amount of commissions, salaries, bonuses, draws, fees, loans, reimbursement, distributions, or any other compensation paid to any name listed in response to paragraph 11;
13. All state and federal tax returns, including any applications, forms, or correspondence;
14. All bank or other depository institution accounts in the name of, or for the benefit of "The Company" or Douglas and/or Karen Sanchez, whether open or closed, including:
 - a. the name of the bank or depository institution and address of the branch at which the account is located;
 - b. the name and number of each account;
 - c. the names of all signatories on each account;
 - d. all account statements for all accounts requested above.

Exhibit C



Renaud, Cook
& Drury, P.A.

MICHAEL SALCIDO

PLEASE REFER
TO OUR NUMBER:

DIRECT TELEPHONE LINE:
(602) 256-3008

DIRECT E-MAIL ADDRESS:
msalcido@rcdlaw.com

February 6, 2003

Mark Dinell
Arizona Corporation Commission
Securities Division
1200 West Washington
Phoenix, Arizona 85007

Re: D.M.S. Power Cash Flow LLC

Dear Mark:

This is to confirm that this firm will be representing Douglas Sanchez and D.M.S. Power Cash Flow LLC in connection with your investigation. We agreed that all the documents available will be produced on Friday, February 7, 2003. The remaining documents will be produced on Wednesday, February 12, 2003. We agreed that Mr. Sanchez will give his examination under oath on Wednesday, February 26, 2003, 9:00 a.m.

As I told you, Mr. Sanchez has assured me that he will not be raising money or issuing any promissory notes pending the outcome of this investigation. Thank you for your professional courtesy.

Call me if you have any questions.

Very truly yours,

RENAUD, COOK & DRURY, P.A.

Michael Salcido

:caj

cc: Douglas M. Sanchez

@PFDesktop\::ODMA/MHODMA/RCD_PHX;182645;1

Two Renaissance Square
40 N Central, Suite 1600
Phoenix, AZ 85004-4449

Phone: 602/307-9900
FAX: 602/307-5853

Member of
ALFA.INTERNATIONAL.

ACC000001
D. SANCHEZ

Exhibit D



Renaud, Cook
& Drury, P.A.

MICHAEL SALCIDO

PLEASE REFER
TO OUR NUMBER:

DIRECT TELEPHONE LINE:
(602) 256-3008

DIRECT E-MAIL ADDRESS:
msalcido@rcdlaw.com

February 7, 2003

HAND-DELIVERY

Mark Dinell
Arizona Corporation Commission
Securities Division
1200 West Washington
Phoenix, Arizona 85007

Re: Sanchez/D.M.S. Power Cash Flow LLC

Dear Mark:

Enclosed are copies of the Articles of Organization, Promissory Notes, and bank statements. More will be sent on or before Wednesday, February 12, 2003.

Mr. Sanchez tells me that there are no documents responsive to item numbers 1, 8, 9 and 10 of the Subpoena.

Regarding item numbers 7, 11 and 12, the only people to receive any compensation from these entities are Doug Sanchez, and his children, Melody and Jeremy, who earn nominal amounts.

As we further discussed, Sanchez told me that he will not solicit any investor funds pending the outcome of this investigation.

Two Renaissance Square
40 N Central, Suite 1600
Phoenix, AZ 85004-4449

Phone: 602/307-9900
FAX: 602/307-5853

Member of
ALFA.INTERNATIONAL

ACC000002
D. SANCHEZ

RENAUD, COOK
& DRURY, P.A.

Mark Dinell
February 7, 2003

Page 2

Call me if you have any questions.

Very truly yours,

RENAUD, COOK & DRURY, P.A.



Michael Salcido

:caj

Enclosures

cc: Douglas M. Sanchez

@PFDesktop\::ODMA/MHODMA/RCD_PHX;182875;1

ACC000003
D. SANCHEZ

Exhibit E

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BEFORE THE
ARIZONA CORPORATION COMMISSION
SECURITIES DIVISION

IN THE MATTER OF THE INVESTIGATION)
OF:)
)
DMS POWER MARKETING AND)
DOUGLAS SANCHEZ)
_____)

EXAMINATION UNDER OATH OF DOUGLAS SANCHEZ

Volume I
(Pages 1 through 133)

Phoenix, Arizona
February 26, 2003

ARIZONA REPORTING SERVICE, INC.
Court Reporting
Suite Three
2627 North Third Street
Phoenix, Arizona 85004-1197

Prepared for: By: CECELIA BROOKMAN, RPR
Certified Court Reporter
Certificate No.50154
SECURITIES DIVISION

ORIGINAL

1 DOUGLAS SANCHEZ,
2 called as a witness herein, having been first duly
3 sworn by the Notary Public to speak the truth and
4 nothing but the truth, was examined and testified as
5 follows:

6

7

EXAMINATION

8

9 Q. (BY MR. DINELL) Will you please state your
10 full name for the record.

11 A. Douglas Sanchez.

12 Q. Mr. Sanchez, this is part of an inquiry by
13 the Securities Division of the Arizona Corporation
14 Commission in the matter of DMS Power Marketing,
15 L.L.C., and Dennis Sanchez in order to determine if
16 there has been full compliance with the Securities Act
17 of the State of Arizona. The information obtained
18 today may reveal violations of statutes outside the
19 Securities Act.

20 Persons present are myself, Mark Dinell,
21 attorney for the Securities Division, and Gary
22 Clapper, who just stepped out, who is an investigator
23 with the Securities Division.

24 Mr. Sanchez, you have the right to refuse to
25 answer any questions if you think the answer may tend

1 Q. Do you know his address?

2 A. It's an apartment. It's in Chandler. I
3 don't know the exact address.

4 Q. Where are your personal bank accounts?

5 A. Wells Fargo.

6 Q. The business entities we talked about, where
7 are their bank accounts?

8 A. Bank of America.

9 Q. They both have brokerage accounts at
10 Scottrade and Schwab?

11 A. Schwab's been inactive, yes, but one of the
12 accounts may still be sitting there open, but it's not
13 active.

14 Q. Do you have any brokerage accounts?

15 A. Not personally, no.

16 (Exhibit No. 1 was marked for
17 identification.)

18 Q. (BY MR. DINELL) I'm going to show you what
19 has been marked as Exhibit 1, which was a subpoena
20 that was served upon you. I'm going to go to the part
21 that was marked as Exhibit A and go through the
22 documents that were requested of you.

23 No. 1 asks, Paragraph 1 on Exhibit 1 asks for
24 all advertisements, et cetera. Do you see that
25 paragraph?

1 A. Uh-huh.

2 Q. Say yes or no.

3 A. Yes.

4 Q. Do you have any documents that are responsive
5 to that? Take a minute and look over it.

6 A. No.

7 Q. Paragraph 2 asks for the names, addresses,
8 and telephone numbers of individuals who have been
9 sold investments, including promissory notes in the
10 companies.

11 Now, you produced some documents through your
12 attorney, including a couple more documents this
13 morning. Do you have any other documents that are
14 responsive to Paragraph 2?

15 A. There might be other notes or older copies of
16 notes in storage that I, I'm unable to get.

17 Q. Where would they be stored?

18 A. In a, it's one of those self storage places.

19 Q. Why were you unable to get to them?

20 A. Just because of time. I've been, literally
21 been in California for a month with, back and forth,
22 with family issues. My uncle passed away, my dad has
23 Alzheimer's and we just moved him here.

24 Q. Have you checked the storage locker at all
25 for documents called for by the subpoena?

1 A. Yes.

2 Q. So you have been --

3 A. I've been there but was unable to get through
4 all the boxes.

5 Q. So you've gone through some, but not all?

6 A. Correct. And I don't know that there's any
7 others there.

8 Q. What records are stored in your storage
9 facility?

10 A. Right now, it's just books, mostly, books and
11 stuff, some furniture. But other than that, as far as
12 documents, I don't know. I have not been through all
13 the -- several of the boxes.

14 Q. Are you planning to do so in the near future?

15 A. Yes.

16 Q. Other than documents in the storage facility,
17 have you produced everything responsive to
18 Paragraph 2?

19 A. I don't know if I gave telephone numbers.

20 Q. Have you given us all the promissory notes
21 that you know of?

22 A. Yes.

23 Q. Paragraph 3, have you given us all documents?

24 A. I have not given you tax information,
25 although some of the tax returns have not been

1 completed.

2 Q. So you haven't given us the tax returns for
3 which years?

4 A. For probably the last three years.

5 Q. The last three years haven't been completed
6 yet?

7 A. Correct.

8 Q. Is there a reason why they haven't been done
9 yet?

10 A. No. I just did not do it.

11 Q. For which entities have you not done your
12 taxes for the last three years?

13 A. Last year and a half, two years, DMS Power
14 Cash Flow or -- DMS Associates will be in the last
15 year, two years.

16 Q. Do you have a tax accounting service you use?

17 A. Not specifically.

18 Q. Who is preparing these tax returns?

19 A. The name of the -- it's a referral that I
20 have but I don't remember. I have not contacted the
21 person.

22 Q. So you haven't actually done anything to
23 prepare these tax returns?

24 A. I've put together the information, in the
25 process of doing all that, yes.

1 Q. When they are completed, you'll send us
2 copies through your attorney?

3 A. Yes, sir.

4 Q. Paragraph 4 asks for the names and dates of
5 each investment. You've given us that information?

6 A. They should be on the promissory notes.

7 Q. Skip to Paragraph 7, which asks for salaries,
8 bonuses, et cetera. Have you given us that
9 information?

10 A. I believe so.

11 Q. Paragraph 8 asks for financial statements,
12 financial reports. It goes on from there. According
13 to your attorney, you have no such information; is
14 that correct?

15 A. That's correct. There's no reports, it's
16 just the checking accounts and stock accounts.

17 Q. Okay. The checking accounts and the stock
18 accounts are the only financial information you have
19 for any of the entities and yourself that are listed
20 in Exhibit A?

21 A. Yes, other than the tax returns that I just
22 mentioned that are.

23 Q. You have not produced to us complete bank
24 account statements or brokerage account statements for
25 these entities. Is there a reason why you did not?

1 A. I believe I --

2 Q. For example, the only brokerage account
3 statement we have is one year for Charles Schwab for
4 DMS. We don't have any Scottrade statements, we don't
5 have any Persanco statements, we certainly do not have
6 complete Schwab statements?

7 A. I think for DMS Cash Flow on the statements
8 that I have, because of online is the year-end
9 statement.

10 Q. That's true, we have one year from Schwab but
11 we have nothing beyond that year, and we have nothing
12 else for Persanco. Is there a reason why we don't
13 have those documents?

14 A. Persanco, I have, the tax returns were there,
15 which would have stated the activity. I would have to
16 request from, specifically, one of the individual
17 statements they have to be requested from, because of
18 the online account from Scottrade.

19 Q. We have a document here Bates numbered
20 ACC 000183 through 188, which is a Charles Schwab
21 account for tax year 1999 for Dynamic Money
22 Strategies.

23 A. Correct.

24 Q. That's the only brokerage statement that was
25 produced to us. When did your account leave Schwab?

1 A. I don't have that date.

2 Q. Did you do any trading at Schwab in the year
3 2000?

4 A. Yes.

5 Q. Do you have the account statements for year
6 2000?

7 A. I have probably the individual transaction
8 statements, and I requested the year-end statements, I
9 think I wrote that on the memo of this, that I
10 requested the year-end statements for 2000 and 2001.
11 I don't know -- I don't know if there was activity in
12 2001 on that account.

13 Q. What financial statements do you have from
14 Schwab? You said the individual transactions?

15 A. Possibly the individual, each individual.
16 With Schwab, every time you did a transaction, they
17 would send you a copy.

18 MR. SALCIDO: Confirmation.

19 THE WITNESS: Confirmations of what you
20 bought and what you sold, but that would be reflected
21 in that annual.

22 Q. (BY MR. DINELL) But we don't have the annual
23 one for other than 1999.

24 A. Yeah, I could not find that.

25 Q. Did you do any trading at Schwab in '98?

1 A. I don't believe so. I may have. I don't
2 remember.

3 Q. I'm not trying to mislead you here. The
4 earliest date I've seen in the Schwab statement is May
5 of '99. Does that refresh your memory at all as to
6 when you opened it?

7 A. I'm thinking '99 was the account date, but
8 I'm not 100 percent sure.

9 Q. Do you know if you received a year-end
10 statement for 2000?

11 A. If I did, I cannot locate it, but I can
12 request another one.

13 Q. Did you receive any statements from
14 Scottrade?

15 A. I believe I may have.

16 Q. Do you have those statements?

17 A. If I have the individual confirmations --
18 they would be the individual confirmations that would
19 reflect on the annual statement.

20 Q. Did you receive monthly or quarterly
21 statements from either of those firms?

22 A. Probably quarterly.

23 Q. What did you do with them when you received
24 them?

25 A. They're stored.

1 Q. In your storage facility?

2 A. I'm assuming that's where they're at.

3 Q. I'm going to request that as soon as
4 possible, you go to your storage facility and look
5 through it for the documents that we subpoenaed from
6 you.

7 A. Okay. So the individual transaction sheets?

8 MR. SALCIDO: Bring in everything you have
9 that has to do with these brokerage accounts,
10 everything.

11 MR. DINELL: Just so the record is clear, at
12 the end of this, we will continue it to a later date,
13 once I receive complete documentation.

14 Q. (BY MR. DINELL) Continuing on in Exhibit 1,
15 which is the subpoena, Paragraph 9 asks for all assets
16 currently held by the companies. According to your
17 attorney's letter, there are no assets.

18 A. Other than cash.

19 Q. And the cash is reflected in the bank account
20 statements?

21 A. Correct.

22 MR. DINELL: Why don't we take a couple
23 minutes. Take a break.

24 (A recess ensued.)

25 MR. DINELL: Let's go back on the record.

1 A. There were just additional moneys added to
2 this, up to 132,000. There was 30,000 and 40,000, and
3 they received payments back over that same time
4 period.

5 Q. What payments have they received?

6 A. Some cases, it was up to like three or four
7 thousand a month, but I don't have the exact amount.

8 Q. How do you track what you have paid your
9 investors?

10 A. Just through the checking account.

11 Q. Do you keep a record of payments to each
12 investor?

13 A. Just through the check register.

14 Q. How would you know how much you owe an
15 investor such as the Waltons?

16 A. By looking back at the check register and
17 accumulated over the amount of the money.

18 Q. So if the Waltons came to you and said how
19 much is currently owed on the note, the only way you
20 could determine that would be to go through your check
21 register and add up the payments you made to them?

22 A. That, and the feedback from them that they've
23 kept track of it.

24 Q. Have they kept track of it?

25 A. I believe so.

Exhibit F

COMMISSIONERS
MARC SPITZER - Chairman
JIM IRVIN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON

JAMES G. JAYNE
INTERIM EXECUTIVE SECRETARY



MARK SENDROW
DIRECTOR

SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007-2996
TELEPHONE: (602) 542-4242
FAX: (602) 594-7470
E-MAIL: accsec@ccsd.cc.state.az.us

ARIZONA CORPORATION COMMISSION

June 2, 2003

Michael Salcido
Renaud Cook & Drury PA
40 N Central Ave, 16th Fl
Phoenix, AZ 85004-4424

Re: Douglas Sanchez

Dear Mike:

At the prehearing conference in this case on May 22, 2003, you said that you would try to get the remaining documents we had subpoenaed from clients to us by the end of that week. As of this date, we still have not received them. I would appreciate receiving them as soon as possible.

Additionally, you had mentioned after the prehearing conference that your client felt that the amount of restitution mentioned in the Notice was too high. Actually, since filing the Notice, we have discovered a number of investors not disclosed by your client. Thus, whether we go to hearing or settle the case, the restitution order against your clients will actually be significantly higher than that mentioned in the Notice.

Sincerely,

Mark Dinell

Exhibit G

COMMISSIONERS
MARC SPITZER - Chairman
JIM IRVIN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON

JAMES G. JAYNE
INTERIM EXECUTIVE SECRETARY



MARK SENDROW
DIRECTOR

SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007-2996
TELEPHONE: (602) 542-4242
FAX: (602) 594-7470
E-MAIL: accsec@ccsd.cc.state.az.us

ARIZONA CORPORATION COMMISSION

July 1, 2003

Michael Salcido
Renaud Cook & Drury PA
40 N Central Ave, 16th Fl
Phoenix, AZ 85004-4424

Re: Douglas Sanchez

Dear Mike:

At the prehearing conference in this case on May 22, 2003, you said that you would try to get the remaining documents we had subpoenaed from clients to us by the end of that week. As of this date, we still have not received them. I would appreciate receiving them as soon as possible. As I previously mentioned to you, we will not settle this case without full production from Mr. Sanchez and his entities.

Sincerely,

A handwritten signature in cursive script that reads "Mark Dinell".

Mark Dinell

Exhibit H



Renaud, Cook
& Drury, P.A.

MICHAEL SALCIDO

PLEASE REFER
TO OUR NUMBER:
2833-0001

DIRECT TELEPHONE LINE:
(602) 256-3008

DIRECT E-MAIL ADDRESS:
msalcido@rcdlaw.com

July 17, 2003

HAND-DELIVERY

Mark Dinell
Arizona Corporation Commission
Securities Division
1200 West Washington
Phoenix, AZ 85007

Re: D.M.S. Power Cash Flow LLC

Dear Mark:

Here are additional documents produced by Doug Sanchez. I have asked him to make certain that he has produced everything that the Division has requested. If you believe that he has not done so, please tell me specifically what still needs to be produced.

Regarding pre-hearing disclosure, I intend to use Sanchez and any witness listed by the Division. I intend to use any documents produced by Sanchez, and any documents listed by the Division.

If the Division is preparing an Exhibit book, would you please provide me with a copy of that in advance. I will then know how to prepare my Exhibit book if, in fact, I use one. As you know, defending these cases depends, in large part, on what evidence the Division puts on.

The documents in the Kinko's bag are for you to keep. The rest of the documents are originals and I need them back after you have copied what you need

Two Renaissance Square
40 N Central, Suite 1600
Phoenix, AZ 85004-4449

Phone: 602/307-9900
FAX: 602/307-5853

Member of
ALFA.INTERNATIONAL.

RENAUD, COOK
& DRURY, P.A.

Mark Dinell
July 17, 2003

Page 2

I am still very interested in settling this matter. Please give me a call.

Sincerely,

RENAUD, COOK & DRURY, P.A.

A handwritten signature in black ink, appearing to read "M Salcido". The signature is written in a cursive style with a large initial "M".

Michael Salcido

MS:caj

Enclosures

cc: Douglas M. Sanchez

@PFDesktop\::ODMA/MHODMA/RCD_PHX;202819;1

Exhibit I

COMMISSIONERS
MARC SPITZER - Chairman
JIM IRVIN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON

JAMES G. JAYNE
INTERIM EXECUTIVE SECRETARY



ARIZONA CORPORATION COMMISSION

MARK SENDROW
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July 17, 2003

Via Fax Only

Michael Salcido
Renaud Cook & Drury PA
40 N Central Ave, 16th Fl
Phoenix, AZ 85004-4424

Re: Douglas Sanchez

Dear Mike:

I have briefly reviewed the documents you produced today. Despite the fact that your clients were subpoenaed in January, they still have not complied with the subpoena. In his EUO, Mr. Sanchez testified:

- Q. What payments have they received?
A. Some cases, it was up to like three or four thousand a month, but I don't have the exact amount.
Q. How do you track what you have paid your investors?
A. Just through the checking account.
Q. Do you keep a record of payments to each investor?
A. Just through the check register.
Q. How would you know how much you owe an investor such as the Waltons?
A. By looking back at the check register and accumulated over the amount of the money.

Douglas Sanchez, Transcript of Examination Under Oath, p. 51, Ins. 5 -17. Despite the fact that Mr. Sanchez testified that the only way he kept track of payments was through his check register, he still has not produced it nor any detail supporting it.

July 17, 2003
Page 2

For your information, I will be filing a motion tomorrow asking Judge Stern to rule that due to this failure, that Respondents be deemed to have made no payments to investors.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Dinell". The signature is written in a cursive style with a large, looping initial "M".

Mark Dinell

Enc.