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BEFORE THE ARIZONA CORPORATION COMMISSION

2003 APR 18 P 12:02

COMMISSIONERS

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

AZ CORP COMMISSION
DOCUMENT CONTROL

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

NOTICE OF OPPORTUNITY FOR
HEARING REGARDING PROPOSED
ORDER TO CEASE AND DESIST
ORDER, FOR RESTITUTION, FOR
ADMINISTRATIVE PENALTIES AND
FOR OTHER AFFIRMATIVE ACTION

Arizona Corporation Commission

DOCKETED

APR 18 2003

DOCKETED BY []

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission
("Commission") alleges that RESPONDENTS have engaged in acts, practices and transactions,
which constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 et seq. ("Securities
Act").

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona
Constitution and the Securities Act.

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II.
RESPONDENTS

2. DOUGLAS SANCHEZ (“SANCHEZ”) is an Arizona citizen, residing at 837 West Kiowa, Mesa, Arizona.

3. KAREN SANCHEZ is at all relevant times the spouse of SANCHEZ. KAREN SANCHEZ is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community.

4. At all times relevant, SANCHEZ was acting for his own benefit, and for the benefit or in furtherance of the marital community.

5. DMS POWER CASH FLOW, L.L.C. (“DMS”), is an Arizona limited liability company, located at 1125 W. Baseline, #2-3, Mesa, Arizona 85210. SANCHEZ is the manager of DMS.

6. PERSANCO, L.L.C. (“PERSANCO”) is an Arizona limited liability company, located at 1125 W. Baseline, #2-3, Mesa, Arizona 85210. SANCHEZ is the manager of PERSANCO

7. SANCHEZ, DMS and PERSANCO may be collectively referred to as “RESPONDENTS.” Karen Sanchez may be referred to as “RESPONDENT SPOUSE.”

III.
FACTS

8. Starting in 1998, RESPONDENTS began raising money from the general public. RESPONDENTS raised at least \$533,000 from at least eight investors.

9. RESPONDENTS provided promissory notes to some of the investors. RESPONDENTS promised to pay interest ranging from 10 to 30 percent per annum on investor funds.

10. RESPONDENTS told some investors that they would use the funds in business ventures or in stock trading. RESPONDENTS told at least one investor that they would purchase second deeds

1 of trust. RESPONDENTS did not disclose to some investors how funds would be used, merely
2 stating that the funds would be invested.

3 11. RESPONDENTS provided a quarterly account statement to some investors, showing trading
4 they had done in stocks.

5 12. Funds raised by RESPONDENTS were pooled into a common account under the DMS
6 name. RESPONDENTS used funds from that account for various purposes, including paying
7 interest or principal to some of the investors. RESPONDENTS also used the funds in that account to
8 undertake stock trading.

9 13. RESPONDENTS opened accounts under the names of DMS and PERSANCO at Charles
10 Schwab and Scottrade in which they undertook stock trading. RESPONDENTS did not generate
11 sufficient income from those accounts to pay investors the profits they were promised. That
12 information was not disclosed to investors. Additionally, RESPONDENTS never calculated their
13 profits or losses from trading stocks, thus having no idea whether they could generate sufficient
14 revenues to pay investors. This information was not disclosed to investors. RESPONDENTS also
15 traded on margin and undertook to trade short in some stocks. Investors were not informed that such
16 trading would be undertaken and were not told of the risks or expense of such trading.

17 14. RESPONDENTS began trading in stocks in 1998. Prior to that, RESPONDENTS only
18 background or knowledge of trading stocks came from a Wade Cook seminar that SANCHEZ
19 attended. This lack of experience was not disclosed to at least some investors.

20 15. Some investors utilized funds from tax sheltered accounts to invest with RESPONDENTS.
21 RESPONDENTS represented to those investors that they would make sufficient profits from the
22 investing to make up for any losses suffered from withdrawing funds from tax sheltered accounts.

23 16. RESPONDENTS used some investor funds to pay SANCHEZ and his personal expenses.
24 This information was not disclosed to investors.

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1 17. RESPONDENTS used some investor funds to pay other investors. This information was not
2 disclosed to investors.

3 18. SANCHEZ is a part-time pastor at a Mesa church. Some of the investors met him there.

4 19. RESPONDENTS paid some returns to investors, but are currently in default.

5 20. In its investigation of RESPONDENTS, the Securities Division issued subpoenas to
6 RESPONDENTS requiring production of documents. RESPONDENTS incompletely produced the
7 requested documents, but despite repeated requests, failed to produce all documents required by the
8 subpoenas.

9 **IV.**

10 **VIOLATION OF A.R.S. § 44-1841**

11 **(Offer or Sale of Unregistered Securities)**

12 21. From on or about 1998, RESPONDENTS offered or sold securities in the form of promissory
13 notes and investment contracts, within or from Arizona.

14 22. The securities referred to above were not registered pursuant to the provisions of Articles 6 or
15 7 of the Securities Act.

16 23. This conduct violates A.R.S. § 44-1841.

17 **V.**

18 **VIOLATION OF A.R.S. § 44-1842**

19 **(Transactions by Unregistered Dealers or Salesmen)**

20 24. RESPONDENTS offered or sold securities within or from Arizona, while not registered as
21 dealers or salesmen pursuant to the provisions of Article 9 of the Securities Act.

22 25. This conduct violates A.R.S. § 44-1842.

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1 VI.

2 VIOLATION OF A.R.S. § 44-1991

3 (Fraud in Connection with the Offer or Sale of Securities)

4 26. In connection with the offer or sale of securities within or from Arizona, RESPONDENTS
5 directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue
6 statements of material fact or omitted to state material facts which were necessary in order to make
7 the statements made not misleading in light of the circumstances under which they were made; and
8 (iii) engaged in transactions, practices or courses of business which operated or would operate as a
9 fraud or deceit upon offerees and investors. RESPONDENTS' conduct includes, but is not limited
10 to, the following:

11 a) Failing to provide investors with any prospectus or other statement disclosing the
12 risks of investing with RESPONDENTS, including costs and risks associated with day trading,
13 trading on margin, trading short in securities and the expense of such trading;

14 b) Failing to provide investors with any financial statement, disclosing the limited
15 financial resources of RESPONDENTS;

16 c) Failing to disclose to investors their limited experience in stock trading;

17 d) Failing to disclose to investors that their investments would be used to pay interest to
18 other investors;

19 e) Failing to disclose to some investors that their investments would be used to pay
20 SANCHEZ, including his personal expenses;

21 f) Failing to disclose to investors that RESPONDENTS did not generate sufficient
22 income from stock trading in order to pay promised profits to investors;

23 g) Failing to disclose to investors that RESPONDENTS did not calculate profits or
24 losses from stock trading and thus lacked information to know whether they could generate sufficient
25 revenues from stock trading in order to pay investors; and
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1 Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007.
2 A Docket Control cover sheet must accompany the request. A cover sheet form and instructions may
3 be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site
4 at www.cc.state.az.us/utility/forms/index.htm.

5 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
6 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the
7 parties, or ordered by the Commission. If a request for a hearing is not timely made, the Commission
8 may, without a hearing, enter an order against each RESPONDENT, including RESPONDENT
9 SPOUSE, granting the relief requested by the Division in this Notice of Opportunity for Hearing.

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

15 XIV.

16 ANSWER REQUIREMENT

17 Pursuant to A.A.C. R14-4-305, if any RESPONDENT or RESPONDENT SPOUSE
18 requests a hearing, RESPONDENT or RESPONDENT SPOUSE must deliver or mail an Answer
19 to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission,
20 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of
21 service of this Notice of Opportunity for Hearing. A Docket Control cover sheet must
22 accompany the Answer. A cover sheet form and instructions may be obtained from
23 Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at
24 www.cc.state.az.us/utility/forms/index.htm.

