COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

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MESA PASTOR FLEECES HIS FLOCK, INSURANCE SALESMAN AND INVESTMENT CLUB TRADER CONSENT TO COMMISSION ORDERS

PHOENIX – The Arizona Corporation Commission entered consent orders against three individuals who agreed to return $1.5 million to investors and pay penalties totaling $70,000. One respondent is a Mesa pastor who sold unregistered promissory notes to his church members and fellow pastors and also forged their signatures to withdraw funds from investment accounts. The other two cases involve unregistered pay telephone investment contracts and an investment club.

Douglas Sanchez, et al.

After hearing the passionate and troubling stories of five investors who lost all or most of their money at the hands of a person they believed was a "man of God," the Commissioners voted to sanction an associate pastor, 56-year-old Douglas Sanchez of Mesa. In a signed consent decree, Sanchez admitted to multiple securities fraud violations and consented to return $895,025, plus interest, for selling unregistered promissory notes and investment contracts to investors, two of whom were physically disabled. The Commission also assessed a $50,000 penalty.

Besides being a pastor, Sanchez was also manager of DMS Power Cash Flow, LLC, and Persanco, LLC. The companies served as conduits for the promissory notes and investment contract sales to 14 investors, at least five of whom were church members. Two additional investors were pastors who worked with Sanchez.

The Commission found that Sanchez sold to six investors promissory notes, promising returns of 8 to 20 percent interest. Sanchez told investors that he would be trading stocks, purchasing deeds of trust, investing in bonds or certificates of deposit and looking for business opportunities.

The Commission determined that Sanchez expended only about $50 to explore business opportunities. The investors were not aware that the majority of their funds went toward stock trading, interest payments and Sanchez's personal expenditures.

The Commission found that Sanchez failed to explain the general risks of stock trading. The Commission also found that Sanchez failed to disclose to investors that he would be trading stocks on margin and selling stocks short. Investors were not told of the risks associated with such trading methods.

Sanchez claimed to be successful at trading stocks, but the Commission found his claims to be false. Sanchez did not disclose to investors that, prior to 1998, his only knowledge of stock trading was gleaned from attending one investing seminar. The Commission also found that Sanchez failed to disclose that he had not bought deeds of trust since the 1970s in California and never purchased any since that time, even after receiving investor funds.

In March of 2001, Sanchez opened a Charles Schwab account in the name of DMS Power Cash Flow. In this account, Sanchez listed one the investors as manager of the account. Without the investor's knowledge, Sanchez forged the investor's name on checks to withdraw funds from the account.

In February of 2003, Sanchez represented to the Commission's Securities Division that he would not raise any additional money from investors. Despite that representation, the Commission found that Sanchez later directed an investor to wire $36,750 from the sale of her house to an account Sanchez controlled.

The Commission determined that Sanchez and his companies lost $34,474 trading stocks and failed to inform investors of the losses. Several investors told Sanchez that they are experiencing extreme financial problems due to the loss of all of their retirement funds. Since he stopped making interest payments to the investors, Sanchez has not responded to their telephone calls, letters and emails.

Ralph Shaul

A 64-year-old insurance salesman, Ralph Shaul of Phoenix, consented to stop selling unregistered pay telephone investment contracts and pay a $5,000 penalty. The Commission also ordered Shaul to repay investors $82,360, which were Shaul's net commissions that he received from selling the contracts totaling $655,000.

From May 2000 through April 2001, Shaul sold 131 contracts at $5,000 each in Alpha Telecom, Inc., an Oregon corporation that offered the pay telephones and service contracts. Although licensed to sell insurance, Shaul was not registered to sell securities or licensed to provide investment advice in Arizona. In addition, the Alpha contracts are not registered securities or have an applicable exemption from registration in Arizona.

Shaul agreed to make monthly payments to the State of Arizona in the amount of $200 per month. The Arizona Attorney General will maintain and control an interest-bearing account to hold Shaul's payments. The Commission will work with the Attorney General to distribute the amounts received from Shaul to the investors who purchased from him, in proportion to the total amount of each investment.

This order resolves the Commission's claims against Shaul. The Commission anticipates, however, that it will take action against other individuals who were involved in sales of the Alpha Telecom contracts, in separate actions involving those individuals.

Carl Delano Woodard

The Commission entered into a consent order against 43-year-old Carl Delano Woodard of Chandler, who agreed to return $335,113 to investors and pay a penalty of $15,000 for high-risk stock trading without disclosing to investors the potential of financial loss.

In 1994, Woodard began trading stocks through Maliko Investments, an investment club partnership organized by his family and friends.

Although Woodard disclosed to investors the stock trades in Maliko, the Commission found that he failed to adequately disclose the potential risks of the partnership's portfolio. Woodard was investing in a small number of investment types and the portfolio was not diversified to minimize risk.

The Commission found that Woodard purchased stocks on margin for Maliko I and II. Buying on margin means he borrowed funds from the brokerage firm to purchase additional stock, utilizing the holdings as collateral. In addition, the Commission found that Woodard engaged in short-selling of Maliko's portfolio. Buying stocks on margin and selling short are trading methods that involve substantial levels of risk. The Commission found, however, that Woodard failed to disclose to investors the potential risk of financial loss when utilizing such trading methods.

Woodard agreed to never apply at any time for registration or licensure as a financial professional in Arizona. Woodard also agreed never to exercise control over any entity that offers or sells securities or provides investment advisory services.

Of the total $715,015 contributed, Maliko's investors received $172,062 in distributions. Some of the investors filed civil suits against Woodard for his actions and have received an aggregate sum of $120,000.

Prior to investing, people should verify registration of sellers and investment opportunities by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242, toll free outside the Phoenix Metropolitan Area at 1-877-811-3878. The Division's website also has helpful information for investors: www.ccsd.cc.state.az.us.

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Note to reporters/editors: Several of the investors in the Sanchez Case have stated that they would be available to speak about their experiences in an effort to prevent others from similar losses.