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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of the State
of Washington by:

The Samuel Edwards Group, The Sapphire Fund,
Mark Alan Wagner, Michael Munkasey;

Respondents

SDO -12 - 02

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL ORDER
CEASE AND DESIST

Case No. 01-11-427

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THE STATE OF WASHINGTON TO: The Sapphire Fund

The Samuel Edwards Group
Mark Alan Wagner, Managing Director
3453 Ingraham St Ste 54
San Diego, CA 92109

Michael Munkasey
3639 Midway Dr Ste B289
San Diego, CA 92110-5254

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On December 13, 2001, the Securities Administrator of the State of Washington issued Summary Order to Cease and Desist SDO-103-01 hereinafter referred to as the Summary Order to The Samuel Edwards Group, Mark Alan Wagner, The Sapphire Fund, and Michael Munkasey.

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The summary order, together with a Notice of Opportunity to Defend and Opportunity for Hearing (hereinafter referred to as "Notice of Opportunity for Hearing") and an Application for Adjudicative Hearing (hereinafter referred to as "Application for Hearing") thereon, were served on respondent Michael Munkasey on or before December 17, 2001. The Notice of Opportunity for Hearing advised respondent Michael Munkasey that he had twenty days from the date he received the notice to file a written application for an administrative

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1 hearing on the summary order. Munkasey sent the Securities Division a letter dated January 4, 2002, stating that
2 he was not requesting a hearing on the Summary Order and explaining the circumstances of the transactions
3 described in the Summary Order. The Securities Division has considered the information provided by
4 Munkasey in his letter.

5 The Summary Order, together with a Notice of Opportunity to Defend and Opportunity for Hearing
6 (hereinafter referred to as "Notice of Opportunity for Hearing") and an Application for Adjudicative Hearing
7 (hereinafter referred to as "Application for Hearing") thereon, were served, by certified mail, on respondents
8 Mark Alan Wagner, The Samuel Edwards Group, and The Sapphire Fund on or before December 19, 2001.
9 The Notice of Opportunity for Hearing advised those respondents that each had twenty days from the date he
10 received the notice to file a written application for an administrative hearing on the Summary Order. On
11 January 3, 2002, respondent Mark Alan Wagner called the Securities Division and claimed that he had heard of
12 the order from Munkasey but had not been served because the zip code for him, The Samuel Edwards Group
13 and the Sapphire Fund was incorrect. The Securities Division therefore sent, by certified mail, a second copy of
14 the Summary Order, the notice of opportunity for hearing, and the application for hearing for Wagner, The
15 Samuel Edwards Group, and The Sapphire Fund. This second copy was delivered on January 14, 2002. In
16 fact, the signature on the notice of receipt for this second copy is identical with the signature on the notice of
17 receipt for the first copy, which Wagner claimed not to have received.

18 Respondents Mark Alan Wagner, The Samuel Edwards Group, and The Sapphire Fund have each failed
19 to request an administrative hearing within twenty days of his receipt of the Summary Order and Notice of
20 Opportunity for Hearing, either on the Application for hearing provided or otherwise. On February 5, 2002,
21 more than twenty days after his receipt of the second copy of the summary order, notice of opportunity for
22 hearing, and application for hearing, Wagner again called the Securities Division. In that call, he stated that he
23 wanted a hearing. He was informed that the time to request a hearing on the summary order had expired, but
24 that if he wished to submit a written explanation, the Securities Division would consider that explanation before

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1 entering a final order in the matter, so long as the Securities Division received the explanation within two weeks
2 of his call. Although more than two weeks have passed since the telephone call, the Securities Division never
3 received an explanation or other communication from Wagner.

4 The Securities Administrator therefore will adopt as final the findings of fact and conclusions of law as
5 set forth in the Statement of Charges.

6 The Securities Administrator makes the following findings of fact and conclusions of law:

7 **FINDINGS OF FACT**

8 **I.**

9 The Samuel Edwards Group is a Nevada limited liability company with its principal place of business at
10 3453 Ingraham St Ste 54, San Diego, California 92109. The Samuel Edwards Group, Inc. also used the postal
11 address, PO Box 27740, Las Vegas, NV 89126.

12 **II.**

13 Mark Alan Wagner is a managing director of The Samuel Edwards Group.

14 **III.**

15 In April 2000, Michael Munkasey, then a resident of Issaquah, Washington, acting as agent for The
16 Samuel Edwards Group solicited a Washington resident to invest in the Sapphire Fund of The Samuel Edwards
17 Group. Munkasey said that the Sapphire Fund paid 10% interest. In order to invest in the Sapphire Fund, the
18 Washington resident was required to sign a non-circumvention, nondisclosure, and confidentiality agreement
19 and to become a member of TSEG, and to purchase participating units at \$1,500 per unit. The participating
20 units were for a minimum term of one year with an expected return of 10%. There was a penalty of 25% per
21 unit forfeited for withdrawal of funds prior to the end of the one-year term. The funds from the participating
22 units were to be invested in private placement of funds in various high-level financing activities. The offering
23 materials provided in connection with the participating units did not reveal the names or financial conditions of

1 the firms with which the Sapphire Fund was to place the funds, the terms on which the funds were placed, the
2 experience of TSEG management at placing funds with those firms, or the financial condition of TSEG or its
3 Sapphire Fund. The offering materials did not describe the risks associated with the investment.

4 From June 2000 through at least September 2001, TSEG operated a website for its members and
5 prospective members at www.tseg.org.

6 Munkasey directed the Washington resident to wire funds to purchase to an account at Bank of America in
7 Las Vegas, Nevada. In late May 2000, the Washington resident wired \$15,000 to that account. The
8 Washington resident then received a certificate for \$15,000 in the Sapphire Fund with a maturity date in mid-
9 June 2001. When the certificate came due, the Washington resident asked for her money to be returned. Mark
10 Alan Wagner told the Washington resident that the funds were not available because of problems with banks,
11 which prevented getting the money back into this country.

12 IV.

13 Neither The Samuel Edwards Group nor its Sapphire Fund is currently registered to sell its securities in the
14 state of Washington and neither has previously been so registered.

15 V.

16 Michael Munkasey was registered in Washington as a representative of PFS Investments, Inc., a registered
17 broker-dealer, from February 26, 1996 through September 8, 1999 to sell mutual funds and variable contracts.
18 Munkasey is not currently registered as a securities salesperson or broker-dealer in the state of Washington and
19 was not so registered when he sold investments in The Sapphire Fund of The Samuel Edwards Group.

20 Based upon the above Findings of Fact, the following Conclusions of Law are made:
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25 CONCLUSIONS OF LAW AND FINAL
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CONCLUSIONS OF LAW

I.

The offer and/or sale of participating units in the Sapphire Fund described above constitutes the offer and/or sale of a security as defined in RCW 21.20.005(10) and (12).

II.

The offer and/or sale of said securities is in violation of RCW 21.20.140 because no registration or notification of claim of exemption for such offer and/or sale is on file with the Administrator of Securities, state of Washington and it appears that the respondent does not otherwise qualify for an exemption from registration.

III.

Michael Munkasey has violated RCW 21.20.040 by offering and/or selling said securities while not registered as a securities salesperson or broker-dealer in the state of Washington.

IV.

The offer and/or sale of said securities was made in violation of RCW 21.20.010 because failure to disclose information necessary to evaluate the investment made the representations made concerning expected profit misleading.

Based upon the above Findings of Fact and Conclusions of Law it is hereby

NOW, THEREFORE, IT IS HEREBY ORDERED That respondents, The Samuel Edwards Group, The Sapphire Fund, Mark Wagner, Michael Munkasey, their agents and employees shall each cease and desist from offering and/or selling securities in any manner in violation of RCW 21.20.140, the section of the Securities Act of Washington requiring registration.

It is further ORDERED that respondents, The Samuel Edwards Group, The Sapphire Fund, Mark Wagner, Michael Munkasey, their agents, and employees shall each cease and desist from violation of RCW 21.20.010, the anti-fraud section of the Securities Act.

1 It is further ORDERED that respondent Michael Munkasey cease and desist from acting as a securities
2 salesperson or broker-dealer violation of RCW 21.20.040, the section of the Securities Act requiring
3 registration of securities salespersons and broker-dealers.

4 This Order is entered pursuant to RCW 21.20.390 and is subject to the provisions of ch. 34.05 RCW.

5 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

6 DATED this 27th day of February, 2002.

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10 DEBORAH R. BORTNER
11 Securities Administrator

12 Approved By:

12 Presented by:

13
14 Michael E. Stevenson
15 Chief of Compliance

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15 Suzanne Sarason
16 Senior Enforcement Attorney

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