

BEFORE THE
DEPARTMENT OF CORPORATIONS
STATE OF CALIFORNIA

In the Matter of the Desist and Refrain Order
Issued to:

JOSEPH M. MEDAWAR
5241 Willow Wood Road
Palos Verdes, CA 90274,

Respondent.

File No.: 6374

OAH No.: L2005070937

DECISION

The attached Proposed Decision of the Administrative Law Judge is hereby adopted by the Commissioner of Corporations as its Decision in the above-entitled matter.

This Decision shall become effective JULY 12, 2006.

IT IS SO ORDERED 1/11/06.

COMMISSIONER OF CORPORATIONS

By _____

rfm

BEFORE THE
DEPARTMENT OF CORPORATIONS
STATE OF CALIFORNIA

In the Matter of the Desist and Refrain
Order Issued to:

JOSEPH M. MEDAWAR

Respondents.

Department File No.: 6374

OAH No. L2005070937

DECISION

The attached Proposed Decision of the Administrative Law Judge of the Office of Administrative Hearings, dated October 19, 2005, is hereby adopted by the Commissioner of Corporations as his Decision in the above-entitled matter with the following technical and minor changes pursuant to Government Code Section 11517(c)(2)(C).

- (1) The date of the hearing indicated as "August 4, 2005" in the first sentence of the Proposed Decision is substituted with "August 1, 2005".
- (2) The following typographical corrections are made as follows:
 - (a) Factual Findings Paragraphs 6 and 7: The term "letter-of-intent" is replaced with the term "letter of credit".
 - (b) Legal Conclusions Paragraphs 1, 2 and 3: "Corporation Code" is replaced with "Corporations Code".
 - (c) Legal Conclusions Paragraph 1: Where Section 25019 is quoted, a semi-colon(;) is added between the words "subscription" and "transferable".
 - (d) Legal Conclusions Paragraph 3: Where Section 25210(a) is quoted, the word "set" is replaced with the word "act".

This Decision shall become effective on JANUARY 12, 2006.

IT IS SO ORDERED this 11th day of JANUARY.

CALIFORNIA CORPORATIONS COMMISSIONER

WAYNE STRUMPFER
Acting California Corporations Commissioner

BEFORE THE
DEPARTMENT OF CORPORATIONS
STATE OF CALIFORNIA

In the Matter of the Desist and Refrain Order
Issued to:

JOSEPH M. MEDAWAR
5241 Willow Wood Road
Palos Verdes, CA 90274,

Respondent.

Case No. 6374

OAH No. L2005070937

PROPOSED DECISION

This matter came on for hearing before Richard J. Lopez, Administrative Law Judge of the Office of Administrative Hearings, at Los Angeles, California, on August 4, 2005.

Edward Kelly Shinnick, Corporations Counsel, represented the Commissioner.

Respondent appeared in person and was represented by Robert Klueger, Attorney at Law.

Oral and documentary evidence and evidence by way of official notice was received and the matter then argued.

By agreement of the parties, the record was held open to allow the filing of post-hearing briefs. On August 5, 2005, the Commissioner timely filed his opening brief and the same was marked and received as Exhibit 13, for identification. Respondent's reply brief was due on August 19, 2005. Upon Respondent's request the date to file a reply brief was extended to September 30, 2005. Respondent failed to file a reply brief on or before September 30, 2005. Accordingly, the case was deemed submitted on September 30, 2005, and the Commissioner's brief was read and considered.

The Administrative Law Judge finds, concludes and orders as follows:

FACTUAL FINDINGS

1. On May 9, 2005, the Acting California Corporations Commissioner, Wayne Strumpfer, issued a Desist and Refrain Order dated May 9, 2005, Ordering as follows:

Pursuant to section 25532 of the Corporate Securities Law of 1968, Joseph M. Medawar is hereby ordered to desist and refrain from effecting any transaction in, or inducing or attempting to induce the purchase or sale of, any security in this state, unless and until he has applied for and secured from the Commissioner a certificate, then in effect, authorizing him to act in that capacity.

This Order is necessary, in the public interest, for the protection of investors and consistent with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

2. The Desist and Refrain Order was timely served on Joseph M. Medawar, Respondent herein. According to Department of Corporations records Respondent's last known residential address is 5241 Willow Wood Road, Palos Verdes, California 90274 and his last known business address is Steeple Entertainment, Inc., 10100 Santa Monica Boulevard, 8th Floor, Los Angeles, California 90067.

3. The Department of Corporations has not issued a certificate or license authorizing Joseph M. Medawar to engage in the business of effecting transactions in securities.

4. In September, 2001, Robert L. Miller was having lunch at Spago's Restaurant with four others. Respondent approached the group and was introduced to Miller by a member of the group. Respondent joined the group for lunch. A few days later Respondent invited Miller to dine with the same group at a restaurant in downtown Los Angeles. Miller accepted the invitation and joined the group for dinner. Topics of general interest were discussed including the general topics of business and investments.

5. At the time of his dining engagements with Miller, Respondent was a managing member of Steeple Distributions Ltd., a motion picture distribution company. Respondent, on behalf of Steeple, had assigned three motion pictures to Team Communications Group (TCG), a film production and distribution company.

6. A few weeks later Respondent telephoned Miller. He represented to Miller that he was part of a group that had an interest in acquiring a company. Respondent identified the company as Team Communications Group, Inc. That was the first time Miller had heard of TCG. Respondent represented to Miller, in essence, that TCG was a "good company, but a struggling company." He further represented to Miller that he had a "letter-of-intent" but

before the letter-of-intent could be funded, TCG required a "bridge loan" to keep TCG viable. Respondent solicited Miller to provide the monies for the bridge loan. Miller, relying on Miller's representation with regard to the letter-of-intent agreed to, and did, write a check to TCG in the sum of \$50,000. Thereafter, Miller gave the check to Respondent at a pre-arranged meeting place – a gas station in Sherman Oaks – and the deal was consummated. Miller dealt only with Respondent and no other with regard to his \$50,000 investment.

7. At a time after Miller's \$50,000 investment was made, it was determined by TCG that the letter-of-intent, ostensibly issued by a bank in Brazil, was not authentic and, therefore, that instrument could not be converted into liquid funds. Thereafter, Respondent, on behalf of TCG, negotiated with insurance carriers in a further and futile attempt to keep TCG afloat. In reliance on the continuing efforts of TCG and Respondent to secure funding for TCG, Miller made a second \$50,000 investment by a wire-transfer in that amount, from his account, payable to TCG. At that time Respondent prompted Miller to get as many shares as he could for his second \$50,000 investment.

8. In exchange for Miller's total \$100,000 investment, TCG executed a promissory note in the principal amount of \$100,000. The note specified that all unpaid principal and interest shall be due and payable on December 31, 2002, and further specified that TCG shall issue 915,000 shares of its common stock as interest on the note. To date Miller has not received the unpaid principal. TCG has filed for bankruptcy and Miller, to date, has lost \$100,000.

9. Respondent's conduct constitutes soliciting and negotiating the sales of securities in the form of a promissory note and shares of stock belonging to a corporation. The sales were made to investing member of the public, Robert L. Miller.

LEGAL CONCLUSIONS

1. Corporation Code section 25019 provides in pertinent part:

§25019. Security

"Security" means any note; stock; treasury stock; membership in an incorporated or unincorporated association; bond; debenture; evidence of indebtedness; certificate or participation in any profit-sharing agreement; collateral trust certificate; preorganization certificate or subscription transferable share; investment contract . . .

As is set forth in Findings 8 and 9, Robert L. Miller purchased a security within the meaning of Corporation Code section 25019.

2. Corporation Code section 25004 provides in pertinent part:

§25004. Broker-dealer; agent

- (a) "Broker-dealer" means any person engaged in the business of effecting transactions in securities in this state for the account of others or for his own account. "Broker-dealer" also includes a person engaged in the regular business of issuing or guaranteeing options with regard to securities not of his own issue. . . .

By his conduct set forth in Findings 6, 7, 8 and 9, Respondent engaged in the business of effecting transactions in securities – as defined by Corporation Code section 25019 – in this state for the account of others.

3. Corporations Code section 25210(a) provides:

§25210. Necessity of broker-dealer certificate; agent qualification

- (a) Unless exempted under the provisions of Chapter 1 (commencing with section 25200) of this part, no broker-dealer shall effect any transaction in, or induce or attempt to induce the purchase or sale of, any security in this state unless the broker-dealer has first applied for and secured from the commissioner a certificate, then in effect, authorizing that person to set in that capacity.

Respondent has not applied for and, therefore, has not secured from the Commissioner any authority to effect any transaction in, or induce or attempt to induce the purchase or sale of, any security in this state. Respondent has no exemption from the provisions of Corporations Code section 25210.


4. Cause exists to sustain the Desist and Refrain Order in that, in the sale of the securities to Robert Miller, Respondent effected a transaction in securities as a broker-dealer without having first secured a certificate from the Commissioner, in violation of Corporations Code section 25210.

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ORDER

The Desist and Refrain Order, issued by the Commissioner on May 9, 2005, is hereby sustained and affirmed in its entirety.

Dated: October 19, 2005


RICHARD J. LOPEZ
Administrative Law Judge
Office of Administrative Hearings

RJL:rfm