

Division of Securities  
Utah Department of Commerce  
160 East 300 South  
P.O. Box 146760  
Salt Lake City, Utah 84114-6760  
Telephone: 801 530-6600

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**BEFORE THE DIVISION OF SECURITIES  
OF THE DEPARTMENT OF COMMERCE  
OF THE STATE OF UTAH**

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**IN THE MATTER OF:**

ANDREW J. MOLEFF, CRD#3042378;  
JOHN F. HOSCHOUER, CRD #4690685;  
and **WORLD GROUP SECURITIES,  
INC., CRD#114473**

**Respondents.**

**STIPULATION AND CONSENT  
ORDER**

Docket No. SD-06-0078  
Docket No. SD-06-0079  
**Docket No. SD-06-0080**

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The Utah Division of Securities (“Division”), by and through its Director of Licensing, George Robison and World Group Securities, Inc., CRD #114473 (“WGS”) hereby stipulate and agree as follows:

1. WGS was the subject of an examination conducted by the Division into allegations that it and two of its agents, Andrew Moleff (“Moleff”), CRD #3042378, and John Hoschouer (“Hoschouer”), CRD #4690685, violated the Utah Uniform Securities Act (“Act”), Utah Code Ann. § 61-1-1, *et seq.*
2. On October 12, 2006, the Division filed a Petition to Revoke License, Bar Licensee, Suspend Licensee and Impose Fines against WGS. The Division also filed actions against Moleff and Hoschouer, both of which have settled through stipulation and consent orders.

3. In lieu of proceeding with the formal action, WGS and the Division have agreed to settle this matter by way of this Stipulation and Consent Order (“Order”). If entered, the Order will fully resolve all claims the Division has against WGS pertaining to this matter.
4. WGS admits the jurisdiction of the Division over it and over the subject matter of this action.
5. WGS waives any right to a hearing to challenge the Division’s evidence and present evidence on its behalf.
6. WGS has read the Order, understands its contents and submits to this Order voluntarily. No promises or threats have been made by the Division, nor by any representative of the Division, to induce WGS to enter into this Order, other than as described in this Order.
7. WGS is represented by attorney Mark W. Pugsley and is satisfied with the legal representation it has received.

#### **I. FINDINGS OF FACT**

8. WGS, CRD #114473, is a Delaware corporation located in Duluth, Georgia and has been a licensed broker-dealer in Utah since January 30, 2002. WGS is affiliated with InterSecurities Inc., (“ISI”) and World Financial Group (“WFG”).
9. ISI, CRD #16164, is a Delaware corporation located in St. Petersburg, Florida and is a federal covered investment adviser notice-filed in Utah since October 15, 1996. ISI is also a broker-dealer, licensed in Utah since May 3, 1985.
10. WFG is a multi-level marketing company, the associates of which become licensed with various affiliated investment, mortgage and insurance entities. WGS is one such entity. WFG associates recruit others to join WFG and receive compensation based on the

commissions paid to those they have successfully recruited.

11. According to the WGS Written Supervisory Procedures Manual, prior to becoming registered representatives of WGS, individuals must first be associates<sup>1</sup> of WFG.
12. Moleff was licensed in Utah as a broker-dealer agent with WGS from April 12, 2002 until October 25, 2006 when WGS terminated Moleff for cause, following an internal review, for conducting unapproved seminars and making exaggerated and/or misleading claims in seminar presentations.<sup>2</sup> Moleff was previously a broker-dealer agent licensed in Utah with WMA Securities, Inc. (“WMA”) from April 21, 1998 until April 12, 2002, when he was part of a mass-transfer of WMA registered representatives to WGS. Moleff was also a licensed investment adviser representative with ISI from March 9, 2005 until August 31, 2006.
13. As an investment adviser representative of ISI, Moleff acted as a solicitor for third-party money managers Hanlon Investment Management Inc. (“Hanlon”), Foxhall Capital Management, Inc. (“Foxhall”), and CLS Investment Firm, LLC (“CLS”).
14. Hoschouer has been licensed in Utah as a broker-dealer agent with WGS since November 13, 2003.

**Senior Seminar Sales Presentation**

15. On May 17, 2006, Moleff presented “free” lunch and dinner seminars at Rodizio Grill in

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<sup>1</sup>WFG’s website indicates that to become an associate, an individual must submit an “Associate Membership Application” and pay a non-refundable “administrative services” fee of \$100.

<sup>2</sup>WGS conducted an internal review of Moleff’s activities following notice of the Division’s investigation.

Salt Lake City, Utah at noon and 6:45 p.m., respectively. The seminars targeted seniors and touted Moleff as the “asset gatherer” and touted third-party money manager, Hanlon, as the “asset manager.”

16. At the seminars, Hoschouer introduced Moleff and later gave closing comments. During his presentation, Hoschouer told seminar attendees of Moleff’s background and qualifications.
17. Hoschouer’s representations at the seminars were made at the direction of his supervisor, Moleff.
18. After Hoschouer’s introduction, Moleff further discussed his qualifications and history of satisfied clients who have earned money by investing with him. Moleff also discussed seniors’ fears of outliving their money and represented that for an extra 1% in fees, investors can fully participate in the “upside” of the market while avoiding the “downside.”
19. Moleff’s presentations included a slide show with pictures of his clients, one of whom Moleff represented is now able to take three vacations a year because of Moleff’s services. Moleff told attendees that this client was so happy with Moleff’s services that they invited Moleff and his family to join them on vacation.
20. During the seminars, Moleff introduced Hanlon representative, Martin Rising (“Rising”), CRD #1011762. Rising promoted Hanlon’s money management services.

**Unapproved Seminar**

21. Although the seminars were presented, in substantial part, to draw business to investment advisory services offered through ISI, ISI has no record of approving the May 2006

seminars conducted by Moleff.

22. WGS records reveal Moleff, as Branch Office Manager, approved the seminars he presented.

**Seminar Materials**

23. At both seminars, Moleff showed a slide show and gave attendees a booklet entitled “Income for Life,” and a Hanlon brochure.
24. The “Income for Life” booklet included a biography for Moleff, stating:

Principle [sic] Agent of InterSecurities and World Group Securities  
Number one producer for eight consecutive years.  
Ranked as one of the top financial advisors in Utah.  
Specializes in Estate and Retirement Planning.  
Manages offices in; [sic] Utah, California, Washington,  
Nevada and Texas.

25. The “Income for Life” booklet included a fifteen-page workbook and brochures for CLS and Foxhall. The bottom of each workbook page states, “Presented by Andrew J. Moleff, IAR”.

**Failure to Disclose and Misrepresentations**

26. Hoschouer, under Moleff’s instruction, made misrepresentations of material facts when he gave his introduction of Moleff, including the following:
  - (a) Hoschouer told seminar attendees that Moleff manages offices in Utah, California, Nevada, Texas and Washington;
  - (b) Hoschouer told seminar attendees that WGS is the third-largest broker-dealer in the United States;
  - (c) Hoschouer told seminar attendees that Moleff is a broker-dealer agent for two firms, WGS and ISI, and that such association presents a “huge advantage” to

clients;

- (d) Hoschouer told seminar attendees that Moleff is the “number one” financial advisor of WGS, and is one of the “best” financial advisors in Utah and the Western United States; and
- (e) Hoschouer told seminar attendees that Moleff has been the “number one” producer for eight consecutive years.

The above statements are false.

27. Moleff made misrepresentations and omitted material facts when he gave his sales presentation, including the following:
- (a) Moleff failed to disclose that the client with whom Moleff and his family vacationed is Moleff’s father;
  - (b) Moleff misrepresented that in eight years he has never “lost a client”;
  - (c) Moleff misrepresented to seminar attendees that he is licensed with two broker-dealers and that only 1/10 of 1% of agents in Utah can be dually licensed;
  - (d) Moleff misrepresented that he has “literally millions and millions and millions of client dollars that are managed by Hanlon”;
  - (e) Moleff misrepresented that he has one client who has “literally millions and millions and millions” with Hanlon;
  - (f) Moleff misrepresented to seminar attendees that all of his clients are with Hanlon;  
and
  - (g) Moleff failed to disclose that he was still soliciting client funds for third-party money managers Foxhall and CLS.

### **Unapproved Seminar Materials**

28. The “Income for Life” booklet Moleff gave seminar attendees was not approved by WGS.
29. Three pages of the CLS brochure that Moleff gave seminar attendees state, “For Broker/Dealer Use Only. Not for distribution to the public.”

### **WGS Failure to Supervise**

30. As Branch Office Manager, Moleff approved his own seminars and use of materials, with no further review by WGS supervisory personnel. WGS policy required that only unaltered sales materials could be self-approved; however, the policy placed the responsibility of ensuring that the materials were not altered on the Branch Office Manager.
31. WGS failed to ensure that self-approving agents such as Moleff used only preapproved seminar materials and did not modify such materials, and therefore failed to implement and enforce policies reasonably designed to detect and prevent Moleff’s violations of securities laws.<sup>3</sup>

### **WGS Omissions of Material Facts**

32. WGS approved its registered representatives’ use of a “Volume C, Issue 24” of a

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<sup>3</sup>In response to the Division’s written request to WGS for copies of seminar materials used by Moleff, an “Income for Life” booklet was provided. With the exception of the cover page, however, it was completely different from the “Income for Life” booklet used in Moleff’s seminars. WGS represents that neither booklet was approved. The written response provided to the Division by WGS, which included an “Income for Life” booklet and the seminar invitations Moleff used, did not indicate that the booklet or the invitations were not approved by WGS. Since this action was filed, WGS has verbally represented that neither the booklet it provided the Division nor the one Moleff used was approved.

customized magazine, AdvantEdge<sup>4</sup>, that features WFG and discusses WGS. The customized issue features WFG associates on the cover.

33. WGS failed to disclose to clients that “Volume C, Issue 24” is not the regular issue of AdvantEdge that is sold in stores and on a subscription basis, but rather is an issue that WFG paid to have created.
34. WGS further failed to disclose to clients that any WFG associates may appear on the cover of this customized issue if they purchase a minimum of 5,000 copies of the issue and pay for the plate-change cost for printing.
35. WGS created and approved a form letter for registered representatives to use when mailing copies of the customized issue of AdvantEdge to customers. The letter fails to disclose that WFG and its featured agents paid for the issue’s creation.

## **II. CONCLUSIONS OF LAW**

36. WGS willfully<sup>5</sup> violated Section 61-1-1(2) of the Act by making misrepresentations and/or omitting material facts regarding “Volume C, Issue 24” of the AdvantEdge magazine, including the following:
  - (a) “Volume C, Issue 24” is not the regular issue of AdvantEdge that is sold in stores and on a subscription basis, but rather is an issue that WFG paid to have created;
  - (b) WFG associates may appear on the cover of the customized issue if they purchase

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<sup>4</sup>A copy of “Volume C, Issue 24” of the magazine was produced to the Division by WGS in response to a Division request for information about Moleff’s seminars.

<sup>5</sup>To act willfully in this context means to act deliberately and purposefully, as distinguished from merely accidentally or inadvertently. Willful, when applied to the intent with which an act is done or omitted, implies a willingness to commit the act, and does not require an intent to violate the law or to injure another or acquire any advantage.

a minimum of 5,000 copies of the issue and pay for the plate-change cost for printing; and

- (c) The form letter used by registered representatives in mailing copies of the customized issue of AdvantEdge fails to disclose that WFG and its featured agents paid for the issue's creation.

- 37. WGS engaged in dishonest and unethical conduct under Utah Admin. Code Rule R164-6-1g(C)(18) by using advertising – the “Volume C, Issue 24” AdvantEdge magazines – in such a fashion as to be deceptive or misleading, warranting sanctions under Section 61-1-6(2)(g) of the Act.
- 38. Moleff and Hoschouer committed violations of the Act as described above. Both were subject to the supervision of WGS. WGS failed to implement and/or enforce policies and procedures reasonably designed to detect and prevent Moleff and Hoschouer's securities violations.
- 39. WGS failed reasonably to supervise Moleff and Hoschouer, warranting disciplinary sanctions under Section 61-1-6(2)(j) of the Act.

### **III. REMEDIAL ACTIONS/SANCTIONS**

- 40. WGS neither admits nor denies the Division's investigative findings and conclusions, but consents to the Division entering an Order requiring WGS to pay a fine of \$50,000 within thirty (30) days of this Order.
- 41. WGS further agrees to the following remedial actions in Utah:
  - a. WGS shall amend its current seminar approval forms to clearly indicate that the home office is required to approve seminars and seminar materials;

- b. All seminars given by WGS registered representatives will be filed with and approved by the home office prior to any presentation;
- c. WGS will not allow supervisors to approve their own seminars or seminar materials;
- d. WGS shall train all Utah registered representatives on seminars, presentations to the public and seminar materials. Training topics shall include, but not be limited to, educating agents on the following prohibitions:
  - i. Misrepresentations and omissions of material facts;
  - ii. Statements of exaggerated returns;
  - iii. Misstatements of fees or commissions paid to registered representatives or WGS;
  - iv. Testimonials made by investment adviser representatives; and
  - v. Exaggerated performance, skill and ability claims by registered representatives.
- e. For a period of one year following the entry of this Order, WGS shall notify the Division, by e-mail, at the time of approval by WGS of any seminars conducted in Utah (excluding agent recruitment meetings that do not discuss securities or solicit the sale or purchase of securities);
- f. To ensure compliance with the Act and this Order, a representative from WGS's home office shall attend thirty (30) percent of seminars conducted in Utah for a period of one year following the entry of this Order. Advanced notice will not be provided to representatives presenting such seminars;

- g. Any material or significant deviations from approved seminars by a registered representative will result in corrective action up to and including termination;
- h. Any registered representative engaging in unapproved seminars or using unapproved seminar materials during the next two years will be terminated for cause or referred to the Division for disciplinary action;
- i. WGS shall continue to require that all registered representatives disclose any outside business activity on the Form U-4. This shall include, but not be limited to: investment advisory services; mortgage services, real estate, insurance services, business opportunity businesses, etc. for which the registered representative receives annual compensation greater than \$100; and
- j. WGS shall include a prominent disclaimer sticker on all marketing materials, books, magazines, etc. that are paid for by WGS or any of its affiliates. This disclaimer shall contain the following language:

World Financial Group paid to have this issue of “AdvantEdge” magazine created and it is not the regular issue of the magazine that is sold in stores. WFG also requested that the magazine prepare certain articles about the firm, and provided most of the information used for such articles to the magazine.

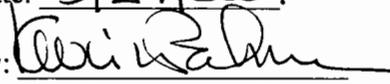
#### **IV. FINAL RESOLUTION**

42. WGS acknowledges that this Order, upon approval by the Division Director and Securities Advisory Board shall be the final compromise and settlement of this matter. WGS further acknowledges that if the Division Director and Securities Advisory Board do not accept the terms of the Order, it shall be deemed null and void and without any force or effect whatsoever.

43. WGS acknowledges that the Order does not affect any civil or arbitration causes of action that third-parties may have against WGS arising in whole or in part from WGS's actions, and that the Order does not affect any criminal cause of action that a prosecutor might bring.
44. This Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect this Order in any way.

Utah Division of Securities

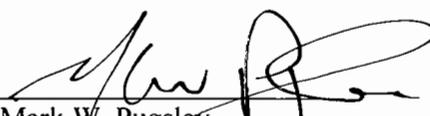
Date: 5/30/2007  
By:   
George Robison  
Director of Licensing

Date: 5/29/2007  
By:   
World Group Securities, Inc.  
Its: President

Approved:

  
Laurie L. Noda  
Assistant Attorney General

Approved:

  
Mark W. Pugsley  
Counsel for Respondent

**ORDER**

IT IS HEREBY ORDERED THAT:

1. The Division has made a sufficient showing of Findings of Fact and Conclusions of Law to form a basis for this settlement.
2. WGS pay a fine of \$50,000 within thirty (30) days of entry of this Order.
3. WGS implement the remedial actions described in Section III, above.
4. WGS comply with the requirements of the Utah Uniform Securities Act in all future business in this state.

DATED this 31<sup>st</sup> day of May, 2007.

*Wayne Klein*

WAYNE KLEIN  
Director, Utah Division of Securities

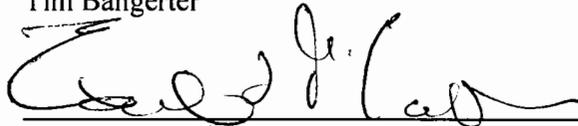


**BY THE UTAH SECURITIES ADVISORY BOARD:**

The foregoing Order is hereby accepted, confirmed and approved by the Utah Securities  
Advisory Board.

DATED this 1<sup>st</sup> day of June, 2007.

  
\_\_\_\_\_  
Tim Bangerter

  
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Edward L. McCartney

  
\_\_\_\_\_  
Laura Polacheck

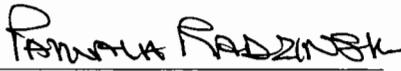
\_\_\_\_\_  
Mark Pugsley

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Craig Skidmore

Certificate of Mailing

I certify that on the 4th day of June 2007, I mailed a true and correct copy of the  
Stipulation and Consent Order to:

Mark W. Pugsley  
RAY QUINNEY & NEBEKER  
36 South State Street Suite 1400  
Salt Lake City, UT 84111  
Attorney for Respondent World Group Securities, Inc.

  
Executive Secretary