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

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

IN THE MATTER OF:	**PETITION TO REVOKE LICENSE, BAR LICENSEE, SUSPEND LICENSEE AND IMPOSE FINES**
ANDREW J. MOLEFF, CRD #3042378; **JOHN F. HOSCHOUER, CRD #4690685;** **WORLD GROUP SECURITIES, INC., CRD #114473** **Respondents.**	**Docket No.** SD-06-0078 **Docket No.** SD-06-0079 **Docket No.** SD-06-0080

Pursuant to the authority of Utah Code Ann. § 61-1-6, the Utah Division of Securities ("Division") hereby petitions the Director of the Division ("Director") to enter an Order, subject to the approval of a majority of the Securities Advisory Board, revoking the license of Andrew J. Moleff ("Moleff"), CRD #3042378, and barring him from the securities industry, suspending the license of John F. Hoschouer ("Hoschouer"), CRD #4690685, censuring and suspending the license of World Group Securities, Inc. ("WGS"), CRD#114473, and imposing fines. In support of this petition, the Division alleges:

STATEMENT OF FACTS

1. Moleff has been licensed in Utah as a broker-dealer agent with World Group Securities, Inc. ("WGS") since April 12, 2002. 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 has also been a licensed investment adviser representative with InterSecurities, Inc. ("ISI") since March 9, 2005.

2. As an investment adviser representative of ISI, Moleff acts as a solicitor for third-party money managers Hanlon Investment Management Inc. ("Hanlon"), Foxhall Capital Management, Inc. ("Foxhall"), and CLS Investment Firm, LLC ("CLS").

3. Hoschouer has been licensed in Utah as a broker-dealer agent with WGS since November 2003.

4. 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 ISI and World Financial Group ("WFG").

5. 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.

6. 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 then recruit others to join WFG and receive compensation based on the commissions paid to those they have successfully recruited.

7. According to the WGS Written Supervisory Procedures Manual, prior to becoming

registered representatives of WGS, individuals must first be associates[1] of WFG.

Senior Seminar Sales Presentation

8. On May 17, 2006, Moleff presented "free" lunch and dinner seminars at Rodizio Grill in Salt Lake City, Utah at noon and 6:45 p.m., respectively. The seminars targeted seniors and touted Moleff as the "asset gatherer" and third-party money manager, Hanlon, as the "asset manager."

9. At the seminars, Hoschouer introduced Moleff and later gave closing comments. During his presentation, Hoschouer told seminar attendees of Moleff's background and qualifications.

10. 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."

11. 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 these clients were so happy with Moleff's services that they invited Moleff and his family to join them on vacation.

12. During the seminars, Moleff introduced Hanlon representative, Martin Rising ("Rising"), CRD #1011762. Rising promoted Hanlon's money management services.

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[1]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.

Unapproved Seminar

13. 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.

Seminar Materials

14. At both seminars, Moleff showed a slide show and gave attendees a booklet entitled "Income for Life," and a Hanlon brochure.

15. 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.

16. 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

17. Hoschouer made misrepresentations of material facts when he gave his introduction of Moleff, including but not limited to, 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.

18. Moleff made misrepresentations and omissions of material facts when he gave his sales presentation, including but not limited to, 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 still solicits client funds for third-party money managers Foxhall and CLS.

Unapproved Seminar Materials

19. The "Income for Life" booklet Moleff gave seminar attendees is, except for the cover page, completely different from the "Income for Life" booklet approved by WGS.

20. 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

21. WGS allowed Moleff, as Branch Office Manager, to approve his own seminars and use of materials, with no further review by WGS supervisory personnel. However, WGS policy required that only unaltered sales materials could be self-approved. As indicated above, the "Income for Life" booklet used in Moleff's seminars was completely different from the booklet approved by WGS.

22. 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.

WGS Misrepresentations and Omissions of Material Facts

23. WGS has approved its registered representatives' use of a "Volume C, Issue 24" of a customized magazine, AdvantEdge[2], that features WFG and discusses WGS. The

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[2]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.

customized issue features WFG associates on the cover.

24. WGS fails 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.

25. WGS further fails 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.

26. 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.

CAUSES OF ACTION

COUNT I (Moleff)

(Securities Fraud under § 61-1-1(2) of the Utah Uniform Securities Act ("Act"))

27. Moleff violated Section 61-1-1(2) of the Act by making misrepresentations and/or omissions of material facts when he gave his sales presentation to potential investors, including but not limited to, the following:

    (a) Moleff failed to disclose that the client with whom Moleff and his family vacationed is his Moleff's father;

    (b) Moleff misrepresented that in eight years he has never had a client leave him;

    (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 a single 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 still solicits client funds for third-party money managers Foxhall and CLS.

COUNT II (Hoschouer)
(Securities Fraud under § 61-1-1(2) of the Act)

28. Hoschouer violated Section 61-1-1(2) of the Act by making misrepresentations and/or omissions of material facts when he gave his sales presentation to potential investors, including but not limited to, 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, which association presents a "huge advantage" for clients;

(d) Hoschouer told seminar attendees that Moleff is the "number one" financial advisor of WGS, is one of the "best" financial advisors in Utah and the western United States; and

(e) Hoschouer told seminar attendees that Moleff is the "number one" producer for

eight consecutive years.

COUNT III (Moleff)
(Securities Fraud under § 61-1-1(3) of the Act - Fraud Against Potential Clients, Broker-Dealer and Investment Adviser)

29. Moleff's use of these unapproved seminars, advertising and sales materials constitute misrepresentations to potential clients, his broker-dealer and investment adviser, which constitutes an act, practice or course of business which operated as a fraud upon potential clients, WGS and ISI, and exposed WGS and ISI to potential liability.

COUNT IV (WGS)
(Securities Fraud under § 61-1-1(2) of the Act)

30. WGS violated Section 61-1-1(2) of the Act by making misrepresentations and/or omissions of material facts regarding "Volume C, Issue 24" of the AdvantEdge magazine, including but not limited to, 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 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.

COUNT V (Moleff)
(Dishonest and Unethical Business Practices under § 61-1-6(2)(g) of the Act - Misleading or Deceptive Sales Presentation)

31. Moleff engaged in dishonest and unethical conduct under Utah Admin. Code Rule R164-6-1g(C)(18), applicable to agents through (D)(7), by using advertising or a sales presentation in such a fashion as to be deceptive or misleading, as described above, warranting sanctions under Section 61-1-6(2)(g) of the Act.

COUNT VI (Moleff)
(Dishonest and Unethical Business Practices under § 61-1-6(2)(g) of the Act - Violation of NASD Conduct Rule 2210)

32. Moleff violated NASD Conduct Rule 2210 by using unapproved seminars, advertising and sales materials, which is a dishonest or unethical business practice under Utah Admin. Code Rule R164-6-1g(C)(28), applicable to agents through (D)(7), warranting disciplinary sanctions under Section 61-1-6(2)(g) of the Act.

COUNT VII (WGS)
(Dishonest and Unethical Business Practices under § 61-1-6(2)(g) of the Act - Deceptive Advertising)

33. 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.

COUNT VIII (WGS)
(Failure to Supervise under § 61-1-6(2)(j))

34. Moleff and Hoschouer committed numerous violations of the Act as alleged above.

35. Moleff and Hoschouer were subject to the supervision of WGS.

36. WGS failed to implement and/or enforce policies and procedures reasonably designed to

detect and prevent its agents' securities law violations.

37. WGS failed reasonably to supervise its agents, warranting disciplinary sanctions under Section 61-1-6(2)(j) of the Act.

REQUEST FOR RELIEF

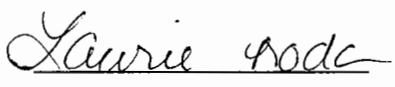
The Division requests that, based upon Moleff's willful violations of the Act, pursuant to § 61-1-6 of the Act and subject to the approval of the Securities Advisory Board, the Director enter an order revoking the broker-dealer agent license of Moleff, barring him from association with any broker-dealer or investment adviser licensed in this state, and fining him no less than $50,000.

The Division requests that, based upon Hoschouer's willful violations of the Act, pursuant to § 61-1-6 of the Act and subject to the approval of the Securities Advisory Board, the Director enter an order suspending the license of Hoschouer for no less than thirty days and fining Hoschouer no less than $5,000.

The Division requests that, based upon WGS's willful violations of the Act, pursuant to § 61-1-6 of the Act and subject to the approval of the Securities Advisory Board, the Director enter an order censuring WGS, suspending its license, and imposing a fine no less than $100,000.

DATED this 11 day of October, 2006.

Approved:



Laurie Noda
Assistant Attorney General

UTAH DIVISION OF SECURITIES

George Robison
Director of Licensing

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

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

IN THE MATTER OF:	**NOTICE OF AGENCY ACTION**
ANDREW J. MOLEFF, CRD #3042378; **JOHN HOSCHOUER, CRD #4690685;** **WORLD GROUP SECURITIES, INC., CRD #114473** **Respondents.**	**Docket No.** SD-06-0078 **Docket No.** SD-06-0079 **Docket No.** SD-06-0080

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of mailing of the mailing of this Notice. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through -11. The facts on which this action is based are set forth in the accompanying Petition.

Within thirty (30) days of the mailing date of this notice, you are required to file an Answer with the Division. The Answer must include the information required by Utah Code § 63-46b-6(1). In addition, you are required by § 63-46b-6(3) to state: a) by paragraph, whether you admit or deny each allegation contained in the Petition, including a detailed explanation for any response other than an unqualified admission; b) any additional facts or documents which

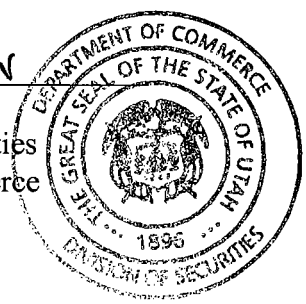
you assert are relevant in light of the allegations made; and c) any affirmative defenses (including exemptions or exceptions contained within the Utah Uniform Securities Act) which you assert are applicable. To the extent that factual allegations or allegations of violations contained in the Petition are not disputed in your Answer, they will be deemed admitted.

After your Answer is filed, a hearing will be set at a date and time agreed upon by the parties. If you fail to file an Answer, as set forth herein, or fail to appear at any hearing that is set, you may be held in default in accordance with Utah Code Ann. §64-46b-11 without any further notice to you, or the hearing may proceed without your participation under § 63-46b-8.

The presiding officer in this case is Wayne Klein, Director, Division of Securities, 160 East 300 South, P.O. Box 146760, Salt Lake City, UT 84114-6760, telephone (801) 530-6600. An administrative law judge may be assigned for the hearing. At any hearing, the Division will be represented by the Utah Attorney General's Office, 160 East 300 South, P.O. Box 140872, Salt Lake City, UT 84114-0872, telephone (801) 366-0310. You may appear and be heard and present evidence on your behalf at any such hearings. You may be represented by counsel of your choice at these proceedings. You may attempt to negotiate a settlement of the matter without filing an Answer or proceeding to hearing. Should you so desire, please contact the Utah Attorney General's Office. Questions regarding the Petition and Notice of Agency Action should be directed to Laurie Noda, Assistant Attorney General, 160 E. 300 South, P.O. Box 140872, Salt Lake City, UT 84114-0872, telephone (801) 366-0310.

DATED this 12TH day of October, 2006.

Wayne Klein
Director, Division of Securities
Utah Department of Commerce



Certificate of Mailing

I certify that on the 12TH day of OCTOBER, 2006, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Petition to:

Andrew J. Moleff
229 North 200 West
Spanish Fork, UT 84660

Certified Mail #7006 0100 0001 7688 8985

John Hoschouer
3495 W Newland Loop
Lehi, UT 84043

Certified Mail #7006 0100 0001 7688 8992

World Group Securities, Inc.
Attn: John W. Joseph
11315 Johns Creek Parkway
Duluth, GA 30097-1517

Certified Mail #7006 0100 0001 7688 9005

InterSecurities, Inc.
P.O. Box 9053
Clearwater, FL 33758-9053

Certified Mail #7006 0100 0001 7688 9012

PAMELA PRADZINSKI

Executive Secretary