

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

BEFORE THE
SECURITIES COMMISSIONER

DAYLE MALONEY,
and his officers, directors,
agents, and employees;

ORDER FOR HEARING
SUBPOENA DUCES TECUM
REQUEST FOR ADMISSIONS
NOTICE OF HEARING
NOTICE OF PENALTIES
NOTICE OF COSTS

Respondents,

COPY

WHEREAS,

(1) the Securities Commissioner has reasonable grounds to believe that the Respondents have engaged in the unregistered offer or sale of investment advice in North Dakota, in violation of NDCC 10-04-10(3)(a)(1);

(2) the Securities Commissioner issued a Cease & Desist Order against the Respondents on February 4, 1994; and

(3) the Respondents, through their attorney, have responded to the Cease & Desist Order and have requested a hearing;

THEREFORE, IT IS ORDERED that:

(1) a HEARING will be held for this matter at 1:00 p.m. on Thursday, March 3, 1994, in the Missouri River Room at the state capitol in Bismarck, North Dakota, for the following allegations and issues of dispute:

(a) the name, address, and amount of payment for each person in North Dakota who has paid money to the Respondents for attendance at any seminar presentation or for written materials from February 5, 1989 to February 4, 1994;

(b) whether or not the Respondents have engaged in activities as an "investment adviser" or "investment adviser representative," as defined in NDCC 10-04-02(3) and (4), for any information or materials presented by the respondents at seminar presentations or other public or private meetings;

(c) whether or not the Respondents have violated NDCC 10-04-10(3) and (4) for their failure to registered in North Dakota as an "investment adviser" or "investment adviser representative," as defined in NDCC 10-04-02(3) and (4); and

(d) any other relevant issues involving the Respondents;

(2) pursuant to this SUBPOENA DUCES TECUM of NDCC 10-04-16.1, the Respondents shall provide to Nancy J. Lewis in the Office of the Securities Commissioner the following information, to be received on or before 3:00 p.m. on Tuesday, March 1, 1994:

(a) the name, address, and amount of payment for each person in North Dakota who has paid money to the Respondents for attendance at a seminar presentation or other public or private meeting or who has purchased materials from the Resondents, between February 5, 1989 and February 4, 1994;

(b) copies of any written materials, seminar scripts, seminar recordings or transcripts, telephone scripts, and the multi-level marketing 104-page "recruiting manual" and 24-page "recruiting booklet" used by the Respondents for the offer or sale of oral or written presentations in North Dakota from February 5, 1989 to February 4, 1994,

(c) the number of people in North Dakota who received each of the oral or written scripts or materials in (b),

(d) copies of any pleadings, applications, written correspondence, transcripts of testimony under oath, exhibits at hearings or in litigation, orders, consent agreements involving the Respondents' seminars, and orders or injunctions entered against the Respondents by any state or federal agency, and any other hearings or litigation involving the Respondents between February 5, 1989 and February 4, 1994,

(e) the name, business address, and telephone number of each employee, agent, or salesperson of the Respondents who has made seminar presentations in North Dakota from February 5, 1989 to February 4, 1994, and the name, address, and amount of payment of each person in North Dakota who paid each employee, agent, or salesperson of the Respondents,

(f) copies of any documents, including internal files and records, of the Respondents for the offer or sale of seminar registrations in North Dakota from February 5, 1989 to February 4, 1994, including mailing lists and customer lists and sales reports, but excluding documents prepared for the Respondents for this case that are included within the attorney-client privilege;

(3) according to this REQUEST FOR ADMISSIONS, the Respondents shall either admit or deny the following ALLEGATIONS OF FACT AND STATEMENTS OF LAW:

(a) the Respondents have offered and sold the right or opportunity to attend seminars and meetings presented by the Respondents, and the Respondents have offered and sold written materials, in North Dakota during the period from February 5, 1989 to February 4, 1994;

(b) the Respondents have engaged in activities as an investment adviser and as an investment adviser representative, as defined in NDCC 10-04-02(3) and (4);

(c) the Respondents have violated NDCC 10-04-10(3) and (4) for their failure to register as an investment adviser and as an investment adviser representative in North Dakota;

(4) for each of the denied ALLEGATIONS OF FACT AND STATEMENTS OF LAW, the Respondents shall:

(a) describe in detail the specific facts and law that are the basis for the denial,

(b) attach legible copies of any documents that support the claims of denial or that the Respondents intend to introduce as exhibits at the hearing for this matter,

(c) list the name, address, and telephone number of each person whom the Respondents intend to call as a witness at the hearing for this matter, and describe briefly the material facts and issues for which the witness is expected to testify, and describe the specific qualifications and relevance of any expert witnesses who are expected to testify at the hearing;

(5) failure of the Respondents to describe in detail their basis for denial of specific ALLEGATIONS OF FACT AND STATEMENTS OF LAW may result in a decision by the Securities Commissioner that the allegations and statements have been admitted by the Respondents and may be the basis for FINDINGS OF FACT AND CONCLUSIONS OF LAW in an Order prepared by the Securities Commissioner after the hearing date;

(6) the Respondents immediately shall Cease and Desist from all activities involving the offer or sale of seminar participation or other investment advice in North Dakota;

(7) the CEASE & DESIST ORDER, dated February 4, 1994, is REVOKED and the civil penalties assessed against the Respondents in the Order are dismissed without prejudice and will be reconsidered after the scheduled hearing;

(8) according to NDCC 10-04-12(4), the Respondents may appear at the hearing in their own behalf or they may be represented by an attorney to present evidence and witnesses;

(9) this Order for Hearing shall be delivered to the Respondents' attorney by FAX machine and by certified mail;

(10) YOU ARE NOTIFIED that the above-cited violations, if proven, are sufficient grounds for the imposition of civil penalties under NDCC 10-04-16(1) of an amount that shall not exceed ten thousand dollars (\$10,000) for each violation, and the Respondents may have joint and several liability to pay any civil penalties assessed after the hearing for this matter;

(11) NDCC 10-04-12(4) requires a stenographic record of the hearing, and NDCC 10-04-13(3)(a) requires the appellant to pay reasonable transcript costs. Therefore, on the day of the hearing, the Respondents shall pay a certified check in the amount of \$500 to stenographer "Emineth & Associates" before the hearing begins. The stenographer shall refund any unused portion of the \$500 to the Respondents within 30 days after the time for appeal has expired. If reasonable costs for a stenographer or transcripts exceed \$500, then the Respondents shall pay the additional costs to the stenographer before receiving the transcripts for appeal;

(12) AMERICANS WITH DISABILITY ACT NOTIFICATION: the Respondents promptly shall notify the Securities Commissioner if a party or witness to be called at the hearing has a disability that will require auxiliary aids or service at the hearing;

(13) time is of the essence for the prompt scheduling of the hearing for this matter, for the Respondents' admissions or denials of the ALLEGATIONS OF FACT AND STATEMENTS OF LAW, for the production of documents and detailed descriptions of a basis for denial of allegations and statements, and for the listing of witnesses and descriptions of the facts and issues for their expected testimony; and, therefore, A FAILURE BY THE RESPONDENTS TO COMPLY WITH ANY TERMS OF THIS ORDER MAY RESULT IN CIVIL PENALTIES OR OTHER APPROPRIATE REMEDIES IN LAW AND EQUITY.

Dated at Bismarck, North Dakota on February 22, 1994.

(Seal)



Cal Hoovestol

Cal Hoovestol
Securities Commissioner