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## Texas State Securities Board

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### SSB Docket No. 03-010

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IN THE MATTER OF  
RONALD YEASLEY AND  
BLUE SKY INVESTMENT STRATEGIES

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Order No. CDO-1500

TO: Ronald Yeasley  
7711 O'Connor Drive, No. 616  
Round Rock, Texas 78681

Blue Sky Investment Strategies  
7711 O'Connor Drive, No. 616  
Round Rock, Texas 78681

### EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas ("Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2003) ("Texas Securities Act").

The Staff of the Enforcement Division ("the Staff") of the Texas State Securities Board ("the Securities Board") has presented evidence sufficient for the Securities Commissioner to find that:

#### FINDINGS OF FACT

1. Ronald Yeasley ("Respondent Yeasley") is an individual who has a last known address of 7711 O'Connor Drive, No. 616, Round Rock, Texas 78681.
2. Blue Sky Investment Strategies ("Respondent Blue Sky") was identified by Respondent Yeasley as his "company" and has a last known address of 7711 O'Connor Drive, No. 616, Round Rock, Texas 78681. Respondent Blue Sky has not been registered with the Secretary of the State of Texas as a foreign or domestic corporation, professional association, limited partnership or limited liability company at any time material to the events described herein.

3. During and about March, 2003, the Austin American-Statesman carried a classified advertisement that read in part: "HEDGE FUND - Manager accepting new investors. Paying 100% on your investment per year for up to 5 year period. Guaranteed." This classified advertisement contained therein a telephone number for inquiries.
4. On or about March 10, 2003, at least one Texas resident (the "Offeree") contacted the telephone number scheduled within the advertisement and conversed with Respondent Yeasley. Respondent Yeasley identified himself as a mechanical engineer who developed an effective strategy for generating returns through the trading of stocks. Respondent Yeasley thereafter made available to the Offeree an opportunity to invest in a stock trading program.

Respondent Yeasley indicated that he would use funds submitted by the Offeree to buy and sell stock in existing brokerage accounts maintained at Scottrade, Ameritrade or E\*Trade. Respondent Yeasley explained that his buying and selling of stocks through these brokerage accounts would generate between a 300% and 400% annual return. Respondent Yeasley stressed, however, that the Offeree would be entitled to a fixed 100% annual return paid in fixed monthly installments regardless of the value or the performance of any of the stocks actually bought and sold. Respondent Yeasley noted that he would be entitled to all remaining profits associated with the trading in the brokerage accounts.

Respondent Yeasley also indicated that all monthly payments made to the Offeree would be "tax free." Respondent Yeasley explained that he would pay any and all applicable taxes out of the brokerage accounts and that the Offeree would therefore not need to report any gains associated therewith.

Respondent Yeasley further noted that he has been actively trading stock on behalf of other individuals throughout the preceding three years. Respondent Yeasley represented that he currently trades stock on behalf of six clients and that he plans to add additional clients in the immediate future. Respondent Yeasley further represented that he has conducted and currently conducts his stock trading activity through the brokerage accounts maintained at Scottrade, Ameritrade and E\*Trade but that he has been and will be using the Scottrade brokerage account with increased frequency.

5. On or about March 12, 2003, Respondent Yeasley contacted the Offeree by telephone and again made available an opportunity to invest in the aforementioned stock trading program. Respondent Yeasley identified Respondent Blue Sky as his "company" and directed the Offeree to make all checks payable to either Respondent Yeasley or Respondent Blue Sky. Respondent Yeasley sent or caused to be sent sales literature via facsimile to the Offeree.

The sales literature included two letters that were executed by Respondent Yeasley and were presented on letterhead styled in the name of Respondent Blue Sky. The first such letter referred to Respondent Blue Sky as Respondent Yeasley's "[c]ompany." The second letter again made available the opportunity to invest in the

aforementioned stock trading program and indicated that an investment of \$5,000.00 would entitle the Offeree to “[t]ax [f]ree” monthly payments of \$420.00 per month for a sixty month term. This second letter noted that the Offeree’s principal would be returned upon the expiration of the sixty month term.

The sales literature also included an unexecuted document styled “Investment Proposal/Contract.” This document was presented on letterhead styled in the name of Respondent Blue Sky and described therein the aforementioned terms of an investment in the stock trading program. This document indicated that “[t]axes will be paid by Ron Yeasley” and contained therein fields to be executed by Respondent Yeasley and the Offeree.

6. Scottrade and Ameritrade records reflect that neither Respondent Yeasley nor Respondent Blue Sky have deposited any funds or executed any securities transactions in or through brokerage accounts maintained at either Scottrade or Ameritrade at any time through March 10, 2003.

E\*Trade records reflect that Respondent Yeasley maintained a brokerage account through E\*Trade but that this brokerage account is inactive and/or was closed because it realized a negative balance. E\*Trade records do not reflect any other account held in the name or for the benefit of either Respondent Yeasley or Respondent Blue Sky that was in existence at any time through March 10, 2003.

7. The stock trading program described herein has not been registered by qualification, notification or coordination and no permit has been granted for its sale within the State of Texas.
8. Respondent Yeasley and Respondent Blue Sky (collectively “Respondents”) have not been registered with the Securities Commissioner as securities dealers, agents, investment advisers or investment adviser representatives at any time material hereto and Respondents have not been notice-filed with the Securities Commissioner as investment advisers or investment adviser representatives at any time material hereto.
9. Respondents’ indication that all payments made to the Offeree would be “tax free” is misleading because the Offeree would be required to report gains associated with an investment in the aforementioned stock trading program.
10. Respondents’ indication that the investment is “guaranteed” is misleading in light of Respondents’ failure to disclose those assets that have been reserved or are otherwise available to satisfy such guarantee.
11. Respondent Yeasley’s representation that he conducts all trading through brokerage accounts maintained at Scottrade, Ameritrade and E\*Trade and that he has been using and will continue to use Scottrade with increased frequency is misleading in light of the events and circumstances described within Finding of Fact No. 6.

## CONCLUSIONS OF LAW

1. The above-described stock trading program is a “security” as that term is defined in Section 4.A of the Texas Securities Act, to wit: an evidence of indebtedness.
2. Respondents engaged in the offer for sale of the above-described security in Texas as the term “offer for sale” is defined in Section 4.E of the Texas Securities Act.
3. Respondents violated Section 7 of the Texas Securities Act by offering for sale the above-described security in Texas without the security being registered with the Securities Commissioner.
4. Respondents are acting as “dealers” in securities or “agents” of dealers in securities as those terms are defined in Section 4.C and Section 4.D of the Texas Securities Act.
5. Respondents violated Section 12 of the Texas Securities Act by offering securities for sale in Texas without being registered pursuant to Section 12 of the Texas Securities Act.
6. Respondents made an offer containing a statement that is materially misleading or otherwise likely to deceive the public by representing that an investment in the above-described stock trading program is “tax free” when the Offeree would actually be required to report gains associated with an investment in the stock trading program.
7. Respondents made an offer containing a statement that is materially misleading or otherwise likely to deceive the public by representing that an investment in the above-described stock trading program is “guaranteed” and failing to disclose assets that have been reserved or are otherwise available to satisfy such guarantee.
8. Respondent Yeasley made an offer containing a statement that is materially misleading or otherwise likely to deceive the public by representing that he conducts all trading through brokerage accounts maintained at Scottrade, Ameritrade and E\*Trade and that he has been and will continue to use Scottrade with increased frequency in light of those events and circumstances described in Finding of Fact No.6 and Finding of Fact No. 11.
9. Respondents’ conduct, acts and practices threaten immediate and irreparable harm to the public.
10. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Texas Securities Act.

ORDER

1. It is therefore ORDERED that Respondents immediately CEASE AND DESIST from acting as securities dealers or agents in Texas until Respondents are registered with the Securities Commissioner or an available exemption is utilized.
2. It is further ORDERED that Respondents immediately CEASE AND DESIST from offering securities in Texas until the securities have been registered with the Securities Commissioner or an available exemption is utilized.
3. It is further ORDERED that Respondents immediately CEASE AND DESIST from offering securities in Texas through an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

NOTICE

Pursuant to Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, stating the grounds for the request to set aside and modify the Order. Failure to request a hearing will result in the Order becoming final and non-appealable.

You are advised under Section 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Texas Securities Act is a criminal offense punishable by a fine of not more than \$5,000, or imprisonment in the penitentiary for not more than two years, or by both fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 18<sup>th</sup> day of March, 2003.



DENISE VOIGT CRAWFORD  
Securities Commissioner