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IN THE MATTER OF
ROSS EDMOND TAYLOR

§
§

Order No. ENF-14-CDO-1733

TO: Ross Edmond Taylor
140 Bryker Dr., San Antonio, TX 78209

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. arts. 581-1 to 581-43 (West 2010 & Supp. 2013) (the "**Texas Securities Act**").

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

FINDINGS OF FACT

1. Ross Edmond Taylor ("**Respondent Taylor**") maintains a last known address of 140 Bryker Dr., San Antonio, Texas 78209.
2. Respondent Taylor is offering investments in an option-trading program in Texas through advertisements directed to the general public and web sites that are accessible by the general public.
3. Respondent Taylor is touting the safety and security of the option-trading program by representing that:
 - a. He will not have direct access to funds maintained in trading accounts and explains "that's safe for you and temptation-free for me!"
 - b. He uses a proprietary strategy referred to as SmartOption, and that this strategy presents "less than a 10% chance each week of losing money."
 - c. His trading strategy ensures that accounts will lose money only on "rare occasion[s]."

- d. "Danger does occasionally present itself... maybe once or twice a year..." but also explains that he usually prevents such losses by utilizing different trading strategies.
4. Respondent Taylor is describing the option-trading program as a "retirement rescue" plan that is structured as follows:
 - a. The investor opens an online brokerage account and deposits a minimum of \$15,000.00 into the account.
 - b. The investor authorizes Respondent Taylor to trade options on behalf of the investor within his or her account as a proxy.
 - c. The investor pays commissions to Respondent Taylor. The commissions are equal to 20% to 25% of any profits made using this strategy and are paid on a weekly, bi-weekly or monthly basis.
 - d. Respondent Taylor claims his program will "boost your investment return" and "rescue your IRA/401K," safely yielding 1% to 3% in returns per week.
 - e. Respondent Taylor appoints an "Alternate Manager" to act on Respondent Taylor's behalf in the event of his death or incapacitation.
5. Investors must execute an agreement to participate in the option-trading program. The agreement requires investors to agree to the following terms:
 - a. They will not "pursue legal recourse... except in the instance of fraud, theft or gross negligence."
 - b. They must absolve Respondent Taylor "of what is legally termed 'fiduciary responsibility' with regard to the management of Investor's Account."
6. In addition to the option-trading program, Respondent Taylor is offering promissory notes in Texas through a web site accessible by the general public.
7. Respondent Taylor is describing the offering of promissory notes as follows:
 - a. Investors tender at least \$1000.00 to Respondent Taylor.
 - b. Respondent Taylor uses the funds to trade options in his personal trading account.
 - c. Respondent Taylor pays investors 24% simple annual interest using profits generated from the trading of options.

8. The option-trading program and the offering of promissory notes have not been registered by qualification, notification or coordination, and no permit has been granted for their sale in Texas.
9. Rule 506 of Regulation D under the Securities Act of 1933 authorizes an issuer to engage in general solicitation in offering and selling covered securities without first complying with state securities registration requirements, provided that, among other things, all purchasers of the securities are accredited investors and the issuer takes reasonable steps to verify that such purchasers are accredited investors.
10. Respondent Taylor is offering the option-trading program to purchasers who are not accredited investors and is not taking reasonable steps to verify that all purchasers are accredited investors.
11. In connection with the offer of the aforementioned investments, Respondent Taylor is intentionally failing to disclose material facts, including, but not limited to, the following:
 - a. Respondent Taylor's success in trading options and profits paid to prior and/or current investors;
 - b. Information about the Alternate Manager, including his qualifications and business repute;
 - c. The risks associated with trading options and how those risks may affect the realization of expected returns; and
 - d. On or about August 1, 2012, a judgment was entered against Respondent Taylor in American Express, FSB v. Ross Taylor, Case No. 2011-CI-18304, in the 438th District Court of Bexar County, Texas, in which he was ordered to pay \$21,186.29, with an annual rate of accruing interest set at 5%, for failing to meet the payment obligations of a credit agreement. A lien filed against Respondent Taylor with the Bexar County Clerk August 6, 2012, pursuant to this judgment has not been released.
12. Respondent Taylor is making offers containing statements that are materially misleading or otherwise likely to deceive the public, to-wit:
 - a. Respondent Taylor is requiring investors to execute a contract that waives causes of action and absolves him of "fiduciary responsibility," which is materially misleading or otherwise likely to deceive the public because the Texas Securities Act provides that a condition, stipulation or provision binding a buyer or seller of a security to waive compliance with the statute, its rules or requirements is void.

- b. Respondent Taylor is representing that investors can safely assume they will receive lucrative returns, which is materially misleading or otherwise likely to deceive the public because Respondent Taylor is not disclosing the risks associated with trading options.

CONCLUSIONS OF LAW

1. The above-described investments are "securities" as that term is defined by Section 4.A of the Texas Securities Act.
2. Respondent Taylor is violating Section 7 of the Texas Securities Act by offering securities for sale in Texas at a time when the securities are not registered with the Securities Commissioner.
3. Respondent Taylor is engaging in fraud in connection with the offer for sale of securities.
4. Respondent Taylor has made an offer containing a statement that is materially misleading or otherwise likely to deceive the public.
5. Respondent Taylor's conduct, acts, and practices threaten immediate and irreparable public harm.
6. 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 Respondent Taylor immediately CEASE AND DESIST from offering for sale any security in Texas until the security is registered with the Securities Commissioner or is offered for sale pursuant to an exemption from registration under the Texas Securities Act.
2. It is further ORDERED that Respondent Taylor immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.
3. It is further ORDERED that Respondent Taylor 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, and state the grounds for the request to set aside or 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 \$5,000.00, or imprisonment in the penitentiary for not more than two years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 27th day of May, 2014.


JOHN MORGAN
Securities Commissioner