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Texas State Securities Board

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IN THE MATTER OF THE
DEALER REGISTRATION OF
CAPROCK SECURITIES, INC.
AND THE AGENT REGISTRATION
OF DARYL ALLISON

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§
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§
§

Order No. IC09-SUS-23

TO: Daryl Allison (CRD No. 3686)
Caprock Securities, Inc.
4601 50th Street, Suite 202
Lubbock, TX 79414

Daryl Allison
Caprock Securities, Inc. (CRD No. 8014)
4601 50th Street, Suite 202
Lubbock, TX 79414

DISCIPLINARY ORDER

Be it remembered that Daryl Allison, ("Respondent Allison"), individually, and Caprock Securities, Inc., by and through Daryl Allison, its President, ("Respondent Caprock"), appeared before the Deputy Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this Order and the Findings of Fact and Conclusions of Law contained herein.

FINDINGS OF FACT

1. Respondents have waived (a) Respondents' right to notice and hearing in this matter; (b) Respondents' right to appear and present evidence in this matter; (c) Respondents' right to appeal this Order; and (d) all other procedural rights granted to the Respondents by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2008) ("Texas Securities Act"), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. §2001.001 et seq. (Vernon 2000 & Supp. 2008) ("Administrative Procedure Act").
2. On or about July 22, 1983, Respondent Caprock applied for registration with the Securities Commissioner as a dealer, which is currently effective.
3. On or about August 23, 1983, Respondent Allison applied for registration with the Securities Commissioner as an agent of Respondent Caprock, which is currently effective. Respondent Allison also serves as Chief Supervisory Officer and Chief Compliance Officer of Respondent Caprock.

4. The Staff of the Texas State Securities Board (“Staff”) performed an inspection of a branch location of Respondent Caprock from on or about October 6, 2008 to on or about October 10, 2008, and from on or about October 20, 2008 to on or about October 24, 2008 (“Inspection”).

Failure to Enforce Written Supervisory Procedures

5. During the course of the Inspection, Staff discovered that Respondent Caprock failed to maintain required information on order tickets, including, but not limited to, time received, time executed, and whether an order was solicited or unsolicited, which violated Respondent Caprock’s written procedures, as follows:
 - a. “III-13...all order tickets must be completed in full and must include customer name or number; number of shares, bonds or units; description of securities; time of entry; time of execution (if principal transaction).”
6. During the course of the Inspection, Staff also discovered that Respondent Caprock failed to maintain a cash receipt and disbursement blotter, which violated Respondent Caprock’s written procedures, as follows:
 - a. “I-2 In order to document compliance with the rules on the receipt of customer cash, checks etc., the Firm shall maintain a Cash Receipt and Disbursement Blotter. The information on this blotter includes all receipt and disbursement of monies, date, accounts to debit/credit, total dollar amounts and date forwarded.”
7. During the course of the Inspection, Staff also discovered that Respondent Caprock failed to fingerprint each Associated Person who handles the books and records of Respondent Caprock, which violated Respondent Caprock’s written procedures, as follows:
 - a. II-2 Each Registered Representative and Associated Person who handles the books and records of the Firm will be fingerprinted within a reasonable time. All fingerprints will be submitted to the FBI via NASD.”
8. Pursuant to §115.5(b)(1) of the Board Rules, each registered securities dealer shall make and keep blotters containing all receipts and disbursements of cash.
9. Pursuant to §115.5(b)(6) of the Board Rules, each registered securities dealer shall make and keep order memorandum showing the terms and conditions of orders, including, but not limited to, the time the order was received, the time the order was entered, and whether the order was solicited.
10. Pursuant to §115.10(b)(1) of the Board Rules, each dealer shall establish, maintain, and enforce written procedures to supervise the activities of its agents that are reasonably designed to achieve compliance with the Texas Securities Act and Board Rules.

Unregistered Activity

11. During the course of the Inspection, Staff also discovered that an employee engaged in solicitation activities and participated in the sale of securities on behalf of Respondent Caprock from on or about July 12, 2007 to on or about October 15, 2008, without first being registered as an agent of Respondent Caprock with the Securities Commissioner, which violated Respondent Caprock's written procedures as follows:
 - a. II-3...A candidate cannot engage in any solicitation activities until he (she) has been registered with the NASD, SEC and applicable state securities agency(ies)..."
12. Pursuant to Section 14.A(5) of the Texas Securities Act, the Securities Commissioner may reprimand or suspend a dealer registered under the Texas Securities Act if such dealer sold securities in this state through an agent other than a registered agent.

Advertising

13. During the course of the Inspection, Staff also discovered advertising and correspondence that omitted material facts related to tax consequences, the manner in which stated returns were calculated, the fact that such returns could change, and contained misleading information regarding past performance.

Failure to Maintain and Produce Records

14. During the course of the Inspection, Staff also discovered that Respondent Caprock failed to maintain copies of certain customer statements related to private placement investments.
15. Staff requested on October 23, 2008 that Respondent Caprock produce copies of certain customer statements related to private placement investments by October 27, 2008, however Respondent Caprock was unable to produce copies until November 18, 2008 since Respondent Caprock had to go back to the issuer to obtain the necessary documents.
16. Pursuant to §115.5(b)(8) of the Board Rules, each registered securities dealer shall make and keep copies of confirmations of all purchases and sales and notices of all other debits and credits for each customer account.
17. Pursuant to §115.7(e) of the Board Rules, the Securities Commissioner may require all records required to be maintained or maintained in the normal course of business of a dealer be made available to the Securities Commissioner within 48 hours of a request.

Failure to Update Form U-4

18. During the course of the Inspection, Staff also discovered that Respondent Caprock did not disclose on an employee's Form U-4 that the employee was the subject of a regulatory action, as required.
19. Pursuant to §115.9(a)(6) of the Board Rules each dealer and agent registered with the Securities Commissioner must report to the Securities Commissioner any change in information previously disclosed to the Securities Commissioner within thirty (30) days of such change.
20. Pursuant to Section 14.A(3) of the Texas Securities Act, the Securities Commissioner may reprimand or suspend an agent or dealer registered under the Texas Securities Act if the person has engaged in any inequitable practice in the sale of securities.
21. Pursuant to Section 14.A(6) of the Texas Securities Act, the Securities Commissioner may reprimand or suspend an agent or dealer registered under the Texas Securities Act if the person has violated any of the provisions of the Texas Securities Act or Board Rules.
22. Pursuant to Section 23-1 of the Texas Securities Act, the Securities Commissioner may assess an administrative fine against a registered dealer found to have engaged in an act or practice that violates the Texas Securities Act or Board Rules.

CONCLUSIONS OF LAW

1. Respondent Caprock's failure to enforce its written supervisory procedures is a violation of §115.10(b)(1) of the Board Rules.
2. Respondent Caprock's failure to maintain required information on order tickets is a violation of §115.5(b)(6) of the Board Rules.
3. Respondent Caprock's failure to maintain a Cash Receipt and Disbursement Blotter is a violation of §115.5(b)(1) of the Board Rules.
4. Respondent Caprock's failure to fingerprint each Associated Person who handled the books and records of Respondent Caprock is an inequitable practice in the sale of securities, which constitutes a basis for the issuance of an order reprimanding or suspending a dealer pursuant to Section 14.A(3) of the Texas Securities Act.
5. Respondent Caprock's sale of securities through an agent other than a registered agent constitutes a basis for the issuance of an order reprimanding or suspending a dealer pursuant to Section 14.A(5) of the Texas Securities Act.

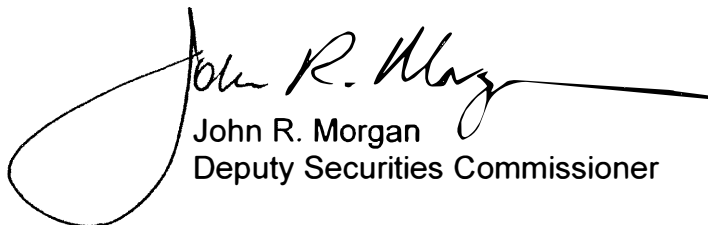
6. Respondent Caprock's use of advertising and correspondence that omitted material facts and contained misleading information is an inequitable practice in the sale of securities, which constitutes a basis for the issuance of an order reprimanding or suspending a dealer pursuant to Section 14.A(3) of the Texas Securities Act.
7. Respondent Caprock's failure to maintain certain customer account statements related to private placement investments is a violation of §115.5(b)(8) of the Board Rules.
8. Respondent Caprock's failure to produce records requested by Staff within 48 hours of the request is a violation of §115.7(e) of the Board Rules.
9. Respondent Caprock's failure to disclose required information on an employee's Form U-4 constitutes a violation of §115.9(a)(6) of the Board Rules.
10. Pursuant to Section 14.A(6) of the Texas Securities Act, the foregoing violations constitute bases for the issuance of an order reprimanding or suspending a dealer.
11. Pursuant to Section 23-1 of the Texas Securities Act, the foregoing violations constitute bases for the issuance of an order assessing an administrative fine against a dealer.

ORDER

1. It is therefore ORDERED that Caprock Securities, Inc. and Daryl Allison are hereby REPRIMANDED.
2. It is further ORDERED that Caprock Securities, Inc. is ASSESSED AN ADMINISTRATIVE FINE in the amount of Ten Thousand Dollars (\$10,000). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Ten Thousand Dollars (\$10,000), payable to the State of Texas, contemporaneously with the delivery of this Order.
3. It is further ORDERED that the registration of Caprock Securities, Inc. is hereby SUSPENDED for purposes of any new business activity for a period of five (5) business days from the date this Order is entered by the Deputy Securities Commissioner. In the event that the registration of Caprock Securities, Inc. is terminated before the end of this period, the suspension period will be tolled from the date that the registration of Caprock Securities, Inc. is terminated to the date that the registration of Caprock Securities, Inc. is effective again.
4. It is further ORDERED that the registration of Daryl Allison is hereby SUSPENDED for a period of twenty-one (21) days from the date this Order is entered by the Deputy Securities Commissioner. In the event that the registration of Daryl Allison is terminated before the end of this period, the suspension period will be tolled from the date that the registration of Daryl Allison is terminated to the date that the registration of Daryl Allison is effective again.

5. It is further ORDERED that Caprock Securities, Inc. COMPLY with the terms of the Undertaking incorporated by reference herein.

SIGNED AND ENTERED by the Deputy Securities Commissioner this 8th day of October, 2009.



John R. Morgan
Deputy Securities Commissioner

Daryl Allison
Daryl Allison, Individually

Caprock Securities, Inc.

Daryl Allison
Daryl Allison, President

10-5-09
Date

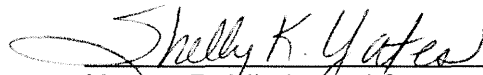
Approved as to Form:

Benette L. Zivley
Benette L. Zivley
Director
Inspections and Compliance Division

ACKNOWLEDGMENT

On the 5 day of October, 2009, Caprock Securities, Inc. ("Respondent Caprock"), by and through Daryl Allison, its President, appeared before me, executed the foregoing Order, and acknowledged that:

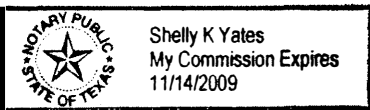
1. Daryl Allison is duly authorized to enter into the foregoing Order on behalf of Respondent;
2. Daryl Allison has read the foregoing Order;
3. Respondent Caprock has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent Caprock knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained herein; and
5. Respondent Caprock, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.



Notary Public in and for
The State of Texas

[affix notary seal here]

My commission expires on: 11-14-2009



ACKNOWLEDGMENT

On the 5 day of October, 2009, Daryl Allison ("Respondent Allison") appeared before me, executed the foregoing Order, and acknowledged that:

1. Respondent Allison has read the foregoing Order;
3. Respondent Allison has been fully advised of his rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent Allison knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained herein; and
5. Respondent Allison, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived his rights as set forth therein.

Shelby K. Yates
Notary Public in and for
The State of Texas

[affix notary seal here]

My commission expires on: 11-14-2009