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SECURITIES COMMISSIONER



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Mail: P.O. BOX 13167  
AUSTIN, TEXAS 78711-3167

## Texas State Securities Board

KENNETH W. ANDERSON, JR.  
MEMBER

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208 E. 10th Street, 5th Floor  
Austin, Texas 78701-2407  
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JACK D. LADD  
MEMBER

BRYAN K. BROWN  
MEMBER

### SSB Docket No. 03-012

IN THE MATTER OF THE  
DEALER REGISTRATION OF  
LONE STAR SECURITIES, INC.  
AND THE AGENT REGISTRATION OF  
JOSEPH HOBODY IRELAND

§  
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§  
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§

**Order No. CAF-1502**

TO: Joseph Hobdy Ireland, President  
Lone Star Securities, Inc. (CRD # 20452)  
15851 Dallas Parkway, Suite 105  
Addison, Texas 75001-3360

Joseph Hobdy Ireland (CRD # 1716003)  
Lone Star Securities, Inc.  
15851 Dallas Parkway, Suite 105  
Addison, Texas 75001-3360

### DISCIPLINARY ORDER

Be it remembered that Lone Star Securities, Inc. ("Respondent Lone Star"), by and through its President, Joseph Hobdy Ireland, and Joseph Hobdy Ireland ("Respondent Ireland"), individually, (collectively "Respondents"), appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and without admitting or denying the Findings of Fact, Conclusions of Law except Finding of Fact numbers one, two and three, hereby consented to the entry of this Order, Undertaking 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 Respondents by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2003)("Texas Securities Act"), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. §2001.001 et seq. (Vernon Supp. 2003)("Administrative Procedure Act").

2. Respondent Lone Star has been registered with the Securities Commissioner as a dealer restricted to the sale of interests in direct participation programs since on or about May 3, 1988.
3. Respondent Ireland has been registered as an agent and designated officer of Respondent Lone Star since on or about May 3, 1988.
4. In or about October, 2000, the Staff of the Texas State Securities Board ("the Staff") conducted an inspection ("2000 Inspection") of the activities of Respondent Lone Star. At the 2000 Inspection's conclusion, an exit interview was conducted between the Staff and Respondent Lone Star discussing discovered deficiencies.
5. On or about August 17, 2001, Respondent Ireland, on behalf of Respondent Lone Star, entered into an Undertaking ("Undertaking") with the Securities Commissioner to resolve those issues discovered during the 2000 inspection. One of the Undertaking's provisions provided that Respondent Lone Star would not engage in public solicitation in connection with the sale of securities and would maintain records which demonstrate that Respondent Lone Star had not engaged in public solicitation. The Undertaking also provided that Respondent Lone Star would provide a copy of the Undertaking to each of its agents engaged in the offer and/or sale of securities, and would obtain written acknowledgments from each agent stating that they had read and understood the prohibited representations contained in the Undertaking.
6. On or about April 8, 2002, the California Corporation Commission issued a Cease and Desist Order against Respondent Lone Star for engaging in public solicitation in connection with the sale of securities. The California Order became final on or about May 23, 2002, and Respondent Lone Star has one year to contest entry of the Order.
7. In or about September, 2002, the Staff conducted an inspection ("2002 Inspection") of Respondent Lone Star's main office located at 15851 Dallas Parkway, Suite 105, Addison, Texas.
8. In or about October, 2002, the Staff conducted an inspection ("2002 Inspection") of Respondent Lone Star's branch location at 17304 Preston Road, Suite 625, Addison, Texas.
9. Based on information obtained during the 2002 Inspections, the Staff determined that Respondent Lone Star, through Respondent Ireland, had not maintained records that demonstrated that Respondent Lone Star had not engaged in public solicitation in the offer and sale of securities.
10. The Staff also determined that Respondent Lone Star, by and through its agents, utilized public solicitation in the offer and sale of securities.
11. The Staff also determined that Respondent Lone Star, by and through its agents, offered and sold securities which were not registered or exempt from the registration requirements of the Texas Securities Act.

12. The Staff also determined that Respondent Lone Star operated branch offices which were not registered with the Securities Commissioner.
13. Section 115.1(b)(1)(B) of the Rules and Regulations of the Texas State Securities Board ("Board Rules") requires that each branch office of a dealer in Texas must be registered with the Securities Commissioner.
14. The Staff also determined that Respondent Lone Star had not obtained written acknowledgments from each of its agents of their receipt of the Undertaking.
15. The Staff observed agents of Respondent Lone Star making representations to prospective investors on the prior activities of an issuer. Respondent Ireland, on behalf of Respondent Lone Star, admitted to the Staff that Respondent Lone Star had not obtained any due diligence to verify the accuracy of the prior activities of the issuer.
16. Respondent Lone Star, through Respondent Ireland, submitted multiple Form U-4s electronically to the Securities Commissioner which certified that each Form U-4 submitted had been read and signed by the agent for whom it was being submitted. The Staff determined that several of the submitted Form U-4s had not been signed by the agents.
17. In or about 1997, Harbor Resources, L.L.C. ("Harbor") was formed by Respondent Ireland as an issuer of securities and sold through Respondent Lone Star. Respondent Ireland did not amend his Form U-4 filed with the Securities Commissioner to disclose this affiliation.
18. Section 115.9(a)(6) of the Board Rules provides that all information required to be disclosed by the Form U-4 must be disclosed to the Securities Commissioner within 30 days of the activity requiring disclosure.
19. Pursuant to Sections 101.2(c) and 133.33(4) of the Board Rules, certain forms required to be filed with the Securities Commissioner, including the Form U-4, have been adopted as Board Rules.
20. Respondent Ireland did not review and initial the sales blotter for each transaction of Respondent Lone Star. Respondent Lone Star's written supervisory procedures require Respondent Ireland to review and initial the sales blotter for each transaction.
21. Section 115.10(b)(1) of the Board Rules requires securities dealers to 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.

#### UNDERTAKING

1. Respondent Lone Star further undertakes and agrees to establish procedures

necessary to ensure that all books and records required to be maintained are done so properly.

2. Respondent Lone Star further undertakes and agrees to not open any new office location in Texas for a period of eighteen months from the date of this Order, unless such location has an on-site individual registered with the National Association of Securities Dealers, Inc. ("NASD") as a principal or is registered as an investment adviser or investment adviser representative.
3. Respondent Lone Star further undertakes and agrees to not operate any office location that is not properly registered with the Securities Commissioner as a branch office.
4. Respondent Lone Star further undertakes and agrees to maintain copies of all contact sheets or any other such documents used in the solicitation of potential investors.
5. Respondents Lone Star and Ireland further undertake and agree to not allow agents to make representations which are not contained in offering memorandum or which have not been approved in writing by Respondent Lone Star. Respondents Lone Star and Ireland further undertake and agree that any such representations approved in writing must be supported by verifiable data contained in Respondent Lone Star's due diligence file.

#### CONCLUSIONS OF LAW

1. Respondent Lone Star's failure to maintain records which demonstrate that Respondent Lone Star had not engaged in public solicitation in the offer and sale of securities constitutes a violation of a provision of the Undertaking filed by Respondent Lone Star with the Securities Commissioner.
2. Respondent Lone Star's use of public solicitation in the offer and sale of securities, by and through its agents, constitutes a violation of a provision of the Undertaking filed by Respondent Lone Star with the Securities Commissioner.
3. Respondent Lone Star, by and through its agents, offered and sold securities which were not registered or exempt from the registration requirements, in violation of Section 7 of the Texas Securities Act.
4. Respondent Lone Star's failure to register branch office locations constitutes a violation of Section 115.1(b)(1)(B) of the Board Rules.
5. Respondent Lone Star's failure to obtain written acknowledgments from all of its agents of their receipt of the Undertaking constitutes a violation of a provision of the Undertaking filed by Respondent Lone Star with the Securities Commissioner.
6. Respondent Lone Star's failure to obtain due diligence to verify the accuracy of the prior activities of an issuer, prior to Respondent Lone Star's agents' representations on such prior activity, constitutes an inequitable practice in the sale of securities.

7. Respondents Lone Star and Ireland's failure to amend Respondent Ireland's Form U-4 to disclose Respondent Ireland's affiliation with Harbor, as required by the Form U-4 and Section 115.9(a)(6) of the Board Rules.
8. Respondent Ireland's failure to review and initial the sales blotter for each transaction of Respondent Lone Star constitutes a violation of Respondent Lone Star's written supervisory procedures and Section 115.10(b)(1) of the Board Rules.
9. Pursuant to Sections 14.A(3), 14.A(6), 14.A(7) and 14.A(11) of the Texas Securities Act, the foregoing violations constitute bases for the issuance of an order reprimanding a dealer and an agent.
10. 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 Lone Star Securities, Inc. and Joseph Hobdy Ireland are hereby REPRIMANDED.
2. It is further ORDERED that Lone Star Securities, Inc. is ASSESSED AN ADMINISTRATIVE FINE in the amount of Ten Thousand Dollars (\$10,000.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Ten Thousand Dollars (\$10,000.00), payable to the State of Texas, contemporaneously with the delivery of this Order.
3. It is further ORDERED that Lone Star Securities, Inc. and Joseph Hobdy Ireland shall COMPLY with the terms of the Undertaking which is contained herein.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 24<sup>th</sup> day  
of March, 2003.

  
DENISE VOIGT CRAWFORD  
Securities Commissioner

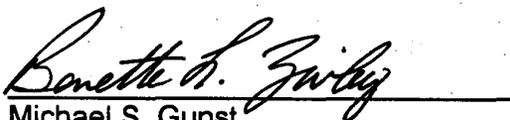
Respondents:

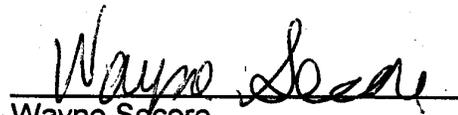
Lone Star Securities, Inc.

By:   
Joseph Hobby Ireland, President

  
Joseph Hobby Ireland, Individually

Approved as to Form:

*Ar.*   
Michael S. Gunst  
Director  
Inspections and Compliance Division

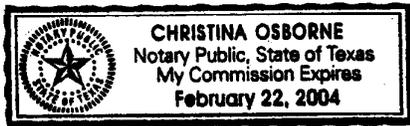
  
Wayne Secore  
Secore & Waller  
Attorney for Respondents

  
David Grauer  
Director  
Enforcement Division

**ACKNOWLEDGMENT**

On the 18<sup>th</sup> day of March, 2003, Lone Star Securities, Inc. ("Respondent Lone Star"), by and through its President, Joseph Hodby Ireland, personally appeared before me, executed the foregoing Order and Undertaking and acknowledged that:

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



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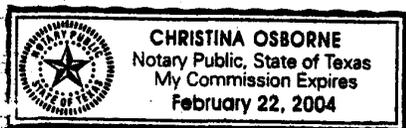
Christina Osborne  
Notary Public in and for  
the State of Texas

My commission expires on: 2/22/04

## ACKNOWLEDGMENT

On the \_\_\_\_\_ day of \_\_\_\_\_, 2003, Joseph Hobdy Ireland ("Respondent Ireland") personally appeared before me, executed the foregoing Order and Undertaking, and acknowledged that:

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



[affix notary seal here]

Christina Osborne  
Notary Public in and for  
the State of Texas

My commission expires on: 2/22/04