

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

MAX MOREHOUSE
(CRD No. 5289368),

Respondent.

Disciplinary Proceeding
No. 2007010607601

DEFAULT DECISION

Hearing Officer – SNB

July 16, 2008

For conversion of funds, in violation of Rule 2110, Respondent is barred from associating with any FINRA member in any capacity.

Appearances

Samuel Barkin, Esq., Jericho, NY, for the Department of Enforcement.

No appearance by Respondent.

DECISION

I. Background

On March 3, 2008, the Department of Enforcement (“Enforcement”) filed a Complaint in this proceeding, attached to this Decision as Exhibit A. The Complaint alleges that Max Morehouse (“Respondent”) violated Rule 2110 by converting customer funds. Respondent did not file an Answer to the Complaint. Accordingly, on May 29, 2008, Enforcement filed a motion for entry of default decision, supported by the Declaration of Samuel Barkin and six exhibits. Respondent did not file a response to the motion.

For the reasons set forth below, Enforcement’s motion is granted.¹

¹ The factual determinations in this Decision are based on the allegations of the attached Complaint, which are deemed admitted, and the declaration and exhibits filed by Enforcement with its motion.

II. Respondent's Default

On February 29, 2008, Enforcement mailed the Complaint and Notice of Complaint to Respondent by first-class and certified mail, to Respondent's last known residential address according to the Central Registration Depository (the "CRD Address"). Respondent did not file an Answer. In the same manner, on April 11, 2008, Enforcement mailed the Complaint and Second Notice of Complaint to Respondent at the CRD Address. Respondent again did not file an Answer.

Enforcement complied with Rule 9134(b)(1) by mailing the Complaint and Notices of Complaint to Respondent's CRD Address, thereby giving Respondent constructive notice of this proceeding. By failing to file an Answer, Respondent defaulted. Accordingly, pursuant to Rules 9215(f) and 9269(a)(2), the allegations in the Complaint are deemed admitted.

III. Jurisdiction

Between February and September 2007, Respondent was registered as an Investment Company and Variable Contracts Products Representative with Chase Investment Services Corp. ("Chase"). On September 14, 2007, Chase filed a Form U5 with FINRA stating that Respondent had been terminated for cause on August 17, 2007, by its affiliate bank, J.P. Morgan Chase ("Morgan"), for converting funds from a bank customer's account to his personal use. Respondent is not currently associated with a member firm.

Although Respondent is not currently associated with a member firm, FINRA has jurisdiction to bring this proceeding, pursuant to Art. V, § 4 of FINRA's By-Laws, because the Complaint charges Respondent with misconduct while he was registered and the Complaint was filed within two years of the termination of Respondent's registration.

IV. Violation - Conversion

According to the Complaint, on August 11, 2007, Respondent made three withdrawals totaling \$240 from a customer bank account at Morgan, using a temporary ATM card Respondent linked to the account. Respondent withdrew these funds for his personal use and without the customer's knowledge or consent. These allegations, which are deemed admitted, are sufficient to establish, for purposes of this default decision, that Respondent converted funds, in violation of Rule 2110.

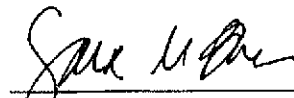
V. Sanctions

For conversion, the Guidelines recommend a bar, regardless of the amount converted. FINRA Sanction Guidelines at 38 (2007 ed.). There is no evidence of any mitigating circumstances that would justify a lesser sanction. Therefore, Respondent is barred from associating with any FINRA member in any capacity.

VI. Conclusion

For conversion of funds, in violation of Rule 2110, Respondent is barred from associating with any FINRA member in any capacity. This bar shall become effective immediately if this Decision becomes the final disciplinary action of FINRA.

SO ORDERED.



Sara Nelson Bloom
Hearing Officer

Copies to: Max Morehouse (*via overnight and first-class mail*)
Samuel L. Barkin, Esq. (*via electronic and first-class mail*)
David R. Sonnenberg, Esq. (*via electronic mail*)
Mark P. Dauer, Esq. (*via electronic mail*)

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

Complainant,

V.

MAX MOREHOUSE (CRD No. 5289368)

Respondent.

DISCIPLINARY PROCEEDING
No. 2007010607601

COMPLAINT

The Department of Enforcement alleges:

Jurisdiction

1. On February 16, 2007, Respondent Max Morehouse became registered through FINRA member firm Chase Investment Services Corp. (CRD #25574) ("CISC") as an Investment Company and Variable Contracts Products Representative.
2. Morehouse remained continuously associated with CISC until on or about September 14, 2007. On September 14, 2007, CISC filed a Uniform Termination Notice for Securities Industry Registration (Form U5) with FINRA, notifying FINRA that the firm had terminated Morehouse's employment with CISC.
3. FINRA retains jurisdiction over Morehouse pursuant to Article V, Section 4 of its By-Laws.

SOLE CAUSE OF ACTION
(Conversion of Customer Funds From
Non-Securities Account - NASD Conduct Rule 2110)

4. The Department realleges and incorporates by reference paragraphs 1-3 above.
5. On August 11, 2007, Morehouse made three separate withdrawals totaling \$240 from the J.P. Morgan Chase bank account of customer O.R. using a temporary ATM card he had linked to the account. Morehouse withdrew these funds for his personal use and without O.R.'s knowledge or consent.
6. By converting funds from the customer's non-securities account, Morehouse violated NASD Conduct Rule 2110

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under NASD Rule 8310(a), including monetary sanctions, be imposed.
- B. order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: February 28, 2008


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