

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

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FINANCIAL INDUSTRY REGULATORY AUTHORITY

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

GERALD DAVID MORALES
(CRD No. 4334209),

Respondent.

Disciplinary Proceeding
No. 2007011089301

Hearing Officer - SNB

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: December 3, 2009

INTRODUCTION

Disciplinary Proceeding No. 2007011089301 was filed on August 24, 2009, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Gerald David Morales submitted an Offer of Settlement (Offer) to Complainant dated November 9, 2009. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of

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the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

From April 2001 to October 2007, Morales was registered as a General Securities Representative through his association with Edward Jones (the "Firm"). He has not been registered with any other member firm.

Morales is not currently associated with any FINRA member firm and has no disciplinary history.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

FIRST CAUSE OF ACTION

While associated with the Firm, Morales established a company called I.G.V.L., LLC. According to the Certificate of Formation from the State of Washington, IGVL was incorporated on August 9, 2005 for the purpose of "property management." Morales was listed as the sole member of the limited liability company.

Real Estate Contract with AL

On August 12, 2005, IGVL entered into a real estate contract with AL, a customer of Morales at the Firm, concerning a property located in Seattle, Washington. The property was in foreclosure at the time of the contract.

According to the Real Estate Contract (the "AL Contract"), the Buyer was IGVL, with Morales as its agent, and the Seller was AL.

Under the terms of the AL Contract, the Buyer would purchase AL's property, allow AL to remain living on the property for 24 months, and pay 24 months of mortgage payments, and all the money in arrears on the property (not to exceed \$25,000.00).

The AL Contract also provided for AL to repurchase the property from the Buyer at any time prior to the termination of the 24 months. In exchange, AL would pay IGVL \$100,000.00.

The Buyer purchased the property and still retains title to it.

Real Estate Contract with LG

On November 8, 2005, IGVL entered into a real estate contract with LG concerning a property located in Seattle, Washington.

According to the Real Estate Contract (the "LG Contract"), the Buyer was IGVL, with Morales as its agent, and the Seller was LG.

Under the terms of the LG Contract, the Buyer would allow LG to remain living on the property for 13 months, and would immediately pay all money in arrears on the property, estimated to be at \$1,900.00 at the time of the contract, an amount also equal to one month's mortgage payment.

The LG Contract also provided for LG to repurchase the property from the Buyer at any time prior to the termination of the 13 months. In exchange, LG would pay IGVL \$30,000.00.

The Buyer purchased the property and still retains title to it.

By forming and engaging in business transactions through IGVL, Morales participated in business activity outside the scope of his relationship with the Firm. Morales was required, but failed, to provide prompt written notice of this outside activity to the Firm. Morales did not

provide the Firm with any notice concerning the business of IGVL prior to the termination of his association.

By reason of the foregoing, Morales violated Conduct Rules 3030 and 2110.

SECOND CAUSE OF ACTION

February 1, 2008 Letter

By letter dated February 1, 2008, FINRA staff requested, pursuant to Rule 8210, information and documents from Morales concerning, among other things, his transactions with AL, LG, and the payments from these individuals to IGVL (\$100,000.00 and \$30,000.00, respectively), and a copy of the "third party contract" that was referenced in the transaction with AL.

The request was sent by first class and certified mail to [REDACTED] [REDACTED] Morales' residential address as listed in the Central Registration Depository (the "CRD Address"), and required a response by February 15, 2008.

Morales responded by letter dated February 21, 2008. Although Morales provided most of the requested information, he failed to provide documents concerning the above-referenced payments from AL and LG.¹

¹ The relevant requests which Morales failed to respond to were:

Item 11. Paragraph #2 of Exhibit A provides for the payment of \$30,000 to I.G.V.L., LLC.

- (iii) Please provide copies of all documents evidencing payment of this amount, including bank statements for all accounts into which payment was deposited.

Item 12. Paragraph #2 of Exhibit B provides for the payment of \$100,000 to I.G.V.L., LLC. In this regard:

- (iv) Please provide copies of all documents evidencing payment of this amount, including bank statements for all accounts into which payment was deposited.

March 7, 2008 Letter

By letter dated March 7, 2008, the staff requested, pursuant to Rule 8210, additional information including, among other things, all documents related to the "real estate contracts"² (e.g., mortgage applications, deeds, escrow statements, etc.) entered into with AL and LG, and information concerning Morales' relationship to a mortgage broker who was involved the transaction with AL.

The letter was sent via first class mail and certified mail to the CRD Address and required a response by March 21, 2008.

Morales responded by letter dated March 19, 2008. He provided certain information requested in the staff's March 7 letter, but failed to address in any manner the request for documents concerning the real estate contracts entered into with AL and LG.

Item 14. Please provide a copy of the "third party contract" to which you refer in your response to Question #3 of our correspondence.

² The letter specifically requested the following in connection with the "real estate contracts" entered into by Morales:

Item 1. Copies of all documents in relation to the "real estate contracts" that you entered into with [AL] and [LG] (in addition to any other similar transaction in which you purchased an individual's property in return for a fee during the period January 1, 2003 to October 31, 2007). Such documents include (but are not limited to) copies of all mortgage applications, deeds, conveyances, records of title insurance, records of all mortgage payments, escrow statements, title transfers, changes of lease/lease agreements, "real estate contracts."

May 19, 2008 Letter

By letter dated May 19, 2008, the staff sent a request, pursuant to Rule 8210, for the information previously requested that Morales had not provided: documents evidencing payments for \$30,000.00 and \$100,000.00 to IGVL, and documents pertaining to the “real estate contracts” entered into with AL and LG.

The letter was sent via first class mail and certified mail to the CRD Address and required a response by May 30, 2008.

On May 29, 2008, Morales emailed the staff representing that he would respond to the staff's request by June 13, 2008. Morales subsequently provided to the staff a copy of the King County Property Description for both properties, but did not provide the requested documents related to the real estate contracts and documents evidencing the \$30,000.00 and \$100,000.00 payments. Therefore, on June 26, 2008, by email, the staff advised Morales that the May 19, 2008, request for information remained outstanding.

June 26, 2008 Letter

By letter dated June 26, 2008, the staff, pursuant to Rule 8210, sent a request for the same information that was requested in the staff's letters of February 1, March 7, and May 19, 2008.

The letter was sent via first class mail and certified mail to the CRD Address and required a response by July 7, 2008.

The first class letter to the CRD Address was not returned. The staff received a signed receipt evidencing delivery of the certified letter to the CRD Address bearing the signature “G. Morales” and dated June 27, 2008.

Morales did not provide any information in response to the June 26, 2008 request.

By reason of the foregoing, Morales violated NASD Procedural Rule 8210 and NASD Conduct Rule 2110.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent Gerald David Morales be fined \$12,500.00 and suspended for two (2) years from association with any FINRA member firm in any capacity.

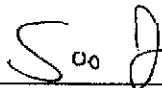
The fine shall be due and payable either immediately upon reassociation with a member firm following the two (2) year suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority

A handwritten signature in black ink, appearing to read 'Soo H. Im', is written over a horizontal line.

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