

III. Violation

Based upon the stipulated facts, the Disciplinary Panel concludes that:

- 1.) Morales violated Exchange Rule 345(a)(2) and Exchange Rule 345(a)(4) in that he (a) submitted an application for registration to the Exchange that contained false information, and (b) failed to appropriately amend such registration after his Petit Larceny misdemeanor conviction, as described in paragraphs 2.0 through 2.5 of the Stipulation.
- 2.) Morales also violated Exchange Rule 345(a)(4) in that in connection with his employment at Firm X, he submitted a questionnaire to his employer that contained false information regarding his criminal history, as described in paragraphs 3.0 through 3.2 of the Stipulation.

IV. Penalties and Publicity

The Stipulation proposes that the Disciplinary Panel impose a censure and a 60-day suspension from functioning as a regular member, regular options principal, holding associated or allied membership, holding the status of approved person or limited permit holder, and from employment or association in any capacity with an Exchange member or member organization. At the hearing, the Parties urged the Disciplinary Panel to accept the proposed penalty as being appropriate to the facts and circumstances of this case. After consideration of the Stipulation and the agreed-upon penalty, the Disciplinary Panel finds the proposed penalty is at the appropriate level to be imposed in this proceeding and therefore accepts the penalty proposed in the Stipulation. The parties further agreed that, subject to any review by the Amex Adjudicatory Council, the above-suspension shall begin as of the date of the hearing, February 25, 2004.

The Disciplinary Panel further finds that the results of this disciplinary proceeding should be publicly disclosed, as provided in Rule 12 of the Exchange Rules on Disciplinary Proceedings.¹

V. Conclusion

Based on the foregoing, the Disciplinary Panel, by unanimous vote, accepts the Stipulation of Facts and Consent to Penalty and hereby imposes a censure and a suspension of 60 days upon Morales.

FOR THE DISCIPLINARY PANEL

Jerome Nelson, Chair

Dated: March 1, 2004
Washington, DC

Copies to: Max D. Leifer, Esq. (*via facsimile and first class mail*)
Eric S. Brown, Esq. (*via facsimile and first class mail*)
Arlene Collins-Day (*via facsimile and first class mail*)

¹ Rule 12 exempts from publicity those cases where the Panel finds that the offense "related solely to minor administrative requirements of the Exchange and does not materially affect the public interest or the interest of investors." Those exemptions do not apply to the facts of this case.

Disciplinary Panel
American Stock Exchange LLC

.....	X	
	X	
IN THE MATTER	X	STIPULATION OF FACTS
OF	X	AND
GEORGE ORLANDO MORALES	X	CONSENT TO PENALTY
.....	X	Case No. 02-36

This proceeding was instituted by the American Stock Exchange LLC (the “Exchange”), against GEORGE ORLANDO MORALES (“Morales”) a former employee of Firm X, a Regular Member organization of the Exchange. This Stipulation of Facts and Consent to Penalty is entered into with Morales pursuant to Exchange Rule 345(k) in order to settle and conclude all disciplinary actions by the Exchange against Morales based upon or arising out of the facts hereinafter stipulated. Morales, without admitting or denying the facts, allegations and conclusions contained in this Stipulation of Facts and Consent to Penalty, hereby consents to the findings of violations of the Exchange Constitution and Rules and Federal Securities Laws and to the imposition of the penalties hereinafter provided. Morales understands that this settlement is subject to approval by an Exchange Disciplinary Panel and by the Amex Adjudicatory Council and that, if so approved, shall constitute a final decision which may not be appealed by the parties. Morales understands and acknowledges that the Disciplinary Panel’s decision in this matter will become part of his disciplinary record and may be considered in any future proceeding brought by the Exchange.

STIPULATED FACTS:

- 1.0 In May 2000, Morales joined Firm X, a Regular Member organization of the Exchange, as a clerk on the Exchange Floor. Morales was subsequently terminated from his employment with Firm X in May 2002. Morales then worked for Firm Y as a clerk on the Exchange Floor during the period between August 2002 and June 2003. On information and belief, Morales has not been employed in the securities industry since June 2003.
- 1.1 During all relevant periods herein, Exchange Rule 345(a)(2) provided that the Exchange may disapprove or suspend or withdraw its approval of the employment of an employee of a member or member organization and the Exchange may, in addition to or in lieu of any such action, (a) censure him; (b) declare him ineligible for employment in specified capacities; and/or (c) assess a fine against him if the Exchange determines that such employee has been guilty of making any misstatement to the Exchange.
- 1.2 During all relevant periods herein, Exchange Rule 345(a)(4) provided that the Exchange may take the action referred to in paragraph 1.1 against an employee of a member or member organization if the Exchange determines that such employee has been guilty of any conduct or proceeding inconsistent with just and equitable principles of trade.

Form U-4 Statements:

- 2.0 In connection with his employment with Firm X, Morales submitted to the Exchange a "Uniform Application for Securities Industry Registration or

Transfer” (“Form U-4”), dated May 1, 2000, in order to become registered with the Exchange. In completing his Form U-4, Morales answered question #14B(1)(a) [“Have you ever been convicted of or pled guilty or nolo contendere (“no contest”) in a domestic, foreign, or military court to a misdemeanor involving: investments or an investment-related business or any fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion or a conspiracy to commit any of these offenses?”], “No.”

- 2.1 Additionally, Morales answered question #14B(1)(b) [“Have you ever been charged with a misdemeanor specified in 14B(1)(a)?”] “No.”
- 2.2 By signing his May 2000 Form U-4, Morales swore or affirmed that he had read and understood the items and instructions on the Form U-4 and that his answers were true and complete to the best of his knowledge. Furthermore, by signing a Form U-4, Morales attested that he understood that he was subject to administrative, civil or criminal penalties if he gave false or misleading answers in completing the Form U-4.
- 2.3 Upon signing his May 2000 Form U-4, Morales also agreed to cause an amendment to his Form U-4 to be filed on a timely basis whenever changes occurred to answers previously reported.
- 2.4 On May 18, 1997, Morales was arrested and charged with violating Section 155.25 of the New York State Penal Law, Petit Larceny¹, a class

¹ According to the New York State Penal Law, a person is guilty of Petit Larceny when he steals property. Section 155.05 of the New York State Penal Law defines larceny: “A person steals property and commits larceny when, with intent to deprive another of property or to appropriate the same to himself or to a third person, he wrongfully takes, obtains, or withholds such property from an owner thereof.”

A Misdemeanor. Notwithstanding this charge, Morales answered “no” to his May 2000 Form U-4 question #14B(1)(b).

- 2.5 On October 18, 2000, Morales was convicted of Petit Larceny, stemming from his May 1997 arrest. However, Morales never amended his answer to question #14B(1)(a) on his May 2000 Form U-4 to reflect his Petit Larceny conviction; his answer to that question was changed only when he began working at Firm Y and submitted a Form U-4 to the Exchange dated July 29, 2002, nearly two years after his conviction.

Misstatements on Employee Questionnaire:

- 3.0 In connection with his employment with Firm X, Morales was required to complete an Employee Questionnaire.² On November 15, 2001, Morales completed and signed the Employee Questionnaire certifying that he had read and understood the questions contained within the questionnaire and that his responses to each question were true and complete, and that he also understood that any omission or misrepresentation of any kind that he made on the questionnaire was cause for immediate dismissal.
- 3.1 Question 1(b) of the Employee Questionnaire asked the employee the following: “Have you ever been convicted of or plead (sic) guilty or “nolo contendere” (“no contest”) to a crime in a domestic or foreign court to a felony or misdemeanor involving fraud, false statements or omissions,

² Morales, and all employees working for Firm X, were required to fill out an employee questionnaire once Firm Z acquired Firm X on or about October 31, 2001.

wrongful taking of property or bribery, forgery, counterfeiting or extortion?” Morales, notwithstanding his class A Misdemeanor conviction for Petit Larceny on October 18, 2000, answered this question “no”.

- 3.2 Question 2(c) of the Employee Questionnaire asked the employee the following: “Have you ever been arrested or indicted for any misdemeanor involving fraud, false statements or omissions, wrongful taking of property, bribery, forgery, counterfeiting, extortion or gambling?” Morales, notwithstanding his 1997 arrest for the aforementioned Petit Larceny conviction, answered this question “no”.

CONCLUSION:

By reason of the foregoing Stipulated Facts, a Disciplinary Panel may conclude that:

- 4.0 Morales violated Exchange Rule 345(a)(2) and Exchange Rule 345(a)(4) in that he (a) submitted an application for registration to the Exchange that contained false information, and (b) failed to appropriately amend such registration after his Petit Larceny misdemeanor conviction, as described in paragraphs 2.0 through 2.5.
- 4.1 Morales also violated Exchange Rule 345(a)(4) in that in connection with his employment at Firm X, he submitted a questionnaire to his employer that contained false information regarding his criminal history, as described in paragraphs 3.0 through 3.2.

DISCIPLINARY ACTION:

A Disciplinary Panel may impose the following penalty upon Morales:

- (a) a censure; and
- (b) a sixty (60) day suspension from functioning as a regular member, regular options principal, holding associated or allied membership, holding the status of approved person or limited permit holder, and from employment or association in any capacity with an Exchange member or member organization.

AMERICAN STOCK EXCHANGE LLC

By: _____
David Rosenstein
Vice President and Chief Counsel

Agreed to this _____ day of October, 2003.

George Orlando Morales