

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

John J. Gorman, IV (CRD No. 1070636).

Respondent.

DISCIPLINARY PROCEEDING
No. 2014040771903

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. While registered with FINRA through a member firm, Respondent John J. Gorman, IV willfully failed to timely amend his Uniform Application for Securities Registration ("Form U4") to disclose a \$781,402 federal tax lien filed against him on or about March 25, 2008, and a \$723,477 federal tax lien filed against him on or about January 27, 2014. By engaging in such misconduct, Gorman acted in willful violation of Article V, Section 2(c) of the FINRA By-Laws, NASD IM-1000-1 (with respect to conduct occurring before August 17, 2009), FINRA Rule 1122 (with respect to conduct occurring on or after August 17, 2009), NASD Conduct Rule 2110 (with respect to conduct occurring before December 15, 2008), and FINRA Rule 2010 (with respect to conduct occurring on or after December 15, 2008), as alleged in the First Cause of Action.

2. Additionally, Gorman violated FINRA Rules 8210 and 2010 when he failed to respond timely to FINRA Staff's request for information and documents pursuant to FINRA Rule 8210, as alleged in the Second Cause of Action.

RESPONDENT AND JURISDICTION

3. Gorman first entered the securities industry in 1988 as a General Securities Representative. From April 18, 1995 to August 7, 2013, Gorman was registered with FINRA through an association with former member firm Tejas Securities Group, Inc. While at Tejas, Gorman was registered with FINRA, as a General Securities Representative, General Securities Principal, Investment Banking Representative and Operations Professional. Gorman became associated with Odeon Capital Group, LLC on February 20, 2015, where he remained until June 19, 2015. Gorman's final period of association with a FINRA member firm, LPS Partners, Inc., began on August 10, 2015 and ended with his voluntary termination on December 1, 2015. While associated with LPS Partners, Inc., Gorman was registered with FINRA, as a General Securities Representative and General Securities Principal. Gorman has not been associated with a FINRA member since December 1, 2015.
4. Although Respondent is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the effective date of termination of Respondent's registration with LPS Partners, Inc., namely, December 3, 2015; and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member, and with failing to respond to FINRA requests for information during the

two-year period after the date upon which he ceased to be registered or associated with a FINRA member.

FIRST CAUSE OF ACTION

Willful Failure to Timely Amend Form U4 to Disclose Federal Tax Liens
(Article V, Section 2(c) of the FINRA By-Laws, NASD IM-1000-1, NASD Conduct Rule 2110,
and FINRA Rules 1122 and 2010)

5. The Department realleges and incorporates by reference paragraphs 1 - 4 above.
6. Article V, Section 2(c) of the FINRA By-Laws requires that registrations filed with FINRA be kept current at all times and that amendments must be filed with FINRA “not later than 30 days after learning of the facts or circumstances giving rise to the amendment.”
7. NASD IM-1000-1 provided, “The filing with the Association of information with respect to membership or registration as a Registered Representative which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or the failure to correct such filing after notice thereof, may be deemed to be conduct inconsistent with just and equitable principles of trade and when discovered may be sufficient case for appropriate disciplinary action.”
8. FINRA Rule 1122, which superseded NASD IM-1000-1, effective August 17, 2009, provides, “No member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof.”

9. NASD Conduct Rule 2110 and its successor, FINRA Rule 2010 (effective December 15, 2008), require the observance of high standards of commercial honor and just and equitable principles of trade.
10. At all times relevant to this Complaint, Question 14M of the Form U4 asked: “Do you have any unsatisfied judgments or liens against you?” If the answer is yes, the registered person is required to provide details about the judgment or lien.

The 2008 Federal Tax Lien

11. On or about March 14, 2008, the Internal Revenue Service (“IRS”) prepared a Notice of Federal Tax Lien against Gorman in the amount of \$781,402.80 (the “2008 Federal Tax Lien”).
12. On or about March 21, 2008, Gorman became aware that the IRS placed a lien on his assets.
13. On or about March 25, 2008, the IRS recorded the 2008 Federal Tax Lien against Gorman. Pursuant to 26 U.S.C. § 6320(a)(1) and (2), the IRS was required by statute to serve notice of the lien on the debtor, Gorman, within five business days.
14. The underlying tax liability for the 2008 Federal Tax Lien was satisfied on June 12, 2008, and the lien was withdrawn on or about July 25, 2008.
15. Gorman was obligated to disclose the 2008 Federal Tax Lien within 30 days of learning of it, or by April 21, 2008. He failed to do so.
16. Gorman did not amend his Form U4 to disclose the 2008 Federal Tax Lien until March 25, 2015.

The 2014 Federal Tax Lien

17. On or about January 17, 2014, the IRS prepared a Notice of Federal Tax Lien against Gorman in the amount of \$723,477 (the "2014 Federal Tax Lien").
18. On or about January 17, 2014, Gorman became aware that the IRS placed a lien on his assets.
19. On or about January 27, 2014, the IRS recorded the 2014 Federal Tax Lien against Gorman. Pursuant to 26 U.S.C. § 6320(a)(1) and (2), the IRS was required by statute to serve notice of the lien on the debtor, Gorman, within five business days.
20. On or about January 28, 2014, the IRS issued a notice of lien filing and right to Collection Due Process hearing to Gorman.
21. On or about March 6, 2014, Gorman requested a Collection Due Process hearing to dispute the lien. Gorman's position was that the lien overstated the amount of his purported liability.
22. On or about January 13, 2015, Gorman received a notice from the IRS informing him that the total amount owed on the lien filed against his property was \$291,929.96.
23. Gorman satisfied the 2014 Federal Tax Lien on or about March 24, 2015, and it was released on March 25, 2015.
24. While the 2014 Federal Tax Lien remained unsatisfied, Gorman completed his initial Form U4 with Odeon on February 20, 2015. At that time, he answered no to Question 14M concerning whether he had any unsatisfied liens.
25. Gorman did not amend his Form U4 to disclose the 2014 Federal Tax Lien until March 25, 2015.

26. The 2008 Federal Tax Lien and the 2014 Federal Tax Lien constituted material information that Gorman was obligated to disclose on his Form U4 in a timely manner.
27. Gorman was aware of the existence of both liens. He failed to disclose these liens in a timely manner and, therefore, his misconduct was willful.
28. Based on the foregoing, Gorman willfully failed to timely amend his Form U4 to disclose the 2008 Federal Tax Lien and the 2014 Federal Tax Lien in violation of Article V, Section 2(c) of the FINRA By-Laws, NASD IM-1000-1(with respect to conduct occurring before August 17, 2009), FINRA Rule 1122 (with respect to conduct occurring on or after August 17, 2009), NASD Conduct Rule 2110 (with respect to conduct occurring before December 15, 2008), and FINRA Rule 2010 (with respect to conduct occurring on or after December 15, 2008).

SECOND CAUSE OF ACTION

Providing an Untimely Response to FINRA Requests for Information and Documents (FINRA Rules 8210 and 2010)

29. The Department realleges and incorporates by reference paragraphs 1 - 28 above.
30. FINRA Rule 8210 requires member firms and associated persons to respond timely, accurately and truthfully to requests for information and documents.
31. FINRA Rule 2010 requires member firms and associated persons to observe high standards of commercial honor and just and equitable principles of trade.
32. On May 12, 2016, FINRA staff requested, pursuant to FINRA Rule 8210, information and documents relating to Gorman's employment status, business calendars, and

securities accounts (the “First Request”). Gorman’s response was due on May 27, 2016.

33. The First Request was sent by both certified mail and first class U.S. mail to Gorman’s CRD address in Austin, Texas (“CRD Address”) and Gorman’s second CRD address, also in Austin, Texas (“Second CRD Address”). The First Request was also emailed to Gorman at [REDACTED].
34. The certified return receipt for the CRD Address mailing was returned to FINRA, reflecting delivery of the First Request to the CRD Address. The return receipt was signed and the signature appears to be that of Gorman.
35. Neither the certified return receipt nor the certified mailing for the Second CRD Address was returned. The USPS.com tracking website indicates that the Second CRD Address certified mailing was out for delivery on May 16, 2016; however, USPS.com never updated the delivery status. The first class U.S. mailings were not returned. FINRA staff has no indication that the email address was not valid or that the email message was otherwise undeliverable.
36. On May 26, 2016, Gorman’s then-attorney, JB, verbally requested an extension of time to respond to the First Request. FINRA staff verbally extended the deadline to June 15, 2016. On May 26, 2016, JB sent an email to FINRA staff confirming the same.
37. On June 9, 2016, JB emailed FINRA staff requesting a second extension of time to respond to the First Request. FINRA staff responded by email extending the deadline to June 29, 2016.

38. On or about June 28, 2016, JB informed Enforcement counsel that he was no longer representing Gorman. That same day, Enforcement counsel left Gorman a voicemail and sent him an email reminding him that his response was due on June 29, 2016 and advising him that no further extensions of time would be granted.
39. Gorman failed to respond to the First Request.
40. On June 30, 2016, FINRA staff sent, pursuant to FINRA Rule 8210, a second request to Gorman (“Second Request”) requesting that Gorman provide the documents and information that were the subject of the First Request no later than July 14, 2016.
41. The Second Request was sent by both certified mail and first class U.S. mail to Gorman’s CRD Address and Second CRD Address.
42. The certified mailing for the CRD Address was returned and marked “Return to Sender, Unclaimed, Unable to Forward.” Neither the certified return receipt nor the certified mailing for the Second CRD Address was returned. The USPS.com tracking website indicates that notice was left at the Second CRD Address, but that the certified mailing was returned due to “Unclaimed/Max Hold Time Expired.” Although USPS.com indicates that the returned certified mailing was in transit to FINRA, it was never received. The first class U.S. mailings were not returned.
43. On July 14, 2016, Gorman, through new counsel KM, provided a partial response to FINRA’s Second Request and represented to FINRA staff in an email that a full response would be provided no later than August 8, 2016.
44. Enforcement counsel notified KM by email that no more extensions of time would be granted and that any additional information provided would be considered untimely.

45. KM then represented in an email that he, on behalf of Gorman, could “commit” to providing the remaining information by July 22, 2016. Enforcement counsel responded that while FINRA would consider and review information provided after July 14, 2016, such submissions would be considered untimely pursuant to FINRA Rule 8210. KM responded that “we’ll do our best to get the information to [FINRA] as quickly as possible.”
46. Gorman failed to provide a complete response to the Second Request by July 14, 2016.
47. On September 14, 2016, Enforcement counsel emailed KM to notify him that FINRA intended to file a FINRA Rule 9552 proceeding against Gorman for his failure to provide information and documents pursuant to FINRA Rule 8210 and inquired whether he would accept service on behalf of Gorman. On September 15, 2016, KM advised FINRA staff in an email that he would accept service.
48. On September 27, 2016, FINRA sent to Gorman a Notice of Suspension Letter (“Suspension Letter”) by certified mail, first class mail, and email to KM. FINRA also sent the Suspension Letter directly to Gorman by certified mail and first class mail to both his CRD Address and Second CRD Address, and also to his email address.
49. The Suspension Letter informed Gorman that he would be suspended on October 21, 2016, pursuant to FINRA Rule 9552, for failing to respond to Request Nos. 3 and 5 in the First Request and Second Request. Request No. 3 requested a copy of Gorman’s written calendars, day-timers, and/or any additional documents evidencing business meetings and appointments from January 2011 until August 2013. Request No. 5

requested that Gorman identify all securities accounts he maintained away from Tejas from January 2011 until August 2013. Request No. 5 also sought copies of all approvals from Tejas to maintain such accounts.

50. The certified return receipt to KM was returned to FINRA staff on October 3, 2016, reflecting delivery of the Suspension Letter to KM, Gorman's counsel, and appears to be signed for by "TG." The certified return receipt for the CRD Address was returned and marked "Return to Sender." The certified return receipt for the Second CRD Address was returned and marked "Return to Sender, Unclaimed, Unable to Forward, Return to Sender." The first class mailing to the Second CRD Address was returned and marked "Return to Sender." The first class U.S. mailing to the CRD Address was not returned. FINRA staff has no indication that the email addresses were not valid or that the email messages were otherwise undeliverable.

51. On October 20, 2016, Gorman responded to the Suspension Letter and requested a hearing. Gorman also provided a response to the two outstanding requests identified in the Suspension Letter – approximately three months after the Second Request was due.

52. Upon receipt of Gorman's response, FINRA filed a Notice of Withdrawal terminating proceedings under FINRA Rule 9552.

53. The requested documents and information were material to FINRA's investigation. Gorman's untimely response impeded FINRA's investigation concerning Gorman's alleged use of business funds to pay personal expenses and whether Gorman maintained securities accounts away from Tejas without the firm's approval.

54. Based on the foregoing, Gorman violated FINRA Rules 8210 and 2010 because he filed to timely respond to the First and Second Requests.

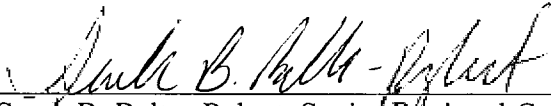
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed; and
- C. make specific findings that Respondent's conduct, as alleged in the First Cause of Action, was willful; the omitted information was material; and, the omission to state material facts was on a Form U4 application.

FINRA DEPARTMENT OF ENFORCEMENT

Date: January 20, 2017



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