

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

Department of Enforcement,

Complainant,

v.

Patrick Matlock
(CRD No. 5760255),

Respondent.

Disciplinary Proceeding
No. 2020067731001

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. In March and May 2020, while registered through J.P. Morgan Securities LLC (CRD No. 79), Respondent Patrick Matlock misrepresented material facts on a loan application and loan agreement he submitted to the U.S. Small Business Administration (SBA) in order to obtain an Economic Injury Disaster Loan (EIDL).

2. Specifically, on March 30, 2020, Matlock falsely represented in a loan application to the SBA that he sought a loan for a sole proprietorship in New Jersey that was established in July 2013, that the business had earned gross revenue of \$120,000 during the 12-month period prior to January 31, 2020, and that it had one employee. The business for which Matlock sought a loan did not even exist as of March 30, 2020.

3. In May 2020, Matlock reaffirmed the truth and accuracy of these false representations when he executed the loan agreement necessary to secure a \$59,000 EIDL loan. He also falsely represented in the loan agreement that he would only use the proceeds to alleviate economic injury caused by the COVID-19 emergency. But Matlock never used those funds for

that purpose. Rather, he used the funds to invest in the stock market. By misrepresenting material facts in a loan application and loan agreement that he submitted to the SBA, Matlock violated FINRA Rule 2010.

4. Matlock also engaged in an outside business activity without providing prior written notice to J.P. Morgan or obtaining required firm approval. Specifically, in May 2020, after applying for the EIDL, Matlock formed a limited liability company with the State of New Jersey, ostensibly to provide “remodeling services.” Although Matlock was the sole “member/manager” of the company, which he formed as a for-profit business, he did not provide any notice to J.P. Morgan of this outside business prior to J.P. Morgan terminating his employment in August 2020. As a result, Matlock violated FINRA Rules 3270 and 2010.

5. Finally, Matlock failed to produce certain bank account statements that FINRA requested pursuant to FINRA Rule 8210. These statements were material to FINRA’s investigation into whether the company Matlock purported to exist in his loan application had any revenue in the year ending January 31, 2020 and to FINRA’s investigation into whether Matlock received any compensation in connection with his undisclosed remodeling business. By failing to produce the requested bank statements, Matlock violated FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

6. Matlock first registered with FINRA in April 2010.

7. From February 4, 2020 to August 24, 2020, Matlock was registered with FINRA as a General Securities Representative through an association with J.P. Morgan.

8. On August 24, 2020, J.P. Morgan filed a Uniform Termination Notice for Securities Industry Registration (Form U5) disclosing that it had discharged Matlock because he

“appl[ied] for, and receiv[ed] funds from the Small Business Administration Economic Injury Disaster Loan [program] without owning or participating in a legitimate business.”

9. Although Matlock 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 August 24, 2020, which was the effective date of termination of Matlock’s registration through J.P. Morgan, and (2) the Complaint charges Matlock 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 on which he ceased to be registered or associated with a FINRA member.

FACTS

A. Matlock misrepresented material facts in a loan application and agreement he submitted to the Small Business Administration.

10. In 2020, the federal government initiated several programs, including the EIDL program, to assist small businesses adversely impacted by the COVID-19 pandemic.

11. Through the EIDL program, the SBA granted low-interest loans to small businesses. To be eligible for an EIDL, an applicant must have had a business in operation on or before January 31, 2020, among other eligibility criteria.

12. The SBA determined the amount of a loan for an eligible business based in part on information the applicant provided regarding the amount of revenue the business earned during the 12-month period ending January 31, 2020 and the number of employees the business had as of that date.

13. On March 30, 2020, while associated with J.P. Morgan, Matlock submitted an application to the SBA for an EIDL on behalf of a sole proprietorship he purported to own in New Jersey.

14. The loan application, which Matlock completed and which he certified under penalty of perjury to be “true and correct,” contained several misrepresentations.

15. First, Matlock falsely stated in the application that the business for which he sought an EIDL operated as a sole proprietorship in New Jersey under a trade name, and that the sole proprietorship was established in July 2013. In fact, Matlock had not established the business for which he sought the loan at the time he submitted the loan application.

16. Second, Matlock falsely stated in the application that his sole proprietorship in New Jersey had earned \$120,000 in gross revenue during the 12-month period ending January 31, 2020. In fact, the sole proprietorship in New Jersey did not even exist during that period and it had not earned any revenue during that period.

17. Third, Matlock falsely stated in the application that his sole proprietorship in New Jersey had one employee as of January 31, 2020. In fact, the sole proprietorship in New Jersey did not exist and did not have any employees as of January 31, 2020.

18. At the time Matlock completed and submitted the application, he knew the sole proprietorship referenced in the application did not exist, it did not generate any revenue, and it did not have any employees.

19. Matlock made these misrepresentations to qualify and obtain a loan through the EIDL program.

20. On May 26, 2020, the SBA sent Matlock a Loan Authorization and Agreement (Loan Agreement) for his execution, stating that it had authorized him to receive an EIDL in the amount of \$59,000.

21. That same day, Matlock signed the Loan Agreement and certified that the representations he had made in the loan application were “true, correct and complete” and “offered to induce SBA to make this Loan.”

22. At the time he signed the Loan Agreement, Matlock knew or should have known that all of his representations in the loan application were not “true, correct and complete.”

23. Matlock also certified that he was “authorized to apply for and obtain a disaster loan ... in connection with the effects of the COVID-19 emergency.”

24. In the Loan Agreement, Matlock also agreed to “use all the proceeds of this Loan solely as working capital to alleviate economic injury caused by disaster occurring in the month of January 31, 2020 and continuing thereafter....”

25. On May 29, 2020, the SBA issued Matlock a \$59,000 loan, which it deposited directly into Matlock’s personal bank account.

26. Matlock’s representations related to the use of funds were false.

27. On June 1, 2020, three days after receiving the loan, Matlock transferred approximately \$57,000 from his personal bank account to his personal brokerage account and, on that same day, he used the funds to purchase shares of common stock of an energy company.

28. Matlock did not use the loan proceeds as working capital for his purported sole proprietorship in New Jersey.

29. On August 24, 2020, J.P. Morgan discharged Matlock after discovering that he had received a loan through the EIDL program.

30. On or about September 2, 2020, Matlock repaid the loan in full.

B. Matlock engaged in an outside business activity without providing prior written notice to his firm.

31. On or about May 26, 2020, while associated with J.P. Morgan, Matlock formed a limited liability company organized in New Jersey.

32. That company's certificate of formation, which Matlock signed, described the business as "[a] for profit company that provides remodeling services to private and public entities." The certificate of formation also identified Matlock as the sole "member/manager" of the company and its registered agent.

33. Also, on or about May 26, 2020, Matlock obtained an employer identification number (EIN) for the company from the Internal Revenue Service.

34. At all times relevant to the Complaint, J.P. Morgan's written supervisory procedures (WSPs) required that registered representatives obtain approval from the firm prior to engaging in any outside business activity, including "[a]ny affiliation with another business – paid or unpaid – as a director, officer or holder of an official position . . . or any similar position."

35. On July 7, 2020, Matlock signed a Code of Conduct Affirmation for J.P. Morgan affirming that he had read and understood the WSPs.

36. Matlock did not provide J.P. Morgan with notice, written or otherwise, of his formation of and involvement with the for-profit limited liability company at any point from May 2020 through August 2020, when J.P. Morgan terminated his employment.

C. Matlock failed to produce documents and information requested pursuant to FINRA Rule 8210.

1. Matlock failed to produce complete bank statements from October 2019 through January 2021.

37. On January 25, 2021, in connection with its investigation, FINRA requested pursuant to FINRA Rule 8210 that Matlock produce, among other things, “complete account statements for all bank or brokerage accounts in which he maintained any beneficial ownership, had any control, or was an authorized signor,” for the period October 1, 2019 through January 25, 2021.

38. Although Matlock’s response to the January 2021 request was due on or before February 8, 2021, Matlock did not provide any responsive documents or information by that date.

39. Accordingly, on February 9, 2021, FINRA issued a second request to Matlock pursuant to FINRA Rule 8210 which sought the identical items requested in the January 2021 request.

40. On February 22, 2021, Matlock sent a letter to FINRA staff in which he identified bank accounts responsive to FINRA’s requests, including the personal checking account into which the SBA deposited the \$59,000 he received through the EIDL program (Account 1). However, Matlock did not provide any account statements for Account 1 at that time.

41. On March 8, 2021, Matlock provided printouts of the transaction activity in Account 1 but only from May 2020 through August 2020. Matlock, however, did not provide statements or any other documentation showing transaction activity for Account 1 for the periods from October 2019 through April 2020 and from September 2020 through January 25, 2021.

42. As a result, on March 25, 2021, in connection with its investigation, FINRA issued a third request pursuant to FINRA Rule 8210, which again requested that Matlock provide

a “complete copy of all bank or brokerage account statements” for all accounts that he identified on February 22, 2021, including Account 1.

43. On April 8, 2021, Matlock produced portions of monthly statements for Account 1 for the periods from October 2019 through April 2020 and from September 2020 through January 2021.

44. The versions of the bank statements for Account 1 that Matlock produced to FINRA on April 8, 2021 were missing every other page of each statement.

45. For example, for the statement covering the period from September 13, 2019 through October 10, 2019, Matlock produced a document labeled “[p]age 2 of 2” that includes transaction details for October 7 through October 10. Matlock did not produce the first page of this statement and therefore did not produce any record of Account 1’s transaction activity from September 13 through October 6.

46. On May 12, 2021, Matlock appeared and provided testimony pursuant to FINRA Rule 8210. During his testimony, Matlock acknowledged that, although he had complete account statements for Account 1, he had not produced complete statements to FINRA in response to its FINRA Rule 8210 requests. Matlock further stated that he would provide complete versions of the statements to FINRA.

47. On June 23, 2021, in connection with its investigation, FINRA issued a fourth request to Matlock pursuant to FINRA Rule 8210, which again requested that he provide, among other things, complete account statements for Account 1 from October 2019 through January 25, 2021. Matlock’s response to the June 2021 request was due on or before July 14, 2021.

48. FINRA served the June 2021 request by first class U.S. Mail and first class certified mail, return receipt requested, to Matlock’s residential address listed in FINRA’s

Central Registration Depository (CRD) (the CRD Address) and also sent a copy to his email address, which he had previously used to communicate with FINRA (the Email Address).

49. The copy of the June 2021 request that was sent by first class U.S. Mail was not returned to FINRA.

50. The U.S. Postal Service's online tracking system states that the June 2021 request sent via certified mail was delivered on June 25, 2021.

51. FINRA did not receive any notification that the copy of the June 2021 request sent electronically to Matlock at his Email Address was undeliverable.

52. Matlock failed to respond to the June 2021 request by the July 14, 2021 deadline or at any other time.

53. To date, Matlock has failed to provide a complete response to the Rule 8210 requests issued to him in January, February, March, and June 2021.

2. Matlock failed to produce any account statements for January 1, 2019 through September 30, 2019.

54. On May 13, 2022, in connection with its investigation and pursuant to FINRA Rule 8210, FINRA requested, among other things, that Matlock identify and produce complete account statements for any bank or brokerage account in which he maintained any beneficial ownership, had any control, or was an authorized signor, for the period of January 1, 2019 through September 30, 2019.

55. On May 20, 2022, Matlock sent a letter to FINRA Staff in response to the May 2022 request, stating that he had already produced the responsive information.

56. On May 24, 2022, FINRA Staff informed Matlock, via email, that although he had previously produced to FINRA limited bank records, those records did not relate to the earlier time period set forth in the May 2022 request.

57. Although Matlock's response to the May 2022 request was due on or before May 27, 2022, Matlock did not provide any responsive documents or information by that date.

58. Accordingly, on June 29, 2022, FINRA issued a second request to Matlock pursuant to FINRA Rule 8210, which sought the identical items requested in the May 2022 Request. Matlock's response to the June 2022 request was due on or before July 6, 2022.

59. FINRA staff served the June 2022 request by first class U.S. Mail and first class certified mail, return receipt requested, to Matlock's CRD Address and also sent a copy to his Email Address.

60. The copy of the June 2022 request sent by first class U.S. Mail was not returned to FINRA.

61. The U.S. Postal Service's online tracking system states that the June 2022 request sent via certified mail was delivered on July 2, 2022.

62. FINRA did not receive any notification that the copy of the June 2022 request sent electronically to Matlock at his Email Address was undeliverable.

63. Matlock failed to respond to the June 2022 request by the July 6, 2022 deadline or at any other time.

FIRST CAUSE OF ACTION
Misrepresentation of Material Facts in a Loan Application and Agreement
(Violation of FINRA Rule 2010)

64. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.

65. FINRA Rule 2010 requires associated persons, in the conduct of their business, to "observe high standards of commercial honor and just and equitable principles of trade."

66. FINRA Rule 2010 encompasses business-related conduct that is inconsistent with just and equitable principles of trade, even if that activity does not involve a security.

67. Making a misrepresentation of a material fact in connection with business-related activities is a violation of FINRA Rule 2010.

68. In March 2020, Matlock misrepresented the following material facts in a loan application he completed, certified under penalty of perjury to be “true and correct,” and submitted to the SBA:

- a. Matlock misrepresented that he sought an EIDL for a sole proprietorship in New Jersey that he had established in 2013;
- b. Matlock misrepresented that the sole proprietorship in New Jersey had earned \$120,000 in gross revenue during the 12-month period ending January 31, 2020; and
- c. Matlock misrepresented that the sole proprietorship in New Jersey had one employee as of January 31, 2020.

69. On May 26, 2020, Matlock signed the Loan Agreement with the SBA in which he falsely certified that (a) all representations in the loan application “are true, correct and complete,” and (b) he was “authorized to apply for and obtain a disaster loan ... in connection with the effects of the COVID-19 emergency.”

70. In the Loan Agreement, Matlock also represented that he would only use the loan proceeds to alleviate economic injury caused by the COVID-19 emergency. However, one week after signing the Loan Agreement, Matlock used a substantial part of the loan proceeds to purchase shares of common stock of an energy company in his personal brokerage account.

71. As a result of the foregoing conduct, Matlock violated FINRA Rule 2010.

SECOND CAUSE OF ACTION
Failure to Disclose Outside Business Activity
(Violation of FINRA Rules 3270 and 2010)

72. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.

73. FINRA Rule 3270 provides that “[n]o registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member.”

74. A violation of FINRA Rule 3270 also constitutes a violation of FINRA Rule 2010.

75. Between May 2020 and August 2020, Matlock engaged in an outside business activity. Specifically, in May 2020, Matlock formed, or caused to be formed, a limited liability company for which he acted as the sole “member/manager” and registered agent. Matlock also obtained an EIN from the IRS for the company.

76. Matlock’s business activity was outside the scope of his relationship with J.P. Morgan. The company that Matlock formed was a for-profit business in the remodeling industry.

77. Matlock failed to provide any notice to J.P. Morgan of his outside business activity from May 2020 until his employment was terminated in August 2020.

78. As a result of the foregoing conduct, Matlock violated FINRA Rules 3270 and 2010.

THIRD CAUSE OF ACTION
Failing to Provide Information and Documents Requested
Pursuant to FINRA Rule 8210
(Violation of FINRA Rules 8210 and 2010)

79. The Department of Enforcement realleges and incorporates by reference all preceding paragraphs.

80. FINRA Rule 8210(a)(1) provides that FINRA staff may “require a ... person ... subject to FINRA’s jurisdiction to provide information orally, in writing, or electronically ... with respect to any matter involved in [an] investigation, complaint, examination or proceeding[.]”

81. Rule 8210(a)(2) provides that FINRA staff may “inspect and copy the books, records, and accounts of such member or person with respect to any matter involved in the investigation, complaint, examination, or proceeding that is in such member’s or person’s possession, custody or control.”

82. FINRA Rule 8210(c) provides that “[n]o member or person shall fail to provide information ... pursuant to this Rule.”

83. Failing to provide information and documents requested pursuant to FINRA Rule 8210 is a violation of FINRA Rules 8210 and 2010.

84. On January 25, 2021, February 9, 2021, March 25, 2021, and June 23, 2021, FINRA Staff served Matlock with letters, in connection with its investigation and pursuant to FINRA Rule 8210, requesting that he provide, among other things, account statements for his bank and brokerage accounts for the period October 1, 2019 through January 25, 2021.

85. As alleged above, Matlock did not provide FINRA with complete account statements for Account 1 for the period from October 2019 through January 25, 2021.

86. On May 13, 2022 and June 29, 2022, FINRA also served Matlock with letters, in connection with its investigation and pursuant to FINRA Rule 8210, requesting that he provide, among other things, account statements for his bank and brokerage accounts for the time period from January 1, 2019 through September 30, 2019.

87. Matlock did not provide any response to these requests.

88. The bank account statements FINRA sought in its 2021 and 2022 Rule 8210 requests were material to FINRA's investigation into whether the company Matlock purported to exist in his loan application had any revenue in the year ending January 31, 2020. The information requested was also material to FINRA's investigation into whether Matlock received any compensation in connection with his undisclosed remodeling business.

89. By failing to provide documents and information requested pursuant to FINRA Rule 8210, Matlock violated FINRA Rules 8210 and 2010.

RELIEF REQUESTED

WHEREFORE, the Department of Enforcement 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), including monetary sanctions, be imposed; and
- C. order that Respondent bears such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: August 15, 2022



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