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FINRA Expels BD, Bars CEO for Fraudulent Muni Bond Sales.

Robert Lawson transferred millions of dollars from a deceased client's trust to hide muni-bond borrowers' poor financial conditions and the bonds' risks

The Financial Industry Regulatory Authority said Thursday that it expelled Phoenix-based Lawson Financial Corp. from the organization and barred CEO and President Robert Lawson from the securities industry due to fraud.

Lawson and others with his firm sold millions of dollars of municipal revenue bonds to clients, which were underwritten by LFC and related to an Arizona charter school and two assisted living facilities in Alabama — borrowers that Robert Lawson and LFC knew faced financial difficulties.

For the fraudulent transactions, Lawson transferred millions of dollars to the borrowers and associated parties from a deceased customer's trust account, according to FINRA, in order to hide the borrowers' financial conditions and the risks associated with the bonds.

When LFC clients bought the bonds, LFC and Lawson "hid the material fact that Lawson was improperly transferring millions of dollars from the trust account to various parties when the borrowers were not able to pay their operating expenses or required interest payments on the bonds," according to FINRA.

In addition, the regulatory body found that Lawson and his wife Pamela, who was LFC's chief operating officer, were co-trustees of the trust account — in violation of FINRA rules, since they acted as trustees and engaged in self-dealing with the trust account. Robert Lawson also misused client funds.

Robert Lawson was in the securities industry for 40 years, according to FINRA BrokerCheck. He had nine disclosures during this time, including payments of damages to clients of about \$238,000 in 2009 and \$295,000 in 2001.

FINRA suspended Pamela Lawson from associating with any FINRA member firm for two years and fined her \$30,000. Her BrokerCheck records show that she has been in the industry for 30 years.

This disciplinary action settles a May 2016 complaint filed against LFC, Robert Lawson and Pamela Lawson. In the complaint, FINRA explains that one muni-bond sale was for a \$10.5 million offering in October 2014; the size of secondary market bond sales between January 2013 and July 2015 were not disclosed.

Pamela Lawson's BrokerCheck records show that complaint involved making payments of \$14 million from a trust account for which she was a co-trustee.

In settling the matter, LFC, Robert Lawson and Pamela Lawson neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

Calls to LFC were not returned as of press time.

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