Bond Case Briefs

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Arizona Broker-Dealer Settles Charges it Underwrote Fraudulent Muni Bonds.

Lawson Financial settles with SEC over due diligence in nursing home financings

Lawson Financial Corp., a now-defunct municipal bond underwriter in Phoenix, Ariz., has settled with the Securities and Exchange Commission over charges related to muni bond offerings the firm underwrote that turned out to be fraudulent.

Also charged with failing to conduct reasonable due diligence were the firm's CEO, Robert Lawson, and then-underwriter's counsel John T. Lynch Jr., who also was charged with failing to disclose that he was not actually authorized to practice law, as represented to investors in bond offering documents.

In February, the Arizona Republic reported that Mr. Lawson settled with the Financial Industry Regulatory Authority Inc. over similar charges, resulting in the firm withdrawing its Finra membership and being forced to close.

The SEC's order found that Lawson Financial failed to conduct reasonable due diligence when underwriting bond offerings to purchase and renovate nursing homes and senior living facilities. The offerings were managed by Christopher F. Brogdon of Atlanta, who was later charged by the SEC with fraud and faces a court order to repay $85 million to investors.

The SEC charged that Lawson Financial failed to ensure that Mr. Brogdon and his related borrowers complied with their continuing disclosure undertakings, which generally prohibit underwriters from purchasing or selling municipal securities unless the issuer or obligated person has committed to providing continuing disclosure information, such as annual financial materials and operating data.

Mr. Lawson and his firm agreed to pay disgorgement of nearly $200,000, as well as penalties of nearly $200,000 for the firm and $80,000 for Mr. Lawson, who will be barred from the securities industry for three years. The firm and Mr. Lawson neither admitted nor denied the SEC's findings. Lawson Financial, which would have been eligible for more lenient remedies under the SEC's Municipalities Continuing Disclosure Cooperation Initiative, paid a penalty that was approximately double what the firm would have paid under the initiative, the SEC said in a release.

"Underwriters are critical gatekeepers relied upon by investors to ensure that accurate information is being provided in municipal bond offering documents," said Andrew M. Calamari, director of the SEC's New York Regional Office. "Lawson Financial failed to confirm that continuing disclosure obligations were being met by the Brogdon-controlled borrowers, allowing Mr. Brogdon's nursing home investment scheme to continue."

Investment News

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