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Figure in Troubled Bond Deals Leaves a Company Board.

PHOENIX – Christopher Brogdon, who recently emerged at the center of more than a dozen problematic healthcare municipal bond deals for which at least $2 million was unaccounted for, will resign from the board of directors of a healthcare company.

Brogdon will step down from the board of AdCare Health Systems at the next shareholder meeting, the company announced Wednesday.

AdCare, which trades on the New York Stock Exchange under the symbol ADK, owns, leases or manages for third parties 39 senior living and long-term healthcare facilities. Brogdon owns more than 5% of the company's shares, according to its regulatory filings.

Brogdon is the central figure more than a dozen defaulted bond issues stretching back more than a decade that trustee Bank of Oklahoma Financial has said are missing some $2 million from debt service reserve funds.

AdCare was involved in two of those deals, according to regulatory filings.

On Tuesday, the firm filed a form 8-K disclosure with the Securities and Exchange Commission noting that two facilities controlled by entities related to AdCare and financed with municipal bonds had been the subject of default notices filed by the bond trustee.

For bonds issued by the city of Springfield, Ohio for a nursing home run by a wholly-owned affiliate of AdCare, "the Company has cured such defaults," AdCare reported in the 8-K.

In the case of bonds issued by the Medical Clinic Board of the City of Hoover, Ala. for a facility owned by "a consolidating variable interest entity of the Company which is owned and controlled by Christopher Brogdon," AdCare said "it is the Company's understanding" that the entity is working to cure the bond default.

The trustee bank announced in filings over the summer on the Municipal Securities Rulemaking Board's EMMA website that it had fired a senior vice president following a bondholder complaint she colluded with Brogdon.

The terminated employee, Marrien Neilson, denied wrongdoing, and has retained an attorney specializing in employment litigation and dispute resolution. The bank has since posted numerous EMMA notices on the statuses of the various projects, some of which it is trying to sell and others it is trying to place into receivership or forbearance. But some holders of the bonds, which have coupons in excess of 7%, aren't satisfied.

Bernard Miskiv, a retired optometrist who lives in Kissimmee, Fla., said he has about $300,000 invested in several bonds local governments issued for several different non-profit borrowers with links to Brogdon. Miskiv said he and a confederation of about 40 other investors who also bought the bonds through a shared broker feel that the bank is largely to blame for the situation, including the case of one facility in Sumner, Ill. that was sold at a tax sale in 2008 — a fact that apparently went unnoticed by the bank until recent months.

“Without the bank enabling Brogdon, this never could have happened,” Miskiv said. “How are they protecting the bondholders? We don’t want retribution, we want restitution.”

Miskiv said he has repeatedly called and written to BOKF’s trustee department, and told the bank he would like it to buy his bonds back.

“There’s no market for them,” he said. “They’re worthless.”

A number of the bonds do continue to trade, though infrequently, according to activity listed on EMMA.

BOKF has issued numerous EMMA notices in the past two weeks, some of which raise even more questions about where the money for debt service went and how some of the money that did come in got there.

On Oct. 1, BOKF posted notices for several of the issues indicating that it had received debt service checks and that it planned to distribute the funds to bondholders as usual. However, the checks came from companies uninvolved in the deals.

“The trustee is unable to determine whether the funds received by the trustee for the debt service payment are pledged revenues under the trust indenture,” the notices say in part. “In the future, the trustee will not accept payment from any person or entity other than the borrower, a guarantor, or a person or entity tendering payment as agent for and on behalf of the borrower.”

The companies that made the mysterious payments, including St. Simons Healthcare LLC/Gordon Oaks Assisted Living, Bleckley NH LLC, and St. Simons Healthcare LLC Riverchase Village, all appear to be owned or run by Brogdon.

Joseph Crivelli, a senior vice president and director of investor relations at BOKF, said that the bank filed a lawsuit against the Brogdon-affiliated nonprofit National Assistance Bureau and Brogdon himself in the U.S. District Court for the Middle District of Georgia on Oct. 12. The National Assistance Bureau shares an Atlanta address with Global Healthcare REIT, a publically traded firm of which Brogdon is president.

On another deal, a 2000 $4.2 million issuance located in Bibb County, Ga., Crivelli said the bank filed for receivership on Oct. 9.

Miskiv said his broker had found a buyer willing to purchase the Bibb facility, which is still operational, and make bondholders whole, but that the bondholders had trouble getting the bank to consider it.

Crivelli said last month that the bank was conducting an internal investigation and had hired a forensic accountant to assist in that investigation. Crivelli said this week that the bank is continuing to cooperate with regulatory investigations into the Brogdon deals.

Brogdon has not responded to requests to be interviewed.

Brogdon has a checkered past as a securities professional. Financial Industry Regulatory Authority records show that Brogdon was a licensed broker at Dean Witter Reynolds in New York from 1978 until 1991, but was expelled from membership in FINRA’s predecessor, the National Association of Securities Dealers after the NASD found that Brogdon had violated federal securities laws and

Municipal Securities Rulemaking Board rules by both making unauthorized trades and preparing inaccurate records while he was working on behalf of Harbor Town Securities, where he was registered from 1982 to 1986.

THE BOND BUYER

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