

# **Bond Case Briefs**

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## **FINRA Files Complaint Charging Lawson Financial Corporation, CEO With Fraudulent Municipal Bond Sales, and Charging CEO With Misuse of Customer's Charitable Trust Funds.**

WASHINGTON — The Financial Industry Regulatory Authority (FINRA) announced today that it has filed a complaint against Phoenix-based firm, Lawson Financial Corporation, Inc. (LFC), and Robert Lawson, the firm's President and Chief Executive Officer, charging them with securities fraud in connection with the sale of millions of dollars of municipal revenue bonds to customers. The complaint further charges Robert Lawson and Pamela Lawson, LFC's Chief Operating Officer, with self-dealing by abusing their positions as co-trustees of a charitable remainder trust and improperly using the trust funds to indirectly prop up the struggling offerings. Based on the transfers of millions of dollars from the charitable remainder trust account, the complaint also charges Robert Lawson with misuse of customer funds.

The municipal revenue bonds at issue in the complaint include: (1) a \$10.5 million bond offering in October 2014 for bonds relating to an Arizona charter school as underwritten by LFC and sold to LFC customers, as well as subsequent sales of these bonds to LFC customers in the secondary market; (2) secondary market bond sales to LFC customers in 2015 of earlier-issued municipal revenue bonds relating to the corporate predecessor of the same Arizona charter school; and (3) secondary market sales to LFC customers between January 2013 and July 2015 of earlier-issued municipal revenue bonds concerning two different assisted living facilities in Alabama.

The complaint alleges that Robert Lawson and LFC were aware of financial difficulties faced by the municipal revenue bond conduit borrowers (the charter school in Arizona and the two assisted living facilities in Alabama) and fraudulently hid from LFC customers who purchased the bonds the material facts that the charter school and the two assisted living facilities were under financial stress. The complaint alleges that Robert Lawson and LFC carried out their fraudulent scheme by transferring millions of dollars from a deceased customer's charitable trust account to parties associated with the conduit borrowers to hide the financial condition of the bond borrowers and the risks posed to the municipal revenue bonds. In particular, the complaint alleges that LFC and Robert Lawson hid from LFC customers who purchased the bonds the material fact that Robert Lawson - in his role as co-trustee of the charitable trust account, and with the knowledge of his wife Pamela Lawson - was improperly transferring millions of dollars of funds from the charitable remainder trust account to various parties associated with the bond borrowers when the borrowers were not able to pay their operating expenses and, for certain of the bonds, were not able to make the required interest payments on the bonds.

The issuance of a disciplinary complaint represents the initiation of a formal proceeding by FINRA in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint. Under FINRA rules, a firm or individual named in a complaint can file a response and request a hearing before a FINRA disciplinary panel. Possible remedies include a fine, censure, suspension or bar from the securities

industry, disgorgement of gains associated with the violations and payment of restitution.

Investors can obtain more information about, and the disciplinary record of, any FINRA-registered broker or brokerage firm by using FINRA's BrokerCheck. FINRA makes BrokerCheck available at no charge. In 2015, members of the public used this service to conduct 71 million reviews of broker or firm records.

Investors can access BrokerCheck at [www.finra.org/brokercheck](http://www.finra.org/brokercheck) or by calling (800) 289-9999. Investors may find copies of this disciplinary action as well as other disciplinary documents in FINRA's Disciplinary Actions Online database. Investors can also call FINRA's Securities Helpline for Seniors at (844) 57-HELPS for assistance or to raise concerns about issues they have with their brokerage accounts and investments.

FINRA, the Financial Industry Regulatory Authority, is the largest independent regulator for all securities firms doing business in the United States. FINRA is dedicated to investor protection and market integrity through effective and efficient regulation and complementary compliance and technology-based services. FINRA touches virtually every aspect of the securities business – from registering and educating all industry participants to examining securities firms, writing rules, enforcing those rules and the federal securities laws, and informing and educating the investing public. In addition, FINRA provides surveillance and other regulatory services for equities and options markets, as well as trade reporting and other industry utilities. FINRA also administers the largest dispute resolution forum for investors and firms. For more information, please visit [www.finra.org](http://www.finra.org).

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