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## [Vanguard, AllianceBernstein Sue Over Sports Park That Failed.](#)

- **Vanguard, AllianceBernstein accuse BC Ziegler of fraud**
- **Phoenix-area venue collapsed 17 months after opening**

Municipal bond funds that lost more than \$200 million after a sprawling Arizona sports complex collapsed into bankruptcy sued the investment bank that underwrote the debt for the project and the father-and-son team that developed and managed it.

The Vanguard Group Inc., AllianceBernstein Holding LP and Macquarie Group's Delaware Funds allege in a [lawsuit](#) filed earlier this month that they were defrauded by Chicago-based bond dealer BC Ziegler, the underwriter of \$280 million of municipal securities for the project, and by Randy and Chad Miller.

The lawsuit in Arizona Superior Court in Maricopa County also named law firm Gust Rosenfeld, which acted as counsel on the securities that were issued through the Arizona Industrial Development Authority in 2020 and 2021. The three asset management companies owned about 70% of the debt.

The bond offerings for the Phoenix-area complex, known as Legacy Park, were based on sham financial projections and failed to inform investors that millions of dollars of bond proceeds were diverted to pay the Millers and support operations, the funds alleged.

### **Contracts**

At least seven organizations the Millers said were lined up to use the park, including English soccer giants Manchester United and a youth affiliate of Major League Soccer's Real Salt Lake, have said they never signed "pre-contracts" or "letters of intent" cited in the bond prospectus circulated among investors who purchased the bonds, Bloomberg previously reported.

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"Defendants falsely inflated the purported demand for Legacy Sports Park, evidenced by so-called letters of intent, many of which turned out to be fabricated," the funds said in the complaint. The mutual funds "relied on the materially false and misleading information in the offering memorandum, including the materially false financial projections and the risks related to the project."

Michael Grimm, a spokesman for Ziegler, said the allegations in the suit had no merit and the investment bank intends to vigorously defend itself. Randy Miller declined to comment as did his attorney. An attorney for Chad Miller didn't respond to a request and neither did Gust Rosenfeld.

Representatives for AllianceBernstein and Delaware Funds didn't provide a comment. A spokesperson for Vanguard declined to comment.

Ziegler was paid about \$5.7 million to underwrite the two bond offerings. Gust made about \$340,000. The lawsuit is the second brought by bondholders against Ziegler. An entity formed by Saybrook Fund Advisors, an investor in distressed municipal debt, sued the bank in November 2023.

Legacy Cares, a nonprofit set up by the Millers to own the 320-acre complex, filed bankruptcy in May 2023, saying construction setbacks, labor shortages and supply-chain delays amid the pandemic delayed the park's opening, resulting in lost revenue. The facility, with a set of fields and courts for soccer, football, baseball, basketball and other sports, was sold last October for \$26 million. Bondholders received \$2.4 million in cash and an 11% equity stake in the new owners.

While offering documents for the bonds said the complex would bring in \$100 million in its first year, by the time the park opened it generated about \$30 million and operated at a \$15 million loss.

### **Financial Projections**

In addition to basing their financial projections, in part, on allegedly fraudulent commitments to use Legacy Sports Park, the bond offering said that the Oak View Group, a firm hired to manage non-sport operations like food and beverage and parking, would contribute \$10 million to the development. OVG never made the investment, according to the lawsuit.

"Defendants never updated the offering memorandum or otherwise informed investors about the material change in cash flows," the lawsuit said.

Ziegler and the Millers also failed to update their initial financial projections for a June 2021 bond sale even though numerous teams canceled their booking because of the Covid-19 pandemic.

The more than 1,000-page offering prospectus for the 2020 bond offering characterized Randy Miller, a former minor-league baseball player, as a successful businessman with wide-ranging connections to the sports industry, citing his associations with the United States Football League's Arizona Outlaws and the Phoenix Giants, which last played in the '80s.

But it omitted the elder Miller's three personal bankruptcy filings and connections to a Texas investment fraud involving a business entity he controlled. Miller was never charged in the Texas case.

Randy Miller was paid \$1 million when the 2020 bond issue closed and both he and Chad Miller received \$40,000 per month as operators of the park, the funds' lawsuit alleged. The Millers used more than \$7 million of bond proceeds to pay "exorbitant" salaries to themselves, family and friends, the suit said. None of these payments were disclosed to bond investors, the complaint said.

Another \$1.2 million of bond proceeds was used to settle a securities fraud lawsuit against the Millers.

"These omissions were highly material given that they improperly diverted proceeds from the bond offering, and concealed facts that impugned the integrity and credibility of the Millers," the lawsuit said.

### **Bloomberg Industries**

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September 23, 2024

