

ADMINISTRATIVE PROCEEDING

File No. 3-17902

Municipal Bond Underwriter's Counsel and Investment Banker Fully Resolves SEC Charges Related to Fraudulent Offerings

February 6, 2018 – The Securities and Exchange Commission today announced that the underwriter's counsel and investment banker for an Arizona-based brokerage firm has agreed to fully resolve charges related to his participation in a fraudulent municipal bond offering scheme from 2010 until 2013.

The SEC's order found that John T. Lynch, Jr., in his role as underwriter's counsel and investment banker for Arizona-based Lawson Financial Corporation, 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 Atlanta-based businessman Christopher F. Brogdon, who was previously charged by the SEC with fraud and faces a court order to repay \$85 million to investors. Among other things, Lynch failed to ensure Brogdon and his related borrowers were in compliance with their continuing disclosure undertakings as required by Rule 15c2-12 of the Securities Exchange Act of 1934, which prohibits 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. Lynch also failed to disclose that he was not authorized to practice law at the time, contrary to representations made to investors in the bond offering documents.

The SEC previously found that Lynch violated the antifraud provisions of the federal securities laws as a result of his conduct related to the Brogdon municipal bond offerings. At that time, Lynch agreed to a bifurcated settlement without admitting or denying the SEC's findings, and he was ordered to pay nearly \$45,000 in monetary relief and agreed to the entry of an order permanently suspending him from appearing and practicing before the SEC as an attorney.

The Commission today ordered that Lynch be barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter, with the right to apply for reentry after one year to the appropriate self-regulatory organization, or if there is none, to the Commission.

The SEC's investigation was conducted by David H. Tutor, Lee A. Greenwood, and Sandeep Satwalekar with assistance from Joseph Chimienti and Mark R. Zehner in the Enforcement Division's Public Finance Abuse Unit. The litigation was led by Mr. Tutor and Mr. Greenwood, with the assistance of Neal Jacobson and Alexander Vasilescu. The case was supervised by Lara Shalov Mehraban.

See also:

Order Making Findings and Imposing Remedial Sanctions pursuant to Sections 15(b) and 15B(c) of the Securities Exchange Act of 1934 and Section 9(b) of the Investment Company Act of 1940 (February 6, 2018).

Order Instituting Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 4C, 15(b), 15B(c)(4), and 21C of the Securities Exchange Act of 1934, Section 9(b) of Investment Company Act of 1940, and Rule 102(e) of the Commission's Rules of Practice (Apr. 5, 2017).

Press Release, "SEC Charges Muni Bond Underwriter With Gatekeeper Failures" (Apr. 5, 2017), *available at* <https://www.sec.gov/news/press-release/2017-77>.

See also: Order