FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT, Complainant, v. LAWSON FINANCIAL CORPORATION, (CRD No. 15261), ROBERT WARREN LAWSON, (CRD No. 501167), and PAMELA DENISE LAWSON, (CRD No. 1475253), Respondents.	DISCIPLINARY PROCEEDING NO. 2014043854401 Hearing Officer - RES **ORDER ACCEPTING OFFER OF SETTLEMENT** Date: January 31, 2017

INTRODUCTION

Disciplinary Proceeding No. 2014043854401 was filed on May 16, 2016 by the Department of Enforcement of the Financial Industry Regulatory Authority ("FINRA" or "Complainant"). Respondents Lawson Financial Corporation ("LFC" or "the Firm"), Robert Warren Lawson and Pamela Denise Lawson (collectively, "Respondents") submitted an Offer of Settlement ("Offer") to Complainant dated January 28, 2017. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council ("NAC"), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA") have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings,

conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondents LFC, Robert Warren Lawson and Pamela Denise Lawson have consented, without admitting or denying the allegations of the Complaint (as amended by the Offer of Settlement), and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint (as amended by the Offer of Settlement), and to the imposition of the sanctions set forth below, and fully understand that this Order will become part of each Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Respondent Lawson Financial Corporation, CRD No. 15261, has been a member of FINRA since 1984. LFC maintains its headquarters in Phoenix, Arizona. Under Article IV of the FINRA By-Laws, FINRA possesses jurisdiction over LFC because: (1) the Firm currently is a FINRA member; and (2) the Complaint charges the Firm with securities-related misconduct while it was a FINRA member.

Respondent Robert Warren Lawson entered the securities industry in 1984 and from then until the present he has been associated with LFC. He is registered with FINRA as a general securities representative, a general securities principal, a municipal securities principal, an investment banking representative, a government securities principal, and a government securities representative. Robert Warren Lawson serves as the Chief Executive Officer of LFC and is currently associated with LFC. Under Article IV of the FINRA By-Laws, FINRA possesses jurisdiction over Robert Warren Lawson because: (1) he is currently associated with a

FINRA member and registered with FINRA; and (2) the Complaint charges him with securities-related misconduct committed while he was associated with a FINRA member and registered with FINRA.

Respondent Pamela Denise Lawson entered the securities industry in November 1985. At the time of the filing of the Complaint in May 2016, Pamela Denise Lawson had been associated with LFC since November 1985, where she was registered with FINRA as a financial and operations principal for the time period that she was associated with LFC. Pamela Denise Lawson remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws because (1) Pamela Denise Lawson was registered with and associated with LFC at the time that the Complaint was filed in May 2016, and (2) the Complaint charges Pamela Denise Lawson with misconduct committed while she was registered with a FINRA member.

Respondents' Disciplinary History. In October 2012, LFC entered into an AWC with FINRA to resolve claims that, in violation of Article V, Sections 2 and 3 of FINRA's By-Laws, FINRA Rule 2010 and NASD Rules 2110 and 3070(c) and NASD Interpretative Material 1000-1, LFC: (i) failed to timely amend forms U4 and a form U5; (ii) failed to file Form U4 amendments; (iii) made form U4 filings that were inaccurate; and (iv) filed statistical and summary reports of customer complaints in an untimely manner. The firm was censured and fined $12,500. In April 2012, LFC entered into an AWC with FINRA to resolve claims that, in violation of MSRB Rules G-17 and G-30(A), LFC sold municipal securities for its own account to a customer at an aggregate price (including any markdown or markup) that was not fair and reasonable. The firm was censured and fined $25,000. In 1985, Robert Warren Lawson entered into an Offer of Settlement and related Decision imposing a monetary fine of $2,500 and

censure, based on allegations that he and the firm violated NASD rules in connection with the sale of municipal securities. Pamela Denise Lawson has no disciplinary history.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

A. SUMMARY

From 2013 through 2015, Respondents Lawson Financial Corporation and Robert Warren Lawson (President, Chief Executive Officer and Chief Compliance Officer of LFC and a control person of LFC) carried out a securities fraud in connection with the sale of millions of dollars of municipal revenue bonds to LFC customers, in violation of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), Rule 10b-5 thereunder and Municipal Securities Rulemaking Board ("MSRB") Rule G-17. During this same period, and continuing through the present, Robert Warren Lawson ("Robert Lawson") also misused customer funds in violation of FINRA Rules 2150(a) and 2010, and Robert Lawson and Respondent Pamela Denise Lawson (owner and Chief Operating Officer of LFC and the wife of Robert Lawson) violated FINRA Rule 2010 by abusing their positions as co-trustees of a trust (which had a trust account at LFC) by improperly transferring millions of dollars from the trust in an undisclosed attempt to prop up the faltering borrowers of the municipal revenue bonds.

LFC's and Robert Lawson's fraudulent securities sales involved four municipal revenue bonds: the Hillcrest Bonds, the Decatur Bonds, the Cullman Bonds, and the Destiny Bonds. LFC and Robert Lawson's fraudulent bond sales included bond sales made in primary market sales to LFC customers in the initial bond offering period for the Hillcrest Bonds, as sold commencing in October 2014, as well as later secondary market bond sales of the Hillcrest Bonds to LFC customers in 2015. In addition, LFC and Robert Lawson's fraudulent bond sales included

secondary market bond sales made (i) to LFC customers who purchased the Cullman Bonds and Decatur Bonds between January 2013 and July 2015, and (ii) to LFC customers who purchased the Destiny Bonds between May 2015 and September 2015.

LFC served as the underwriter for the offerings (the "Bond Offerings") of each of the municipal revenue bonds at issue here. The Destiny Bonds and Hillcrest Bonds funded a charter school located in Mesa, Arizona, while the Cullman Bonds and Decatur Bonds funded two assisted living facilities located in, respectively, Cullman and Decatur, Alabama. The charter school and the two assisted living facilities (the conduit borrowers for the municipal revenue bonds) each suffered from severe financial difficulties and were unable to meet their required operating expenses. Moreover, the Cullman and Decatur assisted living facilities often were unable to meet required debt service payments on the Cullman Bonds and the Decatur Bonds without using funds from the trust account at LFC.

Robert Lawson and LFC were aware of the charter school's and the assisted living facilities' severe financial difficulties and fraudulently hid from LFC customers who purchased the bonds the highly material facts that the charter school and the two assisted living facilities were under such severe financial stress. Robert Lawson and LFC carried out their fraudulent scheme in order to hide from the bond investors (LFC customers) the problems associated with the faltering financial condition of the bond borrowers and the attendant risks posed to the municipal revenue bonds that had been underwritten and sold by LFC. In particular, LFC and Robert Lawson hid from LFC customers who purchased the bonds the highly material fact that Robert Lawson – in his role as co-trustee of a customer trust account at LFC, and with the knowledge of his wife Pamela Denise Lawson (sole owner and Chief Operations Officer of LFC and the other co-trustee of the trust account at LFC) – was improperly transferring millions of

dollars of funds from a trust account held at LFC (as well as lesser amounts of Robert Lawson's own personal funds) to keep afloat the financially floundering charter school and the two assisted living facilities.

The millions of dollars of trust account funds that were used to prop up the charter school and the assisted living facilities and the related municipal revenue bonds came from a LFC trust account established by a LFC customer, WP, in 1999 (the "WP Trust"). Following WP's death in February 2008, Robert Lawson served as one of three trustees for the trust. Following the resignation of a co-trustee in November 2008, Pamela Denise Lawson ("Pamela Lawson") became one of the co-trustees. In February 2012, upon the death of a co-trustee of the WP Trust, Robert Lawson and Pamela Lawson became the only co-trustees of the WP Trust, with Robert Lawson and Pamela Lawson remaining the sole co-trustees through the present.

Robert Lawson was the broker of record for the WP Trust account while the account was maintained at LFC. Robert Lawson as trustee of the trust (together with his wife, Pamela Lawson, the other trustee) caused the WP Trust to pay a total of more than $14 million to fund operating expenses for the charter school and the two assisted living facilities and to pay debt service obligations for the Cullman Bonds and the Decatur Bonds. The total value of the WP Trust account at LFC in January 2013, prior to these improper and fraudulent transfers was approximately $23.4 million, with the trust account assets held primarily in municipal bonds. The transfer of more than $14 million from the trust (with less than $1.8 million having been repaid to the trust) represented more than 50% of the total assets of the trust held at LFC.

By reason of this conduct, as alleged in detail below, LFC and Robert Lawson willfully violated Section 10(b) of the Exchange Act and Rule 10b-5, and willfully violated MSRB Rule G-17, as alleged in the First Cause of Action.

LFC and Robert Lawson also violated MSRB Rule G-19 by making unsuitable recommendations to LFC customers who purchased the municipal revenue bonds, as alleged in the Third Cause of Action.

Furthermore, by making the more than $14 million in payments from the WP Trust's account, Robert Lawson and Pamela Lawson, as co-trustees of the WP Trust violated FINRA Rule 2010 by breaching their fiduciary obligations owed to the WP Trust, as alleged in the Fourth Cause of Action.

In making these improper payments, Robert Lawson also violated FINRA Rule 2150(a) and FINRA Rule 2010 by misusing LFC customer funds, as alleged in the Fifth Cause of Action.

In addition, Robert Lawson failed to amend and timely amend his Uniform Application for Securities Industry Registration ("Form U4") to disclose outside business activities relating to WP Trust and the bond borrowers, thereby willfully violating FINRA Rules 2010 and 1122, Article V, Section 2(c) of the FINRA By-laws, as well as willfully violating MSRB Rule G-7(c), as alleged in the Sixth Cause of Action.

B. RESPONDENTS AND JURISDICTION

Respondent Lawson Financial Corporation, CRD No. 15261, has been a member of FINRA since 1984. LFC currently maintains one office in Phoenix, Arizona. At the time of the filing of the Complaint in May 2016, LFC had four branch offices and employed more than 20 registered individuals. LFC's FINRA registration is presently in effect, and LFC remains subject to FINRA's ongoing jurisdiction.

Respondent Robert Lawson, CRD No. 501167, is LFC's President, Chief Executive Officer and Chief Compliance Officer. At the time of the filing of the Complaint in May 2016, Robert Lawson had been associated with LFC since May 17, 1984. He is registered with FINRA

as a general securities representative, a general securities principal, a municipal securities principal, an investment banking representative, a government securities principal, and a government securities representative. Robert Lawson remains registered with LFC and is subject to FINRA's ongoing jurisdiction.

Respondent Pamela Lawson, CRD No. 1475253, is the sole owner of LFC. At the time of the filing of the Complaint in May 2016, Pamela Lawson had been associated with LFC since November 1985, where she had been registered with FINRA as a financial and operations principal at LFC, and had served as LFC's Chief Operating Officer and Secretary. At the time of the filing of the Complaint in May 2016, Pamela Lawson was registered with LFC. Pamela Lawson is subject to FINRA's ongoing jurisdiction.

C. FACTS

1. General Background

In approximately 1984, brokerage firm LFC entered the business of underwriting municipal revenue bond offerings and offering those bonds to its retail customers in the primary and secondary markets.

Municipal revenue bonds are bonds backed by revenues from a specific project or source, such as, in the present case, a non-profit charter school or assisted living facilities that are being purchased, constructed, or renovated with the proceeds of the bond issuance. Municipal authorities serve as the issuers in municipal bond offerings but issue the securities on behalf of the conduit borrower. The conduit borrower typically agrees to make payments of interest and principal solely from the revenue from the underlying facility. The municipal authorities that issue revenue bonds are not obligated to make debt service payments on these bonds in the event that the conduit borrowers fail to make the debt service payments. Accordingly, the

creditworthiness of the conduit borrowers is of key importance for municipal revenue bonds, and information that the conduit borrowers are unable to pay their operating expenses or debt service obligations would be highly material to potential purchasers of the bonds.

At issue in the Complaint are four municipal revenue bonds (the Hillcrest Bonds, Destiny Bonds, Cullman Bonds and Decatur Bonds) for which LFC served as the sole underwriter. These bonds were offered and sold to LFC retail customers in the primary market during the initial offerings of the bonds and, following the initial offerings, in the secondary market.

In each of the Bond Offerings, the proceeds from the sales of the bonds were to be used to undertake particular projects such as the acquisition, construction, or renovation of a charter school (in the case of the Hillcrest Offering and the Destiny Offering) or assisted living facility (in the case of the Cullman Offering and the Decatur Offering) for the benefit of the borrower, and each borrower was required to make the debt service payments to investors. The borrowers pledged the revenues of the charter school and the assisted living facilities to make interest and principal payments on the bonds.

The Hillcrest Offering and the Hillcrest Bonds. In October 2014, LFC underwrote a municipal revenue bond offering to benefit the Hillcrest Academy School (earlier named the Destiny School). LFC served as the sole underwriter for the offering of the Industrial Development Authority of the County of Pima Education Facility Revenue Bonds (Hillcrest Academy Project) Series 2014 Bonds (the "Hillcrest Offering" and the "Hillcrest Bonds"). The proceeds of the Hillcrest Offering were loaned to the conduit borrower Hillcrest Academy, Inc. ("Hillcrest"), an Arizona nonprofit corporation doing business as Hillcrest Academy, to be used to finance or refinance the costs of acquiring, constructing, improving, renovating and operating the new school property and facilities, and pay capitalized interest and certain issuance expenses.

In October 2014, LFC and Robert Lawson raised approximately $10.5 million from approximately 392 LFC customers in connection with the Hillcrest Offering. LFC's underwriter's compensation related to the purchase and sale of the Hillcrest Bonds was at least $210,000. Since the initial offering, LFC and Robert Lawson also sold Hillcrest Bonds to at least nine LFC customers in the secondary market. With respect to the Hillcrest Bonds, the securities fraud claims in this matter concern both (i) the $10.5 million in primary market sales of the Hillcrest Bonds in the initial offering to LFC customers in the fourth quarter of 2014 and (ii) the subsequent secondary market sales of the Hillcrest Bonds to LFC customers.

The Destiny Offering and the Destiny Bonds. LFC served as the sole underwriter for the offering of the June 22, 2010 Industrial Development Authority of the County of Pima Education Facility Revenue Bonds (Destiny Community School Project) Series 2010 Bonds (the "Destiny Offering" and the "Destiny Bonds"). The Destiny Offering in 2010, like the later Hillcrest Offering in 2014, concerned the same charter school in Arizona, as first named the Destiny School (and later renamed, in 2013, the Hillcrest Academy). The aggregate principal amount of the Destiny Offering was $4 million. The proceeds of the Destiny Offering were loaned to the conduit borrower DCS Partners, Inc. ("DCS"), an Arizona nonprofit corporation doing business as an Arizona charter school named Destiny Community School ("Destiny School"), and were to be used for the acquisition, construction and operation of charter school facilities in Mesa, Arizona. In June 2010, LFC and Robert Lawson raised approximately $4 million from approximately 197 LFC customers in connection with the Destiny Offering. The Destiny Bonds were purchased by LFC pursuant to a purchase contract at prices which would result in compensation to LFC of approximately $100,000. In addition, DCS also agreed to pay an underwriting and marketing fee to LFC. With respect to the Destiny Bonds, the securities

fraud claims in this matter concern the secondary market sales of the Destiny Bonds to LFC customers from May 2015 to September 2015.

The Cullman Offering and the Cullman Bonds. LFC served as the sole underwriter for the offering of the June 30, 2011 Medical Clinic Board of the City of Cullman, First Mortgage Healthcare Facility Revenue Bonds (Cullman ALF Group, LLC Project) Series 2011 Bonds (the "Cullman Offering" and the "Cullman Bonds"). The principal amount of the Cullman Offering was $7,250,000. The conduit borrower for the Cullman Offering was Cullman ALF Group, LLC ("CULL ALF Grp., LLC"). The primary purpose of the underwriting was to finance the costs of acquiring and improving land and constructing an assisted living facility in Cullman, Alabama ("Cullman Facility"). In June 2011, LFC and Robert Lawson raised approximately $7.25 million from approximately 266 LFC customers in connection with the Cullman Offering. LFC's compensation for the Cullman Offering consisted of an approximately $141,000 underwriter discount and an approximately $290,000 marketing fee. With respect to the Cullman Bonds, the securities fraud claims in this matter concern the secondary market sales of the Cullman Bonds to LFC customers between January 2013 and July 2015, inclusive.

The Decatur Offering and the Decatur Bonds. LFC served as the sole underwriter for the offering of the March 8, 2012 Medical Clinic Board of the City of Decatur, First Mortgage Healthcare Facility Revenue Bonds (Decatur ALF Group, LLC Project) Series 2012 Bonds (the "Decatur Offering" and the "Decatur Bonds"). The purpose of the underwriting was to finance the costs of acquiring, improving the land, and constructing an assisted living facility in Decatur, Alabama ("Decatur Facility"). The conduit borrower for the Decatur Offering was the Decatur ALF Group, LLC ("DEC ALF Grp., LLC"). In March 2012, LFC and Robert Lawson raised approximately $7.35 million from approximately 296 LFC customers in connection with the

Decatur Offering. LFC's compensation for the Decatur Offering was approximately $441,000. With respect to the Decatur Bonds, the securities fraud claims in this matter concern the secondary market sales of the Decatur Bonds to LFC customers between January 2013 and July 2015, inclusive.

For each Bond Offering, an Official Statement ("OS") was prepared. The OS is a type of disclosure document used in municipal bond offerings and is also posted on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") website. For each Bond Offering and each sale of the bonds made to LFC customers, including both primary market sales and secondary market sales, the LFC customers were either directly provided a copy of the OS for the bonds by LFC or were referred by LFC to where the OS could be found on the EMMA website, with LFC customers who purchased the Hillcrest Bonds, Destiny Bonds, Cullman Bonds and Decatur Bonds receiving purchase confirmations from LFC referring them to where the OS for such bonds were to be found on EMMA.

With LFC the underwriter of the Bond Offerings, both LFC and Robert Lawson (as a control person of LFC) made, and participated in the making of, statements contained in the OS for each of the Bond Offerings.

The OS for each of the Bond Offerings described the particular municipal revenue bond offering in detail, and, among other disclosures, identified the source of the funds to be used to make debt service payments to investors, on either a semi-annual or monthly basis. The primary source of these payments identified in each OS was the revenue generated by the facility that served as collateral for the bonds.

The OS for each of the Bond Offerings represented that bondholder payments would be payable solely from the revenues and receipts pledged pursuant to each of the bond offering's respective Indenture.

2. The WP Trust

In or about April 1992, LFC customer WP opened a brokerage account at LFC. At all times relevant to the Complaint, Robert Lawson was the registered representative responsible for WP's LFC account. In or about August 1999, the account holder was changed from an individual account in the name of WP to a trust account in the name of the WP Trust, with WP the trustee for the WP Trust at that time. At that time, the account's investment objectives were changed to "income" and "growth with risk." In February 2001, the account information for the WP Trust was updated again to reflect that the primary investment objective remained "income" with some "growth with risk."

The primary purpose of the WP Trust, during WP's lifetime, was to provide for the trustor, WP, and to allow WP to maintain his standard of living.

The Declaration of Trust for the WP Trust states that upon WP's death, the WP Trust "becomes a Charitable Remainder Trust." In February 2008, WP died. At that time, Robert Lawson and two other individuals, PK and RB, became the successor co-trustees. (Respondents have asserted that the WP Trust, after WP died, became a complex trust, rather than a charitable remainder trust.)

Upon the death of WP, the WP Trust provided for lifetime monthly and annual distributions to two individual beneficiaries: RB, who also served as a co-trustee, and another individual named SS. Following the distributions to these individual beneficiaries, the WP Trust states that the remaining distributable income will be provided to not-for-profit organizations.

Specifically, the WP Trust requires that 50% of the interest available annually for distribution be distributed to not-for-profit organizations, and then lists seven designated not-for-profit organization "to be considered as primary choices for distribution," in set percentages, ranging from 6.67% to 20%.

The WP Trust provides the trustees with the ability to lend money, provided that the loan bears a reasonable rate of interest and is adequately secured.

In March 2008, Robert Lawson and RB updated the WP Trust's account information. The account objective was changed to "income" with a "low/moderate" risk exposure.

In November 2008, PK resigned as co-trustee. PK was replaced by Pamela Lawson, so the three co-trustees of the WP Trust as of November 2008 were Robert Lawson, RB and Pamela Lawson.

In February 2012, co-trustee and beneficiary RB died, leaving Robert Lawson and Pamela Lawson as the sole co-trustees of the WP Trust. Shortly before RB's death, purportedly on or about October 13, 2011, the account form for the WP Trust was updated again. On the account update form, the low/moderate "risk exposure" was whited out and the phrase "high risk" was written over the altered section. The overall objective for the account remained "income." RB did not sign this document.

From February 2012 to the present, Robert Lawson and Pamela Lawson have served as the sole co-trustees of the WP Trust. Robert Lawson was the broker of record for the WP Trust brokerage account as maintained at LFC up until mid-2015, when LFC's clearing firm informed Robert Lawson that the clearing firm would no longer permit continued transfers out of the WP Trust account. Robert Lawson and his wife Pamela Lawson, as trustees of the WP Trust, thereafter moved the remaining (and substantially diminished) assets of the WP Trust account to

another brokerage firm and commercial bank. Reflecting their repeated treatment of the WP Trust assets as if these were the Lawsons' own personal assets, the Lawsons allow one of their sons to reside in the former WP residence, a trust asset, rent free. The WP Trust further pays for all utilities at the former WP residence, in addition to a lawn service, a pool service and a security service.

3. The Destiny Bonds and The Hillcrest Bonds

a. The Destiny Offering, the Destiny (Hillcrest) School and the Destiny Bonds

In June 2010, DCS, the conduit borrower for the Destiny Bonds, received $4 million in proceeds from the Destiny Offering, underwritten by LFC and sold by LFC to its customers, for the purpose of financing and refinancing the acquisition, construction and improvement of the Destiny School charter school facilities in Mesa, Arizona.

Payments received by DCS from the State of Arizona constituted DCS' principal source of revenue; those state payments were based on enrollment and other factors concerning the Destiny School.

DCS, in turn, as the conduit borrower, was the party responsible both for running the Destiny School, making the necessary expense payments for the school and for making the required debt payments on the Destiny Bonds.

As part of the Destiny Offering, DCS entered into a Continuing Disclosure Undertaking for the benefit of the Destiny Bondholders, in which, among other items, DCS agreed to make certain disclosures and publish certain documents at specified times or upon the occurrence of material events.

Even prior to the close of the Destiny Offering in June 2010, the Destiny School suffered from financial difficulties. The Destiny OS disclosed that the audited financial statements for

DCS showed an auditor's note relating to the going concern of DCS. However, the Destiny OS disclosed that the auditor anticipated, assuming the consummation of the Destiny Offering and the continuing improvement of the DCS' financial condition, the removal of any going concern note to the audit of DCS as of June 30, 2010.

Despite the $4 million in proceeds received from the Destiny Offering, the Destiny School continued to experience severe financial difficulties, and DCS sought cash flow assistance from outside sources. The Board of Directors for the Destiny School approved the taking of certain loans for which the associated interest costs were beyond the ability of DCS to repay.

Facing potential closure of the school in 2012, management of the Destiny School approached LFC (through Robert Lawson) in its capacity as bondholder representative of the Destiny bondholders to seek additional funding, counsel, and a potential restructuring of the Destiny Bonds. LFC (through Robert Lawson) agreed that LFC would make reasonable attempts to assist DCS to resolve its financial challenges. Despite this, all but one member of the Board of Directors for the Destiny School resigned in December 2012.

In December 2012, DCS entered into a promissory note with an entity named Gables Development Group, LLC ("Gables") for the principal amount of $150,000, plus interest at the rate of 10% per annum ("Original Promissory Note"). Gables is a limited liability company that Robert Lawson controlled and for which he served as the managing member.

Robert Lawson, on behalf of Gables, entered into the Original Promissory Note with DCS to assist with short term cash flow concerns in light of the fact that the school was experiencing financial difficulty. In addition, the money was to be used by DCS to help finance

the beginning of a larger project, specifically the further development and expansion of the Destiny School.

In addition, from December 2012 through February 2013, Robert Lawson provided his own personal funds to DCS. Specifically, Robert Lawson made the following payments to DCS using his personal funds: (i) approximately $4,800 on or about December 11, 2012; (ii) approximately $18,000 on or about December 19, 2012; (iii) approximately $10,000 on or about December 28, 2012; (iv) approximately $28,000 on or about January 17, 2013; and (v) approximately $10,000 on or about February 11, 2013 (collectively, the "Lawson Payments").

In February 2013, Robert Lawson stopped using his own personal funds to transfer to DCS and began providing DCS with money from the WP Trust account at LFC, for which Robert Lawson and his wife Pamela Lawson served as co-trustees. The WP Trust was a trust in which neither Robert Lawson nor DCS were beneficiaries. Yet Robert Lawson treated the assets of the WP Trust as if they were his own, and never disclosed to the LFC customers who purchased the Destiny Bonds (and the LFC customers who later purchased the Hillcrest Bonds) the role of Robert Lawson and the WP Trust in financing first DCS and later the Hillcrest Academy.

Prior to entering into the Original Promissory Note with DCS, in November 2012, Gables had entered into a financing agreement with the WP Trust that allowed Gables to draw on a line of credit from the WP Trust in an amount up to $18 million dollars ("Gables-WP Trust Financing Agreement"). The Gables-WP Trust Financing Agreement also allowed Gables to request the WP Trust to make advances payable directly to a third party. The Gables-WP Trust Financing Agreement did not state a purpose for the line of credit other than to assist Gables in promoting

and furthering its business. Moreover, the Gables-WP Trust Financing Agreement did not provide for interest or security to the WP Trust.

Robert Lawson and Pamela Lawson signed the Gables-WP Trust Financing Agreement in their capacities as co-trustees of the WP Trust. Robert Lawson also signed the Gables-WP Trust Financing Agreement as the managing member of Gables.

Beginning in February 2013, Robert Lawson began authorizing, in his capacity as co-trustee of the WP Trust, the wiring of money from the WP Trust directly to DCS and to third parties for the benefit of DCS. No funds were ever wired or transferred from the WP Trust to Gables. Pamela Lawson knew of and consented to the wiring of these funds from the WP Trust.

In April 2013, DCS changed its name to Hillcrest Academy, Inc. ("Hillcrest"), and changed the name of the Destiny School to Hillcrest Academy.

Over approximately the next year and a half, from January 2013 to October 2014, the Original Promissory Note between Gables and DCS (and then between Gables and Hillcrest) was amended a total of six times ("Amendments to the Original Promissory Note"). The Amendments to the Original Promissory Note increased the original principal amount of the note from $150,000 to $9 million, and, again, failed to provide for any interest to be paid by Hillcrest.

Despite the fact that the Original Promissory Note and the Amendments to the Original Promissory Note remained between Gables and either DCS or Hillcrest, and never mentioned the WP Trust, money flowed from the WP Trust directly to DCS or Hillcrest and third parties for the benefit of the school. At all relevant times, Gables lacked the financial resources to advance funds to DCS and Hillcrest.

In December 2013, approximately ten months after the first wire from the WP Trust to DCS had been made, Robert Lawson and Pamela Lawson, in their capacities as co-trustees of the

WP Trust, entered into another financing agreement on behalf of the WP Trust. This financing agreement was directly with Hillcrest ("Hillcrest-WP Trust Financing Agreement").

The Hillcrest-WP Trust Financing Agreement allowed Hillcrest to draw upon a $10 million line of credit to be funded by the WP Trust. The Hillcrest-WP Trust Financing Agreement did not state a purpose for the line of credit other than to assist Hillcrest in promoting and furthering its business. The Hillcrest-WP Trust Financing Agreement did not provide for interest or security for the WP Trust.

In total, from February 2013, and continuing through April 2016, Robert Lawson, in his capacity as co-trustee of the WP Trust, authorized over 80 wires, totaling approximately $10 million from the WP Trust directly to DCS and later Hillcrest, and to third parties on behalf of DCS and Hillcrest, as follows:

a. Beginning in February 2013, and continuing through October 2014, Robert Lawson authorized over 45 wire transfers, totaling approximately $4.8 million from the WP Trust directly to DCS and later Hillcrest.

b. From January 2014, and continuing through November 2014, Robert Lawson authorized approximately 15 wire transfers, totaling approximately $3.9 million from the WP Trust for payment to FA, a third party, that was to be used to purchase the land for the facilities under construction for the expansion of Hillcrest Academy.

c. From December 2014 and continuing through August 2015, Robert Lawson authorized approximately eight wire transfers, totaling approximately $739,000, from the WP Trust directly to VS, a third party involved in the operations of the school, that was to be used for Hillcrest's operating expenses.

d. From October 2015, and continuing through April 2016, Robert Lawson authorized approximately ten wire transfers, totaling approximately $509,000 from the WP Trust directly to ACS, another third party, that was to be used for the operations and management of the school.

e. Robert Lawson authorized one wire transfer in October 2014 from the WP Trust for payment to another third party creditor of Hillcrest for approximately $194,000, regarding payment of a loan made by ACD for the benefit of Hillcrest.

Pamela Lawson, in her capacity as co-trustee of the WP Trust, knew and consented to Robert Lawson's wiring of funds from the WP Trust directly to DCS and to third parties for the benefit of DCS.

DCS and Hillcrest purportedly used the WP Trust money to pay for the school's operational expenses and fund a second expansion project, which included, among other things, the acquisition of real property and the construction of new school facilities.

Despite the significant cash infusion from the WP Trust, DCS/Hillcrest continued to experience financial difficulties. These difficulties did not go unnoticed. On or about March 26, 2014, the Arizona State Board for Charter Schools ("Arizona State Board") published a letter to Hillcrest in response to the fiscal year 2013 audit package that Hillcrest submitted. In the letter, the Arizona Board stated "a corrective action plan is required to be submitted to the Board because the audit identified issues of noncompliance with federal and state payroll tax (repeat), state unemployment contribution (repeat), financial record retention (third year), and liability and property loss insurance requirements."

The Arizona State Board further identified that "[f]or the second year in a row, the audit identified noncompliance with federal and state payroll tax requirements and state

unemployment contribution requirements. Specifically, the audit indicated that as of June 30, 2013, the charter holder had not paid all prior year (2012) federal payroll taxes to the Internal Revenue Service (IRS), all prior year (2012) state payroll taxes to the Arizona Department of Revenue (ADOR), and all prior year (2012) state unemployment contributions to the Arizona Department of Economic Security (ADES)." The Arizona State Board required Hillcrest to comply with certain steps by April 2014, and warned that "because of the repeat violations, requests to amend your charter for the purposes of expansion will be placed on hold until compliance is demonstrated. This includes increasing the enrollment cap, adding sites and adding grade levels."

As discussed above, as part of the Destiny Offering, DCS entered into a Continuing Disclosure Undertaking for the benefit of the bondholders, in which, among other items, DCS agreed to make certain disclosures and publish certain documents. Although Robert Lawson was aware that DCS was delinquent in its reporting requirements – specifically its audit and annual reports – as early as May 2013, DCS did not disclose its delinquencies until 2014.

b. The Hillcrest Offering, Hillcrest Academy School and the Hillcrest Bonds

Despite the fact that Robert Lawson was aware of the significant financial difficulties facing Hillcrest and had advanced millions of dollars to Hillcrest from the WP Trust during 2013 and 2014, in October 2014, LFC served as the sole underwriter for the Hillcrest Offering and sold the Hillcrest Bonds to LFC customers.

In October 2014, LFC and Robert Lawson raised approximately $10.5 million from approximately 392 LFC customers in connection with the Hillcrest Offering.

The purpose of the Hillcrest Offering was, among other things, to finance the acquisition, construction, improvement, renovation, operation and equipment of an approximately 48,000

square foot charter school facility on approximately ten acres of land located in Mesa, Arizona ("Hillcrest Offering Facilities"). The Hillcrest OS disclosed that Hillcrest acquired approximately ten acres of land in July 2014 at a total cost of $3 million.

The Hillcrest OS disclosed that Hillcrest obtained an appraisal dated April 22, 2014 for the Hillcrest Offering Facilities that determined an "as-is" market value of $2,700,000, and an "as if complete" market value of $16,825,000.

The Hillcrest OS further disclosed that Hillcrest commenced construction of the charter school facility early in 2014, the costs of which were paid for by third-party loans, and Hillcrest opened the school on September 11, 2014.

As part of the Hillcrest Offering, and disclosed in the Hillcrest OS, Hillcrest agreed that its revenues, which primarily consisted of payments from the State of Arizona, would be used first to make payments on the Destiny Bonds, and that payments due on the Hillcrest Bonds would be subordinate.

In the Hillcrest OS, investors were informed that Hillcrest had a charter school contract with the Arizona State Board ("Hillcrest Charter"), pursuant to which Hillcrest Academy operated. Investors were further told that another entity, IS, had a separate charter school contract ("IS Charter") pursuant to which IS operated Hillcrest Academy High at a location in Phoenix, Arizona. The Hillcrest OS informed investors that Hillcrest and IS filed articles of merger with the Arizona Corporation Commission with Hillcrest being the surviving corporation, and upon approval of the merger, the state payments received by Hillcrest for the IS Charter would be included in the revenues by which to make payments on the Destiny and Hillcrest Bonds.

Regarding the use of the state payments in light of the fact that the Hillcrest Bonds were subordinate to the Destiny Bonds, investors were told in the Hillcrest OS that the trustee for the Destiny Bonds would transfer any state payments that remained after payment on the Destiny Bonds to a custodian for the Hillcrest Bonds pursuant to a Custodian and Distribution Agreement dated October 1, 2014. Upon receipt, the custodian would transfer an amount of state payments equal to the payments due under the loan agreement for the Hillcrest Offering to the trustee for the Hillcrest Bonds for distribution pursuant to the Hillcrest Indenture. The custodian would then use remaining money from the state payments to first pay Hillcrest's operating expenses and then pay debt service on third-party loans.

The Hillcrest OS disclosed two third-party loans owed by Hillcrest: (1) a loan from a lender referred to only as "Gables Development Group, L.L.C." to Hillcrest of approximately $5.9 million; and (2) an approximately $550,000 loan from an unrelated third party lender. Investor were told in the Hillcrest OS that Hillcrest would pay approximately $1.6 million from the proceeds of the Hillcrest Offering to Gables and the unrelated third party lender, in order to pay a portion of the balance due and owing on the third-party loans. Investors were further told in the Hillcrest OS that after this payment was made, the remaining loan amount would be secured by a Subordinate Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing ("Subordinate Deed") encumbering the school facilities in favor of Gables and the unrelated third party lender.

As LFC and Robert Lawson were well aware, the Gables loan disclosure in the OS was false, misleading and omitted material facts in that nowhere in the Hillcrest OS were investors informed that Robert Lawson was the managing member of Gables, or that a trust at LFC (the WP Trust) for which Robert Lawson and his wife were co-trustees had funded the Gables loan.

To the contrary, the reference in the OS to the Gables/Hillcrest loan made it appear that Gables was simply a third party creditor of Hillcrest, and investors were not told anything about Lawson's connection to Gables or about the WP Trust's funding of Hillcrest through millions of dollars of transfers from the trust in 2013 and 2014.

Nor were investors told at the close of the Hillcrest Offering that approximately $1.6 million was to be remitted to the WP Trust account at LFC, as controlled by Robert Lawson, the co-trustee of the Trust.

Furthermore, separate and apart from the OS representations concerning the Hillcrest Offering, LFC and Robert Lawson, when making recommendations to LFC customers to purchase the Hillcrest Bonds, never informed the prospective investors that Robert Lawson and a trust for which Robert Lawson and Pamela Lawson were trustees had provided millions of dollars of financing for the charter school in improper payments from the trust.

In December 2014, Robert Lawson subsequently assigned Gables' interest in the Subordinate Deed to the WP Trust. Robert Lawson and LFC failed to disclose this assignment to LFC customers who purchased the Hillcrest Bonds in the secondary market.

Hillcrest's financial condition did not improve after the Hillcrest Offering. In or about November 2014, Hillcrest's audited financial statements for the year ending June 30, 2014 disclosed that "the School has suffered recurring significant deficits in unrestricted net assets and has a net deficiency in net assets that raise substantial doubt about its ability to continue as a going concern." The June 2014 audited financial statements notes that the school had a net asset deficit of approximately $3.1 million. That audited financial statements also disclosed that "the School's current liabilities exceed current assets by $4,705,440 as of June 30, 2014. These factors create an uncertainty about the School's ability to continue as a going concern.

Management of School is developing a plan to reduce or delay expenses, increase enrollment, and, if necessary, borrow additional funds or re-structure debt. The School has also initiated plans to merge with [IS] … The ability of the School to continue as a going concern is dependent upon its success with these endeavors."

In addition, Hillcrest's audited financial statements for the year ending June 30, 2014 showed two promissory notes for the benefit of Hillcrest to be in default.

Hillcrest's request to the Arizona State Board to amend its charter in order to serve additional grade levels was never approved. Hillcrest's merger with IS, another charter school, which would have increased its state payment revenues, was unsuccessful; IS's charter was revoked. Hillcrest's audited financial statements for the year ending June 30, 2015 disclosed that Hillcrest Academy had lost significant funds as a result of its failure to merge with IS, stating that "the School had invested $556,097 and $194,529" in IS during the years ended June 30, 2015 and 2014. Because the Arizona State Board for Charter Schools revoked the charter of IS, Hillcrest's investment in IS was lost.

Hillcrest Academy continued to suffer significant financial difficulties in 2015. The Phoenix campus of Hillcrest Academy abruptly closed in January 2015 because of Hillcrest's inability to increase enrollment and its mounting debt. Indeed, for the 2014-2015 school year, Hillcrest Academy did not meet the enrollment projections contained in the Hillcrest OS.

Hillcrest's audited financial statements for the year ending June 30, 2015 disclosed that "the School has suffered recurring significant deficits in unrestricted net assets and has a net deficiency in net assets that raise substantial doubt about its ability to continue as a going concern" and revealed that Hillcrest had a net assets deficit of approximately $7.2 million as of

June 30, 2015, and that Hillcrest's current liabilities exceeded current assets by just over $10 million, as of June 30, 2015.

Hillcrest's audited financial statements for the year ending June 30, 2015 further disclosed that the independent auditor was unable to render an opinion on Hillcrest's financial statements based on his audit because "[t]he School did not retain adequate documentation to support numerous material transactions recorded in its books affecting fixed assets, liabilities and expenses."

In Hillcrest's Schedule of Findings and Questioned Costs dated June 30, 2015, the independent auditor reported as a condition that "[t]he School did not retain adequate documentation to support amounts and disclosures on its financial statements" with the effect of "[t]he financial statements are misstated by unknown amounts and disclosures are not adequate."

In July and August 2015, certain members of Hillcrest Academy's Board of Directors resigned due to concerns with the management and financial viability of the school.

Despite these events, in October 2015, Lawson, in his capacity as trustee of the WP Trust, entered into yet another promissory note with Hillcrest, whereby the WP Trust was obligated to provide up to $1 million in advancements to Hillcrest ("October 2015 Promissory Note").

The October 2015 Promissory Note does not provide an explicit rate of interest, nor does it provide for security. Pursuant to the October 2015 Promissory Note, the WP Trust provided advancements to Hillcrest and/or third party entities for the benefit of Hillcrest, as alleged above.

As discussed above, through at least February 2016, Robert Lawson, with the knowledge and consent of Pamela Lawson, continued to authorize the transfer of money from the WP Trust

to pay Hillcrest Academy's operational expenses in order to keep the school afloat to stave off the default of two offerings underwritten by LFC.

c. Material Misstatements and Omissions Made to the Destiny and Hillcrest Bondholders

LFC, in its capacity as the sole underwriter for the Hillcrest Offering, was responsible for providing and guaranteeing the accuracy and completeness of information in specific sections of the Hillcrest OS. Robert Lawson reviewed the entire Hillcrest OS before the document was finalized, and LFC and Robert Lawson (as a control person of LFC) were the makers of certain statements contained in the Hillcrest OS. In addition, LFC and Robert Lawson knew that certain statements in the Hillcrest OS (including, but not limited to, the statements regarding the Gables loan) were false and misleading and omitted facts necessary to make the statements made not misleading. Yet LFC and Robert Lawson failed to take any steps to correct the statements in the Hillcrest OS.

Furthermore, separate and apart from the OS disclosures and the role of LFC as underwriter for Hillcrest Offering and the other Bond Offerings, a brokerage firm such as LFC, when recommending securities (including municipal revenue bonds) to a prospective investor, must not only avoid affirmative misstatements, but also must disclose material adverse facts concerning the securities. LFC and one of its control persons (Robert Lawson) recommended the purchase of the municipal revenue bonds to LFC customers, and in making these recommendations, LFC and Robert Lawson, acting with scienter, failed to disclose to LFC customers who purchased the bonds material adverse facts about these bonds, about the borrowers on these bonds, and about the financial relationships among the borrowers on the bonds, Robert Lawson and the WP Trust, LFC.

LFC and Robert Lawson intentionally or, at least recklessly, omitted to disclose material facts in the Hillcrest OS concerning the third-party loan from Gables to Hillcrest, specifically that Robert Lawson is a member and the managing member of Gables, and that the WP Trust was the source of the funds that were loaned to Hillcrest by Gables.

LFC and Robert Lawson did not tell investors in the Hillcrest OS about the Lawson Payments that Robert Lawson made to Hillcrest using his personal funds.

LFC and Robert Lawson failed to disclose to LFC customers purchasing the Hillcrest Bonds and the Destiny Bonds in the secondary market that millions of dollars in funds from a trust at LFC (the WP Trust) under the control of Robert Lawson and his wife as co-trustees had paid substantial portions of Hillcrest's operational expenses from February 2013 through April 2016.

Investors were told in the Hillcrest OS that Hillcrest would pay approximately $1.6 million from the proceeds of the Hillcrest Offering to Gables and another unrelated third party lender, in order to pay a portion of the balance due and owing on third-party loans. Investors were not told about Robert Lawson's ownership of Gables and were not told about the WP Trust's financing of Hillcrest. Investors also were not told that approximately $1.6 million would be remitted to the WP Trust (not Gables) at the close of the Hillcrest Offering. LFC and Robert Lawson did not inform investors of this fact, and did not inform investors of either Robert Lawson's ownership of Gables or of the WP's Trust's involvement (and Robert Lawson's involvement as co-trustee of the WP Trust) in providing millions of dollars in financing to the charter school.

Furthermore, in December 2014, Robert Lawson subsequently assigned Gables' interest in the Subordinate Deed to the WP Trust. Robert Lawson and LFC failed to disclose this assignment to LFC customers who purchased the Hillcrest Bonds in the secondary market.

Robert Lawson and LFC failed to inform LFC customers who purchased the Hillcrest Bonds in the secondary market that the amendment requests for the Hillcrest and IS Charters were never granted, or that IS's charter was revoked, and that as a result, state payments made to IS, which would be shared with Hillcrest, were no longer received.

In the Hillcrest Offering, commencing in October, 2014, LFC and Robert Lawson (a control person of LFC) recommended and sold the Hillcrest Bonds to approximately 392 LFC customers, with total bond sales of $10.5 million made on the basis of the material misrepresentations and omissions made by LFC and Robert Lawson and in connection with LFC and Robert's Lawson fraudulent scheme and course of business (as alleged in Section 5 below).

Following the offering of the Hillcrest Bonds in the primary market in the fourth quarter of 2014, LFC and Robert Lawson (a control person of LFC) also recommended and sold Hillcrest Bonds to at least nine LFC customers in the secondary market on the basis of the material misrepresentations and omissions made by LFC and Robert Lawson and in connection with LFC's and Robert Lawson's fraudulent scheme and course of business (as alleged in Section 5 below).

In 2015, LFC and Robert Lawson recommended and sold Destiny Bonds to 27 LFC customers (whose principal purchase amounts for the bonds were more than $400,000) in the secondary market, on the basis of the material misrepresentations and omissions made by LFC and Robert Lawson and in connection with LFC's and Robert Lawson's fraudulent scheme and course of business.

4. The Cullman and Decatur Municipal Revenue Bonds

a. The Cullman Offering and Cullman Bonds

The borrower for the Cullman Offering (which commenced in June 2011) and the lessee of the Cullman Facility was the CULL ALF Grp., LLC. The Cullman OS identifies the members of the CULL ALF Grp., LLC; one of the member's husband served as the manager of the CULL ALF Grp., LLC.

The Cullman OS provided that the Cullman Bonds "will be limited obligations of the Issuer and will be payable solely from the Lease Payments made pursuant to the Lease Agreement, and from insurance or condemnation proceeds, if any, and from other amounts available under the Indenture (other than the Rebate Fund) and the Mortgage and Security Agreement."

The Cullman OS disclosed that, in accordance with the terms of the Cullman Indenture Agreement, the following funds would be established at the time of the Cullman Offering: a revenue fund, a capitalized interest fund, an operating reserve fund, and a debt service reserve fund. However, notwithstanding the Indenture Agreement mandate for an operating reserve fund, this fund was never established. Similarly, the ad valorem tax fund required under the Cullman Indenture Agreement was also never established.

Pursuant to the Cullman Indenture Agreement, and as discussed in the Cullman OS, the operating reserve fund (had it been established) could have been drawn upon for debt service payments. However, while a draw on the operating reserve fund for debt reserve payments would not constitute an event of default, the CULL ALF Grp., LLC was required to replenish the operating reserve fund back to its maximum level before making any further distributions. Replenishment was to be made within 12 months of use in order to maintain a balance of $330,000.

Upon depletion of the operating reserve fund, the debt service reserve fund could be used for debt service payments. The debt service fund, like the operating reserve fund, was to be replenished if it was depleted. Specifically, as detailed in the Cullman Indenture Agreement and Cullman OS, the debt service fund was to be replenished within 12 months of withdrawal, with repayments to be made on the third business day of the first month in which funds were withdrawn from the debt service reserve fund. The debt service reserve fund was to be maintained at $550,000.

The Cullman Facility commenced operations in or about July 2012, roughly three months after its forecasted opening date. SM, Inc. was the original management company responsible for managing the Cullman Facility.

The Cullman Facility did not achieve the forecasted occupancy rates as projected in the Cullman OS, and it struggled financially. The Cullman Facility has never generated sufficient revenue to make either the interest payments or mandatory calls required under the bonds, and it has consistently experienced inabilities to pay operational expenses.

Commencing in September 2012 and continuing through January 2013, Robert Lawson, both personally and through an entity that he controlled, Camelback Partners, LLC, wired funds to the CULL ALF Grp., LLC and to third parties to cover operational costs incurred by the Cullman Facility.

Starting in early 2013, when Robert Lawson and his wife Pamela Lawson were the sole co-trustees of the WP Trust, Robert Lawson began using funds from the WP Trust to cover the Cullman Facility's operational expenses and debt service payments. This use of WP Trust funds was a stark deviation from prior use of WP Trust funds. Prior to RB's death, WP Trust funds were primarily invested in municipal bonds.

Between February 2013 and October 2014, Robert Lawson, in his capacity as co-trustee of the WP Trust, wired approximately $780,000 from the WP Trust for non-debt service related Cullman Facility operating expenses.

Between February 2013 and October, 2013, Robert Lawson, in his capacity as co-trustee of the WP Trust, wired approximately $110,000 from the WP Trust to compensate SM, Inc. for work performed in managing the Cullman Facility, as well as the Decatur Facility (the "SM Payments").

In addition, from March 2013 through April 2016, in his capacity as co-trustee of the WP Trust, Robert Lawson wired more than $1.6 million to the bond indenture trustee (BO) from the WP Trust to cover the Cullman Bonds' debt service payments – *i.e.*, to make interest payments to the Cullman bondholders. At all times relevant to the Complaint, BO served as the indenture trustee for the Cullman Offering.

Pamela Lawson, in her capacity as co-trustee of the WP Trust, knew about, and consented to, Robert Lawson's wiring of money from the WP Trust directly to the CULL ALF Grp., LLC, BO, SM, Inc. and other third parties for the benefit of the Cullman Facility and the Cullman Offering.

b. The Decatur Offering and Decatur Bonds

The borrower for the Decatur Offering (which commenced in March 2012), and the lessee of the Decatur Facility, was the DEC ALF Grp., LLC. The Decatur OS identifies the members of the DEC ALF Grp., LLC, who are the same members as the CULL ALF Grp., LLC. As with the CULL ALF Grp., LLC, one of the member's husband also served as the manager of the DEC ALF Grp., LLC.

The Decatur OS provided that the Decatur Bonds "will be limited obligations of the Issuer and will be payable solely from the Lease Payments made pursuant to the Lease

Agreement, and from insurance or condemnation proceeds, if any, and from other amounts available under the Indenture (other than the Rebate Fund) and the Mortgage and Security Agreement." The Decatur OS disclosed that, in accordance with the Decatur Indenture Agreement, a capitalized interest fund, an operating reserve fund, and a debt service reserve fund would be created from bond proceeds. Each fund was to be established at the time of the Decatur Offering.

However, similar to the Cullman Offering, the ad valorem tax fund required under the Decatur Indenture Agreement was never established.

Pursuant to the Decatur Indenture Agreement, and as discussed in the Decatur OS, the operating reserve fund could be drawn upon for debt service payments. However, while a draw on the operating reserve fund for debt service payments would not constitute an event of default, the DEC ALF Grp., LLC was required to replenish the operating reserve fund within 12 months of such use. The Decatur operating reserve fund was to maintain a balance of $142,000 in 2012, $158,000 in 2013 and $175,000 in 2014.

Upon depletion of the operating reserve fund, the debt service reserve fund could be used for debt service payments. The debt service fund, like the operating reserve funds, was to be replenished if it was depleted. As detailed in the Decatur Indenture Agreement and OS, replenishment was to occur within 12 months of withdrawal, with repayments to be made on the third business day of the first month in which funds were withdrawn from the debt service reserve fund. The debt service fund was to be maintained at approximately $650,000.

The Decatur Facility was supposed to open in November 2012, but did not actually commence operations until on or about November 2013. SM, Inc. was the management company originally responsible for managing the Decatur Facility.

Like the Cullman Facility, the Decatur Facility did not achieve the forecasted occupancy rates projected in the Decatur OS, and it struggled financially. For much of the relevant time period (including 2013, 2014 and through May 2015), the Decatur Facility consistently experienced an inability to pay operational expenses, and an inability to generate sufficient revenue to make interest payments required under the bonds.

Robert Lawson, in his capacity as co-trustee of the WP Trust, authorized the wiring of funds from the WP Trust to cover operational expenses for the Decatur Facility. Between October 2013 and June 2014, in addition to the SM Payments, approximately $375,000 was wired out of the WP Trust for the Decatur Facility's operational expenses.

In addition, Robert Lawson, in his capacity as co-trustee of the WP Trust, authorized the wiring of funds from the WP Trust to cover debt service obligations for the Decatur Offering. Between June 2013 and May 2015, approximately $1.4 million was wired from the WP Trust to the bond indenture trustee (BO) to cover debt service payments for the Decatur Bonds, *i.e.*, to make interest payments to the Decatur bondholders. At all times relevant to the Complaint, BO served as the trustee for the Decatur Offering.

Pamela Lawson, in her capacity as co-trustee of the WP Trust, knew about and approved Robert Lawson's wiring of money from the WP Trust directly to the DEC ALF Grp., LLC, the indenture trustee (BO), SM, Inc. and other third parties for the benefit of the Decatur Facility and the Decatur Offering.

c. Robert Lawson's and the WP Trust's Relationship with the DEC ALF Grp., LLC and the CULL ALF Grp., LLC

Commencing in or about December 2011 and continuing into 2012, LFC and Robert Lawson engaged in negotiations to obtain an ownership interest in the DEC ALF Grp., LLC. Initially, it was contemplated that certain DEC ALF Grp., LLC members would assign a portion

of their respective ownership interests in the DEC ALF Grp., LLC to Robert Lawson (or his assigns) and to SM, Inc. As of February 2012, it was contemplated that Robert Lawson (or his assigns) would hold a 30% interest in the DEC ALF Grp., LLC, and SM, Inc. would hold a 10% interest.

In or about March 2012, LFC advised legal counsel for one of the DEC ALF Grp., LLC members that Robert Lawson would hold his proposed equity position in the name of Westminster Development Properties, LLC ("Westminster"). The Articles of Organization for Westminster, filed with the Arizona Corporation Commission on February 28, 2012, identifies Robert Lawson as the sole member. As of the date of the filing of the Complaint, Robert Lawson remains the sole member of Westminster.

In May 2012, a member of the DEC ALF Grp., LLC brought a declaratory action against the DEC ALF Grp., LLC and another member of the entity to enforce an agreement to convey ownership interests to a Robert Lawson assign and to SM, Inc. However, the ownership interests were not conveyed to Robert Lawson (or his assigns) and to SM, Inc.

LFC and Robert Lawson failed to advise LFC customers who purchased Decatur Bonds in the secondary market in or after January 2013 that Robert Lawson or his assigns were in negotiations to obtain an ownership interest in the DEC ALF Grp., LLC.

In or about October 2012, an entity owned and controlled by Robert Lawson, APR, LLC, became the manager of the CULL ALF Grp., LLC, the conduit borrower on the Cullman Bonds. APR, LLC had been formed in or about April 2011, and its members, as of October 2012, were Robert Lawson, and JL, who was then the Managing Director of LFC's Investment Banking Department and acted as underwriter's counsel for LFC. JL served as APR's co-member and manager.

In February 2013, several months after Lawson's company APR, LLC became the manager of the CULL ALF Grp., LLC (the borrower on the Cullman Bonds), Robert Lawson and Pamela Lawson obligated the WP Trust to make payments related to the Cullman and Decatur Offerings and Facilities when they entered into a financing agreement with Westminster (the "Westminster Financing Agreement"), effective February 27, 2013.

The Westminster Financing Agreement, signed by Pamela Lawson and Robert Lawson as co-trustees for the WP Trust, and Robert Lawson as managing member of Westminster, obligates the WP Trust to lend up to $6.5 million to Westminster or third parties identified by Westminster. The Westminster Financing Agreement does not provide for interest or security, as required per the terms of the WP Trust document. Funds withdrawn under the Westminster Financing Agreement were used for the benefit of the Cullman and Decatur Facilities and Offerings, namely to pay operational expenses and make debt service payments.

Just a few months later, in May 2013, one of the members of the CULL and DEC ALF Grp, LLCs sold and assigned her interests in the LLCs to two Georgia limited liability companies owned by CB. At least as early as the 1990s, LFC and Robert Lawson have underwritten offerings for CB's projects.

Those Georgia limited liability companies purchased a 35% membership interest in the CULL ALF Grp., LLC and a 50% membership interest in the DEC ALF Grp., LLC for $200,000, which was paid by the WP Trust.

Near the end of May 2013, CULL ALF Grp., LLC and the DEC ALF Grp., LLC each entered into facility management agreements with ASL, LLC. Both agreements identified CB as the owner of the CULL and DEC ALF Grp., LLCs, and CB signed both contracts as "manager" of the CULL and DEC ALF Grp., LLCs.

In June 2013, CB attempted to raise approximately $625,000 that was to be used in connection with the Decatur Facility. That offering was not successful. However, had the offering closed, $250,000 of the proceeds would have gone to Robert Lawson.

CB remained involved with the Cullman and Decatur Facilities through at least March 2015. CB's involvement included, but was not limited to, CB's advisement of the assisted living facilities' financial status, CB's receipt of income and balance sheets/management reports, and the representation to third parties that CB was an owner of the CULL ALF Grp, LLC.

Robert Lawson's entity, APR, purchased a 50% membership interest in the CULL and DEC ALF Grp., LLCs from another member of the two LLCs on September 4, 2013, for the sum of $40,000, which was paid by the WP Trust. At the time of this purchase, Robert Lawson was the sole member of APR. This sale and acquisition agreement was also drafted by JL at the direction of Robert Lawson.

As of April 2015, APR had not assigned its interests in the CULL ALF Grp., LLC and DEC ALF Grp., LLC to anyone else. The WP Trust has never held an ownership interest in APR.

In summary, Robert Lawson, with the knowledge and consent of Pamela Lawson, used funds belonging to the WP Trust to allow for a Robert Lawson-owned and controlled entity to acquire an ownership interest in the CULL ALF Grp., LCC and DEC ALF Grp., LLC.

In a series of documents created by Lawson in 2015, and only after Lawson became aware of FINRA's investigation into this matter, Lawson purported to: (i) sell APR's interest in the CULL and DEC ALF Grp., LLCs to the two Georgia limited liability companies; (ii) evidence that Westminster purchased the two Georgia limited liability companies' interests in CULL and DEC ALF Grp., LLCs; and (iii) attempt to assign Lawson's membership interest in

Westminster to the WP Trust (when, in fact, Lawson remained the sole member of Westminster, based on Arizona Corporation Commission records).

Moreover, Robert Lawson and Pamela Lawson obligated, by means of the Westminster Financing Agreement, the WP Trust to pay for the obligations of the CULL ALF Grp., LCC and DEC ALF Grp., LLC, including, but not limited to debt service payments and operational expenses associated with the Cullman and Decatur Facilities. This arrangement was made by Lawson to prevent the Cullman and Decatur Offerings from defaulting on their bond payment obligations and effectively shielded LFC, Robert Lawson and Pamela Lawson from consequences associated with such a default, including, but not limited to, potential customer arbitrations, potential loss of customers, and potential risk to business reputation.

d. Material Misstatements and Omissions Made to Cullman Bond Investors

LFC and Robert Lawson made material misrepresentations and omissions to the LFC customers who purchased Cullman Bonds in the secondary market between January 2013 and July 2015, inclusive. At all relevant times, Robert Lawson and LFC were aware of these material facts.

Specifically, LFC and Robert Lawson, in recommending to LFC customers that they purchase the Cullman Bonds, failed to advise LFC customers who purchased Cullman Bonds in the secondary market in or after January 2013 of the following adverse material facts:

a. APR, a company owned and controlled by Robert Lawson, became the manager of CULL ALF Grp., LLC (the conduit borrower for the Cullman Bonds) in October 2012. Lawson's company APR became the manager based on the existing management failures and financial problems at CULL ALF Grp., LLC. Yet LFC and Robert Lawson failed to advise secondary market purchasers of the Cullman Bonds that a company owned by Lawson (a

controlling person of LFC) was the manager of the conduit borrower on the Cullman Bonds recommended by LFC.

b. Debt service payments, operational expenses and property taxes associated with the Cullman Facility were paid by the WP Trust, commencing in February 2013. Robert Lawson authorized these payments, and Pamela Lawson consented to the WP Trust funds being used in this manner. Yet LFC and Robert Lawson never disclosed to LFC customers who purchased the Cullman Bonds in the secondary market these payments by the WP Trust and the Lawsons' relationship with the WP Trust.

c. Robert Lawson's entity, APR, LLC, in September 2013 purchased a 50% membership interest in both CULL ALF Grp., LLC and DEC ALF Grp., LLC. The purchase for APR's membership interests was paid with funds from the WP Trust. LFC and Robert Lawson failed to disclose to Cullman Bond investors in the secondary market (i) APR's acquisition of an interest in CULL ALF Grp., LLC in 2013, (ii) the source of funds used for APR's acquisition of an interest in CULL ALF Grp., LLC in 2013, (iii) and the fact that Robert Lawson (a control person of LFC) had an ownership interest in the conduit borrower for the Cullman Bonds.

d. The Cullman debt service reserve fund was not replenished as required by the Cullman Indenture Agreement and an operating reserve fund was not established as required by the Indenture Agreement. The CULL ALF Grp., LLC also failed to comply with various provisions of the Cullman OS and Indenture Agreement, including, but not limited to, failure to meet financial covenants, pay property taxes, and establish an ad valorem tax fund. Yet LFC and Robert Lawson never disclosed these material adverse facts to LFC customers who purchased the Cullman Bonds in the secondary market.

e. LFC and Robert Lawson also failed to advise LFC customers who purchased Cullman Bonds in the secondary market that Robert Lawson and a limited liability company controlled by Robert Lawson, Camelback Partners, paid certain operational expenses for the Cullman Facility during the period of September 2012 through January 2013. Yet LFC and Robert Lawson never disclosed these material adverse facts to LFC customers who purchased the Cullman Bonds in the secondary market.

f. LFC and Robert Lawson also failed to advise LFC customers who purchased Cullman Bonds in the secondary market that the CULL ALF Grp., LLC failed to pay the general contractor who built the Cullman Facility. Specifically, amounts due and owing in May and June 2012 were not paid, resulting in a demand notice in the amount of approximately $412,000 being made on or about July 25, 2012. The general contractor filed a mechanic's lien or about November 2012, followed by the initiation of an arbitration seeking a judgment in the amount of approximately $500,000. An award was subsequently entered on the general contractor's behalf, which, to date, remains unsatisfied. Yet LFC and Robert Lawson never disclosed these material adverse facts to LFC customers who purchased the Cullman Bonds in the secondary market.

e. Material Misstatements and Omissions Made to Decatur Bond Investors

LFC and Robert Lawson made material misrepresentations and omissions to the LFC customers who purchased Decatur Bonds in the secondary market between January 2013 and July 2015, inclusive. At all relevant times, Robert Lawson and LFC were aware of these material facts.

Specifically, LFC and Robert Lawson, in recommending to LFC customers that they purchase the Decatur Bonds, failed to advise LFC customers who purchased Decatur Bonds in the secondary market in or after January 2013 of the following adverse material facts:

a. APR, a company owned and controlled by Robert Lawson, became the manager of CULL ALF Grp., LLC (the conduit borrower for the Cullman Bonds) in October 2012. Lawson's company APR became the manager based on the existing management failures and financial problems at CULL ALF Grp., LLC. Because CULL ALF Grp., LLC had the same initial members as the DEC ALF Grp., LLC, this substantial management change should have been disclosed to secondary market purchasers of the Decatur Bonds. Yet LFC and Robert Lawson failed to advise secondary market purchasers of the Decatur Bonds of this material information.

b. Debt service payments, operational expenses and property taxes associated with the Decatur Facility were paid by the WP Trust, commencing in February 2013. Robert Lawson authorized these payments and Pamela Lawson consented to the WP Trust funds being used in this manner. Yet LFC and Robert Lawson never disclosed to LFC customers who purchased the Decatur Bonds in the secondary market these payments by the WP Trust and the Lawsons' relationship with the WP Trust.

c. In May 2013, a 35% membership interest in the CULL ALF Grp., LLC and a 50% interest in the DEC ALF Grp., LLC was sold and assigned to two Georgia limited liability companies owned by an individual named CB. The membership interests were purchased from an original member of the CULL ALF Grp., LLC and DEC ALF Grp., LLC and were paid with funds from the WP Trust. Robert Lawson authorized the use of the WP Trust funds for this acquisition. LFC and Robert Lawson failed to disclose these May 2013

acquisitions by the two Georgia limited liability companies and the source of funds to LFC customers who purchased the Decatur Bonds in the secondary market.

d. After Lawson, as early as December 2011, began negotiations to purchase an interest in DEC ALF Grp., as alleged above, Robert Lawson's entity, APR, LLC, in September 2013 purchased a 50% membership interest in both CULL ALF Grp., LLC and DEC ALF Grp., LLC. The purchase for APR's membership interests was paid with funds from the WP Trust. LFC and Robert Lawson failed to disclose to Decatur Bond investors in the secondary market (i) Lawson's negotiations to purchase an interest in DEC ALF Grp., LLC in late 2011 and 2012, (ii) APR's acquisition of an interest in DEC ALF Grp., LLC in 2013, (iii) the source of funds used for APR's acquisition of an interest in DEC ALF Grp., LLC in 2013, (iv) and the fact that Robert Lawson (a control person of LFC) had an ownership interest in the conduit borrower for the Decatur Bonds.

e. The Decatur debt service reserve fund was not replenished as required by the Decatur Indenture Agreement and an operating reserve fund was not established as required by the Indenture Agreement. The DEC ALF Grp., LLC also failed to comply with various provisions of the Decatur OS and Indenture Agreement, including, but not limited to, failure to meet financial covenants, pay property taxes, and establish an ad valorem tax fund. Yet LFC and Robert Lawson never disclosed these material facts to LFC customers who purchased the Decatur Bonds in the secondary market.

f. On at least one occasion, property taxes were paid by the WP Trust; and on multiple occasions, other expenses owed by DEC ALF Grp., LLC were paid by the WP Trust. Said payments were made at the direction of Robert Lawson, with the knowledge and consent of

Pamela Lawson. LFC and Robert Lawson failed to advise the secondary market purchasers of Decatur Bonds of the source of the funds for the payment of property taxes and trustee fees.

g. LFC and Robert Lawson also failed to advise LFC customers who purchased Cullman Bonds in the secondary market that Robert Lawson and a limited liability company controlled by Robert Lawson, Camelback Partners, paid certain operational expenses for the Cullman Facility during the period of September 2012 through January 2013. This was a relevant fact for the Decatur Bond purchasers in view of the cross-ownership interests between the DEC ALF Grp., LLC and the CULL ALF Grp., LLC.

h. The Decatur OS, as made available to LFC customers who purchased the Decatur Bonds in the secondary market, falsely stated that there had been no pertinent material litigation against the bond borrower. The Decatur OS specifically states that the Decatur ALF Grp., LLC "has advised the Underwriter that no litigation or proceedings are pending or, to its knowledge, threatened against it which might have a material adverse effect on the It (*sic*), or in which an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of the Lease Agreement, the Mortgage and Security Agreement, or any other document executed by it, the performance by it of its obligations thereunder, or the consummation of the transactions contemplated thereby." Specifically, as LFC and Robert Lawson were aware, a litigation proceeding against the CULL ALF Grp., LLC, and also involving the DEC ALF Grp., LLC was in fact pending in 2012 and was not settled until August 2013, when DEC ALF Grp., LLC and CULL ALF Grp., LLC agreed to the plaintiff (TCM) approximately $50,000. This settlement of approximately $50,000 was ultimately paid by the WP Trust on or about September 4, 2013. LFC and Robert Lawson never advised the Decatur Bond investors who purchased in the secondary market about the pendency of the litigation or

the fact that WP Trust (of which Robert Lawson was a co-trustee) paid for the settlement of the litigation.

5. LFC's and Robert Lawson's Scheme and Course of Fraudulent Conduct

In addition to LFC and Robert Lawson making material misrepresentations and omissions in the Official Statements for the Hillcrest Bonds, and in addition to LFC and Robert Lawson making material misrepresentations and omissions in recommending the purchases of the Hillcrest Bonds, Destiny Bonds, Cullman Bonds and Decatur Bonds to LFC customers, LFC and Robert Lawson, acting with scienter, employed a device or scheme to defraud and engaged in an act, practice and course of business which operated as a fraud or deceit.

Over the course of several years, LFC and Robert Lawson schemed to defraud the bond investors (LFC customers) and engaged in a course of business that operated as a fraud or deceit by secretly funneling millions of dollars from the WP Trust account maintained at LFC (for which Robert Lawson was a co-trustee of the trust and also the broker of record for the trust account) to prop up the Destiny Bonds, Hillcrest Bonds, Cullman Bonds and Decatur Bonds and to prop up the faltering borrowers on these bonds, while fraudulently hiding from LFC customers who purchased the bonds both these undisclosed payments and the perilous financial condition of the bond borrowers.

6. LFC and Robert Lawson Lacked a Reasonable Basis to Recommend the Sale of the Municipal Revenue Bonds

In addition to committing securities fraud in connection with the sale of the municipal revenue bonds, LFC and Robert Lawson also did not satisfy their reasonable basis suitability obligation with respect to the sale of the bonds.

At the time of their recommendations to LFC customers to purchase the Hillcrest Bonds (in both the primary market in the fourth quarter of 2014 and the secondary market thereafter),

LFC and Robert Lawson knew that Hillcrest Academy suffered from severe financial distress and that the bonds were subject to serious risk. LFC and Robert Lawson further knew that, because of the charter school's substantial financial problems, millions of dollars had been transferred from the WP Trust to pay for operating expenses of the charter school. For these reasons, LFC and Robert Lawson were aware that there was no reasonable basis for LFC and Robert Lawson (a control person of LFC) to recommend that any LFC customer purchase any Hillcrest Bonds in either the primary market or the secondary market.

At the time of their recommendations to LFC customers to purchase the Cullman Bonds and Decatur Bonds in the secondary market, and for all secondary market purchases of these bonds made in or after January 2013, and at the time of their recommendations to LFC customers to purchase the Destiny Bonds between May 2015 and September 2015, LFC and Robert Lawson knew that the charter school (for the Destiny Bonds) and the two Alabama assisted living facilities (for the Cullman Bonds and the Decatur Bonds) suffered from severe financial distress and that the bonds were subject to serious risk. LFC and Robert Lawson further knew that, because of the charter school's and two assisted living facilities' substantial financial problems, millions of dollars had been transferred from the WP Trust to pay for operating expenses of the charter school and to pay for operating expenses and debt service obligations of the assisted living facilities with respect to the Cullman Bonds and Decatur bonds. For this reason, LFC and Robert Lawson were aware that there was no reasonable basis for LFC and Robert Lawson (a control person of LFC) to recommend that any LFC customer purchase in the secondary market in or after January 2013 any Cullman Bonds or Decatur Bonds, and to recommend that any LFC customer purchase in the secondary market any Destiny Bonds between May 2015 and September 2015.

7. Robert Lawson's Willful Failure to Amend and Timely Amend His Form U4

Robert Lawson failed to timely disclose on his Form U4 his involvement in Gables and Westminster as outside business activities. Gables and Westminster are both (a) limited liability companies controlled by Robert Lawson, and (b) played a role in the Bond Offerings.

Moreover, Robert Lawson failed to disclose that Robert Lawson is a trustee of the WP Trust on his Form U4.

Robert Lawson's failure to disclose these outside business activities concealed Robert Lawson's use of the WP Trust and limited liability companies that he controlled in connection with the Bond Offerings.

Robert Lawson amended his Form U4 on March 30, 2015 to disclose that he was a member of Westminster. On October 5, 2015, Robert Lawson amended his Form U4 to disclose that he was the managing member of Gables. Neither amendment was timely; both amendments were made only after FINRA inquired about those entities in its investigation leading to the Complaint.

FIRST CAUSE OF ACTION
MATERIAL MISREPRESENTATIONS AND OMISSIONS IN CONNECTION WITH THE SALE OF THE MUNICIPAL REVENUE BONDS

(Willful Violations of Section 10(b) of the Exchange Act, SEC Rule 10b-5, and MSRB Rule G-17 by LFC and Robert Lawson)

Section 10(b) of the Exchange Act prohibits "any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce or of the mails, or of any facility of any national security exchange . . . to use or employ, in connection with the purchase or sale of any security . . . any manipulative or deceptive device or contrivance."

Rule 10b-5, promulgated under the Exchange Act, prohibits any person, "directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, or

of any facility of any national securities exchange, (a) to employ any device, scheme or artifice to defraud, (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security."

The Hillcrest Bonds, Destiny Bonds, Cullman Bonds and Decatur Bonds are all securities under the Exchange Act. The Hillcrest Bonds, Destiny Bonds, Cullman Bonds and Decatur Bonds also are municipal securities under the MSRB Rules, including Rule G-17.

LFC and Robert Lawson (a control person of LFC) sold the Hillcrest Bonds in the primary market and secondary market, and sold the Destiny Bonds, Cullman Bonds and Decatur Bonds in the secondary market using the means and instrumentalities of interstate commerce (including telephone, U.S. mail and email).

FINRA has jurisdiction to enforce the MSRB Rules pursuant to Section 15B of the Securities Exchange Act of 1934, 15 U.S.C. § 78o-4(c)(5).

MSRB Rule G-17 provides that "in the conduct of its municipal securities or municipal advisory activities, each broker, dealer, municipal securities dealer, and municipal advisor shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice."

Under Section 20(a) of the Exchange Act, LFC was a control person of Robert Lawson (a registered representative of LFC), and Robert Lawson as President, Chief Executive Officer and Chief Compliance Officer of LFC was a control person of LFC.

LFC and Robert Lawson violated Section 10(b) and Rule 10b-5(a)-(c) and MSRB Rule G-17 in three separate ways. First, LFC and Robert Lawson, acting with scienter, violated

Section 10(b) of the Exchange Act and Rule 10b-5(a) and Rule 10b-5(c) as well as MSRB Rule G-17 by employing a device or scheme to defraud and by engaging in an act, practice and course of business which operated as a fraud or deceit. Over the course of several years, LFC and Robert Lawson schemed to defraud the bond investors (LFC customers) and engaged in a course of business that operated as a fraud or deceit by secretly funneling millions of dollars from the WP Trust account maintained at LFC (for which Robert Lawson was a co-trustee of the trust and also the broker of record for the trust account) to prop up the Destiny Bonds, Hillcrest Bonds, Cullman Bonds and Decatur Bonds and to prop up the faltering borrowers on these bonds, while fraudulently hiding from LFC customers who purchased the bonds both these undisclosed payments and the perilous financial condition of the bond borrowers.

Second, LFC and Robert Lawson (a control person of LFC) violated Section 10(b) of the Exchange Act and Rule 10b-5 as well as MSRB Rule G-17 in connection with LFC's and Robert Lawson's recommendation to LFC customers to purchase the Hillcrest Bonds, Destiny Bonds, Cullman Banks and Decatur Bonds. A brokerage firm such as LFC, when recommending securities (including municipal revenue bonds) to a prospective investor, must not only avoid affirmative misstatements, but also must disclose material adverse facts concerning the securities. LFC and one of its control persons (Robert Lawson) recommended the purchase of the municipal revenue bonds to LFC customers, and in making these recommendations, LFC and Robert Lawson, acting with scienter, failed to disclose to LFC customers who purchased the bonds material adverse facts about these bonds, about the borrowers on these bonds, and about the financial relationships among the borrowers on the bonds, Robert Lawson, the WP Trust, and LFC.

Third, LFC and Robert Lawson violated Section 10(b) of the Exchange Act and Rule 10b-5 as well as MSRB Rule G-17, by making material misrepresentations and omissions in the Official Statements for the bonds, in that both the primary market and secondary market sales of the bonds were made to LFC customers pursuant to the Official Statements, which, as was prominently noted on the confirmations for each bond purchase, were made available for investors to review in connection with their investments.

The specific misrepresentations and omissions of adverse material facts by LFC and Robert Lawson (a control person of LFC) in connection with the recommendation of the purchases of the Hillcrest Bonds, Destiny Bonds, Cullman Bonds and the Decatur Bonds made to LFC customers are detailed below:

Material Misrepresentations or Omissions to LFC Customers who purchased Hillcrest Bonds in the Primary Market

a. While the Hillcrest OS disclosed a third party loan from Gables in the amount of approximately $5.8 million, Robert Lawson and LFC failed to disclose in the Hillcrest OS and in LFC's and Robert Lawson's communications with LFC customers regarding the recommendations by LFC to purchase the Hillcrest Bonds that Robert Lawson was the managing member of Gables and that the WP Trust was the source of the funds that were purportedly loaned to the charter school (first known as Destiny and later known as Hillcrest Academy). Indeed, Robert Lawson and LFC entirely failed to disclose to LFC customers the relationship among (i) Gables (the lender on the approximately $5.8 million loan), (ii) Robert Lawson, and (iii) the WP Trust, and thereby failed to disclose to LFC customers the substantial financial interest that both Lawson and the WP Trust (of which Robert Lawson and his wife were the co-trustees) had in the Hillcrest charter school and, consequently, in the Hillcrest Bond Offering.

b. Robert Lawson and LFC failed to disclose the Lawson Payments (as described above) on behalf of the charter school in the Hillcrest OS and in LFC's and Robert Lawson's communications with LFC customers regarding the recommendations by LFC to purchase the Hillcrest Bonds.

c. Although the Hillcrest OS disclosed that Hillcrest would pay approximately $1.6 million from the proceeds of the Hillcrest Bonds to Gables and another unrelated third party lender in order to pay a portion of the balance due and owing on third-party loans, Robert Lawson and LFC failed to disclose in the Hillcrest OS and in LFC's and Robert Lawson's communications with LFC customers regarding the recommendations by LFC to purchase the Hillcrest Bonds that the approximately $1.6 million would be remitted to the WP Trust at closing of the Hillcrest Bond Offering. Once again, Robert Lawson and LFC entirely failed to disclose to LFC customers the relationship among (i) Gables, (ii) Robert Lawson, and (iii) the WP Trust, and thereby failed to disclose to LFC customers the substantial financial interest that both Lawson and the WP Trust (of which Robert Lawson and his wife were the co-trustees) had in the Hillcrest Bond Offering.

Material Misrepresentations and/or Omissions to LFC Customers who purchased Hillcrest Bonds in the Secondary Market

d. In communications with LFC customers regarding the recommendations by LFC to purchase the Hillcrest Bonds in the secondary market, LFC and Robert Lawson failed to advise LFC customers of the material omissions in the OS described in the preceding paragraphs (a) through (c) above.

e. In December 2014, Robert Lawson assigned Gables' interest in the Subordinate Deed to the WP Trust. Yet Robert Lawson and LFC failed to disclose this assignment to LFC customers who purchased the Hillcrest Bonds in the secondary market—once

again hiding from LFC customers the self-interest and financial relationships that Robert Lawson and the WP Trust (of which Robert Lawson was a trustee) had with the borrower on the Hillcrest Bonds.

f. Robert Lawson and LFC failed to inform LFC customers who purchased the Hillcrest Bonds in the secondary market that the amendment requests for the Hillcrest and IS Charters were never granted or that IS's charter was revoked and that, as a result, state payments made to IS, which would have been shared with Hillcrest, would not be received.

g. Robert Lawson and LFC failed to disclose to the secondary purchasers of the Hillcrest Bonds that funds from the WP Trust were being used to support the operations of Hillcrest Academy after the Hillcrest Offering. Moreover, Robert Lawson and LFC failed to disclose that Hillcrest Academy lacked the financial ability to continue operations without the cash infusions from the WP Trust.

Material Misrepresentations and Omissions to LFC Customers who purchased Destiny Bonds in the Secondary Market

h. In communications with LFC customers regarding the recommendations by LFC to purchase the Destiny Bonds in the secondary market from May 2015 through September 2015, Robert Lawson and LFC failed to disclose to LFC customers who purchased the Destiny Bonds in the secondary market that WP Trust funds were being used to support the operations of the charter school (first named Destiny and then named Hillcrest Academy). Moreover, Robert Lawson and LFC failed to disclose that, without the cash infusions from the WP Trust, the school lacked the requisite wherewithal to continue operations.

i. In communications with LFC customers regarding the recommendations by LFC to purchase the Destiny Bonds in the secondary market from May 2015 through September 2015, Robert Lawson and LFC failed to disclose to LFC customers who purchased

the Destiny Bonds in the secondary market the other financial and related problems with the Hillcrest school (earlier named the Destiny school) as alleged in the preceding paragraphs (d)-(g) above.

Material Misrepresentations and/or Omissions to LFC Customers who purchased Cullman Bonds in the Secondary Market

j. Robert Lawson and LFC failed to advise LFC customers who purchased the Cullman Bonds in the secondary market between January 2013 and July 2015 of the following adverse material facts.

k. APR, a company owned and controlled by Robert Lawson, became the manager of CULL ALF Grp., LLC (the conduit borrower for the Cullman Bonds) in October 2012. Lawson's company APR became the manager based on the existing management failures and financial problems at CULL ALF Grp., LLC. Yet LFC and Robert Lawson failed to advise secondary market purchasers of the Cullman Bonds that a company owned by Lawson (a controlling person of LFC) was the manager of the conduit borrower on the Cullman Bonds recommended by LFC.

l. Debt service payments, operational expenses and property taxes associated with the Cullman Facility were paid by the WP Trust, commencing in February 2013. Robert Lawson authorized these payments and Pamela Lawson consented to the WP Trust funds being used in this manner. Yet LFC and Robert Lawson never disclosed to LFC customers who purchased the Cullman Bonds in the secondary market these payments by the WP Trust and the Lawsons' relationship with the WP Trust.

m. Robert Lawson's entity, APR, LLC, in September 2013 purchased a 50% membership interest in both CULL ALF Grp., LLC and DEC ALF Grp., LLC. The purchase for APR's membership interests was paid with funds from the WP Trust. LFC and Robert Lawson

failed to disclose to Cullman Bond investors in the secondary market (i) APR's acquisition of an interest in CULL ALF Grp., LLC in 2013, (ii) the source of funds used for APR's acquisition of an interest in CULL ALF Grp., LLC in 2013, (iii) and the fact that Robert Lawson (a control person of LFC) had an ownership interest in the conduit borrower for the Cullman Bonds.

n. The Cullman debt service reserve fund was not replenished as required by the Cullman Indenture Agreement and an operating reserve fund was not established as required by the Indenture Agreement. The CULL ALF Grp., LLC also failed to comply with various provisions of the Cullman OS and Indenture Agreement, including, but not limited to, failure to meet financial covenants, pay property taxes, and establish an ad valorem tax fund. Yet LFC and Robert Lawson never disclosed these material adverse facts to LFC customers who purchased the Cullman Bonds in the secondary market.

o. LFC and Robert Lawson also failed to advise LFC customers who purchased Cullman Bonds in the secondary market that Robert Lawson and a limited liability company controlled by Robert Lawson, Camelback Partners, paid certain operational expenses for the Cullman Facility during the period of September 2012 through January 2013. Yet LFC and Robert Lawson never disclosed these material adverse facts to LFC customers who purchased the Cullman Bonds in the secondary market.

p. LFC and Robert Lawson also failed to advise LFC customers who purchased Cullman Bonds in the secondary market that the CULL ALF Grp., LLC failed to pay the general contractor who built the Cullman Facility. Specifically, amounts due and owing in or about May and June 2012 were not paid, resulting in a demand notice in the amount of approximately $412,000 being made on or about July 25, 2012. The general contractor filed a mechanic's lien or about November 2012, followed by the initiation of an arbitration seeking a

judgment in the amount of approximately $500,000. An award was subsequently entered on the general contractor's behalf, which, to date, remains unsatisfied. Yet LFC and Robert Lawson never disclosed these material adverse facts to LFC customers who purchased the Cullman Bonds in the secondary market.

Material Misrepresentations and/or Omissions to LFC Customers who purchased Decatur Bonds in the Secondary Market

q. Robert Lawson and LFC failed to advise LFC customers who purchased the Decatur Bonds in the secondary market between January 2013 and July 2015 of the following adverse material facts.

r. APR, a company owned and controlled by Robert Lawson, became the manager of CULL ALF Grp., LLC (the conduit borrower for the Cullman Bonds) in October 2012. Lawson's company APR became the manager based on the existing management failures and financial problems at CULL ALF Grp., LLC. Because CULL ALF Grp., LLC had the same initial members as the DEC ALF Grp., LLC, this substantial management change should have been disclosed to secondary market purchasers of the Decatur Bonds. Yet LFC and Robert Lawson failed to advise secondary market purchasers of the Decatur Bonds of this material information.

s. Debt service payments, operational expenses and property taxes associated with the Decatur Facility were paid by the WP Trust, commencing in February 2013. Robert Lawson authorized these payments and Pamela Lawson consented to the WP Trust funds being used in this manner. Yet LFC and Robert Lawson never disclosed to LFC customers who purchased the Decatur Bonds in the secondary market these payments by the WP Trust and the Lawsons' relationship with the WP Trust.

t. In May 2013, a 35% membership interest in the CULL ALF Grp., LLC and a 50% interest in the DEC ALF Grp., LLC was sold and assigned to two Georgia limited liability companies owned by an individual named CB. The membership interests were purchased from an original member of the CULL ALF Grp., LLC and DEC ALF Grp., LLC and were paid with funds from the WP Trust. Robert Lawson authorized the use of the WP Trust funds for this acquisition. LFC and Robert Lawson failed to disclose these May 2013 acquisitions by the two Georgia limited liability companies and the source of funds to LFC customers who purchased the Decatur Bonds in the secondary market.

u. After Lawson, as early as December 2011, began negotiations to purchase an interest in DEC ALF Grp., as alleged above, Robert Lawson's entity, APR, LLC, in September 2013 purchased a 50% membership interest in both CULL ALF Grp., LLC and DEC ALF Grp., LLC. The purchase for APR's membership interests was paid with funds from the WP Trust. LFC and Robert Lawson failed to disclose to Decatur Bond investors in the secondary market (i) Lawson's negotiations to purchase an interest in DEC ALF Grp., LLC in late 2011 and 2012, (ii) APR's acquisition of an interest in DEC ALF Grp., LLC in 2013, (iii) the source of funds used for APR's acquisition of an interest in DEC ALF Grp., LLC in 2013, (iv) and the fact that Robert Lawson (a control person of LFC) had an ownership interest in the conduit borrower for the Decatur Bonds.

v. The Decatur debt service reserve fund was not replenished as required by the Decatur Indenture Agreement and an operating reserve fund was not established as required by the Indenture Agreement. The DEC ALF Grp., LLC also failed to comply with various provisions of the Decatur OS and Indenture Agreement, including, but not limited to, failure to meet financial covenants, pay property taxes, and establish an ad valorem tax fund. Yet LFC and

Robert Lawson never disclosed these material facts to LFC customers who purchased the Decatur Bonds in the secondary market.

w. On at least one occasion, property taxes were paid by the WP Trust; and on multiple occasions, other expenses owed by DEC ALF Grp., LLC were paid by the WP Trust. Said payments were made at the direction of Robert Lawson. LFC and Robert Lawson failed to advise the secondary market purchasers of Decatur Bonds of the source of the funds for the payment of property taxes and trustee fees.

x. LFC and Robert Lawson also failed to advise LFC customers who purchased Cullman Bonds in the secondary market that Robert Lawson and a limited liability company controlled by Robert Lawson, Camelback Partners, paid certain operational expenses for the Cullman Facility during the period of September 2012 through January 2013. This was a relevant fact for the Decatur Bond purchasers in view of the cross-ownership interests between the DEC ALF Grp., LLC and the CULL ALF Grp., LLC.

y. The Decatur OS, as made available to LFC customers who purchased the Decatur Bonds in the secondary market, falsely stated that there had been no pertinent material litigation against the bond borrower. The Decatur OS specifically states that the Decatur ALF Grp., LLC "has advised the Underwriter that no litigation or proceedings are pending or, to its knowledge, threatened against it which might have a material adverse effect on the It (*sic*), or in which an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of the Lease Agreement, the Mortgage and Security Agreement, or any other document executed by it, the performance by it of its obligations thereunder, or the consummation of the transactions contemplated thereby." Specifically, as LFC and Robert Lawson were aware, a litigation proceeding against the CULL ALF Grp., LLC, and also

involving the DEC ALF Grp., LLC was in fact pending in 2012 and was not settled until August 2013, when DEC ALF Grp., LLC and CULL ALF Grp., LLC agreed to pay the plaintiff (TCM) approximately $50,000. This settlement of approximately $50,000 was ultimately paid by the WP Trust on or about September 4, 2013. LFC and Robert Lawson never advised the Decatur Bond investors who purchased in the secondary market about the pendency of the litigation or the fact that WP Trust (of which Robert Lawson was a co-trustee) paid for the settlement of the litigation.

LFC and Robert Lawson, acting with scienter, knew that the above-described misrepresentations and omissions of material fact that they made to LFC customers in connection with the recommendations and sale of the Hillcrest Bonds in the primary market and made to LFC customers in connection with the recommendation and sale of the Hillcrest Bonds, Destiny Bonds, Cullman Bonds and Decatur Bonds in the secondary market were false and misleading and contained material omissions, or, in the alternative, LFC and Robert Lawson were highly reckless in allowing the Hillcrest, Cullman, Destiny and Decatur Bonds to be sold on the basis of the false and misleading communications described above.

By reason of the foregoing misconduct, LFC and Robert Lawson each violated Section 10(b) of the Exchange Act and Rule 10b-5(a), Rule 10b-5(b) and Rule 10b-5(c) thereunder.

By reason of the foregoing misconduct, LFC and Robert Lawson each engaged in deceptive, dishonest, or unfair practices and failed to deal fairly with all persons, in violation of MSRB Rule G-17.

LFC and Robert Lawson willfully violated Section 10(b) of the Exchange Act, SEC Rule 10b-5 thereunder, and willfully violated MSRB Rule G-17.

THIRD CAUSE OF ACTION
UNSUITABLE RECOMMENDATIONS

(Willful Violation of MSRB Rule G-19 by LFC and Robert Lawson)

MSRB Rule G-19 provides that "[a] broker, dealer or municipal securities dealer must have a reasonable basis to believe that a recommended transaction or investment strategy involving a municipal security or municipal securities is suitable for the customer, based on the information obtained through the reasonable diligence of the broker, dealer or municipal securities dealer to ascertain the customer's investment profile."

LFC and Robert Lawson recommended the purchase of Hillcrest, Destiny, Cullman and Decatur Bonds to LFC customers.

With respect to primary market purchases and secondary market purchases of the Hillcrest Bonds recommended by LFC and Robert Lawson to LFC customers in the fourth quarter of 2014 (for the primary market purchases) and thereafter (for secondary market purchases), LFC and Robert Lawson lacked a reasonable basis to believe that these bonds were suitable for any investor. With respect to secondary market purchases of the Cullman Bonds, Decatur Bonds and Destiny Bonds as recommended in or after January 2013 by LFC and Robert Lawson to LFC customers, LFC and Robert Lawson lacked a reasonable basis to believe that these bonds were suitable for any investor.

For the Mesa, Arizona charter school (first known as Destiny and then Hillcrest Academy), the facts known by LFC and Robert Lawson that demonstrated the absence of any reasonable basis for recommending the Hillcrest Bonds and Destiny Bonds to any LFC customer included, among other items, the closure of the Phoenix campus because of declining enrollment numbers, and its inability to maintain operations without cash infusions from the WP Trust totaling millions of dollars, as well as the additional facts regarding adverse material facts and

material misrepresentations and omissions concerning Hillcrest and the Hillcrest Bonds and Destiny bonds, as alleged above.

Similarly, in light of the poor financial condition of the Cullman and Decatur Facilities and the previously identified adverse material facts and material misrepresentations and omissions concerning the Cullman and Decatur projects and the Cullman Bonds and Decatur Bonds, as alleged above, LFC and Robert Lawson lacked a reasonable basis to believe that Cullman and Decatur bonds were suitable for any secondary market investor.

As a result of the foregoing, LFC and Robert Lawson (a control person of LFC) willfully violated MSRB Rule G-19 by recommending to LFC customers the purchase of the Hillcrest Bonds in the primary market and secondary market. As a result of the foregoing, LFC and Robert Lawson (a control person of LFC) willfully violated MSRB Rule G-19 by recommending to LFC customers the purchase of the Cullman Bonds and Decatur Bonds in the secondary market, for all secondary market purchases of these bonds from January 2013 through July 2015. As a result of the foregoing, LFC and Robert Lawson (a control person of LFC) willfully violated MSRB Rule G-19 by recommending to LFC customers the purchase of the Destiny Bonds in the secondary market for all secondary market purchases of these bonds from May 2015 through September 2015.

FOURTH CAUSE OF ACTION
BREACH OF FIDUCIARY DUTIES/SELF-DEALING

(Violation of FINRA Rule 2010 by Robert Lawson and Pamela Lawson)

FINRA Rule 2010 requires the observance of high standards of commercial honor and just and equitable principles of trade.

Robert Lawson and Pamela Lawson, as sole co-trustees of the WP Trust, breached their fiduciary duties and ethical obligations owed to the WP Trust. The Lawsons failed to place the

interests of the WP Trust above their own interests by authorizing and engaging in self-dealing arrangements that benefited themselves, LFC, other companies Robert Lawson controlled, and third parties to the detriment of the WP Trust.

Specifically, Robert Lawson entered into the Westminster Financing Agreement and the Gables-WP Trust Financing Agreement on behalf of both the WP Trust and his own limited liability companies to obligate the WP Trust to provide millions of dollars of funds to benefit, and provide necessary financial support to, borrowers on the Hillcrest Bonds, Destiny Bonds, Cullman Bonds and Decatur Bonds. Pamela Lawson signed both agreements in her capacity as co-trustee, thereby consenting to the use of the WP Trust funds for the benefit of her firm.

Neither the Westminster Financing Agreement nor the Gables-WP Trust Financing Agreement provided any rate of interest and were unsecured, in direct violation of the terms of the WP Trust.

Robert Lawson and Pamela Lawson similarly entered into the Hillcrest-WP Trust Financing Agreement on behalf of the WP Trust, thereby obligating the WP Trust to provide millions of dollars of its funds to support the operations and expansion of Hillcrest Academy. The Hillcrest-WP Trust Financing Agreement did not provide any rate of interest and the agreement was unsecured.

Robert Lawson also entered into the October 2015 Promissory Note on behalf of the WP Trust, thereby obligating the WP Trust to continue to provide up to $1 million of its funds to support the operations and expansion of Hillcrest Academy. The October 2015 Promissory Note did not provide any rate of interest.

Robert Lawson and Pamela Lawson engaged in a course of conduct inconsistent with high standards of commercial honor and just and equitable principles of trade. Their actions

enabled them to use, control and dissipate the assets of the WP Trust in a manner that harmed the WP Trust. Robert Lawson's and Pamela Lawson's pattern of deceitful and unethical conduct violated FINRA Rule 2010.

FIFTH CAUSE OF ACTION
IMPROPER USE OF CUSTOMER FUNDS

(Violations of FINRA Rules 2150(a) and 2010 by Robert Lawson)

FINRA Rule 2150(a) provides that "[n]o member or person associated with a member shall make improper use of a customer's securities or funds."

Robert Lawson improperly used WP Trust funds to prop up the Cullman, Decatur, Destiny and Hillcrest Offerings. By doing so, Robert Lawson attempted to shield both LFC and himself from the damage that would ensue if these three offerings defaulted, such as potential customer arbitrations, potential loss of customers, inability to underwrite additional municipal offerings, and harm to LFC's and Robert Lawson's business reputation.

To date, money continues to flow from the WP Trust to the Cullman and Decatur Facilities and Hillcrest Academy despite the fact that all three ventures remain unprofitable. As a result of Robert Lawson's actions, the WP Trust funds have been depleted by over approximately fifty percent since February 2013.

Robert Lawson further misused WP Trust funds to purchase membership interests in the CULL and DEC ALF Grp., LLCs for himself. WP Trust funds were used to purchase a 50% membership interest in the CULL and DEC ALF Grp., LLCs for APR, a limited liability company owned solely by Robert Lawson. Meanwhile, the Westminster Financing Agreement obligated the WP Trust to cover, among other items, operational expenses and debt service payments. In essence, Robert Lawson used WP Trust funds to purchase an interest in the

Cullman and Decatur Facilities for his own benefit, while obligating the WP Trust to financially support the facilities.

As a result of the foregoing, Robert Lawson violated FINRA Rules 2150(a) and 2010.

SIXTH CAUSE OF ACTION
WILLFUL FAILURE TO TIMELY AMEND,
AND FAILURE TO DISCLOSE ITEMS ON, FORM U4

(Willful Violation of FINRA Rules 2010 and 1122 and Article V, Section 2(c) of the FINRA By-laws by Robert Lawson; Willful Violation of MSRB Rule G-7(c) by Robert Lawson)

A person registering with FINRA must comply with FINRA's By-Laws by filing a complete and accurate Form U4. Article V, Section 2(c) of the FINRA By-Laws generally provides that every application for registration filed with FINRA shall be kept current at all times by supplementary amendments that must be filed within 30 days after learning of the facts or circumstances giving rise to the amendment.

FINRA Rule 1122 provides, "No member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof."

When an associated person's Form U4 becomes materially inaccurate or incomplete, MSRB Rule G-7(c) requires the associated person to furnish to his or her firm a written statement or form correcting the inaccurate and/or incomplete information.

At all times relevant to the Complaint, Questions 13 on the Form U4 asked:

> Are you currently engaged in any other business either as a proprietor, partner, officer, director, employee, trustee, agent, or otherwise? (Please exclude non investment-related activity that is exclusively charitable, civic, religious or fraternal and is recognized as tax-exempt.)

Any registered representative that affirmatively answers "yes" to Question 13 on Form U4, is required provide details including the name of the other business, whether the business is investment-related, the nature of the other business activity, the title of the position held or the relationship with the other business, the date when the business relationship started, the approximate number of hours a month devoted to the other business and the number of hours devoted to the other business during securities trading hours, and a brief description of the duties performed for the other business.

From 2008 to the present, while Robert Lawson was registered with LFC, he acted as a co-trustee for the WP Trust.

From February 2012 to the present, while Robert Lawson was registered with LFC, he has served as the managing member of Westminster.

From 1998 to the present, while Robert Lawson was registered with LFC, he has served as managing member of Gables.

While registered with LFC, Robert Lawson willfully failed to amend his Form U4 to disclose material information, namely, that Robert Lawson engaged in other business activities as a trustee of the WP Trust.

While registered with LFC, Robert Lawson willfully failed to timely amend his Form U4 to disclose material information, namely, that Robert Lawson served as managing member of Westminster. Robert Lawson's Form U4 was not amended until March 30, 2015 to disclose Westminster as an outside business activity.

While registered with LFC, Robert Lawson willfully failed to timely amend his Form U4 to disclose material information, namely, that Robert Lawson served as managing member of

Gables. Robert Lawson's Form U4 was not amended until October 5, 2015 to disclose Gables as an outside business activity.

By willfully failing to amend and to timely amend his Form U4, Robert Lawson willfully violated FINRA Rules 2010 and 1122 and Article V, Section 2(c) of the FINRA By-Laws. Further, Robert Lawson willfully violated MSRB Rule G-7(c).

Based on the foregoing, Respondents LFC and Robert Lawson each willfully violated Section 10(b) of the Securities Exchange Act, Rule 10b-5 thereunder, MSRB G-17, and MSRB Rule G-19. Respondents Robert Lawson and Pamela Lawson each violated FINRA Rule 2010. Respondent Robert Lawson violated FINRA Rules 2150(a) and 2010. Respondent Robert Lawson willfully violated FINRA Rules 2010 and 1122, MSRB Rule G-7(c) and Article V, Section 2(c) of the FINRA By-laws, and willfully omitted to state a material fact on a Form U4.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondents from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

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SANCTIONS

It is ordered that Respondents Lawson Financial Corporation, Robert Warren Lawson and Pamela Denise Lawson be sanctioned as follows:

Respondent Lawson Financial Corporation is expelled from FINRA membership;

Respondent Robert Warren Lawson is barred from associating with any FINRA member firm in any capacity;

Respondent Pamela Denise Lawson is suspended from associating with any FINRA member in any capacity for two years; and

Respondent Pamela Denise Lawson is fined $30,000.

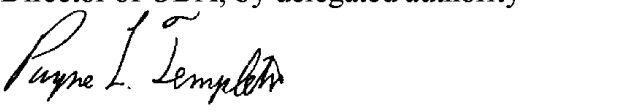
The fine shall be due and payable either immediately upon Respondent Pamela Denise Lawson's reassociation with a member firm, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

The sanctions imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority



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