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Missing Fund Mystery Follows Firing at Bond Trustee

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PHOENIX -- More than \$2 million missing from debt service reserve funds. A high-level employee fired from a top-ten municipal bond trustee. Angry investors asking where their money is.

That's the scenario facing trustee Bank of Oklahoma Financial, which reported in disclosure filings that it fired the executive after investigating allegations that she colluded with a borrower to misuse municipal bond proceeds from at least 10 different deals that stretch back more than a decade.

The notices BOKF posted on the Municipal Securities Rulemaking Board's EMMA system appear to point to mutual wrongdoing by the bank officer and a conduit borrower with a shady past.

The common thread is the involvement of Christopher Brogdon, a former broker who owns or controls companies that borrowed through tax-exempt conduit bond issuers to finance at least 10 nursing home or senior care facility transactions with BOKF as trustee.

The bank says it is now fighting to protect investors who say they were left holding the bag when Brogdon's borrowers defaulted.

The terminated employee, Marrien Neilson, who was a senior vice president, said the notices posted by BOKF are "totally inaccurate" and that she was fired suddenly and without good cause over the phone.

"I'm at a loss," she said.

The Financial Industry Regulatory Authority's [records](#) show that Brogdon was a licensed broker at Dean Witter Reynolds in New York from 1978 until 1991, but was expelled from membership in FINRA's predecessor, the National Association of Securities Dealers after complaints filed in 1984. The NASD found that Brogdon had violated federal securities laws and Municipal Securities Rulemaking Board rules by both making unauthorized trades and preparing inaccurate records while he was working on behalf of Harbor Town Securities, where he was registered from 1982 to 1986. FINRA records show that he paid a fine of more than \$50,000 in 1994, long after his broker's license was revoked.

One of the deals in question was the 2002 issuance of about \$3.6 million of healthcare facility revenue bonds for which Sumner, Ill. was conduit issuer for the National Assistance Bureau Inc., a nonprofit with links to Brogdon. The unrated bonds had coupons up to 8.8%.

BOKF [disclosed in August](#) that the facility had been sold at a tax sale in December 2008, and that as trustee the bank had not been receiving payments and had been unable to get financial data from the borrower. The bank said that it would file a complaint in an Illinois district court seeking to enforce the terms of the bond documents.

But an investor who said he complained to state and local authorities about Brogdon and the Bank of Oklahoma's conduct in the deals told The Bond Buyer he continued to receive interest payments for years after the facility in Sumner was sold and had ceased operating.

According to the investor, who declined to be named, that means someone at the bank was approving payments in probable collusion with Brogdon.

The aggrieved bondholder told the bank about his suspicions.

"The Trustee conducted an investigation," BOKF said in an Aug. 26 EMMA filing about the Sumner deal. "The employee was terminated."

In its EMMA disclosure, the bank said it had not received payments of almost \$130,000 it is owed for the debt service reserve in Sumner.

"Similar defaults have occurred under the trust indentures of other bond issues with which the borrower and/or Mr. Brogdon are associated," BOKF said in its filing.

"The trustee has made demand upon the borrower, Mr. Brogdon and the related affiliates of each of them (collectively, the "Brogdon entities") for a full accounting of the affairs in connection with all issues of bonds for which the trustee is trustee and with which the Brogdon entities are associated. The trustee's investigation is continuing."

BOKF ranked eighth among trustee banks in the first half of 2015, according to Thomson Financial data, which credited the bank with \$1.01 billion over 52 deals.

The trustee used similar language in disclosure filings for nine other unrated assisted living and skilled nursing home deals. Altogether, more than \$2.1 million is missing from debt reserve or other accounts tied to nine bond deals, BOKF reported in the filings.

Several of the transactions in question financed facilities in Georgia where Brogdon's current business, Global Healthcare REIT, is headquartered.

A phone call to the Atlanta-based business, of which Brogdon is CEO, went straight to Brogdon's voicemail.

The firm, which trades on the over-the-counter market under the symbol GBCS, describes itself as a company that owns healthcare properties and leases them to senior care facility operators.

According to a [biography](#) the firm supplied for an investor presentation, Brogdon separately runs a "personal portfolio of 55 senior living facilities."

Some of the other bond deals involving Brogdon and BOKF include bigger sums, including an \$11 million 2012 issuance from the Medical Clinic Board of the City of Mobile, Ala. borrowed

by another Brogdon company, Bama Oaks Retirement, LLC.

BOKF said in an [EMMA filing](#) on that unrated deal, priced to yield 7.25% tax-exempt, that payments totaling almost \$500,000 have not been made to it as trustee.

"Bank of Oklahoma is fully cooperating with regulatory investigations concerning the bonds associated with Christopher F. Brogdon where the bank serves as trustee," according to the statement. "The bank has also launched an internal investigation and hired a forensic accountant to assist in that investigation. The employee of the trustee who was accused of colluding with the borrower is no longer employed by the company."

Neilson described Brogdon as a fairly minor player in the deals and said she never exchanged any money or gifts with him in a 15-year working relationship. She said neither the bank nor the bondholders have been hurt in the deals, and said her own role was in sales and not administration. Neilson added that she hopes the truth about the situation comes out, and said she has not been in contact with regulators or other authorities.

The investor who complained said that he has learned that Brogdon insisted on using BOKF as trustee on every deal. The investor added that he has been interviewed by a Securities and Exchange Commission enforcement lawyer. Many of the recent bond transactions involving BOKF and Brogdon were underwritten by Phoenix-based Lawson Financial.

Neither Lawson nor Brogdon responded to requests to be interviewed.

"I think Lawson was bamboozled," the investor said.

The investor said he and a group of other bondholders who have lost their investments in Brogdon's deals plan to continue fighting as hard as possible to recover their losses, and also hope that regulators and law enforcement are able to take action.



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