

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

BRENDAN W. COUGHLIN
(CRD NO. 4917244), and

HENRY D. HARRISON
(CRD NO. 4919907),

Respondents.

Disciplinary Proceeding
No. 2009017497202

Hearing Officer – MAD

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

DARREN D. GIBSON
(CRD No. 20452),

and

CHARLES T. MASON
(CRD No. 2206257),

Respondents.

DISCIPLINARY PROCEEDING
No. 2011026598101

HEARING OFFICER – MAD

**ORDER ACCEPTING OFFERS OF SETTLEMENT
OF RESPONDENTS COUGHLIN AND HARRISON**

Disciplinary Proceeding No. 2009017497202 was filed on December 10, 2010, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondents Brendan W. Coughlin and Henry D. Harrison submitted an Offer

of Settlement (Offer) to Complainant dated April 19, 2012. 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 Coughlin and Harrison have consented, without admitting or denying the allegations of the Complaint, 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 in the Offer of Settlement, and to the imposition of the sanctions set forth below, and fully understand that this Order will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

At all times relevant herein, Respondent Brendan W. Coughlin was a managing partner and registered principal of FINRA member Provident Asset Management, LLC, a Delaware limited liability company and broker-dealer, whose only office is in Dallas, Texas. Coughlin first entered the securities industry in March 2004 and became registered with FINRA on May 25, 2005. He currently holds Series 22, 39, 62 and 63 licenses, and his only association has been with Provident Asset Management. Coughlin is also a founder and member of the Board of Managers of Provident Royalties, LLC, a non-registered entity. On December 31, 2009, Provident Asset Management filed a Form U5 reporting Coughlin's termination of employment with the firm. Coughlin is not currently associated with a firm registered with FINRA.

At all times relevant herein, Respondent Henry D. Harrison was a managing partner and registered principal of FINRA member Provident Asset Management, LLC, a Delaware limited liability company and broker-dealer, whose only office is in Dallas, Texas. Harrison first entered the securities industry in March 2004 and became registered with FINRA on May 16, 2005. He currently holds Series 22, 24, 39, 62 and 63 licenses, and his only association has been with Provident Asset Management. Harrison is also a founder and member of the Board of Managers of Provident Royalties, LLC, a non-registered entity. On December 31, 2009, Provident Asset Management filed a Form U5 reporting Harrison's termination of employment with the firm. Harrison is not currently associated with a firm registered with FINRA.

Although Respondents have not been associated with a FINRA member firm since December 31, 2009, they remain subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because: (i) the Complaint was filed within two years after the date upon which they ceased to be associated with a FINRA member, and (ii) the Complaint charges Respondents with misconduct committed while they were associated with a FINRA member.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:¹

SUMMARY

1. From September 2006 through January 2009, Provident Asset Management, LLC, a firm registered with FINRA, marketed and sold preferred stock interests in a series of twenty-three private placements offered by an affiliated issuer, Provident Royalties, LLC, a non-registered entity. Provident Asset Management acted as the wholesaling broker-dealer for the Provident Royalties offerings, which were sold to customers through a syndicate of more than fifty retail broker-dealers nationwide (hereinafter, “broker-dealer syndicate”) and which raised over \$485 million from at least 7,700 investors.
2. At all times relevant herein, Respondents Brendan W. Coughlin and Henry D. Harrison were the managing partners and registered principals of Provident Asset Management, and served on the board of managers of Provident Royalties.
3. The Provident Royalties private placement memoranda offered investors returns of up to 18% per year and represented that the funds raised through each offering would be used to purchase interests in all aspects of the oil and gas business, including acquiring real estate, oil and gas leases, mineral rights and conducting exploration and development activity. Provident Royalties private placement memoranda further indicated that each Provident Royalties offering was to be a separate entity claiming

¹ The findings herein are pursuant to the Offer of Settlement submitted by Respondents Brendan W. Coughlin and Henry D. Harrison and are not binding on any other person or entity named as a respondent in this or in any other proceeding.

an exemption from the registration of its securities pursuant to Rule 506 of Regulation D of the federal securities laws.

4. At various junctures between September 2006 and January 2009, Respondents Coughlin and Harrison communicated incomplete information to representatives and principals of the broker-dealer syndicate regarding how dividend payments and redemptions by the Provident Royalties offerings actually were being funded. Specifically, in the prior performance tables, Respondents Coughlin and Harrison failed to disclose that these payments and distributions were actually being funded, in part, by capital surplus and loan proceeds. In addition, Respondents Coughlin and Harrison failed to disclose to principals and representatives of the broker-dealer syndicate, the extent of the involvement of Joseph Blimline, an individual with a disciplinary history, in the operation of Provident Royalties and his conflict of interest arising from the bankruptcy asset purchases.
5. As a result of the foregoing conduct, Respondents Coughlin and Harrison violated NASD Conduct Rule 2110, for the period from September 1, 2006 through December 14, 2008, and FINRA Rule 2010, for the period from December 15, 2008 through July 2, 2009.

CAUSE OF ACTION

(NASD Conduct Rule 2110 and FINRA Rule 2010)

6. Provident Asset Management, LLC (“PAM”), a Dallas, Texas-based firm and Delaware limited liability company, became registered with FINRA on March 9, 2004.

7. At all times relevant herein, Provident Asset Management's business was exclusively the wholesaling of private placements offered by Provident Royalties, LLC.
8. At all times relevant herein, Respondents Coughlin and Harrison were the sole managing partners and registered principals of Provident Asset Management, and served on the board of managers of Provident Royalties.
9. Provident Royalties was a Delaware limited liability company with its principal office in Dallas, Texas. Provident Royalties' business included the acquisition of a combination of producing and non-producing sub-surface mineral interests, working interests and production payments in real property located within the United States.
10. From September 2006 through June 2009, Respondents Coughlin and Harrison, acting through PAM, marketed and sold preferred stock in a series of private placements offered by Provident Royalties.
11. The Provident Royalties' offerings, designated as Shale Royalties, Inc., numbered II through 20 ("Shale offerings"), offered two series of non-convertible redeemable cumulative preferred stock. Provident Royalties was a beneficial owner in each of the numerous affiliated entities which offered and sold preferred stock to investors.
12. The Shale offerings each claimed an exemption from the registration pursuant to Rule 506 of Regulation D of the federal securities laws.
13. Respondents Coughlin and Harrison conducted each offering through a syndicate of more than fifty participating retail broker-dealers across the country that executed participation agreements with PAM.
14. The Shale offerings were sold nationwide to customers through these retail broker-dealers and raised approximately \$485 million from over 7,700 investors.

15. The retail broker-dealers received fees and/or commissions for soliciting investors in these Shale offerings, including a sales commission and a specific fee related to due diligence purportedly performed by the broker-dealers in connection with each Shale offering.
16. The retail broker-dealers attended sales presentations for the offerings in PAM's Dallas, Texas offices at the expense of PAM.
17. For each of the Shale offerings, Respondents Coughlin and Harrison disseminated a substantially similar private placement memorandum describing the nature of the investment. Most of the Shale offerings consisted of two series of non-convertible redeemable cumulative preferred stock, Series A and Series B. The Shale offerings were supposed to pay investors a Preferred Stock dividend monthly, beginning four months after the initial investment. Offered returns ranged from 14-18% per year.
18. Shale II through Shale 5 offered Class A Preferred Stock that was supposed to pay 1.5% per month for 24 months. Shale 6 through Shale 17 issued Class A Preferred Stock that was supposed to pay 1.5% per month for 36 months and Class B Preferred Stock that was supposed to pay 1.25% per month for 24 months. Shale 18 through Shale 20 issued Class A Preferred Stock that was supposed to pay 1.375% per month for 48 months, and Class B Preferred Stock that was supposed to pay 1.167% per month for 36 months.
19. The Shale offerings were similar in their terms, had the same investment purpose, and took place continuously over a 30-month period. The periods of many of the Shale offerings overlapped others. Each Shale offering was also limited to 500 investors and

- to varying dollar amounts, and as an offering would approach a limit, the next Shale offering would be created.
20. According to the offering documents, at the end of the redemption period, each Shale offering would buy back investors' interests for the redemption price, which was the value of the initial principal invested plus any accrued dividends.
21. Each of the private placement memoranda represented that investor funds would be placed in a separate account belonging to the Shale offering at issue.
22. At various junctures between September 2006 and January 2009, Respondents Coughlin and Harrison communicated incomplete information to representatives and principals of the broker-dealer syndicate regarding how dividend payments and redemptions by the Shale offerings were actually being funded, when Respondents knew or should have known that dividend payments and redemptions were actually being funded, in part, by capital surplus and loan proceeds.
23. In addition, at various junctures between September 2006 and January 2009, Respondents Coughlin and Harrison failed to disclose to principals and representatives of the broker-dealer syndicate, the extent of the involvement of Joseph Blimline, an individual with a disciplinary history, in the operation of Provident Royalties and his conflict of interest arising from the bankruptcy asset purchases. At the time of these omissions, Respondents knew or should have known that Blimline's involvement in the operation of Provident was material.
24. As a result of the foregoing conduct, Respondents Coughlin and Harrison violated NASD Conduct Rule 2110, for the period from September 1, 2006 through December

14, 2008, and FINRA Rule 2010, for the period from December 15, 2008 through July 2, 2009.

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.

SANCTIONS

It is ordered that that Respondents Coughlin and Harrison each be fined \$50,000 and suspended from associating in any capacity with a FINRA member for two years.

As to each of the Respondents, the fine imposed shall be due and payable either immediately upon reassociation with a member firm following the two-year suspension noted above, 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.

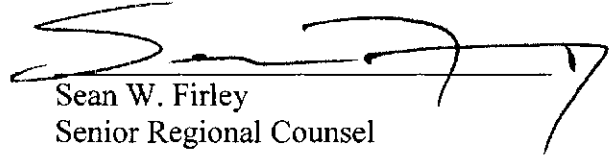
The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

May 25, 2012

FINRA

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



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