

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009019070101**

To: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

Re: Jay Lynn Thacker, Respondent
General Securities Representative, Investment Company/Variable Annuity
Representative and General Securities Principal
CRD No. 3211822

Pursuant to FINRA Rule 9216 of FINRA Code of Procedure, I, Jay Lynn Thacker, submit this Letter of Acceptance, Waiver and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I. ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, 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, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

Background

Jay Lynn Thacker entered the securities industry in April 1999, and has been serially associated with six firms registered with FINRA. He currently holds Series 6, 7 and 24 licenses. From July 28, 2005 through February 26, 2009, he was employed with Meadowbrook Securities, LLC (f/k/a Investline Securities, LLC) and from July 17, 2008 to February 26, 2009 was the firm's Chief Compliance Officer. Thacker is currently associated with LPL Financial Corporation.

Relevant Disciplinary History

Jay Lynn Thacker has no relevant disciplinary history.

Overview

Thacker, acting in his capacity as the Chief Compliance Officer of Meadowbrook and as the Meadowbrook principal responsible for approving private placement offerings, failed to establish, maintain and enforce a supervisory system at Meadowbrook reasonably designed to achieve compliance with applicable securities laws and regulations and NASD and FINRA Rules in connection with the sale of a private

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placements offered pursuant to Regulation D by Medical Capital Holdings, Inc. and Provident Royalties, LLC. By engaging in this conduct, Thacker violated NASD Conduct Rules 3010 and 2110 and FINRA Conduct Rule 2010.

A. Thacker's Supervisory Responsibilities at Meadowbrook

From at least July 17, 2008 through February 26, 2009, Thacker was the Chief Compliance Officer of Meadowbrook. In that capacity, Thacker had certain overall supervisory responsibilities for the firm.

During the relevant period, Meadowbrook Securities maintained written supervisory procedures pertaining to the sales of private placements. The procedures designated the Chief Compliance Officer as the supervisory principal responsible for reviewing and performing due diligence for private placements. In addition, the firm's written supervisory procedures outlined the procedure for reviewing and approving new products including:

- The assignment of the new product to a business unit which will sponsor the product through the approval process;
- The inclusion of the functional areas of the firm; and
- The requirement for an initial review, formal review, and a post-approval review.

In the initial review, the product sponsor was responsible for preparing a preliminary assessment of the product, its opportunities in the marketplace, and the impact on the firm. This assessment was required to be routed to the Product Approval Committee. Each representative on the Product Approval Committee was required to review and respond to the sponsor with questions and concerns, including:

- Intended customers for the offering;
- Investment objectives of the offering;
- Assumptions underlying the offering and soundness of the assumptions;
- Risks associated with the offering;
- Costs and fees of the offering; and
- Compensation to the firm and its representatives.

B. Thacker's Supervisory Failures Regarding Meadowbrook's Sales of Medical Capital and Provident Offerings

1. Private Placement Offerings by Medical Capital

Medical Capital Holdings, Inc. (MedCap) was a medical receivables financing company based in Anaheim, California. MedCap's core business was to provide financing to healthcare providers by purchasing their accounts receivable and making secured loans to the providers.

In 2001, MedCap began raising funds for its operations by selling promissory notes through FINRA-registered firms. These notes were securities that were not registered with the SEC but were sold under the registration exemption provided by Rule 506 of Regulation D of the Securities Act of 1933. Pursuant to that exemption, the notes could be sold only to accredited investors.

From 2001 through 2009, MedCap raised approximately \$2.2 billion from over 20,000 investors through nine Regulation D offerings offered through FINRA broker-dealers and other sales avenues. Each investor purchased a minimum of \$25,000 in promissory notes with maturities ranging from one to seven years. The notes promised payments at annual interest rates ranging from 8.25% to 10.50%. During this entire period of time, however, MedCap never obtained any audited financial statements with respect to any of these offerings.

MedCap made all interest and principal payments on these Regulation D offerings until July 2008. At that time, MedCap began experiencing liquidity problems and stopped making payments on two of its earlier offerings. Nevertheless, MedCap proceeded with its last Regulation D offering, called MPFC VI, which it offered through an August 5, 2008 private placement memorandum. In this offering, MedCap sought to sell up to \$400,000,000 of promissory notes with two, three and six-year terms, at annual interest rates ranging from 9% to 9.5%. MPFC VI differed from some of MedCap's earlier offerings in several respects, including: it allowed MedCap to use up to 40% of the proceeds raised to invest in businesses other than medical receivables, and it limited the trustees' power to oversee MedCap's operations.

In July 2009, the SEC filed a civil injunctive action in federal district court in which it sought and was granted a preliminary injunction to stop all MedCap sales. The SEC alleged that MedCap and its executives defrauded investors in MPFC VI by misappropriating approximately \$18.5 million of investor funds. The SEC also alleged that MedCap had misrepresented that it had never defaulted on or been late in making interest or principal payments, when in fact MedCap had defaulted or was

late in paying nearly \$1 billion in principal and interest on the notes from its Regulation D offerings. The court appointed a receiver to gather and conduct an inventory of MedCap's remaining assets. The SEC action is pending.

2. Thacker's Supervisory Failures Regarding Meadowbrook's Sales of MPFC VI

On August 5, 2008, Thacker, on behalf of Meadowbrook, approved the sale of the MPFC VI offering allowing the firm's registered representatives to market and sell the Regulation D offering. On August 6, 2008, Meadowbrook's Chief Executive Officer signed the sales agreement for the MPFC VI offering on behalf of the firm. Between August 27, 2008 and December 29, 2008, Meadowbrook's registered representatives sold \$635,000 of the MPFC VI offering to seven customers. Thacker failed to perform the responsibilities assigned to him in Meadowbrook's written supervisory procedures with respect to these transactions. As to MPFC VI, Thacker did not perform any due diligence beyond reviewing the private placement memorandum for the offering. Further, while Thacker and Meadowbrook had received third-party due diligence reports in the past regarding the earlier MedCap private placements, Thacker did not seek or obtain a due diligence report for the MPFC VI offering.

Thacker did not travel to MedCap's headquarters in California to conduct any due diligence of the MPFC VI offering, in person. Thacker did not see, or request, any financial information regarding MedCap, other than the information contained in the private placement memorandum. Further, once Thacker had concluded that Meadowbrook could sell MPFC VI, he did not conduct any continuing due diligence or follow-up. In fact, due to the limited time between the MPFC V and MPFC VI offerings, the similarity of the deals, and representations from MedCap that no material changes had occurred, Thacker concluded that no additional due diligence was necessary.

Unlike the earlier MedCap offerings, there were serious red flags as to the viability of the MPFC VI offering. Starting in July 2008, MedCap was having trouble making both principal and interest payments to its investors in the earlier affiliated MedCap offerings. Without adequate due diligence, Thacker could not identify and understand the inherent risks of the MPFC VI offering and become aware of negative information concerning liquidity problems, delinquencies and defaults of earlier affiliated offerings that should have alerted him to the fact that MPFC VI was also susceptible to delinquencies or default.

That negative information included:

- The private placement memorandum for the MPFC VI offering was released on August 5, 2008. On the very same day, Medical Capital Holdings sent a letter to broker-dealers selling the earlier affiliated offerings detailing that due to a temporary liquidity issue the principal payments due on the MPFC II and III offerings would not be paid on time;
- On August 14, 2008, Medical Capital Holdings sent a notice to all MPFC II and III noteholders explaining why their principal and interest payments had not been made;
- On September 30, 2008, a consultant who performed due diligence on private placements through his company Buttonwood Investment Services, Inc., released a due diligence report on the MPFC VI offering. The report disclosed that the principal payments in MPFC II and III for August and September 2008 were up to 35 days late and subject to default;
- On November 10, 2008, Wells Fargo, the trustee for the MPFC III offering, sent a notice of default to all noteholders of the offering. The Bank of New York Mellon, the trustee for the MPFC II offering, sent a similar default notice regarding that offering on November 28, 2008. The trustees later held conference calls with the noteholders relating to the defaults; and
- On December 2, 2008, Buttonwood Investment Services, Inc. issued a revised due diligence report regarding the MPFC VI offering that disclosed the ongoing liquidity problems at MedCap.

3. Private Placement Offerings by Provident Royalties

From at least September 2006 through January 2009, Provident Asset Management, LLC (PAM), marketed and sold preferred stock and limited partnership interests in a series of 23 private placements offered by an affiliated issuer, Provident Royalties, LLC, which was a non-registered entity. PAM's only business line was acting as the wholesaling broker-dealer for the Provident offerings, which were sold to customers through more than 50 retail broker-dealers nationwide and which raised approximately \$485 million from over 7,700 investors. Provident's business plan 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.

The Provident-affiliated offerings each claimed an exemption from the registration of the offerings pursuant to Rule 506 of Regulation D. The Provident offerings, designated as Shale Royalties, Inc., numbered II through 20 (Shale offerings), offered two series of non-convertible

redeemable cumulative preferred stock. Each share of stock was offered for \$5,000 through a private placement memorandum. The Shale offerings were virtually identical in their terms, had the same investment purpose, and were offered continuously for 30 consecutive months. The periods of many of the offerings overlapped and each offering was also limited to 500 investors and to varying dollar amounts. As an offering would approach a limit, Provident would create the next Shale offering. Audited financial statements were not prepared with respect to any of the Shale offerings.

At the outset of the Shale offerings by Provident, dividends on each share of Series A preferred stock were to accrue at the rate of 1.5% per month, and dividends on each share of Series B preferred stock were to accrue at the rate of 1.25% per month. Series A preferred stock was redeemable at the end of either 24 or 36 months, and Series B preferred stock at the end of 24 months. At some point in time, Provident reduced the amount payable for dividends on Series A preferred stock to 1.375% and on Series B preferred stock to 1.167%. At the same time, the private placement memoranda for the Shale offerings changed the maturity to 48 months for Class A Preferred Shares and 36 months for Class B Preferred Shares. Dividend payments to the investors were to be paid four months in arrears, and thereafter monthly on the last day of each month.

Although PAM made some direct retail sales of the Provident private placements, it primarily solicited retail broker-dealers to enter into sales agreements for each Shale offering, and those retail broker-dealers sold the stock of the offerings to investors nationwide. The retail broker-dealers received fees and/or commissions for soliciting investors in the Shale offerings, including a specific fee related to due diligence that was purportedly performed in connection with each offering. In an effort to market the Shale offerings, PAM made presentations to retail broker-dealers in its Dallas, Texas offices, during which it represented that: (1) investors' funds would be used by each individual Provident Royalties offering to purchase interests in the oil and gas business for that offering; (2) the subscription proceeds of each offering would be deposited into an account for that offering and become assets for that offering; (3) approximately 86% of the subscription proceeds would be allocated to acquiring interests in the oil and gas business; and (4) dividends paid to investors would be derived from revenues, primarily from the sale of oil and gas assets.

The owners and principals of Provident deposited investors' funds into the appropriate separate bank account designated for each Shale offering, knowing that the Shale offerings did not have sufficient revenues to pay investors' dividends as they became due. Although a portion of the proceeds of the Shale offerings was used for the acquisition and

development of oil and gas exploration and development activities, millions of dollars of investors' funds were transferred from the later Shale offerings' bank accounts to the Provident operating account in the form of undisclosed and undocumented loans, and were used to pay dividends and returns of capital to investors in the earlier Shale offerings.

The owners and principals of Provident and PAM did not tell investors, and the Shale private placement memoranda do not disclose, that the investors' funds would be used to pay earlier investors their dividends and return of principal, rather than being invested in oil and gas assets.

On July 2, 2009, the SEC filed a civil injunctive action in the Northern District of Texas naming Provident, PAM and others, and the Court granted its request for a temporary restraining order and an emergency asset freeze and appointment of a receiver to take control of the entities and marshal and preserve the assets for the benefit of the defrauded investors. The Court set a hearing on the SEC's motion for a preliminary injunction. Subsequently, the order for the hearing was vacated when all the named defendants agreed to the entry of a preliminary injunction, which remains in effect.

4. Thacker's Supervisory Failures Regarding Meadowbrook's Sales of the Shale 14 and 18 Offerings

On April 28, 2008, Meadowbrook's Chief Executive Officer signed the sales agreement which allowed Meadowbrook to market and sell the Shale Royalties 9 offering. The firm subsequently executed three additional sales agreements to sell subsequent Shale offerings—Shale 12, Shale 14 and Shale 18. Consistent with the terms of those sales agreements, Meadowbrook received fees and/or commissions for soliciting investors in these Shale offerings, including a specific fee related to due diligence that was purportedly performed in connection with each offering.

On July 21, 2008, Meadowbrook's Chief Executive Officer signed the sales agreement which allowed Meadowbrook to market and sell the Shale Royalties 14 offering. Pursuant to the firm's written procedures on July 24, 2008, Thacker issued the final approval for the firm's registered representatives to sell the Shale 14 offering to investors. For the period of August 8, 2008 to August 15, 2008, Meadowbrook sold \$1,090,000 of Shale 14 to seventeen investors.

Thereafter, on October 21, 2008, Meadowbrook's Chief Executive Officer signed the sales agreement which allowed Meadowbrook to market and sell the Shale Royalties 18 offering. On October 24, 2008, Thacker issued the final approval for the firm's registered representatives to sell the Shale

18 offering to investors. For the period of October 24, 2008 to December 30, 2008, Meadowbrook sold \$1,045,000 of Shale 18 to ten investors.

Thacker failed to perform the responsibilities assigned to him in Meadowbrook's written supervisory procedures with respect to marketing and sale of the Shale 14 and 18 offerings. Despite the fact that Meadowbrook received a specific fee related to due diligence that was purportedly performed in connection with each offering, beyond reviewing the private placement memorandum for the offerings, Thacker did not perform any due diligence. Although Thacker reviewed the private placement memoranda for these offerings, his review was cursory: it was done merely to ensure that the instant offering did not have any meaningful substantive differences from the past offerings.

Thacker did not travel to Provident Royalties' headquarters in Texas to conduct any due diligence of the Shale 14 and 18 offerings, in person. Thacker did not see, or request, any financial information regarding Provident Royalties, other than the information contained in the private placement memorandum. Further, once Thacker had concluded that Meadowbrook could sell the Shale 14 and 18 offerings, he did not conduct any continuing due diligence or follow-up. In fact, due to the limited time between the Shale offerings, the similarity of the deals, and representations from Provident Royalties that no material changes had occurred, Thacker concluded that no additional due diligence was necessary.

Further, while Thacker and Meadowbrook had received third-party due diligence reports in the past regarding the earlier Shale offerings, Thacker did not seek or obtain a due diligence reports for the Shale 14 and 18 offerings believing that it was unnecessary to pay for another report that would say the same thing. In fact, these due diligence reports identified a number of red flags with respect to the Shale 14 and 18 offerings. For instance, the reports detailed that the affiliated Shale offerings were collectively reporting a net operating loss for the first nine months of 2008, and in the absence of additional credit line funds, Provident Royalties' operating funds would need to come from (i) a higher level of production revenues going forward, or (ii) future divestitures of lease/mineral assets in order to pay dividends and principle redemptions when they became due. In addition, the reports noted that certain Shale offerings were advancing funds to, or buying assets from, other Shale offerings. The reports observed that, because of the lack of transparency in Provident Royalties' financial statements, it was difficult to ascertain the asset and liability positions of the Shale offerings at any given moment in time. Finally, the reports cautioned that the financial statements for the affiliated Shale offerings had not been formally audited or confirmed by

an outside accounting firm necessary to validate the financial information reported by Provident Royalties.

Thacker's failures were particularly problematic given the nature of the Shale offerings. The Shale offerings were continuous and overlapping. As one Shale offering approached the investment limit, another was created. Given the common nature of the offerings, the fact that they were successive and sequential in nature, and that each offering had common affiliated companies, it was imperative that Thacker, on behalf of Meadowbrook, investigate the red flags in the due diligence reports. Thacker, notwithstanding his role as Chief Compliance Officer and the supervisory principal responsible for approving the sale of private placements at Meadowbrook, did not do so.

Thacker should also have been particularly careful to scrutinize each of the Shale offerings given the purported high rates of return. However, he did not take the necessary steps, through obtaining financial information or otherwise, to ensure that these rates of return were legitimate, and not payable from the proceeds of later offerings, in the manner of a Ponzi scheme.

C. Thacker's Supervisory Violations Relating to Meadowbrook's Sales of MedCap and Provident Private Offerings

NASD Conduct Rule 3010(a) requires member firms to establish, maintain and enforce a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations and NASD Rules and FINRA Rules. Required components of a "reasonable" supervisory system include, among other things, enforcing written supervisory procedures designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules. Broader than its counterpart under the Securities Exchange Act of 1934, Section 15(b)(4)(E), NASD Conduct Rule 3010 imposes an "affirmative obligation" on NASD broker-dealers to establish, and enforce, supervisory systems.

Thacker was the Meadowbrook principal responsible for conducting adequate due diligence of the MPFC VI, Shale 14 and 18 offerings and approving the MPFC VI, Shale 14 and 18 offerings for sale by the firm's registered representatives. Thacker, however, did not conduct meaningful due diligence for these offerings prior to approving them for sale to Meadowbrook's customers. Without adequate due diligence, Meadowbrook could not identify and understand the inherent risks of these offerings. Thacker failed to have reasonable grounds for allowing the Meadowbrook representatives to continue selling the MPFC VI, Shale 14 and 18 offerings despite the negative information and red flags

identified above. Thacker, acting on behalf of Meadowbrook, failed to maintain a supervisory system that was reasonably designed to achieve compliance with applicable securities laws and regulations with respect to the MPFC VI, Shale 14 and 18 offerings.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rule 3010; and from August 5, 2008, through December 14, 2008, NASD Conduct Rule 2110; and from December 15, 2008, through December 30, 2008, FINRA Rule 2010 by Respondent Jay Lynn Thacker.

B. I also consent to the imposition of the following sanctions:

- a six- month suspension from association with any FINRA firm in any principal capacity; and
- a \$10,000 fine.

I agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313, a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II. WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against me;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel; to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III. OTHER MATTERS

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. I understand that if I am barred or suspended from associating with any FINRA member in a principal capacity, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in a principal capacity during the period of the bar or suspension (see

FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the bar, if I remain associated with a member firm in a non-suspended or non-barred capacity, an application to continue that association may be required.

- E. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

12/17/2010
Date


Jay Lynn Thacker, Respondent

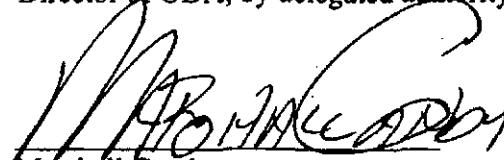
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1-20-2011
Date

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


Marshall Gandy

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