

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

Department of Enforcement,

Complainant,

v.

Darren D. Gibson,
(CRD No. 2311950),

and

Charles T. Mason,
(CRD No. 2206257),

Respondents.

Disciplinary Proceeding
No. 2011026598101

Hearing Officer: LBB

**ORDER ACCEPTING
OFFER OF SETTLEMENT**

Date: November 14, 2012

INTRODUCTION

Disciplinary Proceeding No. 2011026598101 was filed on July 7, 2011, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondents Darren D. Gibson and Charles T. Mason submitted an Offer of Settlement (Offer) to Complainant dated October 8, 2012 and October 15, 2012, respectively. 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 Darren D. Gibson and Charles T. Mason 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

Respondent Gibson first entered the securities industry in January 1993, when he became associated with a firm registered with FINRA. He was employed with three other firms before his association with PAM, from July 10, 2006 through March 13, 2009. His most recent employer filed a Form U5 terminating his association with the firm on December 9, 2011. Gibson is not currently associated with a firm registered with FINRA. Gibson has not been the subject of any formal disciplinary action.

Although Respondent Gibson has not been associated with a FINRA member firm since December 9, 2011, he remains 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 he ceased to be associated with a FINRA member and (ii) the Complaint charges him with misconduct committed while he was associated with a firm registered with FINRA.

Respondent Mason first entered the securities industry in December 1991, when he became associated with a firm registered with FINRA. He was employed with three other firms before his association with PAM, from May 29, 2007 through February 27, 2009. His most recent

employer filed a Form U5 terminating his association with the firm on July 16, 2012. Mason is not currently associated with a firm registered with FINRA. Mason has not been the subject of any formal disciplinary action.

Although Respondent Mason has not been associated with a FINRA member firm since July 16, 2012, he remains 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 he ceased to be associated with a FINRA member and (ii) the Complaint charges him with misconduct committed while he was associated with a firm registered with FINRA.

FINDINGS AND CONCLUSIONS

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

SUMMARY

1. From September 2006 through January 2009, former FINRA member Provident Asset Management, LLC ("PAM") marketed and sold preferred stock interests in a series of 23 private-placement offerings of an affiliated issuer, Provident Royalties, LLC ("PRLLC"), a non-registered entity. PAM acted as the wholesaling broker-dealer for the PRLLC offerings, which were sold to customers through a syndicate of more than 50 retail broker-dealers nationwide (hereinafter, "broker-dealer syndicate") and which raised over \$485,000,000 from at least 7,700 investors.¹

¹ On March 18, 2010, FINRA expelled Provident Asset Management, LLC from membership on findings that the firm had marketed a series of fraudulent private placements offered by its affiliate, Provident Royalties, LLC. In concluding this settlement with FINRA, Provident Asset Management neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

2. Respondents Darren D. Gibson and Charles T. Mason were employed with PAM as national sales managers (or “wholesalers”). As wholesalers, they were responsible for promoting the PRLLC offerings to retail broker-dealers, through sales presentations and providing marketing materials to registered representatives.
3. Throughout their employment with PAM, Respondents Gibson and Mason read most of the third-party due-diligence reports regarding the PRLLC offerings. Several of the reports raised concerns about the accounting of inter-offering transactions, and the ability of the offerings to generate sufficient revenue from oil and gas investments. Respondents Gibson and Mason, though aware of the concerns raised in the due-diligence reports, continued to market the PRLLC offerings without having adequately investigated the subject concerns, and determining for themselves whether the offerings were appropriate to be recommended to investors.
4. As a result of the foregoing conduct, Respondents Gibson and Mason violated NASD Conduct Rule 2110, for the period from December 2007, through December 14, 2008, and FINRA Rule 2010, for the period from December 15, 2008, through January 2009.

OTHER INDIVIDUALS AND ENTITIES

5. At all times relevant herein, Brendan W. Coughlin was a managing partner and registered principal of PAM. Coughlin first entered the securities industry in March 2004 and became registered with FINRA on May 25, 2005. On December 31, 2009, PAM filed a Form U5 reporting Coughlin’s termination of employment with the firm. Coughlin is not currently associated with a firm registered with FINRA.

6. At all times relevant herein, Henry D. Harrison was a managing partner and registered principal of PAM. Harrison first entered the securities industry in March 2004 and became registered with FINRA on May 16, 2005. On December 31, 2009, PAM filed a Form U5 reporting Harrison's termination of employment with the firm. Harrison is not currently associated with a firm registered with FINRA.
7. Provident Asset Management, LLC, a Dallas, Texas-based firm and Delaware limited liability company, became registered with FINRA on March 9, 2004. The firm's only business line was acting as the managing and wholesaling broker-dealer for the private placements offered by an affiliated issuer, Provident Royalties, LLC.
8. Provident Royalties, LLC, which is not a broker-dealer, was a Delaware limited liability company with its principal office in Dallas, Texas. Provident Royalties' 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.

CAUSE OF ACTION

(NASD Conduct Rule 2110 and FINRA Rule 2010)

9. Provident Asset Management, LLC ("PAM"), a Dallas, Texas-based firm and Delaware limited liability company, became registered with FINRA on March 9, 2004.
10. At all times relevant herein, PAM's business was exclusively the wholesaling of private placements offered by Provident Royalties, LLC ("PRLLC"), a Delaware limited liability company with its principal office in Dallas, Texas.
11. PRLLC's 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.

12. From September 2006 through June 2009, PAM marketed and sold preferred stock in a series of private-placement offerings by PRLLC.
13. The PRLLC offerings, designated as Shale Royalties, Inc., numbered 11 through 20 (“Shale offerings”), offered two series of non-convertible redeemable cumulative preferred stock. PRLLC was a beneficial owner in each of the numerous affiliated entities which offered and sold preferred stock to investors.
14. The Shale offerings each claimed an exemption from the registration pursuant to Rule 506 of Regulation D of the federal securities laws.
15. PRLLC conducted each offering through a syndicate of more than 50 participating retail broker-dealers across the country that executed participation agreements with PAM.
16. The Shale offerings were sold nationwide to customers through these retail broker-dealers and raised approximately \$485,000,000 from over 7,700 investors.
17. 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.
18. The retail broker-dealers attended sales presentations for the offerings in PAM’s Dallas, Texas offices at the expense of PAM.
19. For each of the Shale offerings, 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 anticipated paying investors a

Preferred Stock dividend monthly, beginning four months after the initial investment. Offered returns ranged from 14-18% per year.

20. Shale II through Shale 5 offered Class A Preferred Stock that anticipated paying 1.5% per month for 24 months. Shale 6 through Shale 17 issued Class A Preferred Stock that anticipated paying 1.5% per month for 36 months, and Class B Preferred Stock that anticipated paying 1.25% per month for 24 months. Shale 18 through Shale 20 issued Class A Preferred Stock that anticipated paying 1.375% per month for 48 months, and Class B Preferred Stock that anticipated paying 1.167% per month for 36 months.
21. 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.
22. 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.
23. Each of the private placement memoranda represented that investor funds would be placed in a separate account belonging to the Shale offering at issue.
24. During his employment at PAM, Respondent Gibson, through his wholesaling efforts related to the Shale Royalties offerings, secured selling agreements from 33 retail broker-dealers, who in turn, raised over \$300,000,000 from investors. During Respondent Gibson's employment at PAM, he earned \$2,930,000.

25. During his employment at PAM, Respondent Mason, through his wholesaling efforts related to the Shale Royalties offerings, secured selling agreements from 22 broker-dealers, who, in turn, raised over \$132,000,000 from investors. During Respondent Mason's employment at PAM, he earned approximately \$1,500,000.
26. Respondents Gibson and Mason assisted the retail broker-dealers with product training by providing sales and marketing materials designed to encourage the purchase of Shale Royalties offerings by individual investors.
27. Throughout their employment with PAM, Respondents Gibson and Mason read most of the third-party due-diligence reports regarding the PRLLC offerings. Several of the reports raised concerns about the accounting of inter-offering transactions, and the ability of the offerings to generate sufficient revenue from oil and gas investments. Respondents Gibson and Mason, though aware of the concerns raised in the due-diligence reports, continued to market the PRLLC offerings without having adequately investigated the subject concerns, and determining for themselves whether the offerings were appropriate to be recommended to investors.
28. Based on the foregoing conduct, Respondents Gibson and Mason violated NASD Conduct Rule 2110, for the period from December 2007, through December 14, 2008, and FINRA Rule 2010, for the period from December 15, 2008, through January 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 Gibson and Mason each be fined \$5,000 and suspended from associating in any capacity with a FINRA member for three months.

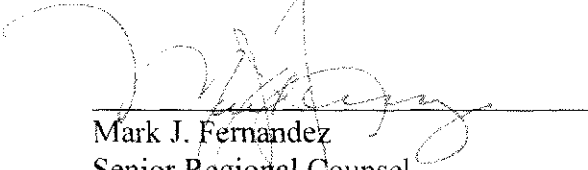
As to each of the Respondents, the fine imposed shall be due and payable either immediately upon reassociation with a member firm following the three-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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

SO ORDERED.

FINRA

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



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