

Provident Royalties exec pleads guilty in \$485M fraud

Joseph Blimline faces up to 20 years in prison for his role in peddling private placements that went sour

By Bruce Kelly

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One of the owners of the defunct oil and gas dealmaker Provident Royalties LLC has pleaded guilty to conspiring to defraud investors in a \$485 million scheme that ensnared dozens of independent broker-dealers.

[Joseph Blimline](#), 35, also pleaded guilty yesterday in U.S. District Court for the Eastern District of Texas to a second charge of defrauding Michigan investors in a separate \$50 million oil and gas scheme. He faces up to 20 years in federal prison on each of the two charges, according to a statement from the office of U.S. Attorney John Bales.

In a civil lawsuit, the Securities and Exchange Commission last year alleged that Provident advanced about \$93 million of investor funds to Mr. Blimline and entities he controlled. The funds were for the purported purchase of oil and gas interests, or loans, to which Provident often never received title or repayment, according to the SEC.

In total, 7,700 investors purchased the Provident Royalties private deals, which Mr. Blimline and other Provident executives began offering in September 2006. The FBI is continuing its investigation of the Provident case, the U.S. attorney's office said. ([View the new InvestmentNews database of fraud charges that gave been filed or resolved this year, as well as the dollar amounts involved, here.](#))

More than 60 independent broker-dealers sold the private placements issued by Provident Royalties, which the Securities and Exchange Commission last summer charged with fraud and which now is in receivership. Thirteen broker-dealers that sold the Provident deals are now out of business.

Hundreds of investors have filed arbitration claims against these broker-dealers, suing them for their losses in the scheme.

Brokerage executives have routinely said that the collapse of natural gas prices, for the most part, was the reason for the demise of Provident Royalties. It is not clear what impact, if any, Mr. Blimline's guilty plea will have on investors' arbitration cases.

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And it's not just investors who are filing lawsuits against Provident. In a highly unusual legal maneuver, the receiver for the Provident bankruptcy in June sued 49 broker-dealers that sold the oil and gas partnerships. The trustee is seeking to claw back \$285 million in claims, including commissions, from the firms.



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