

Provident Royalties founders indicted in \$485M private placement fraud case

Pair faces 20 years in prison; 27 firms that sold investments have folded

By Bruce Kelly

July 13, 2012

Two co-founders of Provident Royalties LLC were indicted by the Justice Department on Wednesday in connection with the \$485 million investment fraud that involved 7,700 investors.

The two former Provident executives, Brendan W. Coughlin, 46, and Henry D. Harrison, 47, were charged by the office of the U.S. attorney for the Eastern District of Texas, in Plano, with one count of conspiracy to commit mail fraud and 10 counts of mail fraud, according to a statement by the Department of Justice.


If convicted, each faces up to 20 years in prison.

The Securities and Exchange Commission earlier this year settled a civil suit against the two it filed in July 2009 when the Ponzi scheme collapsed, leaving investors and broker-dealers that sold the Provident private placements reeling. Details of the settlement were not released. From 2006 to 2009, about 60 broker-dealers and investment advisory firms sold the Provident deals, which promised annual returns up to 18%.

The money raised from the Provident offerings was supposed to be used to purchase oil-and-gas interests such as real estate, leases and mineral rights.

Twenty-seven of the firms that sold Provident private placements have since shut down, with many failing due to the cost of investor lawsuits and complaints stemming from the private placements.

InvestmentNews Reprints

 This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Reprints tool or the Reprints link at the top or bottom of any article, respectively.

- [View reprint options](#)
- [Order a reprint article now](#)

In May, the Financial Industry Regulatory Authority Inc. suspended both Mr. Coughlin and Mr. Harrison for two years from the securities industry and fined them each \$50,000.

The attorney for Mr. Harrison, William Ravkind, questioned the indictment's merits, particularly as it came after the conclusion of the SEC's three-year investigation and settlement. "I think the conduct by the Department of Justice is totally improper," he said,

The prosecutor in the matter, Assistant U.S. Attorney Shamoil T. Shipchandler, said he had no comment regarding Mr. Ravkind's statement.

In May, another co-founder of Provident, Joseph Blimline, was sentenced to 20 years in prison for his role in the fraudulent Provident scheme.

Mr. Blimline received millions of dollars in unsecured loans from investor funds and also directed the purchase by Provident of worthless assets from an earlier Ponzi scheme, according to a statement by the Department of Justice.

"In the Provident scheme, funds from later investors were also consistently used to make payments to early investors, resulting of the collapse of the scheme in 2009," the Justice Department said at the time.

 [Follow Bruce Kelly](#)



client-forward >
You propel clients to their goals.

Get a partner that's pulling in the same direction as you.

[LEARN MORE](#)

 COMMONWEALTH
finance

Reproductions and distribution of the above news story are strictly prohibited. To order reprints and/or request permission to use the article in full or partial format please contact our Reprint Sales Manager at (732) 723-0569.