



Boogie down and out after selling private placements

Last dance for Florida firm that hawked Provident Reg D offering; lawyer claims Finra was the bigger problem, however

By Bruce Kelly

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The music has stopped for Boogie Investment Group Inc., yet another small broker-dealer felled — in part— by the cost of litigation resulting from the sale of failed oil and gas private placements for Provident Royalties LLC.

Boogie, based in Melbourne, Fla., filed its broker-dealer withdrawal request with the Financial Industry Regulatory Authority Inc. last month, and is the 20th broker-dealer that sold Provident to have exited or stated its intentions to exit the brokerage business. According to the website of the bankruptcy receiver for Provident, a total of 52 broker-dealers sold the notes, meaning that about 40% of them no longer are open.

And 2011 has proven to be a particularly punishing year for broker-dealers that sold Provident private placements, with 11 — or more than 20% — shutting down so far this year.

Two other Provident broker-dealers, including [Securities America Inc.](#), have changed hands.

Alan Wolper, a lawyer for the firm and a partner at Locke Lord LLP, said that the fallout from Provident was an issue for Boogie, but the much larger hurdle was keeping up with the cost of regulation for a small, one-man firm.

“Finra is difficult to deal with. The Boca [Raton] office is particularly aggressive and intrusive,” he said. “It’s hard for a one-man shop.”

Boogie's chief executive and owner, Daniel Deighan, is “chief cook and bottle washer” at the firm, Mr. Wolper said. “He has to bring in new business and answer to Finra.”

With no final Finra action involving Boogie Investment Group, Finra spokeswoman Nancy Condon declined to comment about Mr. Wolper's assessment of the firm's closing down.

The Securities and Exchange Commission charged Provident with fraud in 2009. Provident raised \$485 million from 7,700 investors between 2006 and 2009.

Joseph Blimline, one of Provident's owners, pleaded guilty to fraud in August in U.S. District Court in Dallas.

The SEC action is continuing.

The swath of destruction cut by Provident and another allegedly fraudulent private placement, Medical Capital Holdings Inc., is practically unprecedented in the securities industry, said Bill Singer, a securities attorney.

Similarities exist with the fallout 10 years ago from widespread product failures, such as technology stocks, or more recently, auction rate securities.

But the level of damage triggered by the allegedly fraudulent private placements was unique, Mr. Singer said.

“The private placements were both a ticking time bomb and a toxic product,” he said. “They blew up on the firms and the investors.”

Boogie wasn't one of the major dealers in Provident notes, selling just \$410,000 in such offerings to investors, according to documents filed in U.S. Bankruptcy Court in Dallas.

It isn't clear exactly how many broker-dealers have shut down in direct response to the cost of litigation from investors' suing over the private placements. Most of the 20 firms, however, were weighed down by an array of legal costs, including payments to lawyers and settlements with investors in arbitration complaints, as well as fines levied by regulators.

According to a filing from last month with the SEC, Boogie was a one-man shop, generating all its commissions from Mr. Deighan and a related firm, Deighan Financial Advisors Inc.

The firm had revenue of \$422,000 for its fiscal year, which ended in June, down from revenue of \$1.2 million in 2008, according to the SEC filing.

Along with a class action from the Provident trustee, Boogie faced one other complaint from individual investors who bought Provident Shale. It also faced three other, non-Provident related arbitrations.

Not all broker-dealers that sold Provident private placements are in the same dire condition as Boogie and others. Some are settling with the Provident trustee, Milo Segner.

For example, [Investors Capital Corp.](#), which sold \$3.4 million of the private placements, this month reached a confidential settlement in the matter.

Investor Capital's general counsel, Melissa Tarentino, declined to comment about the specific terms of the settlement.

B-Ds that sold Provident offerings that are closed or plan to

Company name	Date of withdrawal from brokerage business
Asset Management Strategies LLC	2/1/2004
Barron Moore Inc.	7/1/2008
Empire Financial Group Inc.	3/1/2009
E-Planning Securities Inc.	4/1/2009
Community Banker Securities LLC	12/1/2009
Main Street Securities LLC	3/1/2010
GunnAllen Financial Inc.	4/1/2010
Jesup & Lamont Securities Corp.	6/1/2010
Private Asset Group Inc.	6/1/2010
Okoboji Financial Services Inc.	7/1/2010
United Equity Securities LLC	10/1/2010
QA3 Financial Corp.	2/1/2011
Matheson Securities LLC	3/1/2011
Harrison Douglas Inc.	5/1/2011
Securities Network LLC	5/1/2011
CapWest Securities Inc.	7/1/2011
Investlinc Securities LLC/Meadowbrook Securities LLC	8/1/2011
WFP Securities Corp.	8/1/2011
Boogie Investment Group Inc.	9/1/2011
Workman Securities Corp.	10/1/2011

Sources: Provident Royalties liquidating trust web site; BrokerCheck.