

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 59831 / April 28, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-13457

In the Matter of

Brad E. Parish,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS PURSUANT
TO SECTION 15(b)(6) OF THE
SECURITIES EXCHANGE ACT OF
1934**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b)(6) of the Securities Exchange Act of 1934 (“Exchange Act”) against Brad E. Parish (“Parish” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Parish has submitted an Offer of Settlement which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over Respondent and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings, Making Findings, and Imposing Remedial Sanctions Pursuant to Section 15(b)(6) of the Securities Exchange Act of 1934 (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that¹:

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Summary

1. Respondent failed reasonably to supervise David L. McMillan (“McMillan”) with a view to preventing and detecting his violations of the federal securities laws during the period January 1999-December 2004. During at least this time period, McMillan operated a Ponzi scheme and defrauded at least 28 investors by lying about purchases and sales of securities, by misappropriating funds for his personal use, and by sending certain investors falsified statements relating to their investment accounts.

Respondent

2. Parish, age 45, resides in Glendale, Arizona. He was a registered representative with Royal Alliance Associates, Inc. (“Royal Alliance”) from 1993 through 2004 and with another brokerage firm from January 2005 to the present. Royal Alliance has been registered with the Commission as a broker-dealer since November 1984. Parish was McMillan’s immediate supervisor at Royal Alliance from at least 1998 through December 2004.

Other Relevant Person

3. McMillan, age 43, was a registered representative with Royal Alliance from 1994 through 2004, and with another brokerage firm from January 2005 through October 2005 until his fraud was uncovered. McMillan operated a one-man satellite office in Bullhead City, Arizona, which was located about 200 miles away from the Office of Supervisory Jurisdiction (“OSJ”) office in Phoenix where Parish was located.

Commission’s Civil Action Against McMillan

4. On April 4, 2006, the Commission filed an injunctive action in the United States District Court for the District of Arizona alleging that McMillan committed securities fraud by telling clients he had invested their money in particular investments when in fact he either used the funds for his personal use or to repay earlier investors. The Commission charged McMillan with violating Sections 206(1) and (2) of the Investment Advisers Act of 1940 (“Advisers Act”), Section 17(a) of the Securities Act of 1933 (“Securities Act”), and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. The court entered a temporary restraining order and asset freeze against McMillan on April 4, 2006 and a preliminary injunction on April 13, 2006. McMillan did not answer the Commission’s complaint and the Court entered a default against McMillan on August 29, 2006.

McMillan’s Misconduct

5. During at least 1999 through October 2005, McMillan defrauded at least 28 investors, many of whom had accounts with Royal Alliance, out of at least \$3 million through the offer and sale of fictitious investments in annuities, fictitious loans to a real estate developer, and real estate loans that were to be secured by fraudulent first deeds of

trust. McMillan falsely represented to investors that their money would continue to be invested in securities when, in fact, he misappropriated their funds either to repay other investors, for his own personal use, or to fund a new outside business activity. He also sent certain investors falsified statements relating to their investments in the fraudulent securities.

Parish's Failure to Supervise McMillan

Parish Failed To Follow Written Procedures Requiring Review of Operational Bank Records of a Remote Office in 2000 and 2001

6. Parish was required to review McMillan's business bank account during each satellite exam starting in 2000. Parish falsely claimed on a satellite exam workpaper that he reviewed McMillan's business banking account in 2001. In fact, the account he claimed to have reviewed was not opened until weeks after the exam. If Parish had properly reviewed McMillan's business bank account that was opened at the time of the 2001 exam, the fraud likely would have been detected because the account contained large checks to and from McMillan's victims. Royal Alliance policy prohibited client checks from being deposited in a representative's business banking account and proper review of McMillan's bank records relating to the bank account that was opened at the time of the exam in 2001 could have uncovered the fraud. Parish also failed to review any business bank account of McMillan's in 2000 as required by the satellite exam workbook. Proper review of McMillan's business bank account in 2000 could have likely prevented or detected the fraud because it also contained checks to and from McMillan's victims.

Parish Failed to Follow Written Procedures Requiring Reasonable Examination of Files at Remote Offices

7. Parish was required to examine McMillan's files to confirm that McMillan was maintaining separate files for outside business activities and was not commingling them with customers' securities files. In order to accomplish this task, Parish examined McMillan's office files during his exams. However, despite years of conducting exams, Parish never examined numerous files located in a room next to the office of McMillan's support staff that held files relating to McMillan's fraudulent investments. If Parish had examined these files, he likely could have prevented or detected the fraud.

Parish Failed To Follow Up On Red Flags

8. First, Parish was confronted with McMillan's declining commissions from 2002-2004. He reviewed McMillan's commissions on a regular basis, which should have given him an understanding of McMillan's income and how it was dropping significantly. McMillan earned \$149,000 in 2000, \$93,000 in 2001, \$40,000 in 2002, \$71,000 in 2003, and \$13,000 in 2004. He also reviewed McMillan's business banking account on a regular basis during his 2002-2004 satellite exams (a change from his 1999-

2001 exams), which should have given him an understanding of McMillan's expenses of roughly \$90,000 per year and the fact that they exceeded his income for 2002-2004. These facts taken together represent red flags regarding McMillan's finances, but Parish failed to make a reasonable inquiry into the issue.

9. Second, Parish missed a suspicious annuity transaction in 2002 despite reviewing the transaction during two separate satellite exams. During the first exam in March 2002, Parish reviewed a February 8, 2002 variable annuity transaction. In the middle of 2002, Royal Alliance provided additional guidance to Parish relating to the review of variable annuity transactions. During the second exam in December 2002, Parish reviewed the February 8, 2002 transaction again and this time asked McMillan for an explanation regarding the purchase of the annuity. McMillan indicated that it was purchased primarily because the client wanted the death benefit. Parish overlooked documents in the file he was reviewing reflecting that the client liquidated almost all of her annuity in July 2002, a fact that should have raised a red flag as to the truthfulness of McMillan's explanation. In fact, McMillan used the money liquidated from this client's annuity to perpetrate his fraud.

10. Finally, from 2000-2004, Parish missed undisclosed outside business activities while reviewing McMillan's files. Parish inspected McMillan's files on a yearly basis and read the labels on the files. An entire shelf of one filing cabinet Parish reviewed contained files relating to one of McMillan's fraudulent investments, but Parish never asked any questions relating to this undisclosed activity. The files were labeled Riverside Associates L.P., which did not match the name of any product or investment McMillan was authorized to sell through Royal Alliance or through an approved outside business activity. The files contained checks to investors signed by McMillan from an undisclosed banking account as well as correspondence relating to McMillan's fraud to investors that was not included in the correspondence file.

Conclusions

11. Section 15(b)(6) of the Exchange Act, incorporating by reference Section 15(b)(4)(E) of the Exchange Act, authorizes the Commission to sanction a person who is associated, or at the time of the alleged misconduct was associated, with a broker or dealer for failing reasonably to supervise, with a view to preventing violations of the federal securities law, another person who commits such a violation if that person is subject to the person's supervision. Parish was responsible for supervising McMillan.

12. Because McMillan violated Sections 206(1) and (2) of the Advisers Act, Section 17(a) of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Parish failed to follow written supervisory procedures and failed to adequately investigate red flags of McMillan's fraud, Parish failed reasonably to supervise McMillan within the meaning of Section 15(b)(6) of the Exchange Act.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Parish's Offer.

Accordingly, pursuant to Sections 15(b) and 21B of the Exchange Act, it is hereby ORDERED that:

A. Parish shall, within ten days of the entry of this Order, pay disgorgement of \$1 and a civil money penalty in the amount of \$30,000 to the Clerk of the Court, U.S. District Court for the District of Arizona, to be held in such Court's Registry Investment system account established for the Matter of *Securities and Exchange Commission v. David L. McMillan*, Case No. CV-06-0951-PCT-SMM, until further order of such Court. Such payment shall be made by United States postal money order, certified check, bank cashier's check, or bank money order and submitted under cover letter that identifies Parish as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Donald Hoerl, Regional Director, Securities and Exchange Commission, 1801 California Street., Suite 1500, Denver, CO 80202.

B. Such civil money penalty may be distributed pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002 ("Fair Fund distribution). Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of this civil penalty, Parish agrees that he shall not argue that he is entitled to, nor shall he further benefit by offset or reduction of any part of his payment of a civil penalty in this action ("Penalty Offset"). If the Court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this Paragraph, a "Related Investor Action" means a private damages action brought against Parish by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

C. Parish shall be barred from association with any broker or dealer in a supervisory capacity, with the right to reapply for association in such capacity after one year to the appropriate self-regulatory organization, or if there is none, to the Commission. Any reapplication for association by Parish will be subject to the applicable laws and regulations governing the reentry process, and the reentry may be conditioned upon a number of facts, including but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against Parish, whether or not the Commission has fully or partially waived payment of such disgorgement, (b) any

arbitration award related to the conduct that served as the basis for the Commission order, (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order, and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Elizabeth M. Murphy
Secretary