

Parish accused in \$134 million fraud case

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Staff Writer*

It would be an understatement to say Al Parish had a penchant for nice things. He lives in a large home in Summerville, drives a convertible Jaguar with an animal-skin inspired printed top and owns a couple of beach homes in Edisto.

And it didn't stop there. He also liked to invest other people's money in nice things, setting up a company, Summerville Hard Assets LLC, to do just that. In fact, documents show he invested more than \$51 million in things such as a multimillion dollar pen collection, Swiss watches, jewelry and artwork. However, all those items—personal and investments—could become just a fleeting memory.

Parish, an economist and former Charleston Southern University professor known perhaps as much for his eccentric wardrobe as for his time-proven acumen as a regional economic forecaster, stands accused of security fraud and could be responsible for the disappearance of as much as \$134 million, according to a civil case brought by the U.S. Security and Exchange Commission on April 5.

CSU on April 5 notified Parish that the university was terminating his faculty member status and removing him as director of the Economic Forecasting Center due to misconduct.

And the legal troubles enveloping Parish may get considerably worse, pending an inquiry by the Federal Bureau of Investigation.

Supervisory Special Agent Steve Grimaldi confirmed that the investigation, which he characterized as being in its "very preliminary stages," could result in several criminal charges including mail fraud, wire fraud, money laundering and conspiracy.

"The difference between our investigation and that of the Securities and Exchange Commission is that ours very well could result in jail time, while the civil actions are focused on what restitution may be possible for Parish's investors," Grimaldi said.

The SEC allegations

Parish and two of his companies, Parish Economics LLC and Summerville Hard Assets LLC, both of which he co-owns with his wife, Yolanda Yoder Parish, have invested on behalf of at least 300 individuals and entities.

The suit, filed by the Securities and Exchange Commission in the U.S. District Court for South Carolina, Charleston Division, alleges that Parish provided fraudulent statements to his investors, saying that their investments were growing and totaled more than \$314 million. The SEC alleges those accounts held less than \$230,000 total.

The SEC's 18-page complaint includes five specific counts of fraud including allegations that at least since January 2005, Parish had provided investors with quarterly statements that grossly misrepresented the investors' returns and assets, grossly misrepresented the assets of the respective funds under Parish's control and grossly misrepresented the rate of return of the respective investment vehicles.

The SEC also accuses Parish Economics of maintaining a Web site fraudulently reflecting positive investment performance by several funds as a means to "lure in new investors and lull current investors," according to court documents.

In fact, the SEC alleges, virtually all the assets in the funds have been dissipated without disclosure to investors.

John H. Douglas, U.S. attorney for the District of South Carolina, said on April 9 that the next major scheduled event in the SEC's unfolding civil action was a hearing set for the morning of April 13 at the U.S. Courthouse on Meeting Street.

"(U.S. District) Judge (David C.) Norton's temporary restraining order accomplishes most of what we want in the preliminary injunction, but Parish has the right to appear on (April 13) and contest any portion of the requested relief."

Grimaldi said the FBI and SEC will work together on their simultaneous investigations.

"It's going to involve the acquisition of a lot of financial records, including those of Parish, his companies and his creditors, as well as numerous interviews," he said.

As of five days after the SEC charges were filed, the FBI had been unable to question Parish, Grimaldi said.

Once its investigation is complete, whatever case is built against Parish or his wife will be presented to a grand jury, which will ultimately decide whether criminal charges will be brought.

Business community stunned

"Stunning," was the word on Charleston business and economic development leaders' lips as they got back to work after what for many was a long three-day Easter weekend and began to field questions from their employees and each other about the mushrooming case against Parish.

"I'll tell you, if this story is true, I would be very disappointed," said David Ginn, president and CEO of the Charleston Regional Development Alliance. "Frankly, at this point, I don't know how to answer our many (members) asking about the situation and its fallout."

Although Parish served on the CRDA board as one the Charleston Metro Chamber of Commerce's three appointees to the 27-member body, Ginn said the alliance never invested with him.

As of April 9, Ginn said Parish remained a member of the board, pending a decision otherwise by the chamber.

Regardless of Parish's legal problems, the annual forecasts and economic impact statements prepared by Parish with business leaders in the region will still be used in discussions with prospective companies considering the market. He had just presented the 2007 economic forecast for the tri-county area on March 29 to more than 700 area businessmen and women.

"We have used those quarterly forecasts for the past 12 years," Ginn said. "I think they're still relevant given the input of others, but I think it's still too early to make a determination like that."

Almost in poignant counterpoint to such comments, local businesses for which Parish serves as president, including AJ Davis & Co., the men's and women's clothing store on King Street in downtown Charleston and in Summerville.

Employer files lawsuit

Already, at least one institutional creditor, CSU, has filed a civil suit against Parish, his wife and their companies, claiming the flamboyant professor had potentially lost \$10.66 million in college funds.

In a written statement, the university said it had taken legal action against Parish to protect the millions of dollars it had invested in his company. It also said it was continuing to assess the potential impact of losing the money.

"University personnel and student scholarships will not be adversely affected," the statement said. "While this

situation will require budget adjustments, Charleston Southern has operated in the black for 22 consecutive years and plans to continue to do so.”

Three individual investors have also sued Parish alleging breach of contract. Their attorney, Andrew D. Gowdown of the Charleston law firm Rosen Rosen and Hagood LLC, declined to comment on the case.

The S.C. Attorney General’s office also has begun an investigation into the allegations.

Charleston chamber’s reaction

In the wake of the charges, Charles Van Rysselberge, president and CEO of the Charleston Metro Chamber of Commerce, said in a written statement that the organization was saddened to learn of the charges against Parish, who is a member of the chamber’s board of directors and has long been a “platinum member” of the business group.

Although he described Parish as a good friend and strong supporter of the chamber, Van Rysselberge’s statement went on to assure chamber members and supporters that the organization does not have any funds, either currently or in the past, invested through Parish’s companies.

“I have never known him to promote his businesses or his investment opportunities at chamber meetings or functions. I have never known him to ask the chamber in general or me in particular for anything in return for his support of our organization,” Van Rysselberge said.

SEC requests records

Court documents filed by the SEC, revealed that Parish had been receiving requests for information and verification of his claims regarding investments accounts he managed for months.

Court documents also assert that shortly after Parish’s admittance to the hospital, Yolanda Parish, who has power of attorney for her husband and who is an officer and 49% part owner of Parish Economics LLC, allegedly instructed their administrative assistant to begin transferring cash into the names of family members in disbursements of a small enough size to avoid government reporting obligations.

Under the Federal Currency and Foreign Transaction Reporting Act, financial institutions are required to report all cash transactions exceeding \$10,000 a day.

The agency told the court that the unidentified assistant refused to make the transfers and was fired. Based in part on those actions, and at the SEC’s request, U.S. District Court Judge David C. Norton froze all assets of Parish and his companies.

Norton also appointed an Atlanta-based financial consultant, Hays Financial Consulting, to seize all of Parish’s personal material assets, all of his business records, both in hard copy and electronic form, insurance policies, all accounting, banking, brokerage and other financial records, computers from the economist’s residence and office and all related passwords.

David Dantzler, an attorney with Hays Financial Consulting, said Parish’s assets would be moved to a storage facility pending the outcome of the civil complaints. As receiver, the consulting firm has 45 days to file a preliminary report on the identity, location and value of assets seized.

Reports said Parish’s notable assets range from original Norman Rockwell paintings to hand-painted Disney animation cells from the 1930s and 1940s to a custom-made Mercedes valued at \$475,000.

Investments didn’t add up

Parish’s numbers related to the size and success of the investment “pools” he oversaw that didn’t add up, federal prosecutors said.

According to the SEC, Parish’s hidden business activities began to unravel in earnest on Feb. 22, 2007.

It was on that date that Michael L. Foster, a staff accountant with the SEC's Atlanta office, began a routine examination of Battery Wealth Management of Mount Pleasant and found that 29 of the firm's clients had invested in various funds managed by Parish through Parish Economics LLC.

Until March 28, 2007, Parish served as vice president of Battery Wealth Management, which so far has not been implicated in the SEC charges.

Documents supplied to Foster by Battery Wealth Management employees claimed that Parish Economics had total assets of \$134,394,000, and held \$20 million in bonds, \$12 million in stocks, \$50 million in commodity futures, and \$51.11 million in such assets as Swiss watches, jewelry and artwork.

In early March, an SEC compliance examiner requested brokerage statements supporting the reported account valuations, and Parish provided the agency with statements from TD Ameritrade and TradeStation Securities, a bond dealer in Florida.

According to the SEC, as of Dec. 31, 2006, Parish claimed that two of the funds he offered investors were worth \$29 million. However, the brokerage firms that handled those accounts said collectively they were worth less than \$100,000.

In addition, Parish is said to have provided information to federal examiners that suggested a commodities pool he controlled had a value of \$50 million. As of March 2007, that pool's value was \$130,000, the SEC said.

Founded in 1996, Parish Economics LLC offered investment through four pools, described in the SEC suit as "informal pools of money," each attached to a different type of asset. Its hedge income pool invested in government and high-grade corporate bonds while its stock pool was geared to high-stakes growth stocks.

Parish's futures pool provided small investors with entry into the futures and options market, while his hard assets pool invested in such items as expensive watches, gemstones and art.

Sheila Watson contributed to this report.

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