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A legacy of fraud and excess

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By Scott Miller,
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Al Parish's investors are betting that he will die a middle-aged man, according to his attorney.

The court-appointed receiver is using their money to pay premiums on 13 life insurance policies for Parish worth \$42 million.

"Someone out there is paying a lot of money speculating on the early demise of Dr. Parish," defense attorney Andy Savage told the court during the former economist's June 26 sentencing hearing.

Hays Financial Consulting is spending about \$500,000 a year on the life insurance premiums in an effort to recover some of the \$66 million investors lost through Parish's Ponzi scheme, receiver Greg Hays said.

During a break in the hearing, one investor said, "If he would die, we'd all get our money."

Savage repeatedly tried to humanize Parish during the hearing, as several investors gave emotional statements to the court.

"I hope you rot in hell," one investor told a stone-faced Parish after speaking to the judge. "You suck," another said to Parish before leaving the courtroom.

292 months in prison

Parish pleaded guilty Oct. 5 to three federal charges of securities fraud related to a Ponzi investment scheme that bilked about 650 investors. U.S. District Judge David Norton ordered Parish to pay the \$66 million in restitution to his investors and spend more than 24 years in prison.

Because there is no parole for federal crimes, Parish will serve at least 85%, or nearly 21 years, of his sentence.

The restitution is a long shot.

"There's no chance at all. He will never pay a dime," Hays said.

Hays continues to auction Parish's hard assets and expects to recover at most 15% of investors' losses. And the \$66 million figure could increase; Hays has about 200 claims worth a collective \$10 million left to evaluate.

More than 475 investors originally claimed \$80 million in losses, but Hays lowered that number. Claims varied in size, the largest being \$16 million.

Investors could net \$10 million

The recovery on the loss is likely to top out at about \$12 million before expenses are deducted, Hays said, but that doesn't include life insurance proceeds in the event of Parish's death.

"We never add that in because it's a little morbid to talk about what investors get if he dies," said Hays, who already sold two of Parish's life insurance policies.

The receiver collected about \$4.6 million for the estate through the auction of hard assets and Parish's five vehicles, including the custom-made \$200,000 Sprinter van. The vehicles were sold for a combined \$235,000.

Many of the other hard assets have been auctioned as well: the diamond-encrusted pens and watches, the Red Skelton clown paintings, the Tom Clark gnomes among them. An auction of some of Parish's personal property in July 2007 brought in \$2.6 million. Hays auctioned \$315,000 worth of jewelry and 19 pens for \$378,000, which was about 80% of the purchase price.

Parish's four local homes were sold too: his downtown Charleston house, his Summerville mansion, and the home and condo on Edisto Beach. The real estate sales did not bring money to the receiver estate, but they did eliminate \$4.5 million in secured debt, Hays said.

Hays' expenses also must be deducted before Parish's investors receive any payments. He hired security to protect Parish's Summerville home, which contained many of the hard assets Parish purchased with investors' money.

He hired auctioneers and appraisal companies to evaluate the assets. Additional expenses were incurred, and the cost of asset recovery has reached \$2 million.

More auctions this summer

Hays still plans to have several auctions this summer to sell the remaining assets, which include two vacation homes in the North Carolina mountains and some hard assets including collectible coins, artwork, pens, two guitars, a collection of Paul Revere silver and a John & Thomas Seymour sideboard.

Funds won't be distributed to investors until late this year or early 2009, Hays said.

With the sale of the remainder of the hard assets and real estate, along with the \$3.9 million Charleston Southern University agreed to pay to the receiver estate, Hays expects proceeds for investors to reach \$8 million to \$10 million after deducting expenses.

The life insurance could boost payments to investors up to about \$50 million. Hays shopped the remaining policies but received little interest, so he continues to pay the premiums.

Parish's father died of a heart aneurysm at age 56. His grandfather died of a heart attack at age 58, and his great-grandfather died of a heart attack at age 55.

Parish, who has heart disease, hypertension and diabetes, among other ailments, turns 51 on Aug. 23.

Citing Parish's declining health, Savage called the 24-year prison term a death sentence.

Loss beyond money

No matter how long he lives, Parish told the court he'd never be able to repay his clients for the pain he caused.

Several of the investors who spoke to the judge were elderly. Some never knew Parish and were recommended to him by a financial adviser or money manager. Others were longtime family friends.

"Only the Lord knows what led Al to violate the trust of so many, including his friends and family. For me and my family, it's not only the financial loss, but the pain that was inflicted by a friend," said Jerry Smoak, who said he was at Parish's birth and also attended his wedding.

Marilyn Powell lost \$48,000 in Parish's investment scheme. Outside the federal courthouse in Charleston, she said she was promised a large return on her investment and that she needs the \$12,000 a year she lost.

"He took four years of my life, and I want it back," she said. "I should have known there are no large returns on anything."

Arnold Hite, a former colleague of Parish's and dean of the business school at Charleston Southern University, said he feels guilty for recommending Parish to others.

"I feel personally responsible for the loss of so many: my wife's mother, my wife's aunt, my son, my father," said Hite, who also persuaded his church to invest with Parish. "How could I have been so completely fooled?"

One person spoke on Parish's behalf. Cam Keyser, former senior pastor at St. Matthew's Lutheran Church, said he never believed Parish defrauded his clients intentionally.

"St. Matthew's is the kind of church that doesn't believe Christians are perfect, only forgiven," he told the judge.

Economan, conman or victim?

Assistant U.S. Attorney Charlie Bourne, however, called Parish a "conman." He equated Parish's investment pools to a personal bank account used to jet around the world, stay at five-star hotels and purchase \$4,000 suits. Parish paid a private jet tab of \$1.3 million and spent \$247,000 on hotels, Bourne said.

Parish had \$500,000 worth of vehicles, including two Jaguars, two Lexuses and a Mercedes, he added, and owned \$1.7 million in pens and 16 clown paintings valued at \$422,000.

"He called himself 'Economan,' " Bourne said. "Take a closer look and you get conman."

Savage scoffed at the idea that

Parish had created a slush fund by bilking investors.

"To say that he used investment dollars for his own use is just untrue," Savage said, drawing laughter from the audience.

Savage called Parish's continual purchases a disease and said he was stricken by the "opening-the-box thrill."

Savage also suggested Parish didn't prosper under his Ponzi scheme as much as the vendors who took advantage of him, selling him a \$175,000 pen or a \$500,000 diamond-encrusted pocket watch. They saw Parish as a target, wearing a clown suit and driving a purple Jaguar convertible with a custom-made leopard print top, Savage said.

"If you want to know where the money is, check the pockets of these vendors," Savage said. "(Parish) was a buffoon when it came to purchasing these hard assets."

Parish asks for forgiveness

Even Parish, speaking to the judge, said he should've put more thought into many of his investments, acknowledging that diamond-encrusted pens, gnome figurines and cartoon art might not have been the best choices for his clients' money.

He then pleaded for forgiveness and vowed to help the receiver recover "as much money as possible."

"I know some may not believe this, but I never intended to do this," Parish said. "My purpose in investing these funds was to receive a return for my clients."

Norton didn't buy it, noting that Parish took a \$175,000 check from lifelong friends in late March 2007, while he was being investigated by the SEC.

"You knew at that time it was over."

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