

STATE OF NEW JERSEY  
BUREAU OF SECURITIES  
P.O. Box 47029  
Newark, New Jersey 07101  
Telephone: (973) 504-3600

**IN THE MATTER OF:**

WALTER CORNELIUS PARRISH, III  
(CRD# 2493446) and  
THE PARRISH GROUP (CRD# 129217),

Respondents.

**ADMINISTRATIVE CONSENT ORDER**

BEFORE LAURA H. POSNER, BUREAU CHIEF

Pursuant to the authority granted to Laura H. Posner, Bureau Chief of the New Jersey Bureau of Securities (“Bureau Chief”), under the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq. (“Securities Law”), and after investigation, careful review, and due consideration of the facts and statutory provisions set forth below, the Bureau Chief hereby finds that there is good cause and it is in the public interest, and to preserve resources, to enter into an Administrative Consent Order (“Consent Order”) with Walter C. Parrish, III and The Parrish Group (collectively, the “Respondents”), and Respondents hereby agree to resolve any and all issues in controversy regarding the specific conduct described herein on the terms set forth in this Consent Order.

**WHEREAS**, the New Jersey Bureau of Securities (the “Bureau”) is the State agency with the responsibility to administer and enforce the Securities Law;

**WHEREAS**, N.J.S.A. 49:3-67 authorizes the Bureau Chief to issue such Orders as are necessary to carry out the provisions of the Securities Law, upon a finding that the action is

necessary and appropriate in the public interest, for the protection of investors or consistent with the purposes fairly intended by the provisions of the Securities Law;

**WHEREAS**, the Bureau has conducted an investigation into certain activities of the Respondents as set forth in this Consent Order;

**WHEREAS**, Walter C. Parrish, III and The Parrish Group and the Bureau Chief wish to resolve these issues without the expense and delay that formal proceedings would involve;

**WHEREAS**, Walter C. Parrish, III and The Parrish Group consent to the form, content, and entry of this Consent Order. Accordingly, Walter C. Parrish, III and The Parrish Group waive the following rights:

- a. To be afforded an opportunity for hearing on the Bureau Chief's findings of fact and conclusions of law in this Consent Order; and
- b. To seek judicial review of, or otherwise challenge or contend, the validity of this Consent Order;

**WHEREAS**, Walter C. Parrish, III and The Parrish Group agree that solely for the purposes of settling this matter, or any future proceedings by the Bureau solely related to the conduct herein, this Consent Order shall have the same effect as if proven and ordered after a full hearing held pursuant to N.J.S.A. 52:14B-1 et seq.; and

**WHEREAS**, this Consent Order concludes the investigation and action by the Bureau Chief and any civil or administrative action that could be commenced, pursuant to the Securities Law, on behalf of the Bureau Chief, as it relates to seeking civil monetary penalties or other relief against the Respondents for the specific conduct described herein solely as it relates to Respondents.

The Bureau Chief makes the following findings of fact and conclusions of law that Respondents neither admit nor deny:

### **FINDINGS OF FACTS**

#### **Walter C. Parrish and The Parrish Group**

1. The Parrish Group (CRD# 129217) is a New Jersey sole proprietorship formed in December 1993.
2. The Parrish Group has been registered as an investment adviser with the Bureau since February 1996.
3. The Parrish Group primarily advises clients on the purchase of equity securities (stock and stock equivalents) for short- and long-term investment purposes.
4. Walter C. Parrish, III (CRD# 2493446) (“Parrish”), a resident of Howell, New Jersey, is the Group Principal and sole employee of The Parrish Group. On November 5, 2014, Parrish applied to become a registered investment adviser representative with The Parrish Group. Parrish’s registration is currently pending with the Bureau.

#### **Parrish Group did not enter into Written Investment Advisory Contracts with Clients**

5. The Parrish Group did not enter into any written investment advisory contracts with any of its clients.
6. Instead, The Parrish Group allegedly provided clients access to a Customer Information Guide which provided certain details about The Parrish Group’s investment advisory services, including general information about The Parrish Group and its fee structure.
7. The Customer Information Guide did not contain any of the provisions as required in N.J.S.A. 49:3-53(b).

8. Neither The Parrish Group nor any client signed the Customer Information Guide.
9. On August 21, 2015, the Bureau informed Parrish and The Parrish Group by letter that The Parrish Group was required to have written investment advisory contracts with each of its clients, and stated that The Parrish Group must enter into an investment advisory contract with each of its current clients no later than October 2, 2015 (the "August Letter").
10. On September 17, 2015, The Parrish Group requested an extension to the first quarter of 2016 to create an investment advisory contract exemplar for the Bureau to review.
11. On October 2, 2015, the Bureau agreed to grant The Parrish Group a final extension to no later than November 10, 2015 to comply with the August Letter.
12. To date, The Parrish Group has not entered into written investment advisory contracts with its clients.

**Parrish Made Loans to Clients**

13. Over the last fifteen (15) years, Parrish has made at least six (6) loans and/or advanced funds to at least six (6) individuals who were clients of The Parrish Group at the time the loans were made.
14. As of December 31, 2014, Parrish had two (2) outstanding loans to two (2) clients.
15. Parrish charged interest rates between 10% and 15% per year on the monies he loaned to his clients.
16. On August 21, 2015, the Bureau notified Parrish that "The Parrish Group and/or [Parrish] must close each outstanding loan agreement with clients of The Parrish Group."
17. To date, Parrish has closed one of the client loans that were outstanding as of December 31, 2014, while the other is expected to be closed in January 2016.

### **Failure to Maintain Books and Records**

18. Pursuant to N.J.S.A. 49:3-59(b) and N.J.A.C. 13:47A-2.6<sup>1</sup>, an investment adviser registered with the Bureau is required to make and keep books, records, and accounts as required by the Securities and Exchange Commission.

19. 17 C.F.R. § 275.204-2(a)(10) states that every investment adviser shall make and keep true, accurate, and current written agreements (or copies thereof) entered into by the investment adviser with any client or otherwise relating to the business of such investment adviser.

20. The Parrish Group failed to make and keep written investment advisory contracts with its clients.

21. The Parrish Group failed to maintain copies of the 1) signed New Account Information forms and 2) signed Customer Agreement forms for all its clients.

### **CONCLUSIONS OF LAW**

22. The Parrish Group violated N.J.S.A. 49:3-53(b) by failing to enter into written investment advisory contracts with any of its clients.

23. Pursuant to N.J.A.C. 13:47A-6.3(a), “[d]ishonest or unethical practices’ as used in N.J.S.A. 49:3-47 et seq., specifically in N.J.S.A. 49:3-58(a)(2)(vii), shall include... (52.) [e]ntering into, extending or renewing any investment advisory contract unless such contract is in writing and discloses, in substance, the services to be provided, the term of the contract, the advisory fee, the formula for computing the fee, the amount of prepaid fee to be returned in the event of contract termination or non-performance, whether the contract grants discretionary

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<sup>1</sup> All references in this Administrative Consent Order to Title 13, Chapter 47A, Bureau of Securities, of the New Jersey Administrative Code are confined to N.J.A.C. 13:47A-1.1 – 14.16 (2008). Chapter 47A was revised effective July 17, 2015, and such revised regulations are not referenced herein.

power to the adviser and that no assignment of such contract shall be made by the investment adviser without the consent of the other party to the contract...[and] (43.) [l]oaning money to a client except in the case of a broker-dealer, or where the lending party is a financial institution engaged in the business of loaning funds, or where the client is an affiliate..." By failing to have written investment advisory contracts with its clients, The Parrish Group engaged in dishonest and unethical business practices.

24. Pursuant to N.J.S.A. 49:3-58(a)(2)(vii), "[t]he bureau chief may by order deny, suspend, or revoke any registration if [s]he finds: (1) that the order is in the public interest; and (2) that the applicant or registrant... (vii) has engaged in dishonest or unethical practices in the securities, commodities, banking, insurance or investment advisory business..."

25. By (i) failing to have written investment advisory contracts with its clients and (ii) lending money to clients, The Parrish Group, through Parrish, engaged in dishonest and unethical practices in the investment advisory business.

26. The Parrish Group's failure to: (1) make and keep written investment advisory contracts and (2) keep signed New Account Information forms and signed Customer Agreement forms for each of its clients, constitute failures to make and keep accurate books and records, in violation of N.J.S.A. 49:3-59(b) and N.J.A.C. 13:47A-2.6.

27. The conduct described herein constitutes violations of the Securities Law and is grounds for the denial, suspension, or revocation of registration pursuant to N.J.S.A. 49:3-58 and the imposition of a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

THEREFORE, it is on this 17<sup>th</sup> day of ~~February~~ <sup>March</sup> 2016, **ORDERED** and **AGREED** that:

28. The Parrish Group and Walter C. Parrish, III will CEASE AND DESIST from future violations of the Securities Law.

29. The investment adviser registration of The Parrish Group is **SUSPENDED until the Bureau receives sufficient evidence that The Parrish Group has:** (i) entered into signed written investment advisory contracts which comply with the Securities Law and the regulations promulgated thereunder with each of its clients; (ii) adopted and implemented written policies and procedures, including those regarding the creation and maintenance of books and records, that comply with the Securities Law and the regulations promulgated thereunder; (iii) closed all outstanding loans to clients; and (iv) engaged a third-party compliance consultant, to whom the Bureau does not object and who shall be made available to speak and/or meet with the Bureau upon request, to assist The Parrish Group in satisfaction of items (i) and (ii) above.

30. The Parrish Group and Walter C. Parrish, III are jointly and severally assessed a civil monetary penalty of Five Thousand (\$5,000.00) Dollars, pursuant to N.J.S.A. 49:3-70.1, of which Two Thousand Five Hundred (\$2,500) Dollars is due and payable upon entry of this Consent Order by attorney trust fund account check, certified check or other guaranteed funds, made payable to the "State of New Jersey, Bureau of Securities," and delivered to the attention of the Bureau Chief, at the following address: New Jersey Bureau of Securities, 153 Halsey Street, 6th Floor, Newark, New Jersey 07102. The remaining Two Thousand Five Hundred (\$2,500) Dollars of the civil monetary penalty is suspended provided The Parrish Group fulfills its obligations in paragraph 29 above no later than 90 days from the date of this Consent Order.

31. The Parrish Group and Walter C. Parrish, III are **DENIED** all exemptions contained in

N.J.S.A. 49:3-50 subsection (a) paragraphs 9, 10, and 11 and subsection (b).

32. The exemptions to the registration requirements provided by N.J.S.A. 49:3-56(b), N.J.S.A. 49:3-56(c) and N.J.S.A. 49:3-56(g) are **DENIED** as to The Parrish Group and Walter C. Parrish, III.

33. If, after 90 days from the date of this Consent Order, The Parrish Group has not completed its obligations under paragraph 29 above, this Consent Order shall be superseded by a Summary Order issued by the Bureau Chief against Walter C. Parrish, III and The Parrish Group which (i) orders the payment of a civil monetary penalty of Two Thousand Five Hundred (\$2,500) Dollars, representing the suspended portion of the Five Thousand (\$5,000.00) Dollar civil monetary penalty described in paragraph 30 above, (ii) revokes the registration of The Parrish Group, (iii) denies the pending investment adviser representative application of Walter C. Parrish, III, and (iv) continues the denial of all exemptions as stated in paragraphs 31 and 32 above.

#### **ADDITIONAL PROVISIONS**

34. Walter C. Parrish, III and The Parrish Group shall cooperate with the Bureau in this investigation or any related litigation, investigation, order, and/or proceeding. Cooperation with the Bureau is material and shall include, but is not limited to:

- a. voluntarily and promptly appearing, without a subpoena and at their own expense, to serve as a witness and testify completely and truthfully in any related litigation, investigation, order, and/or proceeding;
- b. voluntarily and promptly attending and fully participating in any meetings requested by the Bureau;

- c. agreeing to and complying with the terms of the Consent Order; and
- d. voluntarily and promptly responding to the Bureau's requests for documents or information.

35. This Consent Order shall not bind any person not a party hereto, except as provided herein.

36. The Respondents have read this Consent Order, understand it, and agree to be bound by its terms. Respondents understand that they had the right and opportunity to consult with an attorney regarding this Consent Order.

37. No employee, official of or person representing the Bureau or the State of New Jersey has made any additional promise or representation to the Respondents regarding this Consent Order.

38. Nothing contained herein shall in any manner be construed to limit or affect any position that the Bureau, any other government, or any person, including investors, may take in any future or pending action not specifically encompassed herein.

39. In the event that any of the Respondents violate this Consent Order, the Bureau Chief may vacate this Consent Order and take further action against the Respondents under the Securities Law.

NEW JERSEY BUREAU OF SECURITIES

By:   
LAURA H. POSNER  
BUREAU CHIEF

WALTER CORNELIUS PARRISH, III



DATED:

THE PARRISH GROUP

DATED:

By:   
Walter C. Parrish, III, Group Principal