

**UNITED STATES OF AMERICA**  
**before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 52792 / November 18, 2005**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 2346 / November 18, 2005**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12105**

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<b>In the Matter of</b>	:	
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<b>JOHN D. PARSON, CPA and</b>	:	<b>ORDER INSTITUTING ADMINISTRATIVE</b>
<b>BRENDON P. MCDONALD, CPA,</b>	:	<b>PROCEEDINGS PURSUANT TO RULE</b>
	:	<b>102(e) OF THE COMMISSION’S RULES OF</b>
<b>Respondents.</b>	:	<b>PRACTICE, MAKING FINDINGS, AND</b>
	:	<b>IMPOSING REMEDIAL SANCTIONS</b>
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**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted against John D. Parson, CPA (“Parson”) and Brendon P. McDonald, CPA (“McDonald”) (collectively “Respondents”) pursuant to Rule 102(e)(3)(i) of the Commission’s Rules of Practice.<sup>1</sup>

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<sup>1</sup> Rule 102(e)(3)(i) provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, . . . suspend from appearing or practicing before it any . . . accountant . . . who has been by name . . . permanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding and abetting the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.

## II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) 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 them and the subject matter of these proceedings, and the findings contained in Section III.4 below, which are admitted, Respondents consent to the entry of this Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

## III.

On the basis of this Order and Respondents’ Offers, the Commission finds that:

1. Parson, age 35, is and has been a certified public accountant licensed to practice in the State of New York. He was an audit manager at Arthur Andersen LLP (“Andersen”) until his resignation in 2002, and worked on the fiscal 2000 audit of American Tissue, Inc. (“ATI”).
2. McDonald, age 29, is and has been a certified public accountant licensed to practice in the State of New York. He was an experienced senior employed by Andersen from 1997 until his resignation in 2002, and worked on the fiscal 2000 audit of ATI.
3. ATI was a manufacturer of tissue and paper products with paper mills and converting facilities located throughout the United States and Mexico. It became a reporting Company in February 2000, after conducting an offering of secured notes to institutional investors. ATI never sold equity securities to the public, but a limited secondary market for its secured notes developed.
4. On November 1, 2005, final judgments were entered against Parson and McDonald, permanently enjoining them, by consent, from future violations of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder, and from aiding and abetting violations of Section 15(d) of the Exchange Act and Exchange Act Rules 12b-20 and 15d-1, in the civil action entitled Securities and Exchange Commission v. Fred Gold, et al., Civil Action Number 05-CV-4713 (JS), in the United States District Court for the Eastern District of New York. Parson and McDonald were also ordered to pay civil money penalties of \$50,000 and \$30,000 respectively.
5. The Commission’s complaint alleged, among other things, that American Tissue materially overstated its assets, shareholders’ equity, revenue, and net income in periodic reports filed with the Commission during 2000 and 2001 by capitalizing previously recorded expenses as inventory and overvaluing finished goods inventory in amounts well in excess of the selling price. As a result, American Tissue’s \$24.5 million reported net income for its fiscal year ended September 30, 2000 was overstated by at least \$28.1 million and its \$15.5 million reported

net income for the nine months ended June 30, 2001 was overstated by at least \$21.8 million. Andersen was American Tissue's auditor during the relevant period. Andersen issued an unqualified audit report on American Tissue's financial statements for its fiscal year ended September 30, 2000 though its audit was not conducted in accordance with generally accepted auditing standards and American Tissue's financial statements were not fairly presented in conformity with generally accepted accounting principles. Parson, the audit manager on ATI's 2000 audit, and McDonald, the experienced senior on ATI's 2000 audit, were responsible for the audit failure.

6. The Commission's complaint alleged further that subsequent to the completion of the audit, Parson and McDonald, at the direction of the engagement partner, altered audit workpapers in preparation for a peer review conducted by Deloitte & Touche. On September 3, 2001, Parson and McDonald were instructed to arrange for the immediate, unscheduled destruction and shredding of all Andersen documents and emails that were not part of the "official" American Tissue work paper files. In response, McDonald gave two instructions to members of Andersen's American Tissue audit staff on September 3, 2001. Initially, the audit staff was instructed to save everything from the hard drives on their laptop computers to a disk and send the disk to McDonald's house. Shortly thereafter, the staff was instructed to delete everything related to American Tissue from the hard drives on their laptop computers. On or about September 4, 2001, McDonald instructed Andersen's American Tissue audit staff to gather all American Tissue related documents for shredding, other than the "official" work paper file. Thereafter, at the request of Andersen, an outside shredding company made an unscheduled visit to pick up and shred American Tissue audit documents and emails that were not part of the "official" American Tissue work paper files.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanction agreed to in Respondents Parson's and McDonald's Offers.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Parson and McDonald are suspended from appearing or practicing before the Commission as accountants.

B. After five years from the date of this order, Respondent McDonald may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission. Such an application must satisfy the Commission that Respondent's work in his practice before the Commission will be reviewed either by the independent audit committee of the

public company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or

2. an independent accountant. Such an application must satisfy the Commission that:

(a) Respondent McDonald, or the public accounting firm with which he is associated, is registered with the Public Company Accounting Oversight Board (“Board”) in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

(b) Respondent McDonald, or the registered public accounting firm with which he is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the respondent’s or the firm’s quality control system that would indicate that the respondent will not receive appropriate supervision;

(c) Respondent McDonald has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

(d) Respondent McDonald acknowledges his responsibility, as long as Respondent McDonald appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

C. The Commission will consider an application by Respondent McDonald to resume appearing or practicing before the Commission provided that his state CPA license is current and he has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependant on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission’s review may include consideration of, in addition to the matters referenced above, any other matters relating to Respondent McDonald’s character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

By the Commission.

Jonathan G. Katz  
Secretary