

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 59368 / February 6, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-11538

In the Matter of

J. MICHAEL SCARBOROUGH and
ROYAL ALLIANCE ASSOCIATES, INC.,

Respondents.

NOTICE OF PROPOSED PLAN
OF DISTRIBUTION AND
OPPORTUNITY FOR COMMENT

Notice is hereby given, pursuant to Rule 1103 of the Securities and Exchange Commission's ("Commission") Rules on Fair Fund and Disgorgement Plans, 17 C.F.R. § 201.1103, that the Division of Enforcement has submitted to the Commission a proposed plan for the distribution of the Fair Fund in this matter ("Distribution Plan").

On July 8, 2004, the Commission issued an Order instituting settled administrative and cease-and-desist proceedings against J. Michael Scarborough and Royal Alliance Associates, Inc. ("Respondents") in this matter (the "Order"). Pursuant to the Order, a Fair Fund was established, comprised of disgorgement, prejudgment interest and penalties paid by the Respondents, for distribution to investors affected by Scarborough's improper sales of Class B shares of mutual funds, and Royal Alliance Associates' deficient supervision of Scarborough and others.

OPPORTUNITY FOR COMMENT

Pursuant to this Notice, all interested parties are advised that they may print a copy of the proposed Distribution Plan from the Commission's public website, <http://www.sec.gov>. Interested parties may also obtain a written copy of the proposed Distribution Plan by submitting a written request to David S. Horowitz, Assistant Regional Director, United States Securities and Exchange Commission, 701 Market Street, Suite 2000, Philadelphia, PA 19106. All persons who desire to

comment on the Distribution Plan may submit their comments, in writing, no later than March 9, 2009:

1. by sending a letter to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, N.E., Washington, DC 20549-2090;
2. by using the Commission's Internet comment form (<http://www.sec.gov/litigation/admin.shtml>); or
3. by sending an e-mail to rule-comments@sec.gov.

Comments submitted by e-mail or via the Commission's website should include "Administrative Proceeding File Number 3-11538" on the subject line. Comments received will be publicly available. Persons should submit only information that they wish to make publicly available.

DISTRIBUTION PLAN

The Fair Fund is comprised of \$2,311,085 in disgorgement, prejudgment interest and penalties paid by the Respondents, plus accumulated interest, less any federal, state, or local taxes on the interest. The Distribution Plan provides for the distribution of the Fair Fund to approximately 400 Royal Alliance Associates customers ("Eligible Customers"). As proposed in the Distribution Plan, if approved, Eligible Customers are those individuals and entities who were customers of Royal Alliance Associates' branch office in Annapolis, Maryland, managed by Scarborough, between 1998 and early 2000, and who paid excess commissions as described in the Order. An Eligible Customer's distribution amount will be based on what percentage of Eligible Customers' total excess commissions paid is represented by each Eligible Customer's excess commissions. For each Eligible Customer, this percentage will be multiplied by the total amount paid by the Respondents, plus any accrued interest and less any taxes, fees or other expenses of administering the Distribution Plan. This amount will represent each Eligible Customer's distribution amount. Eligible Customers will not need to go through a claims process, rather they will be determined from Royal Alliance Associates' records. The Eligible Customers will not be required to make claims or submit documentation to establish their eligibility.

For the Commission, by its Secretary, pursuant to delegated authority.

Elizabeth M. Murphy
Secretary