

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100212639⁰¹**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: The Frazer Lanier Company, Inc., Respondent
[CRD No. 7089]

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, The Frazer Lanier Company, Inc. ("Frazer Lanier" or the "Firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Frazer Lanier alleging violations based on the same factual findings described herein.

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ACCEPTANCE AND CONSENT

- A. We hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Frazer Lanier is a limited securities broker-dealer based in Montgomery, Alabama. The Firm has been a member of FINRA since March 26, 1976 and is also a member of the Municipal Securities Rulemaking Board ("MSRB"). The Firm employs nine registered individuals and has no branch office locations. Frazer Lanier has not been the subject of any prior formal disciplinary action.

OVERVIEW

Frazer Lanier violated the gifts and gratuities, fair dealing, and supervisory rules of the Municipal Securities Rulemaking Board ("MSRB") by advancing travel and entertainment expenses for a family member of an issuer official and family members of a Frazer Lanier principal. Frazer Lanier later received reimbursement for these expenses from the proceeds of the bond offerings made by the issuer.

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Frazer Lanier also failed to have procedures to monitor the reimbursement process or written supervisory procedures providing guidance on ratings trip reimbursements.

FACTS AND VIOLATIVE CONDUCT

In 2008 and 2009, an Alabama municipality (the "Issuer") sought to issue municipal bonds and retained Frazer Lanier acting as the underwriter. In connection with the Issuer's efforts to obtain favorable credit ratings for its bond offerings, and after the Issuer had retained Frazer Lanier as underwriter, the mayor of the Alabama municipality and a principal from Frazer Lanier made two trips to New York City to meet with analysts from the credit rating agencies. The first trip occurred during August 2008. Both the mayor and the principal of Frazer Lanier brought their wives on this trip. The second trip occurred in August 2009. Again, the mayor and the principal of Frazer Lanier brought their wives on the trip, and the principal of Frazer Lanier also brought his sister-in-law. Only the mayor and the Frazer Lanier principal were involved in the business meetings related to the municipal bond credit ratings. Frazer Lanier, however, advanced payment for some of the expenses incurred by the wives and the sister-in-law on both ratings trips. Frazer Lanier then sought and obtained reimbursement for the expenses from the proceeds of the municipal bond offerings. The expenses reimbursed for the wives and sister-in-law included airfare, limousine car service, and luxury hotel accommodations. The total amount of these unwarranted expense reimbursements was \$3,838.17.¹

Impermissible payment to a relative of an Issuer official

MSRB Rule G-20(a) prohibits any broker, dealer, or municipal securities dealer from, directly or indirectly, giving or permitting to be given any thing or service of value, including gratuities, in excess of \$100 per year to a person other than an employee or partner of such broker, dealer, or municipal securities dealer, if such payments or services are in relation to the municipal securities activities of the recipient's employer. MSRB Rule G-20 provides an exception from the \$100 limit for "normal business dealings." Among other expenses, these include expenses associated with legitimate business functions sponsored by the dealer, if the expenses would be recognized by the Internal Revenue Service as deductible business expenses.

The interpretations to MSRB Rule G-20 explain that payment of travel expenses "can be especially problematic where such payments cover expenses incurred by family or other guests of issuer personnel."

¹ Frazier Lanier has repaid the Alabama municipality for these expenses.

Advancing payment by Frazer Lanier of the expenses of the mayor's wife and subsequent reimbursement of those expenses to Frazer Lanier from the proceeds of the municipal issues resulted in a benefit to the Issuer official that exceeded the limits of MSRB Rule G-20 and was not covered by the Rule's exception for normal business dealings.

Such acts, practices, and conduct constitute separate and distinct violations of MSRB Rules G-20 and G-17 by Frazer Lanier.

Impermissible receipt of expense reimbursements from bond proceeds

MSRB Rule G-17 requires each municipal securities dealer and municipal advisor to deal fairly with all persons and not engage in any deceptive, dishonest, or unfair practice. The expenses incurred by the wife and sister-in-law of the Frazer Lanier principal were not legitimate business expenses. Neither individual participated in the business meetings held during the trip for purposes of securing a municipal bond rating. Nor did either individual perform services related to Frazer Lanier's municipal securities underwriting activities. Nevertheless, Frazer Lanier submitted and received reimbursement of the expenses from the proceeds of the bond issues. Frazer Lanier's submission and receipt of reimbursement for these invalid expenses constituted deceptive, dishonest, and unfair practices under MSRB Rule G-17.

Such acts, practices, and conduct constitute separate and distinct violations of MSRB Rule G-17 by Frazer Lanier.

Failure to supervise reimbursement of ratings trip expenses

During the period from on or about August 1, 2008, through on or about October 1, 2009, Frazer Lanier failed to adequately supervise the conduct of its municipal securities business and the municipal securities activities of its associated persons to ensure compliance with MSRB rules and the applicable provisions of the Securities Exchange Act of 1934 ("Exchange Act") and failed to adopt, maintain, and enforce written supervisory procedures reasonably designed to ensure compliance with the same MSRB rules and Exchange Act provisions. Specifically, Frazer Lanier failed to adequately review the expense reimbursements (detailed in the paragraphs above) to determine whether the requested reimbursements complied with the Firm's obligations under MSRB Rules G-20 and G-17. In addition, Frazer Lanier failed to adopt, maintain, and enforce written supervisory procedures setting forth guidelines for reimbursement of ratings trip expenses.

Such acts, practices, and conduct constitute separate and distinct violations of MSRB Rules G-27 and G-17 by Frazer Lanier.

- B. I also consent to the imposition of the following sanctions:

A censure and a monetary fine in the amount of \$20,000 to be assessed against the The Frazer Lanier Company, Inc.

Respondent agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. Respondent has submitted an Election of Payment form showing the method by which we propose to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that the firm is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The Firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the Firm specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The Firm further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

The Firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Firm; and
- C. If accepted:
 - 1. this AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. the Firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The Firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this

provision affects the Firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. The Firm understands that it may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understand all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

06/14/2011
Date (mm/dd/yyyy)

S. Ashton Stuckey
The Frazer Lanier Company, Inc.

Reviewed by:

By: [Signature]

Counsel for Respondent

Accepted by FINRA:

June 17, 2011
Date

Signed on behalf of the
Director of ODA, by delegated authority

[Signature]
Laura Leigh Blackston, Senior Regional Counsel
FINRA Department of Enforcement
1100 Poydras Street
Energy Centre, Suite 850
New Orleans, Louisiana 70163-1108
Tel: 504/522-6527 Fax: 504/522-4077

THE FRAZER LANIER COMPANY

INCORPORATED

June 13, 2011

INVESTMENT BANKERS

Laura Leigh Blackston
Senior Regional Counsel
FINRA
1100 Poydras Street
Energy Centre, Suite 850
New Orleans, LA 70163-1108

RE: State of Corrective Action
Letter of Acceptance, Walver and Consent
Matter No. 20100212639

Dear Ms. Blackston,

I am writing this Corrective Action Statement in response to your letter dated June 6, 2011. This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

The Frazer Lanier Company, Inc. (FLCO) has taken the following corrective actions in response to the findings outlined in the above mentioned AWC.

FLCO reviewed its policy of advancing and then seeking reimbursement from issuer officials for travel expenses incurred by their spouse on ratings trips and concluded this accounting/reporting error occurred due the time delay between the ratings trip in August 2008 and the Issue closing in April 2009. Since the mayor was invoiced by FLCO and paid for his wife's airfare on the rating trip in August 2009 for the issue closing October 2009 and it has been always been FLCO's procedure to invoice for any issuer official's spouses travel advanced, FLCO believes this was an isolated incident but will update its procedure to invoice the issuer official within 60 days of the payment of such expenses by FLCO. To insure FLCO properly accounts and reports all ratings trip expenses, such as the hotel charges of \$4,301.05 that were not billed to the issuer regarding the August 2008 rating trip, FLCO will also perform a separate review of rating trip expenses by an officer of FLCO that was not a party to the trip.

FLCO appreciates the opportunity to provide this corrective action statement.

Sincerely,



Susan S. Waldrop, CFO

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