

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010023442901**

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

**RE: Darrell G. Frazier, Respondent
CRD No. 1663429**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I 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

Darrell G. Frazier ("Frazier") first became registered with a FINRA member firm in March 1988 as a Limited Representative -- Investment Company and Variable Contracts Products. He was registered with Park Avenue Securities LLC ("PAS") from July 2002 through June 2010, and was last registered with a FINRA member in May 2011. He is not currently registered with any FINRA member, but remains subject to FINRA jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Frazier has no disciplinary history.

OVERVIEW

From 2004 to at least 2009, Frazier made materially false and misleading statements in recommending that at least nine customers purchase variable annuity products issued by Guardian Insurance & Annuity Company, Inc., which owns PAS. Frazier falsely represented to these customers that: a) the annuities guaranteed returns of at least seven percent per year; b) principal was guaranteed against loss; c) no annual fees would be charged; and/or d) he would only make money on the annuity sale if the customer made money. When customers raised concerns that their annuities were not performing as promised, Frazier offered false assertions regarding the annuity's performance or promised to look into the matter, but never got back to the customers.

Frazier also recommended unsuitable allocations of variable annuity assets to seven of his customers. Although the seven customers were at or near retirement age, were of moderate means, and had expressed concerns about losing their principal, Frazier recommended that, at times, they allocate most or all annuity assets to a single investment portfolio, and often the recommended investments involved a high degree of risk. In addition, Frazier suggested that three customers engage in an unsuitable strategy by recommending that they generate funds to invest in variable annuities by taking out new home mortgages when they owned their home free and clear. At least two customers followed this advice. Frazier also recommended that some customers use "profits" from their annuities to purchase insurance products they did not need and set up systematic withdrawals from their variable annuities to pay the periodic insurance premiums. Customers who followed this advice faced increased tax liability and surrender charges due to the withdrawals. Frazier recommended that one customer, whose variable annuity was beyond the surrender period, sell the annuity and invest the proceeds in a new variable annuity, exposing her to a new period of deferred sales charges.

Frazier also misstated customer information on firm records. He overstated certain customers' net worth and income, and inaccurately characterized customers' risk tolerances, on variable annuity applications. And, he had customers sign blank, undated forms.

As a result of the misrepresentations, Frazier willfully violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder, NASD Rules 2120 and 2110, and FINRA Rules 2010 and 2020. As a result of his unsuitable recommendations and investment strategies, Frazier violated NASD Rules 2310 and 2110 and FINRA Rule 2010, and by misstating customer information on firm records, he violated NASD Rules 3110 and 2110. By having customers sign blank, undated forms, Frazier violated NASD Rule 2110 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Misrepresentations

Frazier received customers by referral from a certified public accountant starting in at least March 2004. From 2004 to 2009, Frazier recommended that many of these customers purchase variable annuities, inducing some of them by various misrepresentations. He told at least nine

customers that they would earn a return of 7% or more by purchasing variable annuity products. He also told at least four customers that the principal amount they invested through the variable annuity would be guaranteed against loss. In addition, Frazier assured one customer that he would not be charged annual fees on his variable annuities, and advised another customer that he, Frazier, would only make money from the annuity purchase if the customer made money. All of these representations and assurances were false.

In 2009, five of the customers separately contacted Frazier to question why a particular annuity was not performing as expected. SB, JJ, and JK asked why they were not seeing the guaranteed 7% return reflected in account documents. SB, JJ, JK, and RC all questioned why the values of their annuities appeared to be decreasing. Frazier assured SB, JJ, and JK that they were receiving the 7% return and that their principal was safe. He separately told SB that the 7% return had not yet been added to SB's annuity but soon would be. Frazier advised JJ that his annuity was making money but that the 7% return would only be reflected on annual, not quarterly, statements. To JK, Frazier claimed that for various reasons, he, Frazier, had not been able to obtain documents reflecting the 7% return. In response to RC's questions as to why the value of his annuity seemed to be declining, Frazier promised to look into the matter and get back to him, but never did.

By making false representations in connection with the sale of the variable annuities, Frazier willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, NASD Rule 2110 and 2120, and FINRA Rules 2010 and 2120.

Suitability

Frazier made unsuitable allocation recommendations to seven of his variable annuity customers. The seven customers had not completed college and had little investment experience. All were at or near retirement age, were of moderate means and expressed concerns about losing their principal. Nevertheless, at various times during the terms of their variable annuity contracts, Frazier recommended that the customers allocate most or all of their annuity assets to a single investment portfolio, and often the portfolio he recommended involved high-risk investments. For example, at various times during the terms of the customers' annuity contracts, Frazier recommended that six of the customers allocate 100%, and one allocate 54%, of their annuity assets to an emerging markets portfolio, a portfolio that involved a particularly high degree of risk. In the case of customer AW, the emerging markets investment at one point represented nearly 100% of her liquid net worth. For customer JK, the emerging markets investment represented, at points, nearly 94% of his liquid net worth. In other cases, involving customers JJ, MM, SB, FC, and RC, the emerging markets investment represented, at points, 18%, 23%, 56%, and 83%, respectively, of the customer's liquid net worth. Frazier's recommendations to over-concentrate assets in high-risk investments were unsuitable for customers who were at or near retirement, had only moderate means, and were concerned about preservation of principal. Such recommendations violated NASD Rules 2310 and 2110 and FINRA Rule 2010.

Frazier also recommended that at least three customers take out home mortgages from their paid-off homes and invest the proceeds into variable annuities. At least two customers followed this advice. In addition, Frazier convinced at least six customers to use "profits" from their annuities

to purchase duplicative or excessive insurance policies, and arranged for systematic withdrawals from the variable annuities to pay the insurance premiums. The withdrawals to pay the insurance premiums resulted in several customers incurring additional tax liability and surrender charges. Frazier also recommended that one customer, whose variable annuity was beyond the surrender period and was no longer subject to deferred sales charges, sell the annuity and invest the proceeds in a new variable annuity, exposing her to a new period of deferred sales charges. These strategies produced additional compensation for Frazier but were unsuitable for the customers and violated NASD Rules 2310 and 2110 and FINRA Rule 2010.

Recordkeeping

Frazier often completed or partially completed forms that the customers were required to fill out when applying for a variable annuity contract. Several of the forms completed by Frazier were inaccurate. For example, Frazier overstated the net worth of at least three customers and overstated the income of at least three other customers. Frazier also inaccurately characterized the risk tolerance of at least four customers. Frazier's creation of inaccurate records violated NASD Rules 3110 and 2110. Moreover, Frazier regularly had customers sign undated, blank brokerage forms including, among others, Requests for Partial Withdrawals and Annuity Allocation Change Forms. Approximately 80 such signed, but otherwise blank, forms were located among his files, along with correspondence specifically instructing customers to sign but not date blank forms. Accordingly, Frazier violated NASD Rule 2110 and FINRA Rule 2010.

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

- A bar from associating with any FINRA member in any capacity.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

I understand that this settlement includes a finding that I willfully violated Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 and that under Article III, Section 4 of FINRA's By-Laws, this makes me subject to a statutory disqualification with respect to association with a member.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;**
- 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, I specifically and voluntarily waive 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.

I 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

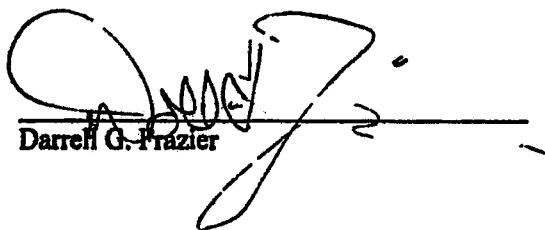
I understand that:

- 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 me; and**
- C. If accepted:**
- 1. this AWC will become part of my 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. I 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. I 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 my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.**
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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.**

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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 me [the Firm] to submit it.

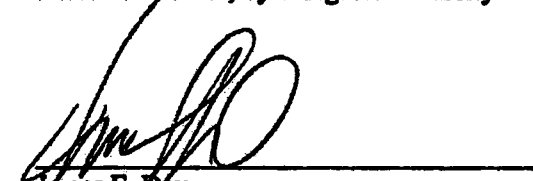
5/17/2012
Date (mm/dd/yyyy)


Darrell G. Frazier

Accepted by FINRA:

6/4/12
Date

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


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