

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009016358501**

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

RE: Lexington Investment Company, Inc., Respondent
CRD No. 27393

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Lexington Investment Company, Inc. [Lexington or Respondent] 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 the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, 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

Lexington became a member of FINRA on November 19, 1990 and registered with the Securities and Exchange Commission ("SEC") on November 2, 1990. Lexington is also registered with the Municipal Securities Rulemaking Board ("MSRB"). Lexington's membership with FINRA and registration with the SEC and the MSRB remain currently in effect. Lexington's business includes, among other things, the retailing of corporate stocks and bonds and brokering municipal securities.

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RELEVANT PRIOR DISCIPLINARY HISTORY

Lexington has been the subject of the following relevant formal disciplinary actions:

- On May 18, 2008, FINRA censured Lexington and fined it \$10,000 for TRACE trade reporting violations, \$5,000 for having a deficient supervisory system for corporate bond reporting, and \$5,000 when it failed to prepare accurate securities received and forwarded blotters.
- On July 13, 2006, NASD censured Lexington and fined it \$2,500 for municipal trade reporting violations and \$2,500 for failing to establish adequate written supervisory procedures for municipal securities transaction reporting.

OVERVIEW

During the period of December 1, 2008, through May 31, 2009 (relevant period), Lexington failed to report accurately all of its corporate securities transactions to the Trade Reporting and Compliance Engine ("TRACE"). During the same period, Lexington conducted a municipal securities business but failed to report accurately all of its municipal securities transactions to the Municipal Securities Rulemaking Board ("MSRB"). Lexington also failed to maintain adequate order tickets for certain corporate debt securities transactions and municipal securities transactions it executed. Finally, Lexington failed to establish and implement adequate written supervisory procedures regarding its requirement to create and maintain accurate order tickets.

FACTS AND VIOLATIVE CONDUCT

TRACE Reporting Violations

Member firms are obligated to report corporate securities transactions to TRACE. NASD Rule 6220 provides that such reports must conform with the requirements set forth in the Rule 6200 Series.

During the relevant period, Lexington failed to accurately report 243 of 372 (65%) corporate securities transactions in that they were reported as "bunched" trades when the firm consolidated trade information for multiple customer accounts into one trade report.

By failing to report accurately its corporate securities transactions, Lexington violated NASD Rules 6230 and 2110 and, as of December 15, 2008, FINRA Rules 6730 and 2010.

Municipal Securities Transaction Reporting Violations

Timely and accurate reporting of municipal securities transaction data to the MSRB helps ensure a level playing field for all municipal market participants, including dealers, retail investors, and institutional investors. During the relevant time period, MSRB Rule G-14 required all brokers, dealers and municipal securities dealers to report trades to MSRB; the MSRB published data about all reported municipal securities transactions including, but not limited to, price and volume information, on the day after the trade date. Accurate and timely municipal trade reporting forms the primary audit trail for regulators to conduct surveillance for potentially manipulative practices, as well as detect sales practice violations and other violations of the federal securities laws and MSRB rules.

During the relevant period, Lexington failed to report accurately 34 of 140 (24%) municipal securities transactions in that they were reported as "bunched" trades when the firm consolidated trade information for multiple customer accounts into one trade report.

By failing to report accurately its municipal securities transactions, Lexington violated MSRB Rule G-14.

Recordkeeping Violations

During the months of January, March, and April 2009, the order tickets for 45 of 45 corporate debt securities transactions executed by Lexington failed to disclose the time of receipt.

Such acts, practices and conduct constitute separate and distinct violations of SEC Rule 17a-3, NASD Rule 3110 and FINRA Rule 2010 by Lexington.

During the months of February, March, and April 2009, the order tickets for 39 of 39 municipal securities transactions executed by Lexington failed to disclose the time of receipt.

Such acts, practices and conduct constitute separate and distinct violations of MSRB Rule G-8 by Lexington.

Written Supervisory Procedures Violations

During the relevant period, Lexington failed to establish, maintain or implement adequate written supervisory procedures that were reasonably designed to achieve compliance with the requirement to create and maintain order tickets that include all required information specified in SEC Rule 17a-3 and MSRB Rule G-8 for each brokerage order received.

Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 3010 and FINRA Rule 2010 and MSRB G-27.

- B. Respondent also consents to the imposition of the following sanctions:

A censure and a fine in the amount of \$32,500.

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 the firm proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it 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

Respondent 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, Respondent 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.

Respondent further specifically and voluntarily waives 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

Respondent 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 Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's 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. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that the firm 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.

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The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent 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 Respondent to submit it.

Feb. 11, 2010
Date

Lexington Investment Company, Inc.

By: Stanley J. Korman

Title: President

Reviewed by:

Accepted by FINRA:

February 22, 2010
Date

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

M. Kerr

Marcletta Kerr

Senior Regional Counsel

FINRA Department of Enforcement

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