

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009019306701**

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

RE: Jeffrey Nekrutman, Respondent
CRD No. 3136821

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Jeffrey Nekrutman ("Nekrutman" 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

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

Nekrutman first registered as an Investment Company Products/Variable Contracts Limited Representative in 1998. Prior to his association with Lincoln Financial Advisors Corporation, Nekrutman was associated with two other FINRA member firms. Nekrutman, who holds Series 6, 7, and 63 licenses, joined Lincoln in 2005 as an Independent Contractor, General Securities Representative and an Investment Company Products/Variable Contracts Limited Representative. Nekrutman's registration with Lincoln was terminated after he resigned on August 7, 2009. On August 10, 2009 Nekrutman registered as a General Securities Representative and Investment Company Products/Variable Contracts Limited Representative at Northeast Securities, Inc., a FINRA regulated broker-dealer. Nekrutman terminated his registration with Northeast Securities on March 16, 2012.

Although Nekrutman is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Nekrutman has no prior disciplinary history.

OVERVIEW

Between December 2005 and August 2009, while associated with Lincoln Financial Advisors Corporation, Jeffrey Nekrutman engaged in several business activities outside the scope of his employment with his member firm. Nekrutman did not request or obtain approval from the Firm to engage in these outside business activities. By engaging in this conduct, Nekrutman violated NASD Rules 3030 and 2110, and FINRA Rule 2010.¹

In addition, during his association with Lincoln Nekrutman engaged in private securities transactions by selling securities away from the Firm. Nekrutman recommended that at least seven Firm customers invest in outside entities in which he personally invested, or was personally involved. At least two customers sustained financial losses in connection with their investments. By engaging in such conduct, Nekrutman violated NASD Rules 3040 and 2110, and FINRA Rule 2010.

Further, in connection with his outside business activities and private securities transactions, Nekrutman made false statements on three Lincoln annual compliance questionnaires for the years 2006, 2007 and 2008, in violation of NASD Rule 2110.

FACTS AND VIOLATIVE CONDUCT

Nekrutman's Outside Business Activities

NASD Conduct Rule 3030 prohibits associated persons from engaging in outside employment activity or accepting compensation outside the scope of his relationship

¹ Effective December 15, 2008, NASD Rule 2110 was superseded by FINRA Rule 2010. Respondent's conduct occurred both before and after this date.

with his member-firm employer, unless the registered person receives permission from the member firm.

FINRA Rule 2010 and its predecessor NASD Rule require that member firms and associated persons observe high standards of commercial honor and just and equitable principles of trade while conducting business.

The Firm's policy with respect to outside business activities stated: "All registered representatives must disclose any outside business activity in which they are engaged, regardless of compensation. Once approved by the Managing Director, Managing Principal and Lincoln Compliance, you may engage in certain outside business activities of a personal nature."

D&L Energy, Inc.

Beginning prior to his association with Lincoln, and continuing throughout his association with the Firm, Nekrutman invested in a natural gas and oil drilling business called D&L Energy, Inc. ("D&L Energy" or "D&L"). On or about September 15, 2005, Nekrutman entered into a number of joint venture agreements relating to D&L. From 2006 through 2009, Nekrutman reported income and expenses for D&L on his personal federal income tax returns. Therein Nekrutman annually indicated that he materially participated in the business.

FB NY, LLC

On October 25, 2006, Nekrutman signed the Articles of Incorporation for FB NY, LLC (hereafter "FBNY"), and listed his then-business address as the company's address. FBNY was established to hold shares in another entity called FB LI, LLC, which in-turn owned and operated a fast food restaurant in Long Island, New York. Through FBNY, Nekrutman actively participated in the start-up, operation, and eventual unwinding of the restaurant venture. By in or about 2009, the restaurant ceased operating.

HIT Associates, LLC

Between 2007 and 2009, Nekrutman served as the Managing Member of HIT Associates, LLC ("HIT"), a cigarette and tobacco production and importing company for which he obtained a tax identification number and opened a business bank account as the sole signatory. Nekrutman, actively operated HIT. His activities included entering into a Distribution and License Agreement with an affiliated marketing corporation on HIT's behalf.

Nekrutman failed to seek approval from his member firm to engage in these three outside businesses and thus violated NASD Rules 3030 and 2110 and FINRA Rule 2010.

Nekrutman's Private Securities Transactions

NASD Rule 3040 prohibits associated persons from participating in any manner in a private securities transaction outside their regular course of employment with a member firm, without receiving prior written approval from the member firm.

Lincoln's policy with respect to "selling away" stated: "NASD Rules and LFA policy require a Registered Representative to obtain written approval from your Managing Director/Managing Principal and LFA Compliance prior to participating in any private securities transaction. Unless your participation in these types of transactions is pre-approved in writing by LFA Compliance, you are engaging in 'selling away', which is a serious violation and subject to disciplinary action. In no event can you receive compensation in any form (commissions, finder's fees, consulting fees, etc) in connection with the sale of any security not approved by your Managing Director/Managing Principal and LFA Compliance."

In addition to prohibiting undisclosed private securities transactions as described above, the Firm expressly prohibited the use of Lincoln "facilities, property, and letterhead" for "non-Lincoln business related purposes." Firm procedures provided that "[t]he use of Lincoln facilities, funds, property, letterhead, business cards, etc., for political, charitable or non-Lincoln business related purposes carries with it the direct or indirect endorsement and liability of Lincoln."

D&L Energy, Inc.

On September 21, 2006, Firm client EP wrote to Nekrutman after she had received an inheritance and inquired about an investment opportunity in an "income producing risk free situation." In response, Nekrutman provided EP and her spouse SP with D&L marketing materials and sent numerous emails to them encouraging them to invest in D&L. D&L Energy was not a Firm-approved investment. As a result of Nekrutman's efforts, EP and SP invested approximately \$130,000 in D&L on five separate dates from 2006 through 2008. By late 2011, EP's and SP's investments in D&L did not perform as anticipated, and Nekrutman informed EP and SP that he could sell their investments at a significant loss.

FB NY, LLC

Nekrutman also convinced Lincoln customers EP and SP to invest in FB NY, despite that it was not a Firm approved investment. On or about November 1, 2006, upon Nekrutman's recommendation, SP and EP invested \$50,000 in shares of FB NY. During September 2007, SP and EP made an additional investment of \$12,000, again at Nekrutman's recommendation. SP and EP ultimately lost their entire investment when FB NY ceased operating in 2009.

HIT Associates, LLC

During 2007, Nekrutman persuaded two Lincoln customers MB and RB to invest in HIT, even though HIT was not a Firm approved investment. For each customer, Nekrutman accepted payments of \$25,000 to invest in HIT. After investing in HIT, MB received a refund of his entire \$25,000 investment, and RB received a partial refund of \$15,000.

By failing to provide his member firm with prior written notice of his private securities transactions, Respondent violated NASD Rules 3040 and 2110, and FINRA Rule 2010.

Nekrutman's Misrepresentations on the Firm's Annual Compliance Questionnaires

Each year, Lincoln requires its registered representatives to complete annual compliance questionnaires. During the years 2006 through 2008, the questionnaires directed that each registered representative affirm that they did not engage in any outside business activities that had not been reported to and authorized by the Firm's compliance department, and had not engaged in any private securities transactions without prior approval from the representative's supervisor and the Firm's compliance department.

Each year, Nekrutman completed his annual questionnaire and indicated that he had not participated in outside business activities or engaged in any private securities transactions. These statements were false.

By virtue of this conduct, Nekrutman violated NASD Rule 2110.

B. Respondent also consents to the imposition of the following sanction:

1. A two-year suspension from associating with any FINRA broker-dealer in any capacity, and
2. A fine of \$30,000.

The fine shall be due and payable either immediately upon reassociation with a FINRA registered broker-dealer following the two-year suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondent understands that if Respondent is barred or suspended from associating with any FINRA member, Respondent becomes subject to a statutory disqualification as that term is defined in Section 3(a) (39) of the Securities

Exchange Act of 1934, as amended. Accordingly, Respondent 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).

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 Formal Complaint issued specifying the allegations against Respondent;
- B. To be notified of the Formal 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 prejudice 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 Respondent; 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 Respondent;
 - 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 8310 and 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; and
- 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 Respondent 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

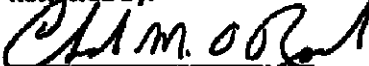
by FINRA, nor does it reflect the views of FINRA or its staff.

Respondent certifies that Respondent 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.

12-6-12
Date


Jeffrey N. Krutman
Respondent

Reviewed by:


Charles M. O'Rourke, Esq.
Law Offices
2 Swenson Drive
Woodbury, NY 11797
516-677-9785

Accepted by FINRA:

1/23/13
Date

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


Susan Light
Senior Vice President
& Chief Counsel
FINRA Department of Enforcement
One World Financial Center
200 Liberty Street
New York, NY 10281
(646) 315-7313 (phone)
(202) 689-3414 (fax)