

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
No. 2012031130001**

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

RE: Lexington Investment Company, Inc.
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 it 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 became registered with the Securities and Exchange Commission on November 2, 1990. The firm is also registered with the Municipal Securities Rulemaking Board. Its business includes, among other things, the retailing of corporate stocks and bonds and brokering municipal securities. It has one branch office and approximately 15 registered representatives. Lexington's membership with FINRA and registration with the SEC and MSRB remain currently in effect.

RELEVANT DISCIPLINARY HISTORY

In February 2010, FINRA censured and fined Lexington \$20,000 (Examination Number 2009016358501). The firm was charged with failing to accurately report TRACE and municipal securities transactions, in violation of NASD Rule 6230, FINRA Rule 6730 and MSRB Rule G-14. Additionally, the firm was charged with related recordkeeping and supervisory violations, in violation of MSRB Rules G-8 and G-27, SEC Rule 17a-3, NASD Rules 3110, 3010 and 2110 and FINRA Rule 2010.

OVERVIEW

Lexington failed to accurately report some of its corporate debt and agency debt securities transactions to the Trade Reporting and Compliance Engine ("TRACE"), in violation of FINRA Rules 6730 and 2010. Additionally, Lexington failed to accurately report some of its municipal securities transactions to the Municipal Securities Rulemaking Board ("MSRB"), in violation of MSRB Rule G-14. Lexington also failed to maintain adequate order tickets for certain corporate debt, agency debt and municipal securities transactions, in violation of SEC Rule 17a-3, NASD Rule 3110 and FINRA Rule 2010, or MSRB Rule G-8. Finally, Lexington failed to enforce its procedures with regard to the reporting of municipal securities transactions, in violation of MSRB Rule G-27.

FACTS AND VIOLATIVE CONDUCT

TRACE Reporting Violations

FINRA Rule 6730 requires firms to report transactions involving a TRACE-eligible security within 15 minutes after trade execution. Transaction information that is required to be reported includes, among other things, time of execution and whether the transaction is a buy or a sell.

Between June and August 2011, Lexington failed to accurately report the time of execution with regard to customer trades involving 67 of 154 corporate debt securities transactions.

On five occasions, during the same period, Lexington also failed to accurately report whether a corporate debt securities transaction involved a purchase or a sale.

Between June and September 2011, Lexington failed to accurately report the time of execution with regard to customer trades involving 24 of 52 agency debt securities transactions.

By failing to accurately report its corporate debt and agency debt securities transactions, Lexington violated FINRA Rules 6730 and 2010.

Municipal Securities Transactions Reporting Violations

MSRB Rule G-14 requires dealers to report trades to the MSRB within 15 minutes after trade execution. Transaction information that is required to be reported includes, among other things, the time of execution. Late or inaccurate transaction data may hinder a dealer's ability to price municipal securities accurately for customers, and in turn, interferes with an investor's decision-making process. Additionally, accurate and timely municipal trade reporting forms the primary audit trail for regulators to conduct surveillance for potentially

manipulative practices, as well as detects sales practice violations and other violations of the federal securities laws and MSRB rules.

Between June and August 2011, Lexington failed to accurately report the time of execution with regard to customer trades involving 58 of 78 municipal securities transactions.

Additionally, between June and September 2012, Lexington failed to accurately report the time of execution with regard to customer trades involving 21 of 21 municipal securities transactions.

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

Recordkeeping Violations

Between June and August 2011, Lexington failed to provide the correct time of execution with regard to customer trades on 67 out of 154 order tickets involving corporate debt securities transactions.

Additionally, between June and September 2011, Lexington failed to provide the correct time of execution with regard to customer trades on 20 out of 52 order tickets involving agency debt securities transactions.

Finally, between June and August 2011 and between June and September 2012, Lexington failed to provide the correct time of execution with regard to customer trades on 58 out of 78 order tickets involving municipal securities transactions.

By failing to maintain accurate records of order tickets involving corporate debt and agency debt securities transactions, Lexington violated SEC Rule 17a-3, NASD Rule 3110 and FINRA Rule 2010.

By failing to maintain accurate records of order tickets involving municipal securities transactions, Lexington violated MSRB Rule G-8.

Supervisory Violations

MSRB Rule G-27 generally provides that a dealer shall establish and maintain a system to supervise municipal securities activities of all associated persons that is reasonably designed to achieve compliance with municipal securities rules. Specifically, Rule G-27(c) requires that a dealer adopt and maintain written supervisory procedures ("WSPs").

The firm's WSPs required that the firm accurately report the customer side of a trade to the MSRB.

Between June and September 2012, Lexington failed to enforce its WSPs with regard to the reporting of municipal securities transactions when it failed to accurately report the time of execution with regard to customer trades involving 21 of 21 municipal securities transactions.

By failing to enforce its WSPs as set forth above, Lexington violated MSRB Rule G-27.

- B. Lexington also consents to the imposition of the following sanctions: a censure and a fine of \$50,000 (\$10,000 of which pertains to violations of MSRB Rules G-8, G-14 and G-27).

Lexington agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. The firm has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Lexington specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against it;
- 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, Lexington specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, 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.

Lexington 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

Lexington 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 it; and
- C. If accepted:
 - 1. this AWC will become part of its 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 its 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. Lexington 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. Lexington 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 its: (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. Lexington may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Lexington 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 understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the undersigned, on behalf of 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.

LEXINGTON INVESTMENT COMPANY

By: Harley V. Kunkin, Per.

9-11-14
Date

Reviewed by:

Accepted by FINRA:

Date: September 30, 2014

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


Richard A. March

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