

NASD OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Geneos Wealth Management, Inc.,
CRD No. 120894

Respondent.

Disciplinary Proceeding
No. 2005000863703

Hearing Officer- SNB

ORDER ACCEPTING OFFER OF SETTLEMENT

Date: March 21, 2007

INTRODUCTION

Disciplinary Proceeding No. 2005000863703 was filed on October 5, 2006, by the Department of Enforcement of NASD ("Complaint"). Respondent Geneos Wealth Management Inc., submitted an Offer of Settlement to the Department on March 8, 2007. Pursuant to Code of Procedure Rule 9270(e), the Department and the National Adjudicatory Council Review Subcommittee or the Office of Disciplinary Affairs have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to Code of Procedure Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Department and approved by the NAC.

Under the terms of the Offer, Geneos has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, to the entry of findings

000039081 2007

and violations consistent with the allegations of Causes One and Three of the Complaint¹, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Geneos' permanent disciplinary record and may be considered in any future actions brought by NASD.

BACKGROUND

Geneos, which is based in Denver, Colorado, became a NASD member in June 2002. Geneos has approximately 178 active branches and approximately 290 registered personnel. Geneos' disciplinary history consists of one matter. On November 1, 2006, the firm entered into an Offer of Settlement with NASD whereby it was censured and fined \$12,500 for failing to: establish a special reserve account for the exclusive benefit of customers; report TRACE-eligible securities transactions; and, establish supervisory systems and procedures to achieve compliance with SEC Rule 15c3-3 and TRACE reporting.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows.

In or about January 2000, KJ was convicted of "bank theft by an employee," a Class B felony offense, in the United States District Court, District of Arizona. Consequently, KJ became statutorily disqualified at that time. She was sentenced to 27 months in prison and ordered to pay restitution of \$895,538. Upon her release from prison in or about February 2002, KJ was placed on supervised release for 60 months.

¹ Cause Two of the Complaint, which alleged violations of NASD Conduct Rules 3010 and 2110 by Geneos is dismissed.

On or about August 21, 2002, KJ applied for employment with and was hired by S Financial Services, Inc. (SFS). SFS was owned and operated by VS, a registered representative of an NASD member, and conducted, among other things, insurance and investment advisory businesses. VS also used the name SFS in connection with his securities business for his employer-member.

On or about December 10, 2003, VS became associated with Geneos, at which time the securities activities of SFS were conducted through Geneos.

While employed by SFS, KJ assisted registered representative VS by, among other things, processing client applications to purchase securities and handling customer funds and securities. She assisted VS with these duties while he was registered with Geneos. As such, KJ was "a person associated with a member" as defined by NASD's By-laws. KJ's association with Geneos began on or about December 2003 and terminated on or about December 2004.

From approximately November 2002 through September 2004, while employed by SFS, KJ misused approximately \$218,000 of funds belonging to SFS clients, of which approximately \$83,500 represented funds misused while KJ was associated with Geneos. Approximately \$34,100 of the \$83,500 represented funds belonging to customers of Geneos.

GENEOS FAILED TO FINGERPRINT KJ IN VIOLATION OF SECTION 17(F)(2) OF THE SECURITIES AND EXCHANGE ACT, RULE 17F-2 THEREUNDER AND NASD CONDUCT RULE 2110

By virtue of KJ's duties as described above, KJ became an associated person of Geneos on or about December 2003. Geneos did not obtain KJ's fingerprints and therefore did not submit her fingerprints for identification and processing as specified in SEC Rule 17f-2. As a result, Geneos did not learn that KJ had previously been convicted of felony bank theft. Based on the foregoing

Geneos violated Section 17(f)(2) of the Securities and Exchange Act, Rule 17f-2 thereunder and Conduct Rule 2110.

GENEOS PERMITTED KJ, WHO WAS STATUTORILY DISQUALIFIED TO ASSOCIATE WITH THE FIRM IN VIOLATION OF RULE 2110

During the approximate period from December 2003 through December 2004, Geneos permitted KJ, a statutorily disqualified person, to function as an associated person of Geneos, in contravention of NASD By-laws, which in turn violated Conduct Rule 2110.

Cause Two of the Complaint, which alleged Geneos violated NASD Conduct Rules 3010 and 2110 by failing to enforce its procedures requiring that KJ be fingerprinted is dismissed.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by NASD, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be:

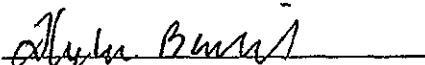
Censured and fined \$15,000.

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

SO ORDERED.

NASD

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


Helen Barnhill
Regional Counsel

NASD Department of Enforcement
370 17th Street, Suite 2900
Denver, CO 80202
(303) 446-3111