

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 71492 / February 5, 2014

INVESTMENT ADVISERS ACT OF 1940
Release No. 3773 / February 5, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-15742

In the Matter of

GEOFFREY W. NEHRENZ

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Geoffrey W. Nehrenz (“Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings and the findings contained in Section III.4 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b)

of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. Nehrenz, 34 years old, is a resident of Uniontown, Ohio. From approximately May 2009 through May 2013, Nehrenz was the managing member, president, and chief executive officer of Keystone Capital Management, LLC (“Keystone Capital”), an Ohio limited liability company registered in the state of Ohio as an investment adviser firm from May 2009 to December 2010 and from March 2011 to December 2011. Nehrenz, through Keystone Capital, provided investment advice to, made the investment decisions for, and managed the assets of, his hedge fund Keystone Active Trader, LLC (“Keystone Trader”), also registered as a limited liability company in the state of Ohio. Neither Keystone Capital nor Keystone Trader has ever been registered with the Commission.

2. From September 2005 to May 2009, Nehrenz was an investment adviser representative with investment adviser firms registered with the Commission. From May 2009 through May 2013, Nehrenz, through Keystone Capital, acted as an investment adviser in that he received compensation for providing investment advice to Keystone Trader.

3. From June 2006 to May 2011, Nehrenz was also a registered representative associated with broker-dealers registered with the Commission.

4. On June 13, 2013, in the civil action entitled *Andre T. Porter, Director, State of Ohio Department of Commerce v. Nehrenz, et al.*, 2013 CVO 1405 filed by the State of Ohio Department of Commerce, Division of Securities (“Ohio Securities Division”) in the Stark County Court of Common Pleas in the state of Ohio, the Ohio Securities Division obtained an agreed order of permanent injunction against Nehrenz, Keystone Capital and Keystone Trader permanently enjoining them from:

a. Selling, offering to sell, or otherwise transferring securities in violation of [Ohio Revised Code (“R.C.”)] R.C. §1707.44(B)(4), and R.C. §1707.44(G), or any other provision of the Ohio Securities Act, §1707.01 through R.C. §1707.45, et seq.;

b. Selling, offering to sell, issuing, or in any way distributing securities without prior approval of the Court;

c. Engaging in any deceptive, fraudulent, or manipulative act, practice or transaction in connection with the sale of securities in violation of R.C. §§1707.01 through R.C. 1707.45, et seq.; and

d. Destroying, mutilating, concealing, altering, or disposing of in any manner, any books, records, documents, correspondence or other property of [Nehrenz, Keystone

Capital and Keystone Trader], including but not limited to, property that refers to the sale of securities, including evidence of indebtedness.

5. The Ohio Securities Division's Complaint alleged that, in connection with the unregistered offer and sale of interests in Keystone Trader, Nehrenz admitted to misappropriating \$1,156,428.38 of investor funds for his personal use and unrelated business expenses and that Nehrenz made other misrepresentations regarding the investments and the use of investor funds. Specifically, the Complaint alleges that, from May 2009 through September 2012, Nehrenz solicited investors to purchase interests in Keystone Trader and raised approximately \$7.9 million. Nehrenz represented to investors that: (1) Keystone Capital, which managed the assets of Keystone Trader, would be paid, each year, 2% of Keystone Trader's assets under management and 25% of Keystone Trader's gross profits; and (2) no more than 10% of investor funds would be invested in illiquid investments. Contrary to these claims, the Complaint alleges that Nehrenz paid himself more money than he was permitted and that, by his own admission, misappropriated more than \$1 million through undisclosed sham loans from Keystone Trader to Keystone Capital. The Complaint further alleges that Nehrenz invested approximately 35% of investor funds in illiquid securities, significantly more than the 10% maximum that he represented to investors. The Complaint alleges that less than \$13,000 of investor money remains.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Nehrenz's Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act and Section 203(f) of the Advisers Act that Respondent Nehrenz be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Elizabeth M. Murphy
Secretary