

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 59016 / November 25, 2008**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13298**

In the Matter of  
  
DENNIS K. McNELL,  
  
Respondent.

ORDER INSTITUTING  
ADMINISTRATIVE PROCEEDINGS  
PURSUANT TO SECTION 15(b) OF THE  
SECURITIES EXCHANGE ACT OF  
1934, 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”) against Dennis K. McNell (“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.2 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, 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. Respondent McNell, age 42, currently resides in Northern California. From at least December 2002 through December 2004, McNell was a principal of Redwood Trading, LLC ("Redwood"), a now defunct broker-dealer, and also served as the Chief Executive Officer, Chief Operations Officer, and a registered representative at the firm.

2. On November 21, 2008, a final judgment was entered by consent against Respondent McNell, permanently enjoining him from violations of Sections 9(a)(2), 10(a)(1), and 10(b) of the Exchange Act and Rule 10b-5 thereunder, and from aiding and abetting violations of Sections 15(c)(3) and 17(a) of the Exchange Act and Rules 15c3-1, 17a-3 and 17a-4(j) thereunder, in the civil action entitled, *Securities and Exchange Commission v. Dennis K. McNell*, Civil Action Number 08-Civ.-10053-BSJ, in the United States District Court for the Southern District of New York.

3. The Commission's complaint alleged that, during the period of October 2003 through September 2004, McNell (i) aided and abetted his customer's fraudulent trading scheme involving the execution of thousands of short sales of securities listed on the New York Stock Exchange with the intent to artificially depress the price of those shares, and (ii) engaged in a scheme to conceal from Redwood substantial trading losses that he had incurred in a Redwood proprietary trading account during July and August 2004. As alleged in the Complaint, McNell also aided and abetted Redwood's violations of the federal securities laws by (a) causing the firm's books and records to be inaccurate, (b) causing the firm to engage in securities business while it was not in compliance with the net capital rule, and (c) failing to produce Redwood's records when requested by the Commission's staff.

### IV.

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

Accordingly, it is hereby ORDERED:

Pursuant to Section 15(b)(6) of the Exchange Act, Respondent McNell be, and hereby is, barred from association with any broker or dealer, with the right to reapply for association in a non-supervisory capacity after five (5) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

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.

Florence E. Harmon  
Acting Secretary