

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 55527 / March 26, 2007**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12601**

**In the Matter of**

**DEAN C. REDER,**

**Respondent.**

**ORDER INSTITUTING  
ADMINISTRATIVE AND CEASE-AND-  
DESIST PROCEEDINGS, MAKING  
FINDINGS, AND IMPOSING REMEDIAL  
SANCTIONS AND A CEASE-AND-DESIST  
ORDER PURSUANT TO SECTIONS 15(b)  
AND 21C OF THE SECURITIES  
EXCHANGE ACT OF 1934 AS TO DEAN C.  
REDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Dean C. Reder (“Respondent” or “Reder”).

**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, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### **Respondent**

1. Reder, age 38, is a resident of Orono, Minnesota. From the fall of 2000 to January 2003, Reder was the Controller of Stockwalk Group, Inc. ("Stockwalk") and supervised the accounting department. He was also Financial Operations Principal ("FINOP") for Stockwalk.com, Inc., Stockwalk's former subsidiary on-line brokerage. In February 2003, Reder became Chief Compliance Officer of Miller Johnson Steichen Kinnard, Inc. ("MJSK"), a position he continues to hold. From at least July 2001 through September 2001 (the "relevant time period"), Reder was a registered representative associated with broker-dealers registered with the Commission. He is also a certified public accountant, but his certificate was inactive during the relevant time period.

#### **Other Relevant Entities and Persons**

2. Stockwalk is a Minnesota corporation with its principal place of business in Minneapolis, Minnesota, originally incorporated in the 1990s. Its subsidiary, MJK Clearing, Inc. ("MJK") was originally incorporated as Miller Johnson and Kuehn, Inc. in 1980. At all relevant times, Stockwalk's common stock was registered under Section 12(g) of the Exchange Act and was traded on the NASDAQ under the ticker "STOK." The common stock has since been delisted. During the relevant time period, Stockwalk had three subsidiaries: MJK, Stockwalk.com, Inc., a registered online broker-dealer, and MJSK, a full-service broker-dealer.<sup>2</sup> In 2002, Stockwalk reorganized its debt under Chapter 11 of the Bankruptcy Code. The only subsidiary still operating under Stockwalk is MJSK.

3. From January 2001, MJK provided securities clearing functions for Stockwalk's three registered broker-dealers and sixty-five other correspondent brokerage firms. MJK became insolvent on September 25, 2001. MJK and its predecessor, Miller Johnson and Kuehn, Inc., had been registered with the Commission as a broker-dealer since 1981.

#### **Summary**

4. In July and August 2001, MJK improperly calculated its net capital by failing to reduce its net capital for stock borrow deficits relating to certain securities it borrowed from a counter-party broker-dealer, Native Nations Securities, Inc. ("Native Nations"). MJK's

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

<sup>2</sup> Clearing and transaction settlement services were originally provided by MJK Clearing Services, a division within Miller Johnson & Kuehn, Inc. On January 1, 2001, MJK Clearing, Inc. ("MJK") became a wholly-owned subsidiary of Stockwalk, while the brokerage components of Miller Johnson & Kuehn, Inc. were merged with the recently acquired R.J. Steichen and Co., and John G. Kinnard Co. brokerages, to create MJSK, then a wholly-owned subsidiary of MJK.

stock lending department had failed to collect marks to market owed to MJK by Native Nations when the value of securities MJK had borrowed from Native Nations declined. This resulted in significant stock borrow deficits, which MJK and Stockwalk failed to discover and account for in a timely manner. MJK's miscalculation of its net capital caused it to conduct business while not maintaining sufficient net capital in August 2001 and September 2001. Moreover, the Financial and Operational Combined Uniform Single ("FOCUS") Reports for July and August 2001 filed with the NASD reflected the inaccurate net capital computations. During that time, Stockwalk's accounting department was responsible for MJK's incorrect net capital calculations and inaccurate FOCUS Reports filed with the NASD. Reder participated in the preparation of MJK's FOCUS Reports and he reviewed the net capital computation. As a result of his conduct, Reder willfully aided and abetted and caused MJK's violations of the net capital requirements, its filing of incorrect FOCUS Reports, and its failure to file proper notice with the Commission of its net capital deficiencies, in accordance with Rule 17a-11, C.F.R. §240.17a-11. Upon its discovery of the net capital deficiency, MJK immediately contacted the NASD and staff of the Commission.

**Improper Net Capital Computations and Failure to Comply  
with the Notice Requirements**

5. On or about July 31, 2001 and August 31, 2001, the accounting department of Stockwalk failed to detect, calculate, and deduct charges related to MJK's stock borrow deficits with Native Nations when calculating MJK's monthly net capital. According to MJK's FOCUS Reports from July and August, MJK calculated and reported excess net capital of \$14.7 million on July 31, 2001 and \$14.8 million on August 31, 2001.

6. However, proper deduction of charges relating to MJK's stock borrow deficits reveals that MJK actually had excess net capital of \$6.2 million on July 31, 2001, and a net capital deficiency of \$6.1 million on August 31, 2001. On September 25, 2001, MJK contacted Commission staff to report a net capital deficiency, which prompted Commission examination staff to conduct an exam. In the course of this exam, staff determined that MJK had a net capital deficiency of \$70.3 million. Thus, from at least August 31, 2001 through September 25, 2001, MJK conducted business without sufficient net capital.

7. Prior to MJK's miscalculation of its net capital, Stockwalk received a deficiency letter dated July 17, 2001 from the staff of the Commission regarding MJSK, another subsidiary of Stockwalk. The letter stated that, among other things, the accounting department had not been properly reducing MJSK's net worth for certain stock borrow deficits which became necessary after MJSK borrowed securities from MJK. The accounting department failed to take any remedial steps to ensure that the charges for stock borrow deficits were being appropriately made in MJK's calculations of net capital figures.

8. MJK's miscalculation of its net capital during the relevant time period led MJK to file inaccurate July 2001 and August 2001 FOCUS Reports with the NASD.

9. MJK also failed to provide proper notice to the Commission that it was out of compliance with its minimum net capital requirement on August 31, 2001.

### **Respondent's Omissions as FINOP**

10. As a registered FINOP assisting in the preparation of MJK's FOCUS Reports, it was Reder's responsibility to review the computations in the reports to ensure their accuracy. The accounting department had the information necessary to calculate the charges for MJK's stock borrow deficits. In performing his duties, Reder reviewed MJK's FOCUS Reports and net capital computations for accuracy. However, Reder failed to review adequately the documentation that included MJK's stock borrow deficits and the need to deduct appropriate charges in calculating net capital. Proper review of MJK's net capital computations and the supporting documents would have revealed that MJK's net capital calculations and FOCUS Reports were inaccurate, and that notice of net capital deficiencies was required.

### **Violations**

11. As a result of the conduct described above, Reder willfully aided and abetted and caused MJK's violations of Section 15(c)(3) of the Exchange Act and Rule 15c3-1 promulgated thereunder, which prohibit a broker-dealer from effecting transactions in securities in contravention of Commission rules with respect to financial responsibility and requires a broker-dealer to maintain a minimum level of liquid net worth (net capital). Paragraph (c)(2)(iv)(B) of Rule 15c3-1 of the Exchange Act requires a broker-dealer to deduct from its net worth in computing net capital certain unsecured and partly secured receivables. As a result of the conduct described above, Reder willfully aided and abetted and caused MJK's failure to deduct charges related to its stock borrow deficits, thereby resulting in MJK's operation of a securities business while it was net capital deficient.

12. As a result of the conduct described above, Reder willfully aided and abetted and caused MJK's violations of Section 17(a) of the Exchange Act and Rule 17a-5 promulgated thereunder, which require registered brokers or dealers that clear transactions or carry customer accounts, such as MJK, to file accurate monthly and quarterly FOCUS Reports that include net capital computations.

13. As a result of the conduct described above, Reder willfully aided and abetted and caused MJK's violations of Section 17(a)(1) of the Exchange Act and Rule 17a-11 thereunder, which require every broker or dealer whose net capital falls below the minimum required amount, to give notice that same day to the Commission.

### **IV.**

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

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent Reder cease and desist from causing any violations and any future violations of Sections 15(c)(3) and 17(a) of the Exchange Act and Rules 15c3-1, 17a-5 and 17a-11 thereunder.

B. It is further ordered that Respondent shall, within thirty (30) days of the entry of this Order, pay a civil money penalty in the amount of \$15,000 to the United States Treasury. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Dean C. Reder as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Tracy W. Lo, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 900, Chicago, Illinois 60604.

By the Commission.

Nancy M. Morris  
Secretary