

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20042000033-01

TO: Department of Market Regulation
NASD

RE: Prudential Equity Group, LLC, Respondent
CRD No. 7471

Pursuant to Rule 9216 of the NASD Code of Procedure, Prudential Equity Group, LLC ("PRUS" or "the firm"), submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against the firm alleging violations based on the same factual findings.

The firm understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Market Regulation Department and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
3. If accepted:
 - a. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by the NASD or any other regulator against the firm;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about the firm's disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. the firm 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 allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects the firm's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

PRUS also understands that the firm's experience in the securities industry and the firm's disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

PRUS has been a member of NASD since November 2, 1939, and its registration remains in effect. PRUS has no relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

PRUS specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, PRUS specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, 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.

PRUS further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of 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.

II.

ACCEPTANCE AND CONSENT

The staff of NASD's Department of Market Regulation ("the staff") conducted a review, No. 20042000033 (formerly known as MRD200238271), of PRUS's compliance with SEC Rule 11Ac1-4 during the period October 1, 2002 through December 31, 2002 ("the review period").

- A. PRUS hereby accepts and consents, without admitting or denying the allegations or findings, 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, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by NASD:
1. On 29 occasions during the review period, PRUS failed to display immediately 29 customer limit orders in Nasdaq securities in its public quotation, when each such order was at a price that would have improved PRUS's bid or offer in each such security, or when the order was priced equal to PRUS's bid or offer and the national best bid or offer for each such security and the size of the order represented more than a *de minimis* change in relation to the size associated with PRUS's bid or offer in each security.
 2. The conduct described in paragraph one constitutes separate and distinct violations of SEC Rule 11Ac1-4.
 3. PRUS failed to report to OATS a Cancel/Replace or Cancel Report for 72 OATS reportable orders.
 4. PRUS failed to report to OATS the correct Order Receipt Time for one OATS reportable order.
 5. The conduct described in paragraphs three and four constitutes separate and distinct violations of NASD Marketplace Rule 6955(a) and a violation of NASD Conduct Rule 2110.
- B. PRUS also consents to the imposition, at a maximum, of the following sanctions:

A censure and a \$15,000 fine (a \$7,500 fine for the Limit Order Display violations and a \$7,500 fine for the OATS violations).

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

III.

OTHER MATTERS

- A. PRUS understands that it may attach a Corrective Action Statement to this AWC which is a statement of demonstrable corrective steps taken to prevent future misconduct. PRUS 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 NASD nor does it reflect the views of NASD or its staff.
- B. PRUS agrees to pay any monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payments are due and payable, and has attached the Election of Payment form showing the method by which the firm proposes to pay any fine imposed.
- C. PRUS specifically and voluntarily waives any right to claim that PRUS is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

PRUS certifies that the firm has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce PRUS to submit it.

10/25/2005
Date

Prudential Equity Group, LLC
Respondent

By: Mark R. Grewe
Name: MARK R. GREWE
Title: CHIEF COMPLIANCE OFFICER

Reviewed by:

Counsel for Respondent

Accepted by NASD

12/22/05
Date

Thomas R. Gira
Thomas R. Gira
Executive Vice President and Deputy
Market Regulation Department

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