

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 81444 / August 21, 2017

ADMINISTRATIVE PROCEEDING
FILE No. 3-12400

In the Matter of	:	ORDER AUTHORIZING THE
	:	
PRUDENTIAL EQUITY GROUP,	:	TRANSFER TO THE U.S. TREASURY
LLC, formerly known as	:	OF THE REMAINING FUNDS AND
PRUDENTIAL SECURITIES, INC.,	:	ANY FUNDS RETURNED TO THE
	:	
Respondent.	:	DISTRIBUTION FUND IN THE
	:	FUTURE, DISCHARGING THE FUND
	:	ADMINISTRATOR, AND
	:	TERMINATING THE
	:	DISTRIBUTION FUND
	:	
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On August 28, 2006, the United States Securities and Exchange Commission (“Commission”) issued an Order Instituting Administrative Proceedings, Making Findings, and Imposing Remedial Sanctions Pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Order”)¹ against Prudential Equity Group, LLC (“PEG”), formerly known as Prudential Securities, Inc. (“PSI”). Among other things, the Commission found that, from 1999 through June 2003, PSI registered representatives perpetrated a fraudulent market timing scheme that harmed at least fifty mutual funds and their long-term shareholders. The Commission ordered PEG to disgorge \$270,000,000, and required PEG, at its cost, to retain an independent distribution consultant to develop a distribution plan to distribute the disgorgement to accountholders in mutual funds harmed by the scheme (“Affected Funds”). PEG satisfied its disgorgement obligation and the funds (“Distribution Fund”) were placed in an interest bearing account with the United States Department of the Treasury (“U.S. Treasury”).

On December 4, 2009, the Commission issued a Notice of Proposed Plan of Distribution and Opportunity for Comment² pursuant to Rule 1103 of the Commission’s Rules on Fair Fund and Disgorgement Plans (“Rules”), 17 C.F.R. § 201.1103. The Commission received no

¹ Exchange Act Rel. No. 54371 (Aug. 28, 2006).

² Exchange Act Rel. No. 61117 (Dec. 4, 2009).

comments and on February 4, 2010, the Commission, issued an Order Approving Plan, Appointing a Fund Administrator, and Waiving Bond.³

Under the Plan of Distribution (“Plan”), Distribution Fund monies were allocated to each Affected Fund according to a formula designed to capture that fund’s proportional dilution relative to the dilution of all Affected Funds. In order to maximize the distribution directly to accountholders in the Affected Funds during the Relevant Period (“Contemporaneous Accountholders”) where practical and feasible, the Plan anticipated using a sub-fund administrator and independent distribution consultants retained in other market-timing and late trading regulatory actions who had access to the accountholder information in the Affected Funds to distribute directly to those accountholders. When distribution to Contemporaneous Accountholders was neither practical nor feasible, the Plan anticipated distributing directly to the asset bases of Affected Funds. Under the Plan, any remaining funds in the Distribution Fund would be transferred to the U.S. Treasury at the termination of the Distribution Fund.

Between March 11, 2010 and April 22, 2011, the Commission issued six orders directing the disbursement of an aggregate of (approximately) \$293.8 million to the asset bases of the Affected Funds and Contemporaneous Accountholders.⁴ Of the checks issued, approximately \$97 million remained uncashed. Beginning in April 2010, the Fund Administrator undertook supplemental outreach procedures with respect to uncashed checks over \$100, including telephone calls and letters. These efforts led to the cashing of approximately \$84 million (86%) of the outstanding checks by just under 22,000 investors. The Fund Administrator distributed the remainder, including uncashed checks and funds allocated but undisbursed to unresponsive omnibus accounts, to the asset bases of Affected Funds.⁵ Ultimately, the Fund Administrator distributed over \$292.6 million, or approximately 99% of the Distribution Fund, directly or indirectly to accountholders. The Distribution Fund currently holds \$1,875,066.41, largely comprised of returned funds and accrued interest.

The Plan provides that the Distribution Fund shall be eligible for termination and the Fund Administrator discharged after all of the following have occurred: (1) a final accounting, in a Commission standard accounting format provided by the staff, has been submitted by the Fund Administrator for approval of, and has been approved by, the Commission; (2) all taxes, fees and expenses have been paid; and (3) any amount remaining in the Distribution Fund has been received by the Commission. A final accounting, which was submitted to the Commission for approval as required by Rule 1105(f) of the Rules, 17 C.F.R. § 201.1105(f) and as set forth in the Plan, is now approved. The staff has verified that all taxes, fees, and expenses have been paid, and that the Commission is in possession of the remaining funds.

³ Exchange Act Rel. No. 61501 (Feb. 4, 2010).

⁴ Corrected Order Directing Disbursement of Distribution Fund, Exchange Act Rel. No. 61691 (Mar. 11, 2010), Corrected Order Directing Disbursement of Distribution Fund, Exchange Act Rel. No. 61974 (Apr. 23, 2010), Order Directing Disbursement of Distribution Fund, Exchange Act Rel. No. 62265 (Jun. 10, 2010), Order Directing Disbursement of Distribution Fund, Exchange Act Rel. No. 62551 (Jul. 22, 2010), Order Directing Disbursement of Distribution Fund, Exchange Act Rel. No. 62848 (Sept. 3, 2010), and Order Directing Disbursement of Distribution Fund, Exchange Act Rel. No. 64328 (Apr. 22, 2011).

⁵ Order Directing Disbursement of Distribution Fund, Exchange Act Rel. No. 64328 (Apr. 22, 2011).

Accordingly, it is ORDERED that:

- A. The remaining Distribution Fund balance of \$1,875,066.41, and any funds returned to the Distribution Fund in the future, shall be transferred to the U.S. Treasury;
- B. The Fund Administrator, Rust Consulting, Inc. is discharged; and
- C. The Distribution Fund is terminated.

By the Commission.

Brent J. Fields
Secretary