STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITES
and
INSURANCE DIVISION

In the Matter of **Waddell & Reed, Inc.** and **W & R Insurance Agency, Inc.**	)	**STIPULATION** and **FINAL ORDER**
	)	Case Nos.:
	)	DFCS S-05-0059
	)	INS 05-07-002

STIPULATION

The Director of the Oregon Department of Consumer and Business Services (director) commenced this administrative proceeding, pursuant to Oregon Revised Statutes (ORS) 59.005 *et seq.* including but not limited to ORS 59.245, and ORS 731.256, to take enforcement action against Waddell & Reed, Inc. (Waddell & Reed) and W& R Insurance Agency, Inc. (W& R) (collectively the parties).

The parties enter into this stipulation pursuant to ORS 183.415(5).

The parties waive all rights relative to an administrative hearing and judicial review thereof.

The parties stipulate that the director has jurisdiction pursuant to ORS Chapter 59 relating to securities, and to ORS Chapter 731 to 750 relating to insurance.

The parties stipulate that this stipulation and the following final order, and any dispute related thereto, shall be construed, enforced, and otherwise governed by the laws of the State of Oregon without regard to any choice of law principles.

The parties stipulate to the following facts and action, and to the issuance of a final order incorporating this stipulation.

Facts

Licensing Information

Waddell & Reed (CRD No. 866) has been licensed in Oregon as a securities broker-dealer since 10/26/81. Waddell & Reed's principal address is located in Overland Park, Kansas.

W & R, a subsidiary of Waddell & Reed, has been licensed in Oregon as a nonresident business entity insurance producer since 6/13/91. W & R's principal address is located in Shawnee Mission, Kansas.

Multistate Coordinated Investigations

The National Association of Securities Dealers, Inc. (NASD), and a group of state securities and insurance regulators, conducted coordinated investigations of the parties. The investigations found that the parties exchanged a total of 6,742 annuities. Of these, 400 were issued to persons residing in Oregon. NASD and the regulators found that the parties violated certain rules of NASD and laws of the states in the course of exchanging variable annuities issued by one insurer for those issued by another insurer. The director finds that the parties committed violations of Oregon law including but not limited to ORS 59.205. The parties do not admit or deny any violations.

Regulatory Settlement

As a result of the investigations, the parties entered into an regulatory settlement agreement dated 4/29/05 with NASD, and into a separate but substantially similar agreement dated 6/10/05 with the securities and insurance regulators of the States of Kansas and Minnesota on behalf of themselves and all other participating state regulators. Both agreements are incorporated herein by this reference. In the agreements, the parties agreed to take certain corrective actions, pay certain remedial benefits to customers, and pay a civil penalty of $5 million to NASD and $2 million to the participating states. Of the $2 million, a minimum of $78,140.00 is calculated to be paid to Oregon.

Action

The parties shall immediately initiate compliance with all terms and conditions of both agreements as they apply to Oregon.

Pursuant to ORS 59.995 and 731.988, the parties are jointly and severally assessed a civil penalty of $78,140.00. The payment shall be made in the form of a check payable to the "Department of Consumer and Business Services" for the full amount due. The payment shall be delivered to the Insurance Division at the Labor

and Industries Building, 350 Winter Street NE, Room 440 (4th Floor), Salem, Oregon; or mailed to the Insurance Division at PO Box 14480, Salem, OR 97309-0405. The payment is due on, and shall be received by the Insurance Division by, the date of the final order.

Dated July 29, 2005

/s Thomas Butch
[Signature of Representative]
Thomas Butch
[Printed Name of Representative]
President and Chairman of the Board
[Printed Title of Representative]
Waddell & Reed, Inc.

Dated July 29, 2005

/s/ Steve Anderson
[Signature of Representative]
Steve Anderson
[Printed Name of Representative]
President
[Printed Title of Representative]
W & R Insurance Agency, Inc.

FINAL ORDER

The director incorporates herein the above stipulation, adopts it as the director's final decision in this proceeding, and orders that the action stated therein be taken.

Dated August 9, 2005

/s/ Cory Streisinger
Cory Streisinger
Director
Department of Consumer and Business Services

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