

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 69437 / April 23, 2013**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12372**

**In the Matter of**

**WADDELL & REED, INC., WADDELL  
& REED INVESTMENT  
MANAGEMENT COMPANY, AND  
WADDELL & REED SERVICES  
COMPANY,**

**Respondents.**

**NOTICE OF PROPOSED PLAN  
OF DISTRIBUTION AND  
OPPORTUNITY FOR COMMENT**

Notice is hereby given, pursuant to Rule 1103 of the Securities and Exchange Commission's ("Commission") Rules on Fair Fund and Disgorgement Plans, 17 C.F.R. § 201.1103, that the Division of Enforcement has submitted to the Commission a proposed plan for the distribution of monies placed into a Fair Fund in the above-captioned matter.

On July 24, 2006, the Commission issued an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 17A(c) of the Securities Exchange Act of 1934, Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 and Sections 9(b) and 9(f) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order, Exchange Act Release No. 54193 (July 24, 2006) (the "Order") against Waddell & Reed, Inc. ("W&R"), Waddell & Reed Investment Management Company ("W&R Investment Management"), and Waddell & Reed Services Company ("W&R Services") (collectively "Respondents"). The Order stated that from at least as early as 1995 through 2003, Respondents permitted a number of individuals and entities to market time certain funds in the W&R Funds mutual fund complex ("W&R Funds"), subject to certain limitations on the number, amount and frequency of trades. Market "Timers" are those investors who engage in frequent buying and selling of shares of the same mutual fund or buying and selling mutual fund shares in order to exploit inefficiencies in mutual fund pricing. Despite prospectus disclosures and internal procedures that Respondents had in place to prevent or limit the market timing, Respondents permitted Timers to time in the W&R Funds even though they knew that the Timers were harming the funds by diluting other investors' returns. The Order created a Fair Fund pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended. Respondents paid on a joint and several

basis \$40,000,000 in disgorgement plus a civil money penalty in the amount of \$10,000,000 for a total payment of \$50,000,000.

## **OPPORTUNITY FOR COMMENT**

Pursuant to this Notice, all interested parties are advised that they may print a copy of the Proposed Plan of Distribution from the Commission's public website, <http://www.sec.gov>. Interested parties may also obtain a written copy of the Proposed Plan of Distribution by submitting a written request to: Nancy Chase Burton, United States Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549-5631. All persons who desire to comment on the Proposed Plan of Distribution may submit their comments, in writing, no later than thirty (30) days from the date of this Notice:

1. By sending a letter to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, N.E., Washington, DC 20549-1090;
2. By using the Commission's Internet comment form (<http://www.sec.gov/litigation/admin.shtml>); or
3. By sending an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov).

Comments submitted by e-mail or via the Commission's website should include "Administrative Proceeding File Number 3-12372" in the subject line. Comments received will be publicly available. Persons should submit only information that they wish to make publicly available.

## **DISTRIBUTION PLAN**

The Fair Fund is comprised of \$50,000,000 in disgorgement and a civil penalty paid by Respondents, plus any accumulated interest and less any federal, state, or local taxes and fees and expenses. The Proposed Plan of Distribution provides for investors to receive monies from the Fair Fund that represent their proportionate share of losses suffered by the fund due to market timing by the Timers and a proportionate share of advisory fees paid by funds that suffered losses during the period of market timing from December 1, 1998 through October 31, 2003. The plan is designed to allocate the Fair Fund among the W&R Funds accountholders who held shares in the Accumulative, Continental Income, Core Investment, International Growth, New Concepts, Science & Technology, Small Cap, Value, and Vanguard funds. The methods of calculation of each eligible investor's share of the Fair Fund are intended to result in payment to each eligible investor that restores the impaired value of the investor's investment in the harmed funds plus a partial refund of advisory fees. The Fair Fund is not intended to compensate investors for losses they incurred because of fluctuations in securities markets that were unrelated to Respondents' conduct. Each accountholder with positive net dilution within a fund above a minimum threshold will receive a prorated share of the settlement that is a multiple of their aggregate net dilution within that fund ("Eligible Investor").

Eligible Investors will not need to go through a claims process; rather, they will be determined from W&R Funds' records. The Eligible Investors will not be required to make claims or submit documentation to establish their eligibility.

By the Commission.

Elizabeth M. Murphy  
Secretary