

Stipulated Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between:

Frankie W. McQuiston and Licia D. McQuiston, Claimant v. Waddell & Reed, Inc., Virginia Slade and Kelly Lee Carlson

Case Number: 01-02159

Hearing Site: Tampa, Florida

REPRESENTATION OF PARTIES

For Frankie W. McQuiston and Licia D. McQuiston, hereinafter referred to as "Claimant": Marc J. Ross, Esq. and Richard J. Babnick, Jr., Sichenzia, Ross, Friedman & Ference, LLP, New York, New York.

For Waddell & Reed, Inc. ("Waddell"), Virginia Slade ("Slade") and Kelly Lee Carlson ("Carlson"), hereinafter collectively referred to as "Respondents": Anthony J. Durone, Esq. and Kristen B. Roubal, Esq., Berkowitz, Feldmiller, Stanton, Brandt, Williams & Shaw, LLP, Kansas City, Missouri.

CASE INFORMATION

Statement of Claim filed: April 27, 2001.

Claimant's Uniform Submission Agreement signed: April 13, 2001.

Statement of Answer and Motion to Dismiss Respondent Carlson and Expunge Her Form U-4 filed by Respondents: July 17, 2001.

Claimant's Opposition to Respondents' Motion to Dismiss filed: December 10, 2001.

Respondents' Reply to Claimant's Opposition to Respondents' Motion to Dismiss filed: December 21, 2001.

Respondent Waddell's Uniform Submission Agreement signed: June 8, 2001.

Respondent Slade's Uniform Submission Agreement signed: June 11, 2001.

Respondent Carlson's Uniform Submission Agreement signed: June 6, 2001.

CASE SUMMARY

Claimant alleged the following causes of action: 1) common law fraud; 2) violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5; 3) violations of the anti-fraud provisions of the Florida Securities and Investor Protection Act; 4) breach of fiduciary duty; 5) unsuitability; 6) unauthorized transactions; 7) negligence; 8) negligent misrepresentation; and 9) failure to supervise. The causes of action relate to the sale of shares in Franklin-Templeton Tax Free Income Fund, and the purchase of Class A shares of Respondent Waddell's Science and Technology Fund, Class A shares of Respondent Waddell's New Concept Funds, Class A shares of Respondent Waddell's International Growth Fund, and Class A shares of Respondent Waddell's Income Fund.

Respondents denied the allegations of wrongdoing set forth in the Claimant's Statement of Claim.

RELIEF REQUESTED

Claimant requested: 1) compensatory damages in the amount of \$182,000.00; 2) rescissory damages in the amount of \$100,000.00; 3) loss opportunity damages in the amount of \$119,000.00; 4) unspecified compensatory damages resulting from tax consequences of unsuitable recommendations; 5) attorneys' fees; 6) costs; 7) punitive damages; and 8) such other relief the undersigned arbitrators (the "Panel") deemed just and proper.

Respondents requested: 1) dismissal of the Claimant's Statement of Claim in its entirety; 2) dismissal of Respondent Carlson as a party; 3) expungement of all reference to the above-captioned arbitration proceeding from Respondent Carlson's and Slade's NASD Central Registration Depository Record ("CRD"); and 4) costs.

OTHER ISSUES CONSIDERED AND DECIDED

On or about January 10, 2002, the Panel granted Respondents' motion to dismiss Respondent Carlson as a respondent wherein the Panel dismissed all claims asserted against Respondent Carlson.

On or about February 14, 2002, the Panel ordered its recommendation of expungement of all reference to the above captioned arbitration from Respondent Carlson's registration records maintained by the NASD CRD, with the understanding that pursuant to NASD Notice to Members 99-09, Respondent Carlson must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

On or about April 5, 2002, Public Arbitrator Gary England withdrew from the Panel. The parties have agreed to proceed forward without the appointment of a replacement arbitrator.

On or about April 19, 2002, Claimant notified NASD Dispute Resolution that the parties have reached a settlement and that all claims asserted against Respondents are dismissed, with prejudice.

On or about June 24, 2002, NASD Dispute Resolution received a Notification of Settlement, Stipulation for Dismissal with Prejudice, and Joint Motion for Award Recommending Expungement filed by Claimant, Respondent Slade and Respondent Waddell (the "Stipulation"). The parties jointly moved the Panel to enter an Award recommending expungement from the NASD CRD of any and all reference to the above captioned arbitration proceeding and the settlement.

The parties agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered.

AWARD

After considering the pleadings, the Panel's Order of dismissal and recommendation of expungement as to Respondent Carlson, and the Stipulation, the Panel decided in full and final resolution of the issues submitted for determination as follows:

1. All claims asserted against Respondent Carlson are dismissed, with prejudice.
2. The Panel accepts Claimant's dismissal, with prejudice, of all claims asserted against Respondents Waddell and Slade. Respondents Waddell and Slade are dismissed with prejudice.
3. The Panel recommends the expungement of all reference to the above captioned arbitration from Respondent Carlson's registration records maintained by the NASD CRD, with the understanding that pursuant to NASD Notice to Members 99-09, Respondent Carlson must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.
4. Based upon the parties' Stipulation, the Panel recommends the expungement of all reference to the above captioned arbitration from Respondent Slade's registration records maintained by the NASD CRD, with the understanding that pursuant to NASD Notice to Members 99-09, Respondent Slade must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

FEES

Pursuant to the NASD Code of Arbitration Procedure (the "Code"), the following fees are assessed:

Filing Fees

NASD Dispute Resolution, Inc. received or will collect the non-refundable filing fees for each claim as follows:

Initial claim filing fee	= \$ 300.00
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Member Fees

Member fees are assessed to each member firm that is either a party in the matter or an employer of a respondent associated person at the time of the events which gave rise to the dispute, claim, or controversy. Accordingly, the member firm, Respondent Waddell, is a party and the following fees are assessed:

Member Surcharge	= \$1,500.00
Pre-Hearing Process Fee	= \$ 600.00
<u>Hearing Process Fee</u>	<u>= \$2,500.00</u>
Total Member Fees	= \$4,600.00

Adjournment Fees

The following adjournment fees are assessed:

There were no adjournments requested during these proceedings.

Forum Fees and Assessments

The Panel assessed a forum fee for each pre-hearing conference or hearing session conducted. A pre-hearing conference and hearing session is any meeting between the parties and the Chair/Panel. The following fees are assessed:

(2) Pre-hearing conference sessions with the Panel @ \$1,125.00/session	= \$2,250.00
Pre-hearing conferences:	
October 19, 2001	1 session
February 26, 2002	1 session

Total Forum Fees	= \$2,250.00
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Pursuant to the agreement of the parties, the Panel assessed the total forum fees of \$2,250.00 to Respondent Waddell.

Administrative Costs

Administrative costs are expenses incurred because a party requested additional services beyond the normal administrative services. These additional services include, but are not limited to, additional copies of arbitrator awards, copies of audio transcripts, retrieval of documents from archives, interpreters, security, and other requests.

There were no administrative costs incurred during these proceedings.

Fee Summary

Claimant is charged with the following fees and costs:

<u>Initial Filing Fee</u>	= \$ 300.00
<u>Total Fees</u>	= \$ 300.00
<u>Less payments</u>	= \$ 300.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 0.00

Respondent Waddell is charged with the following fees and costs:

<u>Member Fees</u>	= \$ 4,600.00
<u>Forum Fees</u>	= \$ 2,250.00
<u>Total Fees</u>	= \$ 6,850.00
<u>Less payments</u>	= \$ 4,600.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 2,250.00

All balances are payable to NASD Dispute Resolution, Inc. and are due upon the receipt of the Award pursuant to Rule 10330(g) of the Code.

Parties' Signatures

_____/s/
Marc J. Ross, Esq.
Counsel for Claimant

Signature Date

_____/s/
Anthony J. Durone, Esq.
Counsel for Respondents

Signature Date

ARBITRATION PANEL

Thomas J. Patka, Esq. -
Norman R. Gohr -

Public Arbitrator, Presiding Chair
Non-Public Arbitrator

Concurring Arbitrators' Signatures

_____/s/
Thomas J. Patka, Esq.
Chair, Public Arbitrator

Signature Date

NASD Dispute Resolution, Inc.

Arbitration No. 01-02159

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/s/

Norman R. Gohr

Industry/Non-Public Arbitrator

Signature Date

July 16, 2002

Date of Service

There were no administrative costs incurred during these proceedings.

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Marc J. Ross, Esq.
Counsel for Claimant

7/3/02

Signature Date

Anthony J. Durone, Esq.
Counsel for Respondents

Signature Date

ARBITRATION PANEL

Thomas J. Patka, Esq. -
Norman R. Gohr -

Public Arbitrator, Presiding Chair
Non-Public Arbitrator

Concurring Arbitrators' Signatures

Thomas J. Patka, Esq.
Chair, Public Arbitrator

Signature Date

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Marc J. Ross, Esq.
Counsel for Claimant

Anthony J. Durone, Esq.
Counsel for Respondents

Signature Date

7/03/02
Signature Date

ARBITRATION PANEL

Thomas J. Patka, Esq.
Norman R. Gohr

Public Arbitrator, Presiding Chair
Non-Public Arbitrator

Concurring Arbitrators' Signatures

Thomas J. Patka, Esq.
Chair, Public Arbitrator

Signature Date

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Marc J. Ross, Esq.
Counsel for Claimant

Signature Date

Anthony J. Durone, Esq.
Counsel for Respondents

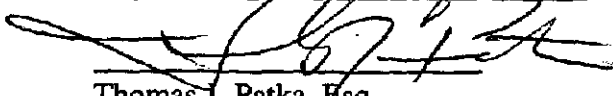
Signature Date

ARBITRATION PANEL

Thomas J. Patka, Esq. -
Norman R. Gohr -

Public Arbitrator, Presiding Chair
Non-Public Arbitrator

Concurring Arbitrators' Signatures



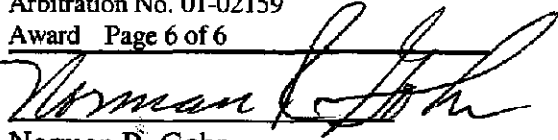
Thomas J. Patka, Esq.
Chair, Public Arbitrator

7/12/02
Signature Date

NASD Dispute Resolution, Inc.

Arbitration No. 01-02159

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Norman R. Gohr

Industry/Non-Public Arbitrator

7/8/02
Signature Date

Date of Service