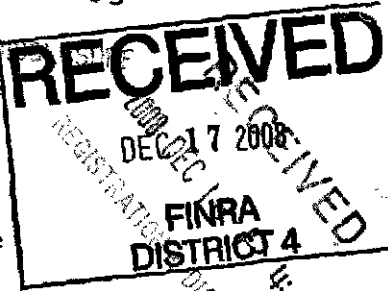


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FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007007722801 REGISTRATION & DISCLOSURE
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To: Department of Enforcement
Financial Industry Regulatory Authority

Re: James A. Blue
Investment Company and Variable Contracts Products Representative
CRD No. 1511776

Pursuant to NASD Rule 9216 of FINRA Code of Procedure, I, James A. Blue (Blue), submit this Letter of Acceptance, Waiver and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I. ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA 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 FINRA:

Background

Blue entered the securities industry in May 1986, when he associated with FINRA member Waddell & Reed, Inc. (Waddell). From May 16, 1986 through January 9, 2007, Blue was associated with Waddell as a sales representative and was registered with FINRA as an investment company and variable contracts products representative. On January 12, 2007, Waddell filed a Uniform Termination Notice for Securities Industry Regulation (Form U5) for Blue.

From February 27, 2007 through May 10, 2007, Blue was associated with another FINRA member. Therefore, FINRA retains jurisdiction over Blue pursuant to Article V, Section 4(a) of the FINRA By-Laws.

Relevant Prior Disciplinary History

Blue has not been the subject of prior formal disciplinary action by FINRA.

Overview

Blue completed a Waddell financial document, for 20 separate Waddell customers, and then gave the completed documents to a third party whom Blue had recently met. The completed Waddell financial document contained, among other things, each customer's name, address and social security number. The customers did not know Blue was going to give the third party this information, nor did they authorize it. Further, Waddell was unaware of Blue's misconduct.

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and did not update its initial and annual privacy notices to reflect that Blue was providing the confidential customer information to the third party. Through this misconduct, Blue caused Waddell to violate Sections 4, 5 and 10 of Regulation S-P. See 17 C.F.R. 248.4, 17 C.F.R. 248.5 and 17 C.F.R. 248.10. Consequently, Blue violated NASD Conduct Rule 2110.

Blue also selected for each customer, in the Waddell financial document he completed for 20 customers, a financial plan for that customer. Blue then submitted the completed financial documents to Waddell, without the customer's knowledge, approval or consent. Through this conduct, Blue violated NASD Conduct Rule 2110.

Facts and Violative Conduct

In or about March 2006, Blue met an individual, D.C., with whom he had no prior relationship. D.C. advised Blue that he had dual citizenship in Greece and the United States.

D.C. later contacted Blue, in or about November 2006, and advised Blue that D.C. was forming a study group to study the advantages of financial planning. D.C. told Blue that he would like to have a group of 20 of Blue's clients participate in the study. Blue advised D.C. that Blue had customers for whom financial plans would be appropriate, but the customers had not previously participated because of cost. D.C. advised Blue that D.C.'s study group would pay for the cost of the customers' financial plans.

Blue then partially completed a Waddell document entitled "FINANCIAL PLANNING SERVICES AGREEMENT" ("the Financial Planning Services form") for 20 Waddell customers. Blue entered, on the Financial Planning Services form for each customer, the customer's name, address and social security number. The Financial Planning Services form also had several types of financial plans a customer could select. Blue selected a particular financial plan for each customer. Blue completed the information on the Financial Planning Services form, for each of the customers, without the customer's knowledge, approval or consent.

At a later date, Blue gave D.C. the Financial Planning Services forms. At the time that he gave D.C. the Financial Planning Services forms, Blue did not know D.C.'s employment background, or current employment. At the time he gave D.C. the Financial Planning Services forms, the Financial Planning Services forms did not have the customers' signatures, or Blue's signature, as the Waddell representative. Blue gave D.C. the completed Financial Planning Services forms for each of the customers without the customer's knowledge, approval or consent.

Blue and D.C. later met at Blue's bank in Bellevue, Nebraska. D.C. returned to Blue the Financial Planning Services forms for the 20 customers. The Financial Planning Services forms, at this time, had each of the customer's signatures. Blue subsequently signed his name on the Financial Planning Services forms, as the Waddell representative. After Blue signed the Financial Planning Services forms, they were complete.

D.C. advised Blue that he wanted to use money orders to pay for the 20 customers' financial plans. D.C. gave the bank teller cash, and the bank teller issued a money order in the name of each of the 20 customers. Blue signed each of the 20 money orders.

Blue attached a money order to each completed Financial Planning Services form. He then submitted each completed Financial Planning Services form to Waddell. Blue submitted to Waddell the completed Financial Planning Services form for each of the customers without the customer's knowledge, approval or consent.

During this time, Blue believed that he needed to hit a certain production threshold to retain his job at Waddell. By submitting the completed Financial Planning Services forms to Waddell, Blue exceeded the production threshold that he believed he needed to meet in order to keep his position.

By providing confidential customer information to D.C., who was not affiliated with Waddell or Blue in any way, and without each customer's knowledge, approval or consent, Blue caused Waddell to violate Rule 10 of Regulation S-P. See 17 C.F.R. 248.10. Waddell's initial and annual privacy disclosures also did not disclose Blue's transmission of confidential customer information to D.C. Consequently, Blue caused Waddell to violate Rule 4 and Rule 5 of Regulation S-P, when he provided confidential customer information to D.C. See 17 C.F.R. 248.4 and 17 C.F.R. 248.5. Through the foregoing misconduct, Blue violated NASD Conduct Rule 2110.

Further, by submitting to Waddell the Financial Planning Services form for 20 customers without the customers' knowledge, approval or consent, Blue violated NASD Conduct Rule 2110.

B. I also consent to the imposition of the following sanctions:

a bar from association with any FINRA member in any capacity.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to NASD IM-8310-3(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II. WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against me;
- 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 National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive 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.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of NASD Procedural Rule 9143 or the separation of functions prohibitions of NASD Procedural 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.

III. OTHER MATTERS

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to NASD Procedural Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;

3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Procedural Rule 8310 and IM-8310-3; and
 4. I 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 finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See NASD Rule 8310 and IM-8310-1.)

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

12/15/2008
Date

James A. Blue
JAMES A. BLUE

Reviewed by:

Quintin L. Buck
Counsel for James A. Blue

Accepted by FINRA:

12-17-08
Date

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

Jeffrey A. Ziesman
Jeffrey A. Ziesman, Regional Counsel