

Edgar Filing: WADDELL & REED FINANCIAL INC - Form 11-K

WADDELL & REED FINANCIAL INC  
Form 11-K  
June 28, 2001

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

Commission file number 001-13913

WADDELL & REED FINANCIAL, INC.  
401(K) AND THRIFT PLAN  
(Full title of the Plan)

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WADDELL & REED FINANCIAL, INC.  
6300 Lamar Avenue  
Overland Park, Kansas 66202  
913-236-2000  
(Name of issuer of securities held pursuant to the Plan)

WADDELL & REED FINANCIAL, INC.  
401(K) AND THRIFT PLAN

Financial Statements and Schedule

December 31, 2000 and 1999

(With Independent Auditors' Report Thereon)

INDEPENDENT AUDITORS' REPORT

The Plan Administrators  
Waddell & Reed Financial, Inc.  
401(k) and Thrift Plan:

We have audited the accompanying statements of net assets available for benefits of Waddell & Reed Financial, Inc. 401(k) and Thrift Plan as of December 31, 2000 and 1999, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Waddell & Reed Financial, Inc. 401(k) and Thrift Plan as of December 31, 2000 and 1999, and the changes in its net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule 1 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplementary schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

May 4, 2001

### WADDELL & REED FINANCIAL, INC. 401(K) AND THRIFT PLAN

#### Statements of Net Assets Available for Benefits

December 31, 2000 and 1999

	2000	1999
	-----	-----
Investments (note 4)	\$73,360,055	73,437,983
Receivable from participating employees	135,295	87,941
Receivable from participating employers	273,899	184,750
	-----	-----
Net assets available for benefits	\$73,769,249	73,710,674
	=====	=====

See accompanying notes to financial statements.

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## WADDELL & REED FINANCIAL, INC. 401(K) AND THRIFT PLAN

### Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2000 and 1999

	2000	1999
	-----	-----
Investment income:		
Dividends - stock	\$ 135,393	167,73
Dividends on mutual funds	10,828,071	4,791,56
Net appreciation (depreciation) of investments (note 4)	(7,700,169)	11,570,88
	-----	-----
Investment income	3,263,295	16,530,17
	-----	-----
Contributions (note 5):		
Employees	4,197,601	3,446,06
Employers	2,097,292	1,568,78
Merger of Waddell & Reed, Inc. Career Field Retirement Plan (note 1)	--	1,302,54
Employee rollovers	8,626	25,78
	-----	-----
	6,303,519	6,343,17
	-----	-----
Withdrawals	(9,508,239)	(5,609,21)
	-----	-----
Net increase	58,575	17,264,14
	-----	-----
Net assets available for benefits:		
Beginning of year	73,710,674	56,446,53
	-----	-----
End of year	\$73,769,249	73,710,67
	=====	=====

See accompanying notes to financial statements.

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## WADDELL & REED FINANCIAL, INC. 401(K) AND THRIFT PLAN

### Notes to Financial Statements

December 31, 2000 and 1999

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting and present the net assets available for

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benefits and changes in those net assets of the Waddell & Reed Financial, Inc. 401(k) and Thrift Plan (the Plan).

Effective October 22, 1999, the Waddell & Reed, Inc. Career Field Retirement Plan (Career Field Plan) was merged with and into the Plan. All assets and liabilities of the Career Field Plan were assumed by the Plan. Assets transferred were credited to rollover contribution subaccounts established in the name of each participant of the Career Field Plan, and will be distributed to participants upon separation from service or at an earlier time as permitted under the Plan.

The Plan allows contributions to be invested in mutual fund shares and Waddell & Reed Financial, Inc. Class A and Class B stock. The Waddell & Reed Advisors and W&R Funds are managed by Waddell & Reed Investment Management Company, Inc., which is a participating employer in the Plan. Fiduciary Trust Company of New Hampshire serves as Trustee for the Plan.

The Plan had 1,168 and 909 participants at December 31, 2000 and 1999, respectively. At December 31, 2000, 184 of the 1,168 participants in the Plan are former employees who have elected not to withdraw from the Plan.

### (b) VALUATION OF SECURITIES

Investments in mutual fund shares are stated at net asset value based upon market quotations as of December 31, 2000 and 1999. Torchmark Corporation common stock and Waddell & Reed Financial, Inc. Class A and Class B stock are stated at market value based upon market quotations as of December 31, 2000 and 1999. Securities transactions are recorded on the trade date (the date the order to buy or sell is executed).

### (c) DIVIDEND INCOME

Dividend income is recorded on the ex-dividend date.

### (d) ADMINISTRATIVE EXPENSES

Administrative expenses are paid by the participating employers, which are listed in note 4.

### (e) FORFEITURES

Forfeitures are held by the Plan and are then used to reduce the employer's current year contribution. Forfeitures used to reduce employer contributions were \$5,596 and \$23,653 for 2000 and 1999, respectively.

WADDELL & REED FINANCIAL, INC.  
401(K) AND THRIFT PLAN

Notes to Financial Statements

December 31, 2000 and 1999

### (f) FEDERAL INCOME TAXES

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The Plan has received a favorable determination letter from the Internal Revenue Service, dated April 24, 2001, indicating that it is qualified under Section 401(a) of the Internal Revenue Code and, therefore, the related trust is exempt from tax under Section 501(a) of the Internal Revenue Code.

The Plan Administrator is not aware of any activity or transactions that may adversely affect the qualified status of the Plan.

### (g) USE OF ESTIMATES

The Plan Administrator has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

### (2) DESCRIPTION OF PLAN

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan Agreement for more complete information.

The Plan is a defined contribution plan covering substantially all employees of Waddell & Reed Financial, Inc. and subsidiaries. The Plan complies with the provisions of the Employee Retirement Income Security Act of 1974, as amended. Plan administration is accomplished through a committee of three persons who have authority to arbitrate disputes and settle claims arising under the Plan.

### (a) CONTRIBUTIONS

Effective January 1, 1999, employees were allowed to make pre-tax and after-tax contributions to the Plan. Employees may contribute a maximum of 21% of eligible earnings to the Plan. Each eligible employee may make "Matched Contributions" ranging from 1% to 5% of eligible earnings to the 401(k) component of the Plan. The Plan provides for a matching employer contribution of 100% of the first 3% of the employee's contribution and a 50% match of the next 2% of the employee's contribution. Employees may make "Unmatched Contributions" to the Plan not to exceed 10% of eligible earnings.

Effective January 1, 1999, each eligible employee is allowed to make "Unmatched Contributions" ranging from 1% to 6% of eligible earnings to the thrift component (after-tax) of the Plan.

WADDELL & REED FINANCIAL, INC.  
401(K) AND THRIFT PLAN

Notes to Financial Statements

December 31, 2000 and 1999

### (b) BENEFITS

Employees are fully vested as to their own contributions. Prior to January 1, 1999, vesting in employer contributions was graduated to

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100% after six years of employment. Effective January 1, 1999, all future employer matching contributions are fully vested at the time of the contribution. The vested portion of a participant's account balance is paid in a Joint and 50% Survivor Annuity upon retirement, death, or other termination of employment, unless a participant chooses a lump-sum distribution. The nonvested portion of employer contributions made prior to January 1, 1999 is retained by the Plan until the separated participant incurs a "break in service," at which time the remaining account balance is forfeited and applied to reduce the employer's contribution.

In accordance with regulations of the Internal Revenue Service, in the event the Plan is terminated, all participants would immediately become fully vested in their employer contribution accounts and Plan assets would be distributed. Waddell & Reed Financial, Inc. does not intend to terminate the Plan.

The Plan Administrator was not notified of any participants electing to withdraw from the Plan as of December 31, 2000.

### (3) ACQUISITIONS

On March 31, 2000, the Legend Group was acquired by the Plan sponsor. An eligible employee, who was a participant in the Legend Services Corporation 401(k) Profit Sharing Plan at the date of the acquisition, became eligible to participate in the Plan on April 1, 2000. An eligible employee who was employed by the Legend Group on March 31, 2000, and who was not a participant in the Legend Services Corporation 401(k) Profit Sharing Plan, became eligible to participate in the Plan on an entry date not earlier than April 1, 2000 or the next following date on which the participant completes one-half year of service with the Legend Group. There were no rollover contributions by employees of the Legend Group during 2000.

On August 9, 1999, the Plan sponsor acquired Austin Calvert & Flavin, Inc. (ACF). Employees of ACF became eligible to participate in the Plan on August 1, 2000. There were no rollover contributions by employees of ACF during 2000.

### (4) TORCHMARK CORPORATION COMMON STOCK, WADDELL & REED FINANCIAL, INC. CLASS A STOCK, WADDELL & REED FINANCIAL, INC. CLASS B STOCK, WADDELL & REED ADVISOR FUNDS, AND W&R FUNDS.

In September 1999, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 99-3, ACCOUNTING FOR AND REPORTING OF CERTAIN DEFINED CONTRIBUTION PLAN INVESTMENTS AND OTHER DISCLOSURE MATTERS. SOP 99-3 simplifies the disclosure for certain investments and is effective for plan years ending after December 15, 1999. The Plan adopted SOP 99-3 during the Plan year ended December 31, 1999.

In July 2000, the United Mutual Funds and Waddell & Reed Funds were renamed the Waddell & Reed Advisors Funds and the W&R Funds, respectively.

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The following table presents the number of shares and fair value of Torchmark Corporation common stock, Waddell & Reed Financial, Inc. Class A and Class B stock, and mutual fund investments as of December 31, 2000 and 1999. Investments that represent 5% or more of the Plan's net assets are separately identified.

DECEMBER 31, 2000	NUMBER OF SHARES	FAIR VALUE
-----	-----	-----
Torchmark Corporation common stock	91,418	\$ 3,513,053
Waddell & Reed Financial, Inc. Class A stock	231,041	8,693,967
Waddell & Reed Financial, Inc. Class B stock	90,940	3,411,443
Cash	457,681	457,681
Waddell & Reed Advisors Funds shares:		
Waddell & Reed Advisors Cash Management	5,424,935	5,424,935
Waddell & Reed Advisors Core Investment	1,892,510	13,417,899
Waddell & Reed Advisors International Growth	736,432	5,869,362
Waddell & Reed Advisors New Concepts	870,946	8,456,884
Waddell & Reed Advisors Science and Technology	590,089	6,561,788
Other Waddell & Reed Advisors Funds	2,014,612	13,890,477
Total Waddell & Reed Advisors Funds shares		53,621,345
W&R Funds shares	238,777	3,662,566
Total investments	=====	=====
		\$73,360,055
		=====
DECEMBER 31, 1999	NUMBER OF SHARES	FAIR VALUE
-----	-----	-----
Torchmark Corporation common stock	154,925	\$ 4,258,464
Waddell & Reed Financial, Inc. Class A stock	156,904	4,091,420
Waddell & Reed Financial, Inc. Class B stock	59,121	1,484,921
Cash	271,398	271,398
United Group of Mutual Funds shares:		
United Cash Management	5,796,737	5,796,737
United International Growth	619,754	8,565,004
United Income	1,543,635	12,549,632
United New Concepts	801,333	11,314,711
United Science and Technology	456,944	8,521,881
Other United Funds	1,833,970	13,843,440
Total United Group of Mutual Funds shares		60,591,405
Waddell & Reed Group of Mutual Funds shares	88,619	2,740,375
Total investments	=====	=====
		\$73,437,983
		=====

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## WADDELL & REED FINANCIAL, INC. 401(K) AND THRIFT PLAN

### Notes to Financial Statements

December 31, 2000 and 1999

During 2000 and 1999, the Plan's investments (including investments bought and sold, as well as held during the year) appreciated (depreciated) as follows:

	2000	1999
	-----	-----
Torchmark Corporation common stock	\$ 629,368	(1,026,350)
Waddell & Reed Class A common stock	4,538,782	364,462
Waddell & Reed Class B common stock	1,688,104	100,830
 Waddell & Reed Advisors Funds:		
Accumulative	(129,783)	184,955
Asset Strategy	17,993	27,846
Bond	14,292	(31,736)
Continental Income	(14,413)	(5,841)
Gold and Government Securities	--	(7,509)
Government Securities	52,718	(83,741)
High Income	(137,334)	(73,683)
Global Bond Fund	(303,950)	(188,860)
Core Investment	(1,610,775)	926,261
International Growth	(3,327,603)	2,439,393
New Concepts	(3,149,134)	3,468,361
Retirement Shares	(240,930)	101,709
Science and Technology	(3,230,559)	3,476,001
Small Cap	(122,045)	370,813
Value	740	--
Vanguard	(429,380)	735,671
	-----	-----
Total Waddell & Reed Advisors Funds	(12,610,163)	11,339,640
	-----	-----
 W&R Funds:		
Asset Strategy	(1,284)	5
Small Cap Growth	(324,261)	88,085
High Income	(816)	(94)
International Growth	(642,922)	165,210
Large Cap Growth	14,307	--
Limited Term Bond	48	(3)
Mid Cap Growth	(13,163)	--
Science & Technology	(936,967)	538,481
Core Equity	(41,202)	616
	-----	-----
Total W&R Funds	(1,946,260)	792,300
	-----	-----
Net appreciation (depreciation)	\$ (7,700,169)	11,570,882
	=====	=====



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## (5) CONTRIBUTIONS BY PARTICIPANTS AND PARTICIPATING EMPLOYERS

The contributions of each participating employer and its employees for the years ended December 31 are as follows:

	2000		1999	
	EMPLOYEES	EMPLOYER	EMPLOYEES	EMPLOYER
Waddell & Reed Financial, Inc.	\$ 22,377	14,030	--	--
Waddell & Reed, Inc.	2,506,042	1,204,482	2,308,962	1,204,482
Waddell & Reed Investment Management Company	677,946	363,087	633,330	363,087
Waddell & Reed Services Company	618,718	345,216	503,773	345,216
The Legend Group	261,213	114,292	--	--
Austin Calvert & Flavin, Inc.	111,305	56,185	--	--
	-----	-----	-----	-----
	\$4,197,601	2,097,292	3,446,065	1,922,865
	=====	=====	=====	=====

## (6) RELATED PARTY TRANSACTIONS

Plan investments include shares of mutual funds managed by Waddell & Reed Financial, Inc., as well as shares of Class A and Class B common stock of Waddell & Reed Financial, Inc. Waddell & Reed Financial, Inc. is the sponsor as defined by the Plan, and, therefore, these transactions qualify as party-in-interest.

## (7) SUBSEQUENT EVENT

On April 25, 2001, the stockholders of Waddell & Reed Financial, Inc. Class A and Class B common stock approved the combination of the two classes of common stock by converting shares of the Class B common stock into shares of Class A common stock on a one-for-one basis. Effective as of the end of business on April 30, 2001, each share of Class B common stock was converted into one share of Class A common stock. Waddell & Reed Financial, Inc. terminated the registration of Class B common stock under the Securities Exchange Act of 1934, as amended, and the Class B common stock is no longer listed or traded on the New York Stock Exchange. The elimination of the dual classes of common stock is not expected to impact the value of the Plan's interest in these shares.

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IDENTITY OF ISSUER, BORROWER, LESSOR, OR SIMILAR PARTY	DESCRIPTION OF INVESTMENT	CUR VA
* Cash	457,681 cash	\$ 4
* Torchmark Corporation	91,418 shares of common stock	3,5
* Waddell & Reed Financial, Inc. Class A	231,041 shares of common stock	8,6
* Waddell & Reed Financial, Inc. Class B	90,940 shares of common stock	3,4
* Waddell & Reed Advisors Funds	1,892,510 shares of Core Investment	13,4
* Waddell & Reed Advisors Funds	590,089 shares of Science and Technology	6,5
* Waddell & Reed Advisors Funds	290,566 shares of Accumulative	2,4
* Waddell & Reed Advisors Funds	86,940 shares of Bond	5
* Waddell & Reed Advisors Funds	736,432 shares of International Growth	5,8
* Waddell & Reed Advisors Funds	32,562 shares of Continental Income	2
* Waddell & Reed Advisors Funds	104,949 shares of High Income	7
* Waddell & Reed Advisors Funds	262,316 shares of Vanguard	2,7
* Waddell & Reed Advisors Funds	870,946 shares of New Concepts	8,4
* Waddell & Reed Advisors Funds	661,477 shares of Global Bond	2,2
* Waddell & Reed Advisors Funds	5,424,935 shares of Cash Management	5,4
* Waddell & Reed Advisors Funds	205,401 shares of Government Securities	1,1
* Waddell & Reed Advisors Funds	92,164 shares of Retirement Shares	7
* Waddell & Reed Advisors Funds	206,361 shares of Small Cap	2,4
* Waddell & Reed Advisors Funds	55,516 shares of Asset Strategy	3
* Waddell & Reed Advisors Funds	16,360 shares of Value	1
Total Waddell & Reed Advisors Funds		53,6
* W&R Funds	945 shares of Asset Strategy	
* W&R Funds	51,982 shares of Small Cap Growth	6
* W&R Funds	959 shares of High Income	
* W&R Funds	58,527 shares of International Growth	8
* W&R Funds	256 shares of Limited Term Bond	
* W&R Funds	62,302 shares of Science & Technology	1,4
* W&R Funds	19,552 shares of Core Equity	2
* W&R Funds	26,762 shares of Large Cap Growth	3
* W&R Funds	17,492 shares of Mid Cap Growth	1
Total W&R Funds		3,6
Total investments		\$73,3

\* Indicates party-in-interest investment.

See accompanying independent auditors' report.

## SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Administrative Committee of the Plan has duly caused this annual report to be signed on its behalf by the undersigned, hereunto duly authorized, in the City of Overland Park, State of Kansas, on June 27th, 2001.

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WADDELL & REED FINANCIAL, INC.  
401(K) AND THRIFT PLAN

By: /s/ Robert L. Hechler  
Robert L. Hechler, Member  
Administrative Committee

By: /s/ Michael D. Strohm  
Michael D. Strohm, Member  
Administrative Committee

By: /s/ William D. Howey, Jr.  
William D. Howey, Jr., Member  
Administrative Committee