UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 6
TO

FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
PURSUANT TO SECTION 12(b) OR (g) OF
THE SECURITIES EXCHANGE ACT OF 1934

STILWELL FINANCIAL INC.

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	43-1804048 (I.R.S. Employer Identification No.)

920 MAIN STREET, KANSAS CITY, MISSOURI 64105
(Address of principal executive offices)

816-218-2400
Registrant's Telephone Number Including Area Code

Securities to be registered pursuant to Section 12(b) of the Act:

Title of Each Class to Which be Registered	Name of Each Exchange on each Class is to be Registered
Common Stock, par value $.01 per share	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities to be registered pursuant to Section 12(g) of the Act: None

EXPLANATORY NOTE

This Amendment No. 6 to Form 10 Registration Statement has been prepared on a prospective basis on the assumption that, among other things, the Distribution (as hereinafter described) and the related transactions contemplated to occur prior to or contemporaneously with the Distribution will be consummated as contemplated by the Information Statement which is a part of this Registration Statement. There can be no assurance, however, that any or all of such transactions will occur or will occur as so contemplated. Any significant modifications or variations in the transactions contemplated will be reflected in an amendment or supplement to this Registration Statement.

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STILWELL FINANCIAL INC.

INFORMATION INCLUDED IN INFORMATION STATEMENT AND INCORPORATED HEREIN BY REFERENCE

CROSS-REFERENCE SHEET BETWEEN INFORMATION STATEMENT AND ITEMS OF FORM 10

1. BUSINESS

Summary; Introduction; Risk Factors; The Distribution; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business; Index to Financial Statements

2. FINANCIAL INFORMATION

Summary -- Summary Financial and Operating Data; Risk Factors; Selected Financial and Operating Data; Financing; Management's Discussion and Analysis of Financial Condition and Results of Operations; Index to Financial Statements; Exhibit 27 -- Financial Data Schedule

3. PROPERTIES

Business - Properties

4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The Distribution; Management; Principal Stockholders and Stock Owned Beneficially by Stilwell's Directors and Certain Executive Officers

5. DIRECTORS AND EXECUTIVE OFFICERS

Summary; Risk Factors; The Distribution; Relationship Between KCSI and Stilwell After the Distribution; Management; Description of Capital Stock

6. EXECUTIVE COMPENSATION

Relationship Between KCSI and Stilwell After the Distribution; Management; Principal Stockholders and Stock Owned Beneficially by Stilwell's Directors and Certain Executive Officers

7. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Summary; Introduction; Risk Factors; The Distribution; Relationship Between KCSI and Stilwell After the Distribution; Management; Certain Relationships and Related Transactions; Index to Financial Statements

8. LEGAL PROCEEDINGS

Business -- Legal Matters

9. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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Summary; Introduction; Risk Factors; The Distribution; Management; Principal Stockholders and Stock Owned Beneficially by Stilwell's Directors and Certain Executive Officers; Description of Capital Stock

10. RECENT SALES OF UNREGISTERED SECURITIES

Not Applicable

11. DESCRIPTION OF REGISTRANT'S SECURITIES TO BE REGISTERED

Description of Capital Stock; Exhibit 3.1.1 - Amended and Restated Certificate of Incorporation of Stilwell Financial Inc.; Exhibit 3.1.2 - Certificate of Designation; Exhibit 3.2 - Amended and Restated Bylaws of Stilwell Financial Inc.; Exhibit 4.2.1 - Stockholders' Rights Agreement

12. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Management; Description of Capital Stock; Exhibit 3.1.1 - Amended and Restated Certificate of Incorporation of Stilwell Financial Inc.; Exhibit 3.2 - Amended and Restated Bylaws of Stilwell Financial Inc.; Exhibit 10.1 - Representative Director Indemnification Agreement; Exhibit 10.2 - Representative Officer Indemnification Agreement

13. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Summary -- Summary Financial and Operating Data; Capitalization; Selected Financial and Operating Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; Index to Financial Statements

14. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable

15. FINANCIAL STATEMENTS AND EXHIBITS

(a) The Financial Statements filed as a part of this Registration Statement on Form 10 are listed on the Index to Financial Statements contained on page F-1 of the Information Statement (Exhibit 99.1) forming a part hereof.

(b) Exhibits to Registration Statement on Form 10.

The exhibit list included in this Form 10 is incorporated by reference in response to this Item 15(b).

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SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant has duly caused this Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized.

STILWELL FINANCIAL INC.

June 14, 2000

By: /s/ Landon H. Rowland

Name: Landon H. Rowland
Title: President and Chief Executive Officer

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EXHIBIT INDEX

EXHIBIT NO. DESCRIPTION

3.1.1 Delaware Certificate of Incorporation of Stilwell Financial Inc. as Amended and Restated on June 14, 2000 is attached as Exhibit 3.1.1.

3.1.2 Certificate of Designation dated June 15, 2000 establishing Series A Preferred Stock is attached as Exhibit 3.1.2.

3.2 Bylaws of Stilwell Financial Inc. as Amended and Restated on June 12, 2000 is attached as Exhibit 3.2.

4.1 Form of Certificate representing Stilwell Financial Inc. Common Stock is attached as Exhibit 4.1.

4.2.1 Stockholders' Rights Agreement, dated as of June 14, 2000, between Stilwell Financial Inc. and UMB Bank, N.A., as Rights Agent is attached as Exhibit 4.2.1.

4.2.2 Certificate of Designation establishing Series A Preferred Stock attached hereto as Exhibit 3.1.2 is hereby incorporated by reference as Exhibit 4.2.2.

4.3 Article FOURTH, Article FIFTH, Article SIXTH, Article SEVENTH and Article ELEVENTH of Exhibit 3.1.1 are hereby incorporated by reference as Exhibit 4.3.

4.4 Article II, Article III, Section 2 and Article V of Exhibit 3.2 are hereby incorporated by reference as Exhibit 4.4.

8.1 * Internal Revenue Service Private Letter Ruling is attached as Exhibit 8.1.

10.1 * Representative Director Indemnification Agreement is attached as Exhibit 10.1 with schedule.

10.2 * Representative Officer Indemnification Agreement is attached as Exhibit 10.2 with schedule.

10.3 * Intercompany Agreement, dated as of August 16, 1999 between Kansas City Southern Industries, Inc. and Stilwell Financial Inc. is attached as Exhibit 10.3.

10.4 * Tax Disaffiliation Agreement, dated as of August 16, 1999, between Kansas City Southern Industries, Inc. and Stilwell Financial Inc. is attached as Exhibit 10.4.

10.5.1 The Registration Rights Agreement, dated October 24, 1995, by and between DST Systems, Inc. and Kansas City Southern Industries, Inc., which is attached as Exhibit 4.1 to the DST Systems, Inc. Registration Statement on Form S-1 dated October 30, 1995, as amended (Commission file no. 33-96526), is hereby incorporated by reference as Exhibit 10.5.1.

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10.5.2 * Amendment to Registration Rights Agreement, dated June 30, 1999, by and between DST Systems, Inc. and Kansas City Southern Industries, Inc. is attached as Exhibit 10.5.2.

10.5.3 Assignment, Consent and Acceptance Agreement, dated as of August 11, 1999, by and among DST Systems, Inc. ("DST"), Kansas City Southern Industries, Inc. and Stilwell Financial Inc. which is attached as Exhibit 4.15.2 to DST's Form 10-Q for the quarter ended June 30, 1999 (Commission File No. 1-14036) is hereby incorporated by reference as Exhibit 10.5.3.

10.6.1 Amended Employment Agreement dated June 12, 2000 by and between Stilwell Financial Inc. and Landon H. Rowland is attached as Exhibit 10.6.1

10.6.2 Amended Employment Agreement dated June 12, 2000 by and between Stilwell Financial Inc. and Joseph D. Monello is attached as Exhibit 10.6.2

10.6.3 Amended Employment Agreement dated June 12, 2000 by and between Stilwell Financial Inc. and Danny R. Carpenter is attached as Exhibit 10.6.3

10.6.4 Amended Employment Agreement dated June 12, 2000 by and between Stilwell Financial Inc. and Anthony P. McCarthy is attached as Exhibit 10.6.4

10.7.1 * Stock Purchase Agreement, dated April 13, 1984, by and among Kansas City Southern Industries, Inc., Thomas H. Bailey, William C. Mangus, Bernard E. Niedermeyer III, Michael Stolper, and Jack R. Thompson is attached as Exhibit 10.7.1.

10.7.2 * Amendment to Stock Purchase Agreement, dated January 4, 1985, by and among Kansas City Southern Industries, Inc., Thomas H. Bailey, Bernard E. Niedermeyer III, Michael Stolper, and Jack R. Thompson is attached as Exhibit 10.7.2.

10.7.3 * Second Amendment to Stock Purchase Agreement, dated March 18, 1988, by and among Kansas City Southern Industries, Inc., Thomas H. Bailey, Michael Stolper, and Jack R. Thompson is attached as Exhibit 10.7.3.

10.7.4 * Third Amendment to Stock Purchase Agreement, dated February 5, 1990, by and among Kansas City Southern Industries, Inc., Thomas H. Bailey, Michael Stolper, and Jack R. Thompson is attached as Exhibit 10.7.4.

10.7.5 * Fourth Amendment to Stock Purchase Agreement, dated January 1, 1991, by and among Kansas City Southern Industries, Inc., Thomas H. Bailey, Michael Stolper, and Jack R. Thompson is attached as Exhibit 10.7.5.

10.7.6 * Assignment and Assumption Agreement and Fifth Amendment to Stock Purchase Agreement, dated November 19, 1999, by and among Kansas City Southern Industries, Inc., Stilwell Financial Inc.,

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Thomas H. Bailey and Michael Stolper is attached as Exhibit 10.7.6.

10.8 * Stilwell Financial Inc. 1998 Long Term Incentive Stock Plan as Amended and Restated on August 11, 1999 is attached as Exhibit 10.8.

10.9 * Stilwell Executive Plan dated August 11, 1999 is attached as Exhibit 10.9.

10.10 * Stock Purchase Agreement, dated November 19, 1999, by and among Kansas City Southern Industries, Inc., Stilwell Financial Inc. and Janus Capital Corporation, is attached as Exhibit 10.10.

10.11.1 * 364-day Competitive Advance and Revolving Credit Facility Agreement dated as of January 11, 2000 among Kansas City Southern Industries, Inc. and the lenders named therein, which is attached as Exhibit 10.20 to Kansas City Southern Industries, Inc.'s Form 10-K for the year ended December 31, 1999 (Commission File No. 1-4717), is hereby incorporated by reference as Exhibit 10.11.1.

10.11.2 * Assignment, Assumption and Amendment Agreement dated as of January 11, 2000, among Kansas City Southern Industries, Inc., Stilwell Financial Inc. and The Chase Manhattan Bank, as agent for the lenders named in the 364-day Competitive Advance and Revolving Credit Facility Agreement, which is attached as Exhibit 10.21 to Kansas City Southern Industries, Inc.'s Form 10-K for the year ended December 31, 1999 (Commission File No. 1-4717), is hereby incorporated by reference as Exhibit 10.11.2.

10.12 Stilwell Financial Inc. Employee Stock Purchase Plan is attached as Exhibit 10.12.

10.13 * Stilwell Financial Inc. Employee Stock Ownership Plan is attached as Exhibit 10.13.

10.14 * Stilwell Financial Inc. 401(k) and Profit Sharing Plan is attached as Exhibit 10.14.

23.1 The Consent of Independent Accountants prepared pursuant to Item 601(b)(23) of Regulation S-K is attached as Exhibit 23.1

27 * Financial Data Schedule is attached as Exhibit 27.

99.1 Stilwell Financial Inc. Information Statement, as amended, dated June 15, 2000 is attached as Exhibit 99.1.

99.2 Solvency and Surplus Opinion of Duff & Phelps, L.L.C. is attached as Exhibit 99.2.

99.3 The consolidated financial statements and related notes, together with the Report of Independent Accountants, of DST Systems, Inc. (an approximate 32% owned affiliate of Stilwell accounted for under the equity method) for the years ended December 31, 1997, 1998 and 1999, which are included in the DST Systems, Inc. Annual Report on Form 10-K for the year ended December 31, 1999

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(Commission File No. 1-14036) are incorporated by reference in this Information Statement.

99.4 Opinion Letter of Rothgerber Johnson & Lyons LLP dated June 8, 2000,

is attached as Exhibit 99.4.

* Previously filed.

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EXHIBIT 3.1.1

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

STILWELL FINANCIAL, INC.

The undersigned, Stilwell Financial, Inc., a Delaware corporation (the "Corporation"), for the purpose of amending and restating the Certificate of Incorporation of the Corporation originally filed January 23, 1998, in accordance with the General Corporation Law of Delaware ("Delaware Corporation Law"), does hereby make and execute this Amended and Restated Certificate of Incorporation and does hereby certify that it was duly adopted in accordance with Sections 242 and 245 of the Delaware Corporation Law.

FIRST. The name of the Corporation is Stilwell Financial Inc.

SECOND. The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

THIRD. The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware Corporation Law.

FOURTH. The total number of shares of stock which the Corporation has authority to issue is 1,010,000,000 shares, divided into classes and with par values as follows:

Class	Number of Shares in Class	Par Value Per Share
Common Stock	1,000,000,000	$ .01
Preferred Stock	10,000,000	$1.00

A. The powers, preferences and rights, and the qualifications, limitations and restrictions thereof, of the shares of Common Stock are as follows:

1. Voting Rights. At all elections of directors of the Corporation and for the purposes of all other matters upon which stockholders are entitled to vote, the holders of the Common Stock shall be entitled to vote on the basis of one vote for each share held.

B. The Board of Directors is hereby authorized, subject to any limitations prescribed by law, to provide for the issuance from time to time of shares of Preferred Stock in one or more series, and by filing a certificate pursuant to the Delaware Corporation Law (a "Certificate of Designation"), to fix or alter from time to time the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof, including without limitation the dividend rights, dividend rate, conversion rights, voting rights and the

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liquidation preferences of any wholly unissued series of Preferred Stock, and to establish from time to time the number of shares constituting any such series and the designation thereof, or any of them. The number of shares of any series subsequent to the issuance of shares of that series may be increased or decreased (but not below the number of shares of such series then outstanding) pursuant to a resolution adopted by a majority of the entire Board of Directors (the "Whole Board"), without the vote of the holders of the Common Stock or the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the terms of any Certificate of Designation. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

FIFTH. The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

A. The business and affairs of the Corporation shall be managed by a Board of Directors consisting of not less than three (3) nor more than eighteen
(18) persons. The exact number of directors within the minimum and maximum limitations specified in the preceding sentence shall be fixed exclusively from time to time by the Board of Directors pursuant to a resolution adopted by a majority of the Whole Board. The directors, other than those who may be elected by the holders of any class or series of Preferred Stock, shall be divided into three classes as nearly equal in number as possible, with the term of office of the first class to expire at the conclusion of the 2001 annual meeting of stockholders, the term of office of the second class to expire at the conclusion of the 2002 annual meeting of stockholders and the term of office of the third class to expire at the conclusion of the 2003 annual meeting of stockholders. At each annual meeting of stockholders, successors to directors of the class whose terms then expire shall be elected to hold office for a term expiring at the third succeeding annual meeting of stockholders. Each director shall hold office until his or her successor shall have been duly elected and qualified, or until his or her earlier resignation or removal. If the number of directors is changed, any increase or decrease shall be so apportioned among the classes as to make all classes as nearly equal in number as possible.

B. Subject to the rights of any holder of any class or series of Preferred Stock then outstanding, any vacancy on the Board of Directors (whether because of death, resignation, retirement, removal, an increase in the number of directors, or any other cause) shall be filled exclusively by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and any director so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which he or she has been elected expires, and until his or her successor is duly elected and shall qualify, or until his or her earlier resignation or removal. No decrease in the number of directors shall shorten the term of any incumbent director.

C. Subject to the rights of holders of any class or series of Preferred Stock then outstanding, any director, or the Whole Board, may be removed from office by the stockholders only for cause and such removal shall require the affirmative vote of the majority of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"); provided, however, that on and after the Trigger Date

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(as hereinafter defined in this Article FIFTH, Section D.2), a director may be removed from office for cause only by the affirmative vote of the holders of at least seventy percent (70%) of the Voting Stock.

D. For purposes of this Article FIFTH, and Articles SIXTH, SEVENTH, EIGHTH and TWELFTH hereof:

1. "KCSI" shall mean Kansas City Southern Industries, Inc., a Delaware corporation.

2. "Trigger Date" shall mean the first date on which any Person becomes an Interested Stockholder (as hereinafter defined in this Article FIFTH,
Section D.4).

3. A "Person" shall include an individual, a group acting in concert, a corporation, a partnership, a limited liability company, a limited liability partnership, an association, a joint venture, a pool, a joint stock company, a trust, an unincorporated organization or similar company, any other entity or syndicate or any group formed for the purpose of acquiring, holding or disposing of securities.

4. "Interested Stockholder" shall mean any Person (other than the Corporation, any Holding Company (as hereinafter defined in this Article FIFTH,
Section D.9) or Subsidiary (as hereinafter defined in this Article FIFTH,
Section D.8) thereof or KCSI (as defined in this Article FIFTH, Section D.1), but KCSI shall be so excluded only until the distribution by KCSI of the shares of Common Stock of the Corporation held by KCSI to KCSI's holders of record of common stock) who or which:

(a) is the Beneficial Owner (as hereinafter defined in this Article FIFTH, Section D.5), directly or indirectly, of more than twenty percent (20%) of the voting power of the outstanding Voting Stock; or

(b) is an Affiliate (as hereinafter defined in this Article FIFTH Section D.7) of the Corporation and at any time within the two-year period immediately prior to the date in question was the Beneficial Owner, directly or indirectly, of twenty (20%) or more of the voting power of the then-outstanding Voting Stock; or

(c) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question Beneficially Owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

A Person shall not be deemed an Interested Stockholder if such Person would become an Interested Stockholder solely as a result of a reduction of the number of shares of Voting Stock of the Corporation outstanding, including repurchases of outstanding shares of Voting Stock of the Corporation by the Corporation, which reduction increases the percentage of outstanding shares of Voting Stock of the Corporation of which such Person is the Beneficial Owner, until such Person shall thereafter become the Beneficial Owner of any additional shares of Voting Stock.

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5. A Person shall be a "Beneficial Owner" of, "Beneficially Own," "Own Beneficially" and be deemed to have "Beneficial Ownership" of, any Voting Stock, and such Voting Stock shall be deemed to be "Beneficially Owned" by such Person as to any Voting Stock:

(a) which such Person or any of its Affiliates or Associates (as hereinafter defined in this Article FIFTH, Section D.7) beneficially owns, directly or indirectly within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as in effect on April 3, 2000; or

(b) which such Person or any of its Affiliates or Associates has
(i) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding (but neither such Person nor any such Affiliate or Associate shall be deemed to be the Beneficial Owner of any shares of Voting Stock solely by reason of a revocable proxy granted for a particular meeting of stockholders, pursuant to a public solicitation of proxies for such meeting, and with respect to which shares neither such Person nor any such Affiliate or Associate is otherwise deemed the Beneficial Owner); or

(c) which is Beneficially Owned, directly or indirectly within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as in effect on April 3, 2000, by any other Person with which such Person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purposes of acquiring, holding, voting (other than solely by reason of a revocable proxy as described in Subparagraph (b) of this Paragraph 5) or disposing of any shares of Voting Stock; provided, however, that (1) no director or officer of the Corporation (or any Affiliate of any such director or officer) shall, solely by reason of any or all of such directors or officers acting in their capacities as such, be deemed, for any purposes hereof, to Own Beneficially any Voting Stock Beneficially Owned by any other such director or officer (or any Affiliate thereof), and (2) neither any employee stock ownership, retirement or similar plan of the Corporation or any Subsidiary of the Corporation nor any trustee with respect thereto (or any Affiliate of such trustee), solely by reason of such capacity of such trustee, shall be deemed, for any purposes hereof, to Own Beneficially any Voting Stock held under any such plan.

6. For purposes of computing the percentage of Beneficial Ownership of Voting Stock of a Person, the outstanding Voting Stock shall include shares deemed owned by such Person through application of Paragraph 5 of Section D of this Article FIFTH but shall not include any other Voting Stock which may be issuable by the Corporation pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise. For all other purposes, the outstanding Voting Stock shall include only Voting Stock then outstanding and shall not include any Voting Stock which may be issuable by the Corporation pursuant to any agreement, or upon the exercise of conversion rights, warrants or options, or otherwise.

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7. "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on April 3, 2000.

8. "Subsidiary" means any corporation or other entity of which a majority of any class of Equity Security (as that term is defined in Section 3(a)(11) of the Securities Exchange Act of 1934, as in effect on April 3, 2000) is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Interested Stockholder set forth in Paragraph 4 of Section D of this Article FIFTH, the term "Subsidiary" shall mean only a corporation or other entity of which a majority of each class of Equity Security is owned, directly or indirectly, by the Corporation.

9. "Holding Company" shall mean any Person that directly or indirectly owns eighty percent (80%) or more of the Corporation's Voting Stock.

E. Special meetings of stockholders of the Corporation may be called only by the Chairman of the Board of Directors, the Chief Executive Officer or the President of the Corporation and shall be called by the Chairman of the Board of Directors, the Chief Executive Officer or the President at the request in writing by the Board of Directors pursuant to a resolution approved by a majority of the Whole Board, upon not less than ten (10) nor more than sixty
(60) days' written notice. Such notice shall state the purpose or purposes of the proposed meeting and the business transacted at any special meeting shall be limited to the purpose or purposes stated in the notice.

F. Stockholder nominations for the election of directors and business to be brought before a meeting by stockholders of the Corporation shall be given or brought, as the case may be, only in the manner provided in the Bylaws of the Corporation.

SIXTH. The Board of Directors, pursuant to a resolution approved by a majority of the Whole Board, may adopt, amend or repeal the Bylaws of the Corporation. The stockholders shall also have the power to adopt, amend or repeal the Bylaws of the Corporation; provided, however, that on and after the Trigger Date, the affirmative vote of the holders of at least seventy percent (70%) of the Voting Stock shall be required to adopt, amend or repeal, by stockholder action, any provisions of the Bylaws of the Corporation.

SEVENTH.

A. Except as otherwise expressly provided in this Section, the affirmative vote of the holders of at least seventy percent (70%) of the Voting Stock, voting together as a single class, shall be required to approve:

1. any merger or consolidation of the Corporation or any Subsidiary with (i) any Interested Stockholder or (ii) any other corporation or other entity (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate of an Interested Stockholder; or

2. any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder, or

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any Affiliate of any Interested Stockholder, of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value (as hereinafter defined in this Article SEVENTH, Section C.2) equaling or exceeding twenty-five percent (25%) of the Fair Market Value of the combined assets immediately prior to such transfer of the Corporation and its Subsidiaries; or

3. the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof), of any securities of the Corporation or any Subsidiary having an aggregate Fair Market Value equaling or exceeding twenty-five percent (25%) of the Fair Market Value of the combined assets immediately prior to such transfer of the Corporation and its Subsidiaries except pursuant to an employee benefit plan of the Corporation or any Subsidiary thereof; or

4. the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of any Interested Stockholder or any Affiliate of any Interested Stockholder; or

5. any reclassification of securities of the Corporation (including any reverse stock split), recapitalization of the Corporation, merger or consolidation of the Corporation with any of its Subsidiaries or other transaction (whether or not with or into or otherwise involving an Interested Stockholder), which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder (a "Disproportionate Transaction"); provided, however, that no such transaction shall be deemed a Disproportionate Transaction if the increase in the proportionate ownership of the Interested Stockholder or Affiliate as a result of such transaction is no greater than the increase experienced by the other stockholders generally.

The term "Business Combination" as used in this Article SEVENTH shall mean any transaction which is referred to in any one or more of paragraphs 1 through 5 of Section A of this Article SEVENTH.

B. The provisions of Section A of this Article SEVENTH requiring the affirmative vote of the holders of at least seventy percent (70%) of the Voting Stock, voting together as a single class, shall not be applicable to any particular Business Combination, and such Business Combination shall require only such vote as is required by law or by this Amended and Restated Certificate of Incorporation (other than Article SEVENTH Section A), whichever is greater, if the Business Combination shall have been approved by a majority of the Disinterested Directors (as hereinafter defined in this Article SEVENTH, Section C.1).

C. For the purposes of this Article SEVENTH:

1. "Disinterested Director" means any member of the Board of Directors who is unaffiliated with the Interested Stockholder and who was a member of the Board of Directors prior to the time that the Interested Stockholder became an Interested Stockholder, and any director who is thereafter chosen to fill any vacancy on the Board of Directors or who is elected and who, in either event, is unaffiliated with the Interested Stockholder, and in

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connection with his or her initial assumption of office is recommended for appointment or election by a majority of Disinterested Directors then on the Board of Directors.

2. "Fair Market Value" means: (a) in the case of stock, the highest closing sale price of the stock during the 30-day period immediately preceding the date in question of a share of such stock admitted to trading on a principal United States securities exchange registered under the Securities Exchange Act of 1934, or if such stock is admitted to trading on the National Association of Securities Dealers Automated Quotations System ("NASDAQ") or any other system then in use, the Fair Market Value shall be the highest closing sale price reported by NASDAQ or such other system during the 30-day period preceding the date in question, or, if no such quotations are available, the Fair Market Value on the date in question of a share of such stock as determined by the Board of Directors in good faith, in each case with respect to any class of stock, appropriately adjusted for any dividend or distribution in shares of such stock or any combination or reclassification of outstanding shares of such stock into a smaller number of shares of such stock, and (b) in the case of property other than cash or stock, the Fair Market Value of such property on the date in question as determined by the Board of Directors in good faith.

D. A majority of the Disinterested Directors of the Corporation shall have the power and duty to determine for the purposes of this Article SEVENTH, on the basis of information known to them after reasonable inquiry, (a) whether a Person is an Interested Stockholder; (b) the number of shares of Voting Stock of which any Person is the Beneficial Owner; (c) whether a Person is an Affiliate or Associate of another; and (d) whether the assets which are the subject of any Business Combination have, or any securities to be issued or transferred by the Corporation or any Subsidiary in any Business Combination have, an aggregate Fair Market Value equaling or exceeding twenty-five percent (25%) of the Fair Market Value of the combined assets immediately prior to such transfer of the Corporation and its Subsidiaries. A majority of the Disinterested Directors shall have the further power to interpret all of the terms and provisions of this Article SEVENTH.

E. Nothing contained in this Article SEVENTH shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

EIGHTH. The Board of Directors of the Corporation, when evaluating any offer of another Person (as defined in Article FIFTH, Section D.3 hereof) to (A) make a tender or exchange offer for any Equity Security (as that term is defined in Section 3(a)(11) of the Securities Exchange Act of 1934, as in effect on April 3, 2000) of the Corporation, (B) merge or consolidate the Corporation with another corporation or other entity or (C) purchase or otherwise acquire all or substantially all of the properties and assets of the Corporation, may in consideration with the exercise of its judgment in determining what is in the best interests of the Corporation and its stockholders, give due consideration to all relevant factors, including without limitation: (i) the social and economic effect of acceptance of such offer on the Corporation's present and future customers and employees and those of its Subsidiaries (as defined in Article FIFTH, Section D.8 hereof), including the impact on investment companies advised or managed by any of the Corporation's Subsidiaries, (ii) the social and economic effect on the communities in which the Corporation and its Subsidiaries operate or are located, (iii) the ability of the Corporation to fulfill its corporate objectives and (iv) the consideration being offered in relation

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to the then current market price for the Corporation's outstanding shares of capital stock, in relation to the then current value of the Corporation in a freely negotiated transaction and in relation to the Board of Directors' estimate of the future value of the Corporation (including the unrealized value of its properties and assets) as an independent going concern.

NINTH.

A. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he or she is or was a director, officer, employee, agent, trustee, committee member or representative of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, agent, trustee, committee member or representative of another corporation or other entity, including, without limitation, any Subsidiary (as defined in Article FIFTH, Section D.8 hereof), partnership, joint venture, limited liability company, limited liability partnership, unincorporated organization or similar company, trust or other enterprise, including service with respect to any employee benefit plan (such person an "Indemnitee"), whether the basis of such Proceeding is alleged action in an official capacity or in any other capacity while serving as a director, officer, employee, agent, trustee, committee member or representative, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by reason of such Indemnitee acting in any such capacity; provided, however, that with respect to Proceedings to enforce rights to indemnification, the Corporation shall indemnify any such Indemnitee in connection with a Proceeding (or part thereof) initiated by such Indemnitee only if such Proceeding (or part thereof) is conducted as provided in Section C of this Article NINTH or if such Proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

B. The right to indemnification conferred in Section A of this Article NINTH shall include the right to have the Corporation pay the expenses incurred in defending any such Proceeding in advance of its final disposition (an "Advancement of Expenses"); provided, however, that, if the Delaware Corporation Law so requires, an Advancement of Expenses incurred by an Indemnitee shall be made only upon delivery to the Corporation of an undertaking (an "Undertaking"), by or on behalf of such Indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (a "Final Adjudication"), that such Indemnitee is not entitled to be indemnified for such expenses under this Section or otherwise. The rights to indemnification and to the Advancement of Expenses conferred in Sections A and B of this Article NINTH shall be contract rights and such rights shall continue as to an Indemnitee who has ceased to be a director, officer, employee, agent, trustee, committee member or representative and shall inure to the benefit of the Indemnitee's heirs, executors and administrators.

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C. If a claim under Section A this Article NINTH is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, or a claim under Section B of this Article NINTH for an Advancement of Expenses is not paid in full by the Corporation within twenty
(20) days after a written claim has been received by the Corporation, the Indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the Indemnitee shall also be entitled to be paid the expense of prosecuting or defending such suit, including any reasonable attorneys' fees. In any suit by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the Corporation shall be entitled to recover such expenses upon a Final Adjudication that the Indemnitee has not met any applicable standard for indemnification set forth in the Delaware Corporation Law as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment). Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in the Delaware Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the Indemnitee has not met such applicable standard of conduct, shall create a presumption that the Indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the Indemnitee, be a defense to such suit. In any suit brought by the Indemnitee to enforce a right to indemnification or to an Advancement of Expenses hereunder, or by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such Advancement of Expenses, under this Article or otherwise shall be on the Corporation.

D. The rights to indemnification and to the Advancement of Expenses conferred in this Article NINTH shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation's Amended and Restated Certificate of Incorporation, Bylaws, agreement, vote of stockholders or Disinterested Directors (as defined in Article SEVENTH, Section C.1 hereof) or otherwise.

E. The Corporation may maintain insurance, at its own expense, to protect itself and any director, officer, employee, agent, trustee, committee member or representative of the Corporation or another corporation, partnership, joint venture, limited liability company, limited liability partnership, unincorporated organization or similar company, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under this Amended and Restated Certificate of Incorporation or the Delaware Corporation Law.

TENTH. A director shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under
Section 174 of the Delaware Corporation Law or (iv) for any transaction for

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which the director derived an improper personal benefit. If the Delaware Corporation Law is hereafter amended after April 3, 2000 to eliminate or limit further the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the furthest extent permitted by the Delaware Corporation Law, as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ELEVENTH. Pursuant to Section 228 of the Delaware Corporation Law, any action required or permitted to be taken by the stockholders of the Corporation may be effected only at a duly called annual or special meeting of such stockholders and may not be effected by a consent in writing by such stockholders in lieu of a meeting. At any annual meeting or special meeting of stockholders of the Corporation, only such business shall be conducted as shall have been brought before such meeting in the manner provided in this Amended and Restated Certificate of Incorporation and the Bylaws of the Corporation.

TWELFTH. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation in the manner now or hereafter prescribed by the Delaware Corporation Law and all rights conferred on the stockholders are granted subject to this reservation; provided, however, that:

A. Notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or any other provision of law which might permit a lesser or no vote, but in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least seventy percent (70%) of the Voting Stock, voting together as a single class, shall be required to amend, alter, change or repeal Article FIFTH, paragraphs A., B., C., and E., Article ELEVENTH and this Article TWELFTH; and further provided, however, that

B. On and after the Trigger Date, notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or any other provision of law which might permit a lesser or no vote, but in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least seventy percent (70%) of the Voting Stock, voting together as a single class, shall be required to amend, alter, change or repeal Articles FOURTH, FIFTH, paragraphs D. and F., SIXTH, SEVENTH, EIGHTH, NINTH and TENTH.

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IN WITNESS WHEREOF, this Amended and Restated Certificate of Incorporation has been executed on behalf of the Corporation by its President and attested by its Secretary as of June 14, 2000, and each of them does hereby affirm and acknowledge that this Amended and Restated Certificate of Incorporation is the act and deed of the Corporation and that the facts stated herein are true.

STILWELL FINANCIAL, INC.

/s/ Landon H. Rowland

By: Landon H. Rowland
Its: President

ATTEST:

/s/ Danny R. Carpenter

By: Danny R. Carpenter
Its: Secretary

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Exhibit 3.1.2

CERTIFICATE OF DESIGNATION

OF

STILWELL FINANCIAL INC.

SERIES A PREFERRED STOCK

Stilwell Financial Inc., a corporation organized and existing under and by virtue of The General and Business Corporation Law of Delaware, DOES HEREBY CERTIFY:

That at a meeting of the Board of Directors of Stilwell Financial Inc. the following resolution was duly adopted creating 1,000,000 shares of Preferred Stock, designated as Series A Preferred Stock.

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation in accordance with the provisions of the Certificate of Incorporation, as amended (the "Certificate of Incorporation"), a series of Series A Preferred Stock of the Corporation be, and it hereby is created, and the designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of such series, and the qualifications, limitations or restrictions thereof (in addition to the provisions set forth in the Certificate of Incorporation, which are applicable to the Preferred Stock) are as follows:

1. Designation and Amount. The shares of such series shall be designated as "Series A Preferred Stock" and the number of shares initially constituting such series shall be 1,000,000.

2. Dividends and Distributions.

(A) Subject to any prior and superior rights of the holders of any series of Preferred Stock ranking prior and superior to the shares of Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock shall be entitled prior to the payment of any dividends on shares ranking junior to the Series A Preferred Stock to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $10.00 or (b) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock, par value $0.001 per share, of the Corporation (the "Common Stock") or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred

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Stock. In the event the Corporation shall at any time after June 14, 2000 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. Such adjustment shall be made successively whenever such a dividend or change in the Common Stock is consummated.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided, that in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $10.00 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued ant payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each 1/1,000th share of Series A Preferred Stock shall entitle the holder thereof to one vote on all matters voted on at a meeting of the stockholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, or (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock

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outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. Such adjustment shall be made successively whenever such a dividend or change in the Common Stock is consummated.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters voted on at a meeting of stockholders of the Corporation.

(C) Except as set forth herein, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of capital stock of the Corporation ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of capital stock of the Corporation ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any capital stock of the Corporation ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock; provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any capital stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Preferred Stock or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

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(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of capital stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

6. Liquidation, Dissolution or Winding Up.

(A) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, no distribution shall be made on any shares of capital stock of the Corporation that rank junior (whether as to dividends or upon liquidation, dissolution or winding up) to Series A Preferred unless prior thereto the holders of Series A Preferred Shares shall have received an amount equal to 1,000 times the aggregate amount to be distributed per share to holders of the common stock.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A liquidation preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity with the Series A Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences.

(C) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

7. Merger; Consolidation. etc. In case the Corporation shall enter into any merger, consolidation, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1,000 times the aggregate amount of stock, securities, cash and/or other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then, in each such case, the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number

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of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

8. No Redemption. The Series A Preferred Stock shall not be redeemable.

9. Ranking. The Series A Preferred Stock shall rank on a parity with all other series of the Corporation's Preferred Stock as to the payment of dividends and other distribution of assets, unless the terms of any such other series shall provide otherwise.

10. Amendment. The Certificate of Incorporation of the Corporation shall not be further amended in any manner that would materially alter or change the powers, preferences, rights, qualifications, limitations and restrictions of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Preferred Stock, voting separately as a class.

11. Fractional Shares. Series A Preferred Stock may be issued in fractions of a share, which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock.

IN WITNESS HEREOF, this Certificate of Designation is executed on behalf of the Corporation by its President and Chief Executive Officer and attested by its Secretary this 14th day of June, 2000.

STILWELL FINANCIAL INC.

By:/s/ Landon H. Rowland

Landon H. Rowland
President and Chief Executive Officer

ATTEST:

/s/ Danny R. Carpenter

Danny R. Carpenter
Secretary

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EXHIBIT 3.2

AMENDED AND RESTATED BYLAWS

OF

STILWELL FINANCIAL, INC.

ARTICLE I

Offices

Section 1. Registered Office. The registered office of the Corporation in the State of Delaware shall be at such location within the State of Delaware as shall from time to time be determined by the Board of Directors.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

Stockholders

Section 1. Place of Meetings. All meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. The annual meeting of stockholders shall be held on such day of such month of each year (other than a Saturday, Sunday or holiday) as shall be determined by the Board of Directors or, if the Board shall fail to act, by the President. At the annual meeting the stockholders, voting as provided in the Certificate of Incorporation, shall elect directors and transact such other business as may be properly brought before the meeting.

Section 3. Advance Notice of Stockholder Proposed Business. At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be either (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors or (iii) otherwise properly brought before the meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, if more than 30 days' notice is given to stockholders, not later than the close of business on the 15th day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the meeting was made, whichever first occurs, and if less than 30 days' notice is given to stockholders, then not later than the close of business on the 5th day following

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the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the meeting was made, whichever first occurs.

A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number of shares of capital stock of the Corporation which are beneficially owned by such stockholder, and (iv) any material interest of such stockholder in such business.

Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 3 of Article II; provided, however, that nothing in this Section 3 of Article II shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting in accordance with such procedures.

The Chairman of the annual meeting shall, in his or her discretion, determine whether or not business is properly brought before the meeting in accordance with the provisions of Section 3.

Section 4. Notices of Annual Meetings. Written notice of each annual meeting of stockholders stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than 10 nor more than 60 days before the date of the meeting. Notice of any meeting of stockholders shall not be required to be given to any stockholder who shall attend such meeting in person or by proxy, except that such notice shall be required for any stockholder who shall attend such meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened. Except as otherwise required by law, notice of any meeting of stockholders following an adjournment shall not be required to be given if the time and place thereof are announced at the meeting which is adjourned.

Section 5. Voting Lists. The officer who has charge of the stock ledger of the Corporation shall prepare and make or cause to be prepared and made through a transfer agent appointed by the Board of Directors, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 6. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, may be called only in accordance with the Certificate of Incorporation of the Corporation.

Section 7. Quorum. The holders of a majority of the stock issued and outstanding which are entitled to vote thereat, present in person or represented by proxy, shall constitute a

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quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute, by the Certificate of Incorporation or by these Bylaws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes, the Certificate of Incorporation or these Bylaws, a different vote is required in which case such express provision shall govern and control the decision of such question.

Section 8. Voting of Shares. The holders of Common Stock shall have such voting rights as are provided in the Certificate of Incorporation. The holders of Preferred Stock shall have such voting rights as may be provided in applicable Certificates of Designation.

Section 9. Proxies. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize, either in writing or by electronic transmission, another person or persons to act for him or her by proxy, but no proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

Section 10. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 5 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 11. Conduct of Meeting. The Chairman of the Board, or, if none or in his or her absence, the Chief Executive Officer, the President or one of the Vice Presidents, shall call meetings of the stockholders to order and act as Chairman of such meeting. In the absence of all these officers, the Board of Directors may appoint a Chairman of the meeting. The Secretary of the Corporation, or in his or her absence, an Assistant Secretary, if any, or, in the absence of both the Secretary and Assistant Secretaries, any person whom the Chairman shall appoint, shall act as secretary of the meeting of the stockholders. The conduct of any meeting of the Stockholders shall be governed by such rules, regulations and procedures as the Chairman of the meeting, in his or her sole and exclusive discretion shall determine.

Section 12. Inspectors of Election. For each meeting of stockholders there shall be appointed by the Board of Directors or by the Chairman of the meeting three (3) inspectors of election. If any inspector shall fail or be unable to serve as inspector or for any reason be unable to complete his or her duties, an alternate inspector shall be appointed by the Board of Directors or the Chairman of the meeting. The inspectors of election shall examine and canvass the proxies and ballots, and make and submit a signed report of the votes cast at the meeting, which shall be entered at large upon the records.

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Section 13. Inspectors' Oath. An inspector, before he enters into the duties of his or her office, shall take and subscribe an oath substantially in the following form before any officer authorized by law to administer oaths:

"I do solemnly swear that I will execute the duties of an inspector of the election now to be held with strict impartiality and according to the best of my ability."

ARTICLE III

Directors

Section 1. Number, Tenure and Qualifications. The number of directors which shall constitute the whole board shall be as set forth in the Certificate of Incorporation. Directors need not be stockholders.

The Board of Directors shall be divided into three classes as nearly equal in number as reasonably possible. At each annual meeting of stockholders, successors to directors of the class whose terms then expire shall be elected to hold office for a term expiring at the third succeeding annual meeting of stockholders. If the number of directors is changed, any newly created directorships or any decrease in directorships shall be so apportioned among the classes as to make all classes as nearly equal in number as possible. Any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of the class.

Section 2. Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors at a meeting of stockholders. Nominations of persons for election to the Board of Directors may be made at a meeting of stockholders, by the Board of Directors or by any nominating committee or person appointed by the Board of Directors or by any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 2. Nominations by stockholders shall be made pursuant to timely written notice to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, if more than 30 days' notice is given to stockholders, not later than the close of business on the 15th day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the meeting was made, whichever first occurs, and if less than 30 days' notice is given to stockholders, then not later than the close of business on the 5th day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the meeting was made, whichever first occurs. Such stockholder's notice to the Secretary shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person and
(iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended; and (b) as to the stockholder giving the notice (i) the name and record address of the stockholder and (ii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. The Stockholder's Notice shall include a signed consent

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of each such nominee to serve as a director of the Corporation, if elected. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director. No person shall be eligible for election as a director by the stockholders unless nominated in accordance with the procedures set forth herein.

The Chairman of the meeting shall, in his or her discretion, determine whether or not a nomination was made in accordance with the foregoing procedure, and if the Chairman should determine that the nomination was not made in accordance with the foregoing procedure, the Chairman shall so declare to the stockholders present at the meeting and the defective nomination shall be disregarded. In addition to the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Bylaw.

Section 3. Newly Created Directorships and Vacancies. Newly created directorships and vacancies which shall occur in the Board of Directors because of death, resignation, disqualification, any increase in the number of directors or any other cause, may be filled by a majority of the directors then in office, though less than a quorum, pursuant to Section 223 of the General Corporation Law of Delaware and the Corporation's Certificate of Incorporation. Such directors may, by resolution, eliminate any vacant directorship thereby reducing the size of the whole Board of Directors but in no event shall the size of the Board of Directors be reduced to less than three directors. No decrease in the Board of Directors shall shorten the term of any incumbent directors.

Section 4. General Powers. The business of the Corporation shall be managed under the direction of its Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

Section 5. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 6. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors.

Section 7. Special Meetings. Special meetings of the Board of Directors may be called at the request of the Chairman of the Board, the Executive Committee, the President, or any three members of the Board of Directors. Notice of the time and place of such meeting shall be given to each director by mail not less than three (3) days before the meeting or personally, by courier, telephone, facsimile, telecopy or by other electronic means to each director not less than twelve (12) hours before such meeting.

Section 8. Quorum. At all meetings of the Board of Directors a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation or by these Bylaws. If a quorum shall not be present at any meeting of the Board

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of Directors the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Organization. At each meeting of the Board of Directors, the Chairman of the Board, or in his or her absence, the President of the Corporation, or in his or her absence, a Vice Chairman, or in the absence of all of said officers, a Chairman chosen by a majority of the directors present, shall preside. The Secretary of the Corporation, or in his or her absence, an Assistant Secretary, if any, or, in the absence of both the Secretary and Assistant Secretaries, any person whom the Chairman shall appoint, shall act as secretary of the meeting.

Section 10. Informal Action by Directors. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 11. Participation by Conference Telephone. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section shall constitute presence in person at such meeting.

Section 12. Compensation. The directors may receive reasonable fees to be determined from time to time by the Board of Directors for services actually performed in attending meetings and for other services actually performed and the expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board of Directors. A director who is, at the same time, an officer or employee of the Corporation or an officer or employee of a subsidiary or affiliate more than 50% owned by the Corporation, shall not be entitled to receive any compensation or fee for service as a director or as a member of any committee of the Board of Directors.

ARTICLE IV

Committees

Section 1. Executive Committee; Organization and Powers. There may be an Executive Committee to consist of two or more directors. The Board of Directors shall elect the members of the Executive Committee by vote of a majority of the whole Board of Directors and one member of the Executive Committee shall be elected as Chairman by the vote of a majority of the whole Board of Directors. The members of the Executive Committee shall be elected annually at the Board's organizational meeting or as soon thereafter as possible.

When the Board of Directors is not in session, the Executive Committee shall have and may exercise all the powers of the Board of Directors in the management of the business and affairs of the Corporation as permitted by Delaware law in all cases in which specific directions shall not have been given by the Board of Directors including, but not limited to, the power to declare dividends on the common and preferred stock of the Corporation, and to authorize the

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seal of the Corporation to be affixed to all papers which may require it. The members of the Executive Committee shall act only as a Committee and individual members shall have no power as such.

The Executive Committee shall have full power to act as the Nominating Committee, which, when acting as such, shall have the power and duty to make recommendations to the Board of Directors as to suitable nominees for election to the Board of Directors by the stockholders or by the remaining members of the Board of Directors, to fill newly created directorships and to fill any vacancies which shall occur.

When acting as the Nominating Committee, it shall have the power to meet with and consider suggestions from such other members of the Board of Directors, stockholders, members of management, consultants and other persons, firms or corporations as they deem necessary or advisable in the premises to assist them in making such recommendations.

Section 2. Compensation Committee; Organization and Powers. There shall be a Compensation Committee to consist of two or more directors who are not officers or employees of the Corporation, each of whom shall be a "non-employee director" within the meaning ascribed thereto under Rule 16b-3 promulgated under the Securities Exchange Act of 1934 as amended from time to time and interpreted by the Securities and Exchange Commission and an "outside director" within the meaning ascribed thereto under 162(m) of the Internal Revenue Code as amended from time to time and interpreted by the Internal Revenue Service. The Board of Directors shall elect the members of the Compensation Committee by vote of a majority of the whole Board of Directors, and one member of the Compensation Committee shall be elected its Chairman by the vote of a majority of the whole Board of Directors. The members of the Compensation Committee shall be elected annually at the Board's organizational meeting or as soon thereafter as possible.

The Compensation Committee shall have the power: to authorize and determine all salaries for the officers and supervisory employees of the Corporation; to administer the incentive compensation plans of the Corporation in accordance with the powers and authority granted in such plans; to determine any incentive allowances to be made to officers and staff of the Corporation; to administer all stock option plans, stock purchase plans and other equity ownership, compensation, retirement and benefit plans of the Corporation; to approve the performance based compensation of individuals pursuant to 162(m) of the Internal Revenue Code; and to authorize and determine all other matters relating to the compensation or benefits of the Corporation.

Section 3. Audit Committee; Organization and Powers. There shall be an Audit Committee to consist of three or more directors who are not officers or employees of the Corporation. The Board of Directors shall elect the members of the Audit Committee by vote of a majority of the whole Board of Directors and one member of the Audit Committee shall be elected as Chairman by a vote of a majority of the whole Board of Directors. The members of the Audit Committee shall be appointed by the Board of Directors to serve staggered three-year terms.

The Audit Committee shall have the power and the duty to meet with and consider suggestions from members of management and of the Corporation's internal audit staff, as well as with the Corporation's independent accountants, concerning the financial operations of the

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Corporation. The Audit Committee shall additionally have the power to review audited financial statements of the Corporation and consider and recommend the employment of, and approve the fee arrangement with, independent accountants for both audit functions and for advisory and other consulting services.

Section 4. Rules, Records and Reports. Each Committee may make and adopt such rules and regulations governing their proceedings as they may deem proper and which are consistent with the statutes of the State of Delaware, the Certificate of Incorporation and these Bylaws. Each Committee shall keep a full and accurate record of all their acts and proceedings and report the same from time to time to the Board of Directors.

Section 5. Meetings. Regular meetings of the Committees shall be held at such times and at such places as from time to time may be fixed by the Committees. Special meetings of the Committees may be held at such other times as may in the judgment of the Chairman or, he being absent, in the judgment of a Committee member, be necessary. Notice of regular meetings need not be given. Notice of special meetings shall be given to each member by mail not less than three (3) days before the meeting or personally, by courier, telephone, facsimile, telecopy or by other electronic means to each member not less than twelve (12) hours before the meeting, unless the Chairman of the Committee, or a member acting in that capacity in his or her absence, shall deem a shorter notice expedient.

Section 6. Quorum. A majority of members of a Committee shall constitute a quorum for the transaction of business and the act of a majority of those present shall be the act of the Committee.

Section 7. Subcommittees. A Committee may appoint such subcommittees as it shall deem necessary.

Section 8. Vacancies. Any vacancy in a Committee shall be filled by a majority of the whole Board of Directors.

Section 9. Substitute Members. Whenever at any time a member of any Committee shall be absent from a meeting of that Committee and it shall be necessary in order to constitute a quorum or, for any other reason, it may be deemed expedient or desirable, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously designate a director (subject to the eligibility requirements set forth in Sections 2 and 3 of this Article IV) to serve and act in his or her stead; and in the event that the absence of a Committee member shall be prolonged, such substitute member may, subject to the approval of the Committee, continue to act for the term of its duration. A director so designated shall rank as a duly qualified member of the Committee during incumbency, and shall be entitled to participate in its deliberations with the same force and effect as if elected in the manner herein elsewhere provided.

Section 10. Compensation. Subject to the provisions of Section 13 of Article III of these Bylaws, each member of any Committee may receive a reasonable fee to be fixed by the Board of Directors for services actually performed in attending meetings, and for other services actually performed, and shall receive expenses of attendance, if any actually incurred by him for attendance at any meeting of the Committee.

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ARTICLE V

Notices

Section 1. Written Notice. Whenever, under the provisions of the statutes or of the Certificate of Incorporation or of these Bylaws, notice is required to be given to any director or stockholder, such notice shall be in writing and shall be given in person or by mail to such director or stockholder, except that notice to directors may also be given personally by courier, telephone, facsimile, telecopy or by other electronic means. If mailed, notice shall be addressed to such director or stockholder at his or her address as it appears on the records of the Corporation, with postage thereon prepaid, and shall be deemed to be given at the time when the same shall be deposited in the United States mail.

Section 2. Waiver of Notice. Whenever any notice is required to be given under the provisions of the statutes or of the Certificate of Incorporation or of these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VI

Officers

Section 1. Number. The officers of the Corporation shall be chosen by the Board of Directors and shall include a President, a Treasurer and a Secretary. The Board of Directors, in its discretion, may also choose a Chairman of the Board and one or more Vice Chairmen of the Board from among their members, one or more Executive Vice Presidents and one or more additional Vice Presidents, and one or more Assistant Treasurers and Assistant Secretaries. The Board of Directors may also elect a Chief Executive Officer, a Chief Financial Officer and a Chief Operating Officer. The Board of Directors may appoint such other officers and agents as it shall deem desirable who shall hold their offices for such terms and shall exercise such powers and responsibilities and perform such duties as shall be specified and from time to time modified or changed by the Board of Directors. Any number of offices may be held by the same person, unless the Certificate of Incorporation or these Bylaws otherwise provide. The officers of the Corporation need not be stockholders of the Corporation.

Section 2. Election and Term of Office. The Board of Directors at its first meeting after each annual meeting of stockholders shall elect the officers of the Corporation. The officers of the Corporation shall hold office until their successors shall have been duly elected or appointed and qualified, or until they shall become disabled, die, retire, resign or be removed.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed, with or without cause, at any time by the affirmative vote of a majority of the Board of Directors present at any meeting or by any committee or superior officer upon whom such power of removal may be conferred by the Board of Directors. All officers and employees not appointed by the Board of Directors shall hold their offices at the discretion of the Executive Committee or of the officer appointing them.

Section 4. Vacancies. The Board of Directors shall, as soon as practicable, fill any vacancy in the office of President. Any vacancy in any other office may be filled temporarily by

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the Chairman of the Board, or President. In case of temporary incapacity or absence of any of the officers, the Chairman of the Board, or the President, may make an appointment pro tem and confer on such appointee full power and authority to act in place of any of said officers or appointees so temporarily incapacitated or absent; but such appointment shall be subject to change by the Board of Directors or by the Executive Committee at any regular or special meeting.

Section 5. Resignations. Any officer may resign at any time by giving written notice to the Corporation. Such resignation shall take effect at the date of the receipt of such notice, or at any later time specified therein and, unless otherwise provided therein, the acceptance of such resignation shall not be necessary to make it effective.

CHAIRMAN OF THE BOARD

Section 6. Duties. The Chairman of the Board, if one is elected, shall preside, if present, at all meetings of the Board of Directors. The Chairman of the Board shall also perform such other duties and he or she may exercise such other powers as from time to time may be prescribed by these Bylaws or by the Board of Directors. In his or her absence, the President shall discharge the duties of the Chairman of the Board.

VICE CHAIRMEN OF THE BOARD

Section 7. Duties. The Vice Chairmen of the Board, if any, shall perform such duties and may exercise such powers as from time to time may be prescribed by the Board of Directors.

CHAIRMAN OF THE EXECUTIVE COMMITTEE

Section 8. Duties. The Chairman of the Executive Committee shall preside at all meetings of the Executive Committee. In the absence of the Chairman of the Executive Committee, his or her duties shall be discharged by the President.

PRESIDENT

Section 9. General Powers and Duties. The President shall have the general care, supervision and control of the Corporation's business and operations. The President shall have such other powers and perform such other duties as the Board of Directors may from time to time prescribe and shall perform such other duties as are incidental to the office of President. In the event there is no Chairman of the Board or in the absence or incapacity of the Chairman of the Board, he shall preside at all meetings of the Board of Directors and stockholders.

Section 10. Appointments. Except as otherwise provided by statute, the Certificate of Incorporation, or these Bylaws, the President may employ such persons as he shall deem necessary for the proper management of the business and property of the Corporation.

VICE PRESIDENTS

Section 11. Powers and Duties. The Vice Presidents shall have such designations or titles and powers and perform such duties as shall from time to time be conferred and prescribed by the Board of Directors, the Executive Committee, the Chairman of the Board or the President.

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SECRETARY

Section 12. Duties. The Secretary, or, in his or her absence, an Assistant Secretary, shall attend all meetings of the stockholders, of the Board of Directors and of the Committees of the Board of Directors.

Section 13. Notice of Meetings. The Secretary, or any Assistant Secretary, shall give due notice of all meetings of the stockholders and of the Board of Directors and of the Executive Committee, where such notice is required by law, by the Certificate of Incorporation, by these Bylaws, by the Board of Directors or by the Executive Committee.

Section 14. Custody of Seal. The Secretary shall be custodian of the seal of the Corporation, of its records, and of such papers and documents as may be committed to his or her care by the Board of Directors or of the Executive Committee. He shall have power to affix the seal of the Corporation to instruments to which the same is authorized to be affixed by the Board of Directors or by the Executive Committee, and shall have power to attest the same. He shall perform such other duties as may be assigned to him by the Chairman of the Board (if any), the President, the Board of Directors or the Executive Committee, or as may be prescribed in the rules or regulations to be adopted by the Board of Directors.

Section 15. Duties of Assistant Secretaries. The Assistant Secretary or Secretaries shall perform the duties of the Secretary in his or her absence and such duties as may be assigned to him or them by the Board of Directors, the Executive Committee, the Chairman of the Board, or the President, or as may be prescribed in the rules or regulations to be adopted by the Board of Directors or the Executive Committee; and, he or they shall have the power to affix the corporate seal to instruments and to attest the same and to sign the certificates of stock of the Corporation.

OTHER OFFICERS

Section 16. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the President or the Board of Directors. The Board of Directors may delegate to any officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

Section 17. Other Positions. The President may authorize the use of titles, including the titles of chairman, president and vice president, by individuals who hold management positions with the business groups, divisions or other operational units of the Corporation, but who are not and shall not be deemed officers of the Corporation. Individuals in such positions shall hold such titles at the discretion of the appointing officer, who shall be the President or any officer to whom the President delegates such appointing authority, and shall have such powers and perform such duties as such appointing officer may from time to time determine.

ARTICLE VII

Certificates Of Stock and Their Transfer

Section 1. Certificates of Stock. Every holder of stock in the Corporation shall be entitled to have a certificate, in such form as the Board of Directors shall prescribe, signed in the

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name of the Corporation by (i) the Chairman of the Board, President or a Vice President and (ii) by the Chief Financial Officer or an Assistant Chief Financial Officer or the Secretary or an Assistant Secretary of the Corporation, certifying the number and class of shares owned by him or her in the Corporation. Any of or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent, transfer clerk or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Section 2. Records of Certificates. A record shall be kept of the name of the person, firm or corporation of record holding the stock represented by such certificates, respectively, and the respective dates thereof, and in case of cancellation, the respective dates of cancellation. Every certificate surrendered to the Corporation for exchange or transfer shall be cancelled and no new certificate or certificates shall be issued in exchange for any existing certificate until such existing certificate shall have been so cancelled, except in cases provided for in Section 3 of this Article VII.

Section 3. Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his or her legal representative, to give the Corporation a bond in such sum as it may direct and/or do such other act as the Board of Directors shall determine is required as indemnity to protect against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4. Transfers of Stock. Transfer of the capital stock of the Corporation shall be made only on the books of the Corporation by the holder thereof, or by his or her attorney thereunto authorized by a power of attorney duly executed and filed with the transfer agent of the Corporation, and on surrender for cancellation of the certificate or certificates for such shares. A person in whose name shares of stock stand on the books of the Corporation and no one else shall be deemed the owner thereof as regards the Corporation.

Section 5. Transfer and Registry Agents. The Corporation may maintain a transfer office or agency where its stock shall be directly transferable and a registry office, which may be identical with the transfer or agency, where its stock shall be registered; and the Corporation may, from time to time, maintain one or more other transfer offices or agencies, and registry offices; and the Board of Directors may from time to time, define the duties of such transfer agents and registrars and make such rules and regulations as it may deem expedient, not inconsistent with these Bylaws, concerning the issue, transfer and registration of certificates for shares of the capital stock of the Corporation.

Section 6. Closing of Transfer Books; Record Date. The Board of Directors may close the stock transfer books of the Corporation for a period of not more than sixty (60) days nor less than ten (10) days preceding the date of any meeting of stockholders or the date for

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payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect. In lieu of closing the stock transfer books as aforesaid, the Board of Directors may fix in advance a date, not more than sixty (60) days nor less than ten (10) days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock and, in such case, such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, as the case may be notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

Section 7. Registered Stockholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VIII

Amendments and General Provisions

Section 1. Amendments. These Bylaws may only be altered, amended or repealed in accordance with the Corporation's Certificate of Incorporation.

Section 2. Proxies. Unless otherwise provided by resolution of the Board of Directors, the President or any Vice President, from time to time in the name and on behalf of the Corporation may: (i) himself cast the votes which the Corporation may be entitled to cast as a stockholder or otherwise in any other corporation any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporations or consent in writing to any action by such other corporation; (ii) appoint an attorney or attorneys, agent or agents of the Corporation, in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as a stockholder or otherwise in any other corporation any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporations or to consent in writing to any action by such other corporation, may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent and may execute or cause to be executed in the name or on behalf of the Corporation and under its corporate seal all such written proxies or other instruments as may be necessary or proper to evidence the appointment of such attorneys and agents.

Section 3. Fiscal Year. The fiscal year of the Corporation shall end on the last day of December in each year.

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COMMON STOCK

INCORPORATED UNDER THE LAWS
OF THE STATE OF DELAWARE

THIS CERTIFICATE IS TRANSFERRABLE IN
NEW YORK, NY OR KANSAS CITY, MO

CUSIP 860831 10 6

SEE REVERSE FOR CERTAIN
DEFINITIONS

PAR VALUE
$0.01 PER SHARE

RIGHTS ATTACHED
TO THIS CERTIFICATE ARE
DESCRIBED ON REVERSE

STILWELL FINANCIAL INC.

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF

Stilwell Financial Inc., transferable in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby are subject to all the terms, conditions and limitations of the Certificate of Incorporation and all amendments thereto. This Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

Witness the seal of the Corporation and the signatures of its duly authorized officers.

DATED:

COUNTERSIGNED AND REGISTERED:
UMB BANK, N.A.
(Kansas City, Missouri)
TRANSFER AGENT
AND REGISTRAR

BY:

PRESIDENT SECRETARY AUTHORIZED
SIGNATURE

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STILWELL FINANCIAL INC.

THE CORPORATION WILL FURNISH, WITHOUT CHARGE TO EACH STOCKHOLDER WHO SO REQUESTS, A STATEMENT OF THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OR SERIES THEREOF OF THE CORPORATION, SO FAR AS THE SAME HAVE BEEN DETERMINED, AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND/OR RIGHTS. SUCH REQUEST MAY BE MADE TO THE CORPORATION AT THE PRINCIPAL EXECUTIVE OFFICES OF STILWELL FINANCIAL INC. OR TO THE TRANSFER AGENT.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

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TEN COM - as tenants in common UNIF GIFT/TRANS MIN ACT - ________ Custodian for________
TEN ENT - as tenants by the entireties                    (Cust)                (Minor)
JT TEN  - as joint tenants with right of       under Uniform Gifts/Transfers to Minors
          survivorship and not as tenants      Act of _______________
          in common                                       (State)
          Additional abbreviations may also be used though not in the above list
                                 --------------------------------
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INSTRUCTIONS FOR ASSIGNMENT: THE SIGNATURE OF THE STOCKHOLDER TO THE ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE WHATEVER.

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE

_____ Shares of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint _____
Attorney to transfer the said stock on the books of the Corporation with full power of substitution in the premises.

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Dated, _____

X _____

NOTICE: THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UP ON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

X _____

This certificate also evidences and entitles

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the holder hereof to certain Rights as set forth in a Rights Agreement between Stilwell Financial, Inc. and UMB Bank, N.A. (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at principal executive offices

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of Stilwell Financial, Inc. Under certain circumstances, as set forth in the Rights Agreement, such Rights may be redeemed, may expire or may be evidenced by separate certificates and will no longer be evidenced by this certificate. Under certain circumstances, Rights issued to, or which are or were beneficially owned by, Acquiring Persons or their Affiliates or Associates (as such terms are defined in the Rights Agreement) and any subsequent holder of such Rights may become null and void. In addition, Rights held by Persons other than an Acquiring Person may not be transferred to an Acquiring Person or certain other Persons.

THE SIGNATURE(S) MUST BE GUARANTEED BY AN ELIGIBLE GRANTOR INSTITUTION PURSUANT TO S.E.C. NOTE 17AD-15.

Signature(s) guaranteed by:

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EXHIBIT 4.2.1

STILWELL FINANCIAL, INC

and

UMB Bank, N.A.,
Rights Agent

RIGHTS AGREEMENT

Dated as of

June 14, 2000

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STILWELL FINANCIAL INC. RIGHTS AGREEMENT

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RIGHTS AGREEMENT

This Agreement, dated as of June 14, 2000, between STILWELL FINANCIAL INC., a Delaware corporation (the "Company"), and UMB Bank, N.A., a national banking association organized and existing under the laws of the United States of America, as rights agent (the "Rights Agent").

W I T N E S S E T H

WHEREAS, the Board of Directors of the Company has authorized and declared a dividend of one Right (as defined herein) for each outstanding share of the common stock (as defined herein), of the Company at the close of business on June 28, 2000 (the "Record Date") and has authorized the issuance of one Right (as such number may hereinafter be adjusted pursuant to the provisions of

Section 11 hereof) in respect of each share of Common Stock of the Company issued (whether originally issued or delivered from the Company's treasury) between the Record Date and the earlier of the Distribution Date, the Expiration Date or the Final Expiration Date (as such terms are hereinafter defined), each Right initially representing the right to purchase, under certain circumstances, 1/1,000ths of a share of Preferred Stock (as defined herein), upon the terms and subject to the conditions hereinafter set forth (the "Rights");

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, and other good and valuable consideration, the receipt of which is hereby acknowledged, the Company and the Rights Agent hereby agree as follows.

Section 1. Certain Definitions.

For purposes of this Agreement, the following terms have the meanings indicated.

(a) "Acquiring Person" shall mean any Person who, together with all Affiliates or Associates of such Person, shall be the Beneficial Owner of a Substantial Block, whether or not such Person continues to be the Beneficial Owner of a Substantial Block, but shall not include: (i) the Company; (ii) any Subsidiary of the Company; (iii) any employee benefit plan of the Company or of any Subsidiary of the Company, or any Person organized, appointed or established by the Company or by any Subsidiary of the Company for or pursuant to the terms of any such plan; or (iv) a Person who, together with all Affiliates and Associates of such Person, would become an Acquiring Person solely as a result of a reduction of the number of shares of Common Stock of the Company outstanding, including repurchases of outstanding shares of Common Stock of the Company by the Company, which reduction increases the percentage of outstanding shares of Common Stock of the Company beneficially owned by such Person until such Person, Affiliate or Associate shall thereafter become the Beneficial Owner of any additional shares of Common Stock.

(b) "Adjusted Number of Shares" shall have the meaning given the term in Section 11(a)(iii) of this Agreement.

(c) "Adjusted Purchase Price" shall have the meaning given the term in Section 11(a)(iii) of this Agreement.

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(d) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the Exchange Act as in effect on the date hereof.

(e) A Person shall be deemed the "Beneficial Owner" of and shall be deemed to "beneficially own" any securities that:

(i) Such Person, or any of such Person's Affiliates or Associates, beneficially owns, directly or indirectly (as determined pursuant to Rule 13d-3 of the Exchange Act);

(ii) Such Person or any of such Person's Affiliates or Associates, directly or indirectly, has: (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing), or upon the exercise, conversion or exchange of rights, warrants or options, or otherwise, (provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to beneficially own, securities tendered pursuant to a tender or exchange offer made by such Person or any such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange and securities issuable upon the exercise of the Rights at any time prior to the occurrence of a Triggering Event); or (B) the right to vote or dispose of pursuant to any agreement, arrangement or understanding (whether or not in writing) provided, however, that a Person shall not be deemed the Beneficial Owner or to beneficially own, any security under this clause (B) if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the Exchange Act and
(2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) Are beneficially owned, directly or indirectly, by any other Person with which such former Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in clause (B) of subparagraph (ii) of this paragraph (c)) or disposing of any securities of the Company;

provided, however, that nothing in this paragraph (e) shall cause a Person engaged in business as an underwriter of securities to be the "Beneficial Owner" of, or to "beneficially own," any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition.

(f) "Capital Stock Equivalents" shall have the meaning given the term in Section 11(a)(iii) of this Agreement.

(g) "Business Day" shall mean any day other than a Saturday, Sunday, or a day on which banking institutions in the States of New York or Missouri are authorized or obligated by law or executive order to close.

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(h) "Close of Business" on any given date shall mean 5:00 p.m., New York, New York time, on such date, provided, however, if such date is not a Business Day it shall mean 5:00 p.m. on the next succeeding Business Day.

(i) "Common Stock" when used with reference to the Company shall mean the Common Stock, $0.01 par value, of the Company as adjusted from time to time. "Common Stock" when used with reference to any Person other than the Company shall mean the capital stock with the greatest voting power of such Person or the equity securities or other equity interest having power to control or direct the management of such Person.

(j) "Current Market Price" of the Common Stock shall have the meaning given the term in Section 11(d)(i) of this Agreement.

(k) "Current Market Price" of the Preferred Stock shall have the meaning given the term in Section 11(d)(ii) of this Agreement.

(l) "Distribution Date" shall have the meaning given the term in Section 3(a) of this Agreement.

(m) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, or any successor thereto, and the rules and regulations promulgated thereunder, all as the same shall be amended from time to time.

(n) "Expiration Date" shall have the meaning given the term in Section 7 (a) of this Agreement.

(o) "Final Expiration Date" shall have the meaning given the term in Section 7(a) of this Agreement.

(p) "Permitted Offer" shall mean a tender offer or exchange offer that is for all outstanding Common Stock of the Company at a price and on terms determined to be adequate prior to the purchase of shares under such tender offer or exchange offer, by at least 70% of the members of the Board of Directors of the Company, taking into account all factors that such directors deem relevant including, without limitation, prices that could reasonably be achieved if the Company or its assets were sold on an orderly basis designed to realize maximum value and otherwise in the best interests of the Company and its stockholders (other than the Person or any Affiliate or Associate thereof for whose benefit the offer is being made).

(q) "Person" shall mean any individual, firm, corporation, limited liability company, partnership, joint venture, association, trust or other entity.

(r) "Preferred Stock" shall mean the shares of Series A Preferred Stock, par value $0.001 per share, of the Company having substantially the rights, powers and preferences set forth in the Certificate of Designation attached hereto as Exhibit A, and, to the extent that there are not a sufficient number of shares of Series A Preferred Stock authorized to permit the full exercise of the Rights, any other series of Preferred Stock of the Company designated for such purpose containing terms substantially similar to the terms of the Series A Preferred Stock.

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(s) "Principal Party" shall have the meaning given the term in Section 13(b) of this Agreement.

(t) "Proration Factor" shall have the meaning given the term in Section 11(a)(iii) of this Agreement.

(u) "Rights Certificates" shall have the meaning given the term in Section 3 of this Agreement.

(v) "Share Acquisition Date" shall mean the close of business on the tenth calendar day after the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) of the Exchange Act) by the Company or an Acquiring Person that an Acquiring Person has become such.

(w) "Securities Act" shall mean the Securities Act of 1933, as amended, or any successor thereto, and the rules, regulations, and forms promulgated thereunder, all as the same shall be amended from time to time.

(x) A "Subsidiary" of any Person shall mean any Person of whom a majority of the voting power of the voting equity securities or voting interests is owned or, directly or indirectly, by such former Person, or any Person which is otherwise controlled, directly or indirectly, by such former Person.

(y) "Substantial Block" shall mean a number of shares of the Common Stock of the Company that equals or exceeds 15 percent of the number of shares of the Common Stock of the Company then outstanding.

(z) "Trading Days" shall have the meaning given the term in Section 11(d) this Agreement.

(aa) "Triggering Event" shall mean any event described in Section 11(a) or Section 13(a) of this Agreement.

Section 2. Appointment of a Rights Agent.

The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3, hereof shall prior to the Distribution Date also be the holders of the Common Stock of the Company) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such Co-Rights Agents as it may deem necessary or desirable.

Section 3. Certificates and Transfer of Rights.

(a) Common Stock Outstanding on the Record Date. Until the earlier of (unless extended by the Board of Directors of the Company) (i) the Share Acquisition Date or (ii) the close of business on the tenth calendar day (or such later date as may be determined by action of the Board of Directors prior to such time as any Person becomes an Acquiring Person) after the date of the commencement of, or first public announcement of the intent of any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company

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or any Person organized, appointed or established by the Company or any Subsidiary of the Company for or pursuant to the terms of any such plan) to commence (which intention to commence remains in effect for five business days after such announcement) a tender or exchange offer if, upon consummation thereof, such Person would be an Acquiring Person (including any such date that is after the date of this Agreement and prior to the issuance of the Rights) (the earlier of the dates in subsections (i) and (ii) hereof being herein referred to as the "Distribution Date"), the Rights will be evidenced (subject to the provisions of paragraph (b) of this Section 3) by the certificates for Common Stock of the Company (which certificates of such Common Stock of the Company shall be deemed also to be Rights Certificates), and not by separate Rights Certificates, and the right to receive Rights Certificates will be transferable only in connection with the transfer of such Common Stock (including a transfer to the Company). With respect to certificates for the Common Stock of the Company outstanding as of the Record Date, until the Distribution Date, the Rights will be evidenced by such certificates for the Common Stock of the Company with or without a Summary of Rights attached thereto and the registered holders of the Common Stock of the Company shall also be the registered holders of the associated Rights. Until the earlier of Distribution Date or Expiration Date, the surrender or transfer (including a transfer to the Company) of any of the certificates for the Common Stock of the Company outstanding on the Record Date shall also constitute the transfer of the Rights associated with the Common Stock of the Company represented by such certificate. The Company will include with its mailing, by third-class, postage prepaid mail, of its quarterly report to Stockholders, if any, a copy of a Summary of Rights, in substantially the form attached hereto as Exhibit C (the "Summary of Rights"). If such mailing has not occurred by the expiration of 60 days after the expiration of the quarter in which this Agreement becomes effective, the Company will promptly mail the Summary of Rights separately, by first-class, postage prepaid mail, to each record holder of the Common Stock of the Company as of the close of business on the Record Date, at the address of such holder shown on the records of the Company.

(b) Distribution of Separate Rights Certificates. As soon as practicable after the Distribution Date, the Rights Agent will send, by first-class, insured, postage prepaid mail, to each record holder of the Common Stock of the Company as of the close of business on the Distribution Date, at the address of such holder of Common Stock shown on the records of the Company, a separate Rights Certificate in substantially the form of Exhibit B attached hereto evidencing one Right for each share of the Common Stock of the Company so held, subject to adjustment as provided herein. In the event that an adjustment in the number of Rights per Common Share has been made pursuant to Section 11(p) hereof, at the time of distribution of the Rights Certificate, the Company shall make the necessary and appropriate rounding adjustments (in accordance with Section 14(a) hereof) so that Rights Certificates representing only whole numbers of Rights are distributed and cash is paid in lieu of any fractional Rights. As of and after the Distribution Date, the Rights will be evidenced solely by such Rights Certificates.

(c) Issuance of Additional Shares of Common Stock and Rights. Rights shall be issued in respect of all shares of Common Stock of the Company issued (whether originally issued or delivered from the Company's treasury) after the Record Date but prior to the earlier of the Distribution Date or the Expiration Date. Certificates representing such shares of such Common Stock shall be deemed to be impressed on, printed on, written on or otherwise affixed to them the following legend:

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This certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Rights Agreement between Stilwell Financial Inc. and UMB Bank, N.A. (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of Stilwell Financial Inc. Under certain circumstances, as set forth in the Rights Agreement, such Rights may be redeemed, may expire or may be evidenced by separate certificates and will no longer be evidenced by this certificate. Under certain circumstances, Rights issued to, or which are or were beneficially owned by, Acquiring Persons or their Affiliates or Associates (as such terms are defined in the Rights Agreement) and any subsequent holder of such Rights may become null and void. In addition, Rights held by Persons other than an Acquiring Person may not be transferred to an Acquiring Person or certain other Persons.

Until the earlier of the Distribution Date or the Expiration Date, the Rights associated with the Common Stock of the Company represented by certificates containing the foregoing legend shall be evidenced by such certificates alone, and the surrender for transfer of any of such certificates shall also constitute the transfer of the Rights associated with the Common Stock represented by such certificate.

(d) Purchase of Common Stock by the Company. In the event that the Company purchases or acquires any of its Common Stock after the Record Date but prior to the Distribution Date, the Company shall not be entitled to exercise any Rights associated with the Common Stock so purchased or acquired. Upon reissuance of such Common Stock by the Company the Rights shall again attach to such Common Stock as set forth in Section 3(c) of this Agreement.

(e) Restriction on Transfers to Acquiring Persons. Notwithstanding anything in this Agreement to the contrary, no Right shall at any time be transferable or transferred, in one transaction or in a series of related transactions (including a tender offer or exchange offer), directly or indirectly (i) to any Person who is an Acquiring Person, (ii) to any Person in connection with a transaction or series of related transactions in which such Person becomes an Acquiring Person, (iii) to any Person who, as a result of such transfer, would beneficially own 15 percent or more of the Rights, or (iv) to any Affiliate or Associate of a Person referred to in any one or more of the foregoing clauses (i), (ii), or (iii). Any purported or attempted transfer of a Right on or after the Record Date in violation of the foregoing provisions (regardless whether such purported or attempted transfer shall be recorded on any transfer ledger) shall be null and void as of the date of the purported or attempted transfer without any further action on the part of the Company or the Rights Agent, and any Right that has been the subject of any such purported or attempted transfer shall for purposes of this Agreement and the Right Certificate be deemed to be held beneficially by the Person who attempted to make such purported or attempted transfer and, thereafter, shall continue to be exercisable by such Person or, in the case of a transfer not prohibited by this Agreement, such Person's transferee, for a like number of 1/l,000ths of a Preferred Share (or other securities, cash or other assets, as the case may be) pursuant to this Agreement. The Company may require (or cause the Rights Agent or any transfer agent of the Company to require) any Person who submits a Right Certificate for transfer on the registry books or to exercise the Rights represented thereby to establish to the satisfaction of the Company, in its sole discretion, that such attempted transfer is not in violation of the provisions

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of this Section 3(e). The Company and the Rights Agent shall use all reasonable efforts to insure the provisions of this Section 3(e) are complied with, but shall have no liability to any holder of a Right Certificate or any other Person as a result of a failure to make any determinations with respect to an Acquiring Person or its Affiliates, Associates or transferees thereof.

Section 4. Form of Rights Certificates.

(a) Form of Certificate. The Rights Certificates (and the forms of election to purchase shares and of assignment to be printed on the reverse thereof) shall, subject to paragraph (a) of Section 3 of this Agreement, be substantially the same as Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usages. Subject to the provisions of Section 11 and Section 22 hereof, the Rights Certificates, whenever issued, shall be dated as of the Record Date, and on their face shall entitle the holders thereof to purchase such number of 1/l,000ths of a share of Preferred Stock as shall be set forth therein at the price per 1/1,000ths of a share of Preferred Stock set forth therein (the "Purchase Price"), but the number of such shares and the Purchase Price shall be subject to adjustment as provided herein.

(b) Notwithstanding any other provision of this Agreement, any Rights Certificate issued pursuant to Section 3 or Section 22 hereof that represent Rights beneficially owned by (i) an Acquiring Person or any Associate or Affiliate thereof, (ii) a transferee of an Acquiring Person (or of any Associate or Affiliate of such Acquiring Person) who becomes a transferee after the Acquiring Person became such, or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate of such Acquiring Person) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom such Acquiring Person has any continuing agreement, arrangement or understanding (whether or not in writing) regarding the transferred Rights or (B) a transfer which the Board of Directors of the Company has determined is part of a plan, arrangement or understanding that has a primary purpose or effect avoidance of Section 7(e) hereof, any Rights Certificate issued at any time to any nominee of such Acquiring Person, Associate or Affiliate, and any Rights Certificate issued pursuant to Section 6 or Section 11 upon transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, shall contain the following legend:

The Rights represented by this Rights Certificate are or were beneficially owned by a Person who was or became an Acquiring Person or an Affiliate or an Associate of an Acquiring Person (as such terms are defined in the Rights Agreement). Accordingly, this Rights Certificate and the Rights represented hereby may become null and void in the circumstances specified in Section 7(e) of the Rights Agreement.

The provisions of Section 7(e) of the Rights Agreement shall be operative whether or not the foregoing legend is contained on any Rights Certificate.

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Section 5. Countersignature and Registration.

(a) The Rights Certificates shall be executed on behalf of the Company in the manner provided in the By-Laws of the Company for certificates for Common Stock of the Company. The Rights Certificates shall be countersigned by the Rights Agent, either manually or by facsimile, and shall not be valid for any purpose unless so countersigned. In case any officer of the Company who shall have signed any of the Rights Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Rights Certificates, nevertheless, may be countersigned by the Rights Agent, issued and delivered with the same force and effect as though the person who signed such Rights Certificate had not ceased to be such officer of the Company; and any Rights Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Rights Certificate, shall be a proper officer of the Company to sign such Rights Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

(b) Following the Distribution Date, the Rights Agent will keep or cause to be kept, at its principal office or offices designated as the appropriate place for surrender of the Rights Certificates upon exercise or transfer, books for registration and transfer of the Rights Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Rights Certificates, the number of Rights evidenced on its face by each of the Rights Certificates and the date of each of the Rights Certificates, and such other information as the Rights Agent deems appropriate in the circumstances.

Section 6. Transfer, Split Up, Combination and Exchange of Rights Certificates; Mutilated, Destroyed, Lost or Stolen Rights Certificates.

Subject to the provisions of Section 4(b), Section 7(e) and Section 14 hereof, at any time after the close of business on the Distribution Date and at or prior to the close of business on the Expiration Date, any Rights Certificates may be transferred, split up or combined with or exchanged for any other Rights Certificates, entitling the registered holder to purchase a like number of 1/1,000ths of a share of Preferred Stock (or following a Triggering Event, Common Stock, other securities or other assets, as may be necessary) as the Rights Certificate or Rights Certificates surrendered then entitled such holder (or former holder in the case of a transfer) to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Rights Certificate shall make such request in writing delivered to the Rights Agent, and shall surrender the Rights Certificate or Rights Certificates to be transferred, split up, combined or exchanged at the principal office or offices of the Rights Agent designated for such purpose of the Rights Agent. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Rights Certificate until the registered holder shall have completed and signed the certificate contained in the form of assignment on the reverse side of such Rights Certificate and shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request. Thereupon the Rights Agent shall, subject to Section 4(b), Section 7(e) and Section 14 hereof, countersign and deliver to the Person entitled thereto a Rights Certificate or Rights Certificates, as the case may be, as so requested. The Company or the Rights Agent may require payment of a sum sufficient to cover any tax or

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governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Rights Certificates.

Upon receipt by the Rights Agent of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of a Rights Certificate, and in case of loss, theft or destruction, of indemnity or security of the Company and the Rights Agent reasonably satisfactory to the Rights Agent, and reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Rights Certificate if mutilated, the Rights Agent will make and deliver a new Rights Certificate of like tenor for delivery to the registered owner in lieu of the Rights Certificates so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights.

(a) Subject to Section 7(e) hereof, the registered holder of any Rights Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein including, without limitation, the restrictions on exercisability set forth in Section 9(c), Section 11(a)(iii) and Section 23(a) hereof) in whole or in part at any time after the Distribution Date upon surrender of the Rights Certificate, with the form of election to purchase on the reverse side thereof duly completed and executed, to the Rights Agent at the principal office of the Rights Agent or offices designated by the Rights Agent for such purposes, together with payment of the aggregate Purchase Price for the total number of 1/1,000ths of a share of Preferred Stock (or other securities or assets, as may be necessary and authorized) as to which such surrendered Rights are exercised, at or prior to the close of business on the earlier of: (i) June 14, 2010 (the "Final Expiration Date"); (ii) the date on which the Rights are redeemed as provided in Section 23; or (iii) the consummation of a transaction contemplated by Section 13(d) hereof (such earlier date being herein referred to as the "Expiration Date").

(b) The Purchase Price for each 1/1,000ths of a share of Preferred Stock pursuant to the exercise of a Right shall initially be $200, shall be subject to adjustment from time to time as provided in Section 11 and Section 13 hereof and shall be payable in accordance with paragraph (c) below.

(c) Upon receipt of a Rights Certificate representing exercisable Rights with the form of election to purchase and the Certificate duly completed and executed, payment of the Purchase Price for the number of 1/1,000ths of a share of Preferred Stock (or other securities or other assets, as the case may be) to be purchased and an amount equal to any applicable transfer tax, the Rights Agent shall thereupon, subject to Section 20(k), promptly:

(i) (A) requisition from any transfer agent of the Preferred Stock (or make available, if the Rights Agent is serving in its separate capacity as the transfer agent for such Preferred Stock) a certificate for the total number of 1/1,000ths of a share of the Preferred Stock to be purchased, and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) if the Company shall have elected to deposit the total number of shares of Preferred Stock issuable upon exercise of the Rights hereunder with a depositary agent, requisition from the depositary agent a depositary receipt representing such number of 1/1,000ths of a share of Preferred Stock as are to be purchased (in which case certificates for the shares of Preferred Stock

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represented by such receipts shall be deposited by the transfer agent with the depositary agent), and the Company hereby irrevocably authorizes the depositary agent to comply with such request;

(ii) when appropriate, requisition from the Company the amount of cash, if any, to be paid in lieu of issuance of fractional shares in accordance with Section 14;

(iii) promptly after receipt of such certificate or depositary receipt, cause the same to be delivered to or upon the order of the registered holder of such Rights Certificates, registered in such name or names as may be designated by such holder; and

(iv) when appropriate, after receipt promptly deliver such cash, if any, to or upon the order of the registered holder of such Rights Certificate.

The payment of the Purchase Price may be made: (i) in cash or by certified bank check or bank draft payable to the order of the Company, (ii) by delivery of a certificate or certificates (with appropriate stock powers executed in blank attached thereto) evidencing a number of shares of Common Stock equal to the then Purchase Price divided by the current market price (as determined pursuant to Section 11(d) hereof) per share of Common Stock on the Trading Date immediately preceding the date of such exercise, or (iii) by a combination of (i) and (ii). In the event that the Company is obligated to issue securities, distribute property or pay cash pursuant to Section 11(a)(iii) hereof, the Company will make all arrangements necessary so that cash, property or securities are available for issuance, distribution or payment by the Rights Agent, if and when appropriate.

(d) In case the registered holder of any Rights Certificate shall exercise less than all the Rights evidenced thereby, a new Rights Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent to the registered holder of such Rights Certificate or to his duly authorized assigns, subject to the provisions of Section 14 hereof.

(e) Notwithstanding anything in this Agreement to the contrary, if there occurs the event set forth in Section 11(a)(ii), then any Rights that are or were beneficially owned by: (i) an Acquiring Person or any Associate or Affiliate of such Acquiring Person; (ii) any subsequent holder of such Rights;
(iii) a transferee of an Acquiring Person or of any Associate or Affiliate thereof who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which a majority of the Board has determined is part of a plan, arrangement or understanding which has as a primary purpose or effect the avoidance of this Section 7(e) shall become or be (as the case may be) null and void with respect to the rights provided under Section 11(a)(ii) without any further action, and shall thereafter not provide any such holder with any rights whatsoever under this Agreement or otherwise. The Company shall use all reasonable efforts to insure that the provisions of this Section 7(e) and Section 4(b) hereof are complied with, but shall have no liability to any holder of Rights Certificates or other Person as a result of its failure to make any determinations with respect to an Acquiring Person or its Affiliates, Associates or transferees thereof.

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(f) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder upon the occurrence of any purported exercise as set forth in this Section 7 unless such registered holder shall have: (i) completed and signed the certificate contained in the form of election to purchase set forth on the reverse side of the Rights Certificate surrendered for such exercise; and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company or the Rights Agent shall reasonably request.

Section 8. Cancellation and Destruction of Rights Certificates.

All Rights Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange, if surrendered to the Company or to any of its agents, shall be delivered to the Rights Agent for cancellation or in canceled form, or if surrendered to the Rights Agent, then shall be canceled by it, and no Rights Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Rights Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Rights Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver a certificate of destruction thereof to the Company and shall destroy such canceled Rights Certificates in accordance with applicable laws and regulations.

Section 9. Reservation and Availability of Shares of Capital Stock.

The Company covenants and agrees that it will:

(a) Cause to be reserved and kept available out of its authorized and unissued shares of Preferred Stock (and following the occurrence of a Triggering Event, out of its authorized and unissued shares of Common Stock or its authorized and issued Common Stock held in its treasury, other securities as provided herein or some combination thereof) the number of shares of Preferred Stock or other securities as provided herein or some combination of such securities that will be sufficient to permit the exercise in full of all outstanding Rights whenever issued.

(b) If the shares of Preferred Stock (and following the occurrence of a Triggering Event, Common Stock and/or other securities) issuable upon the exercise of Rights are listed on any national securities exchange, use its best efforts to cause, from and after such time as the Rights become exercisable, all shares reserved for such issuance to be listed on such exchange upon official notice of issuance upon such exercise.

(c) Use its best efforts to: (i) file, as soon as practicable following the first occurrence of the Distribution Date, a registration statement under the Securities Act with respect to the securities purchasable upon exercise of the Rights on an appropriate form; (ii) cause such registration statement to become effective as soon as practicable after such filing; (iii) cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the date of the expiration of the Rights; (iv) to otherwise comply with all requirements of the Securities Act and the Exchange Act applicable to the exercise of the Rights and issuance of the securities upon such exercise; and (v) take promptly such action as may be appropriate under the blue sky or securities laws of the States such laws of

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which would be applicable to the Rights and the exercise thereof in order for the securities issuable upon exercise of the Rights to be offered, sold and delivered in accordance with such laws. Notwithstanding any provision of this Agreement to the contrary, the Rights shall not be exercisable in any jurisdiction unless the requisite qualifications in such jurisdiction shall have been obtained.

(d) Take all such action as may be necessary to ensure that all 1/1,000ths shares of the Preferred Stock (and following the occurrence of a Triggering Event, the other securities as permitted herein) delivered upon exercise of Rights shall, at the time of delivery of the certificates for such shares (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and non-assessable.

(e) Pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Rights Certificates or of any certificates for a number of 1/1,000ths shares of the Preferred Stock (or other securities, as the case may be) upon the exercise of Rights all costs and expenses incurred in connection with the obligations set forth in this Section 9. The Company shall not, however, be required: (i) to pay any transfer tax that may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of a number of certificates for whole or fractional shares of a Preferred Stock (or other securities, as the case may be) in a name other than that of the registered holder of the Rights Certificate evidencing Rights surrendered for exercise; or (ii) to issue or deliver any certificates for whole or fractional shares of the Preferred Stock upon the exercise of any Rights until any such tax shall have been paid (any such tax being payable by the holder of such Rights Certificate at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

(f) The Company agrees to provide to the Rights Agent, immediately following the later to occur of an event described in Section 11(a)(i)(B) or Section 13 hereof or the Distribution Date, an opinion of counsel reasonably acceptable to the Rights Agent that the Common Stock underlying the Rights have been or are being properly registered under the Securities Act and all securities or "blue sky" laws of the various states, as applicable, or in the alternative, the Rights are not subject to registration under the Securities Act and/or any securities or "blue sky" laws of the various states.

Section 10. Preferred Stock Record Date.

Each person in whose name any certificate for any whole or fractional shares of Preferred Stock (or other securities, as the case may be) is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of such shares of Preferred Stock (or other securities, as the case may be) represented thereby, and such certificate shall be dated, the date upon which the Rights Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the Preferred Stock (or other securities, as the case may be) transfer books of the Company are closed, such person shall be deemed to have become the record holder of such shares on, and such certificates shall be dated, the next succeeding business day on which such transfer books for such securities are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Rights Certificate shall not be entitled to any rights as a stockholder of the Company with respect to shares for which the

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Rights may be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company except as provided herein.

Section 11. Adjustment of Purchase Price, Number and Kind of Shares or Number of Rights.

The Purchase Price, the number and kind of shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) In the event that:

(i) Changes in the Preferred Stock. The Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Stock payable in shares of the Preferred Stock, (B) subdivide the outstanding Preferred Stock, (C) combine the outstanding Preferred Stock into a smaller number of shares or (D) issue any shares of its capital stock in a reclassification of the Preferred Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a) and Section 7(e) hereof, then the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of Preferred Stock (or other securities, as the case may be), issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive, upon the payment of the Purchase Price then in effect, the aggregate number (whether whole or fractional) and kind of securities that if such Right had been exercised immediately prior to such date and at a time when the Preferred Stock transfer books of the Company were open, such holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification. If an event occurs that would require an adjustment under both this Section 11(a)(i) and Section 11(a)(ii) hereof, the adjustment provided for in this Section 11(a)(i) shall be in addition to, and shall be made prior to any adjustment required pursuant to Section 11(a)(ii).

(ii) Determination of Shares of Preferred Stock. Any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any of its subsidiaries or any Person holding securities of the Company organized, appointed or established by the Company or any of its subsidiaries for or pursuant to the terms of any such plan), alone or together with its Affiliates and Associates, shall become an Acquiring Person (except pursuant to a Permitted Offer), then proper provisions shall be made so that each holder of a Right, except as provided in Section 7(e) hereof, shall, for a period of 60 days after the effective date of an appropriate registration statement filed pursuant to Section 9 hereof, have a right to receive, upon exercise thereof at the then current Purchase Price in accordance with the terms of this Agreement, such number of whole or fractional shares of Preferred Stock (or if the Board determines prior to the Distribution Date, such number of shares of Common Stock of the Company in lieu of the Preferred Stock) as shall equal the result obtained by multiplying the then current Purchase Price by the then number of 1/1,000ths of a share of Preferred Stock (or such Common Stock) for which a Right is exercisable immediately prior to the occurrence of

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such Section 11(a)(ii) event then dividing that product (which, following such first occurrence, shall thereafter be referred to as the Purchase Price for each Right and for all other purposes of this Agreement) by 50 percent of the current market price per one share of Preferred Stock (or Common Stock of the Company, as the case may be) (determined pursuant to Section 11(d)) on the date of the first occurrence of the event set forth in this subparagraph (ii) (such number of shares being referred to as the "Adjustment Shares").

(iii) Insufficient Preferred Stock. There shall not be sufficient treasury shares or authorized but unissued and unreserved Preferred Stock (or Common Stock of the Company as provided for in Section 11(a)(ii) hereof) to permit the exercise in full of all the outstanding Rights in accordance with the foregoing subparagraph (ii) and the Rights become so exercisable, notwithstanding any other provision of this Agreement, to the extent necessary and permitted by applicable law, each Right shall thereafter represent the right to receive, upon exercise thereof at the then current Purchase Price in accordance with the terms of this Agreement: (A) shares (whether whole or fractional) of Common Stock of the Company that may permissibly be issued; (B) a number (whether whole or fractional) of other equity securities of the Company (or in the discretion of the Board of Directors of the Company, debt) including, but not limited to, whole or fractional shares of preferred stock of the Company other than the Preferred Stock (such alternative securities of the Company being referred to as "Capital Stock Equivalents"); or (C) some combination of (A), (B) and the Preferred Stock, that, in the case of (A), (B) or (C), the Board of Directors of the Company has determined to have the same aggregate current market value as determined based upon advice of a nationally recognized investment banking firm selected by a majority of the Board and/or pursuant to Section 11(d)(i) and (ii) hereof, to the extent applicable as the aggregate value of the Preferred Stock if there were available for issuance sufficient shares of Preferred Stock; provided, however, if there are unavailable sufficient Preferred Stock or Capital Stock Equivalents, then the Company shall, to the extent permitted by applicable law, promptly take all such action as may be necessary to authorize additional Preferred Stock or Capital Stock Equivalents for issuance upon exercise of the Rights, including the calling of a meeting of stockholders; and provided, further, that if the Company is unable to cause sufficient Preferred Stock or Capital Stock Equivalents to be available for issuance upon exercise in full of all of the outstanding Rights, then each Right shall thereafter represent the right to receive the Adjusted Number of Shares upon exercise of the Adjusted Purchase Price (as such terms are hereinafter defined). As used herein, the term "Adjusted Number of Shares" shall be equal to that number of whole or fractional shares of Preferred Stock (or Capital Stock Equivalents) equal to the product of (A) the number of Adjustment Shares and (B) a fraction, the numerator of which is the number of Shares of Preferred Stock (or Capital Stock Equivalents) available for issuance upon exercise of the Rights and the denominator of which is the aggregate number of Adjustment Shares otherwise issuable upon exercise in full of all Rights (assuming there were a sufficient number of shares of Preferred Stock (or Capital Stock Equivalents as the case may be) available) (such fraction being referred to as the "Proration Factor"). The "Adjusted Purchase Price" shall mean the product of the Purchase Price and the Proration Factor. The Board of Directors may, but shall not be required to, establish procedures to allocate the right to receive Shares of Preferred Stock and other Capital Stock Equivalents upon exercise of the Rights among holders of Rights.

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(b) Preferred Stock Rights or Warrants. In case the Company shall fix a record date for the issuance of rights or warrants to all holders of Preferred Stock entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Preferred Stock (or Securities convertible into the Preferred Stock or similar preferred stock) at a price per share of Preferred Stock (or having a conversion price per share of Preferred Stock, if a security convertible into Preferred Stock) less than the current market price per share of Preferred Stock (as defined in Section 11(d) hereof) on such record date, then the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction the numerator of which shall be the number of shares of Preferred Stock (whether whole or fractional) outstanding on such record date plus the number of shares of Preferred Stock that the aggregate offering price of the total number of shares of Preferred Stock and/or similar preferred stock so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price and the denominator of which shall be the number of shares of Preferred Stock (whether whole or fractional) outstanding on such record date plus the number of additional shares of Preferred Stock (whether whole or fractional) and/or similar preferred stock to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible). In case such subscription price may be paid in part or all in a form other than cash, then the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the Holders of the Rights. Shares of Preferred Stock (whether whole or fractional) owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed, and in the event that such rights or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price that would then be in effect if such record date has not been fixed.

(c) Distributions on the Preferred Stock. In case the Company shall fix a record date for the making of a distribution to all holders of Preferred Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing corporation) of evidences of indebtedness, assets (other than a regular periodic cash dividend at a rate not in excess of 125 percent of the rate of the last cash dividend theretofore paid out of the earnings or retained earnings of the Company or a dividend payable in Preferred Stock (but including any dividend payable in stock other than Preferred Stock)), securities or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), then the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction the numerator of which shall be the current market price per share of Preferred Stock (as defined in Section 11(d) hereof) on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the Holders of the Rights) of the portion of the assets, evidences of indebtedness, securities, subscription rights or warrants so to be distributed and applicable to one share of Preferred Stock and the denominator of which shall be such current market price per share of Preferred Stock (as determined pursuant to Section 11(d) hereof). Such adjustments shall be made successively whenever such a record date is fixed; and

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in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price that would then be in effect if such record date had not been fixed.

(d) Determination of Current Market Price. For the purpose of any computation hereunder:

(i) The "current market price" per share of Common Stock on any date shall be deemed to be for purposes other than Section 11 (a)(iii) hereof the average of the daily closing prices per share of such Common Stock for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date and for purposes of Section
11(a)(iii) hereof, the average of the daily closing prices per share of such Common Stock for the 10 consecutive Trading Days immediately prior to that date; provided, however, that in the event that the current market price per share of Common Stock is determined during the period following the announcement by the issuer of such Common Stock of (A) a dividend or distribution on such Common Stock payable in shares of such Common Stock or securities convertible into shares of such Common Stock (other than the Rights), or (B) any subdivision, combination or reclassification of such Common Stock, and the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, shall not have occurred prior to the commencement of the requisite 30 or 10 Trading Day period, then, and in each such case, the current market price shall be appropriately adjusted to reflect the current market price per Common Stock equivalent. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the principal national securities exchange on which the shares of the Common Stock are listed or admitted to trading or, if the shares of the Common Stock are not listed or admitted to trading on any national securities exchange, the last sale price or, if not so reported, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System (the "NASDAQ System") or such other system then in use, or, if on any such date the shares of the Common Stock are not quoted by such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Board of Directors of the Company. If on any such date no market maker is making a market in the Common Stock, the fair value of such Common Stock on such date shall be as determined in good faith by a majority of the Board (or, if at the time of such determination there is an Acquiring Person, by a nationally recognized investment banking firm selected by such majority). The term "Trading Day" shall mean a day on which the principal national securities exchange on which the shares of Common Stock are listed or admitted for trading is open for the transaction of business or, if the shares of the Common Stock are not listed or admitted for trading on any national securities exchange, a Business Day on which securities were traded in the over-the-counter market. If the Common Stock is not publicly held or not so listed or traded, "current market price" per share shall mean the fair value per share as determined in good faith by the Board of Directors, or, if at the time of such determination there is an Acquiring Person, by a nationally recognized investment banking firm, which determination shall be

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described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(ii) The "current market price" per share of Preferred Stock shall be determined in the same manner as set forth above for the Common Stock in clause (i) of this Section 11(d) (other than the last sentence thereof). If the current market price per share of Preferred Stock cannot be determined in the manner provided above or if the Preferred Stock is not publicly held or listed or traded in a manner described in clause (i) of this Section
11(d), the "current market price" per share of Preferred Stock shall be conclusively deemed to be an amount equal to 1,000 (as such number may be appropriately adjusted for such events as stock splits, stock dividends and recapitalization with respect to the Common Stock occurring after the date of this Agreement) multiplied by the current market price per share of the Common Stock. If neither the Common Stock nor the Preferred Stock is publicly held or so listed or traded, "current market price" per share of the Preferred Stock shall be determined in the same manner as set forth in the last sentence of Section 11(d)(i). For all purposes of this Agreement, the "current market price" of 1/1,000ths of a share of Preferred Stock shall be equal to the "current market price" of one share of Preferred Stock divided by 1,000.

(e) Limitation on Adjustment on Purchase Price. Notwithstanding anything herein to the contrary, no adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1 percent in such price; provided, however, that any adjustments that by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this
Section 11 shall be made to the nearest cent or to the nearest ten-thousandth of a share as the case may be. Notwithstanding the first sentence of this
Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which mandates such adjustment or (ii) the Expiration Date.

(f) If, as a result of an adjustment made pursuant to Section 11(a), the holder of any Right thereafter exercised shall become entitled to receive any Capital Stock Equivalents or other shares of capital stock of the Company other than shares of Preferred Stock, thereafter the number of such other shares so receivable upon exercise of any Right and the payment Purchase Price thereof shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Stock contained in Section 11(a) through (o), inclusive, and the provisions of Sections 7, 9, 10, 13 and 14 with respect to the Preferred Stock shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of 1/1,000ths of a share of Preferred Stock purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in
Section 11(i) hereof, upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c) hereof, each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of 1/1,000ths of a share of Preferred Stock (calculated to the nearest ten- thousandth)

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obtained by (i) multiplying (x) the number of 1/1,000ths of a share covered by a Right immediately prior to this adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights in lieu of any adjustment in the number of 1/1,000ths of a share of Preferred Stock purchasable upon the exercise of a Right. Each of the Rights outstanding, after such adjustment of the number of Rights, shall be exercisable for the number of 1/1,000ths of a share of Preferred Stock for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest ten- thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after the adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any date thereafter, but, if the Rights Certificates have been issued, shall be at least 10 Business Days later than the date of the public announcement. If Rights Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Rights Certificates on such record date Rights Certificates evidencing, subject to Section 14, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Rights Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Rights Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Rights Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein (and may bear, at the option of the Company, the adjusted Purchase Price) and shall be registered in the names of the holders of record of Rights Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of 1/1,000ths of a share of Preferred Stock issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Purchase Price per 1/1,000ths of a share and the number of 1/l,000ths of a share that were expressed in the initial Rights Certificates issued hereunder and if so, shall not affect in any way the adjustments or changes required under this Agreement.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below the then stated value, if any, of the number of 1/1,000ths of a share of Preferred Stock issuable upon exercise of the Rights, the Company shall take any corporate action that may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and non-assessable such number of 1/1,000ths of a share of such Preferred Stock at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may

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elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of 1/1,000ths of a share of Preferred Stock and Capital Stock Equivalents, if any, issuable upon such exercise over and above the number of 1/1,000ths of a share of Preferred Stock and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares (fractional or otherwise) or other securities upon the occurrence of the event requiring such adjustment.

(m) Notwithstanding anything in this Section 11 to the contrary, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that in their good faith judgment the Board of Directors of the Company shall determine to be advisable in order that any (i) consolidation or subdivision of Preferred Stock, (ii) issuance wholly for cash of any shares of Preferred Stock at less than the current market price, (iii) issuance wholly for cash of shares of Preferred Stock or securities which by their terms are convertible into or exchangeable for shares of Preferred Stock, (iv) stock dividends, or (v) issuance of rights, options or warrants referred to hereinabove in this Section 11, hereafter made by the Company to holders of its Preferred Stock shall not be taxable to such stockholders.

(n) The Company covenants and agrees that, after the Distribution Date, it will not, except as permitted by Section 23 or Section 26 hereof, take (nor will it permit any of its subsidiaries to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

(o) The Company covenants and agrees that it shall not, at any time after the Distribution Date (other than in a transaction or series of transactions that comply with Section 11(n) hereof): (i) consolidate with; (ii) merge with or into; or (iii) sell or transfer (or permit any of its subsidiaries to sell or transfer), in one or more transactions, assets or earning power aggregating more than 50 percent of the assets or earning power of the Company and its subsidiaries (taken as a whole) to any other Person if at the time of or immediately after such consolidation, merger or sale there are any rights, warrants, other instruments or securities outstanding or agreements in effect which would substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights.

(p) Notwithstanding anything in this Agreement to the contrary, in the event that the Company shall at any time after the Record Date and prior to the Distribution Date: (i) declare a dividend on the outstanding shares of Common Stock of the Company payable in shares of Common Stock of the Company, (ii) subdivide the outstanding shares of Common Stock of the Company, or (iii) combine the outstanding shares of Common Stock of the Company into a smaller number of shares, then the number of Rights associated with each share of Common Stock of the Company then outstanding, or issued or delivered thereafter but prior to the Distribution Date, shall be proportionately adjusted so that the number of Rights thereafter associated with each share of Common Stock of the Company following any such event shall equal the result obtained by multiplying the number of Rights associated with each share of Common Stock of the Company immediately prior to such event by a fraction, the numerator of which shall be the total number of shares of Common Stock of the Company outstanding

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immediately prior to the occurrence of the event and the denominator of which shall be the total number of shares of Common Stock of the Company outstanding immediately following the occurrence of such event.

(q) The exercise of Rights under Section 11(a)(ii) shall only result in the loss of rights under Section 11(a)(ii) to the extent so exercised and shall not otherwise affect the rights provided for under this Agreement, including the rights provided for by Section 13.

(r) Notwithstanding any other provision of this Agreement to the contrary, if the Company determines that a registration statement filed pursuant to
Section 9(c) hereof is required to be amended or supplemented to continue to comply with the Securities Act, then the Company may suspend the exercisability of the Rights and shall promptly after such determination take all necessary steps to cause to be effective such amended or supplemented registration statement. Immediately following such determination to amend or supplement such registration statement, and immediately following the time such amended or supplemented registration statement shall become effective, the Company shall publicly announce the suspension of the exercisability of the Rights or the termination of such suspension.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares.

Whenever an adjustment is made as provided in Section 11 and Section 13 hereof, the Company shall: (a) promptly prepare a certificate setting forth such adjustment, and a brief statement of the facts accounting for such adjustment; (b) promptly file with the Rights Agent and with each transfer agent for the Preferred Stock and the Common Stock copy of such certificate; and (c) mail a brief summary thereof to each holder of a Rights Certificate (or, if prior to the Distribution Date, to each holder of a certificate representing Shares of Common Stock) in accordance with Section 25 hereof. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment therein contained and shall not be obligated or responsible for calculating any adjustment nor shall it be deemed to have knowledge of such adjustments unless and until it shall have received such certificate.

Section 13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power.

(a) Effect on Rights. In the event that, following the Share Acquisition Date, directly or indirectly: (x) the Company shall consolidate with, or merge with and into, any other Person (other than a Subsidiary of the Company in a transaction that complies with Section 11(o) hereof) and the Company shall not be the surviving or continuing corporation of such consolidation or merger; (y) any Person (other than a Subsidiary of the Company in a transaction that complies with Section 11(o) hereof) shall consolidate with, or merge with or into, the Company, and the Company shall be the continuing or surviving corporation of such consolidation or merger and, in connection with such consolidation or merger, all or part of the outstanding Shares of Common Stock of the Company shall be changed into or exchanged for stock or other securities of any other Person or cash or any other property; or (z) the Company shall sell or otherwise transfer (or one or more of its subsidiaries shall sell or otherwise transfer), in one transaction, or a series of related transactions, assets or earning power aggregating more than 50 percent of the assets or earning power of the Company and its subsidiaries (taken as a whole) to any other Person or Persons (other than the Company or any Subsidiary of the Company in one or more transactions each of which complies with Section 11(o) hereof), then,

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and in each such case (except as may be contemplated by Section 13(d) hereof), proper provision shall be made so that: (i) each holder of a Right (except as provided in Section 7(e) hereof) shall thereafter be entitled to receive, upon the exercise thereof at the then current Purchase Price in accordance with the terms of this Agreement, such number of shares of validly authorized and issued, fully paid, non-assessable and freely tradable Common Stock of the Principal Party (as hereinafter defined), not subject to any liens, encumbrances, rights of call or first refusal, or other adverse claims as shall be equal to the result obtained by (A) multiplying the then current Purchase Price by the then number of 1/1,000ths of a share of Preferred Stock for which a Right is then exercisable immediately prior to the first occurrence of any of the events described in subsections (x), (y) or (z) of this paragraph (a) of Section 13 (each a "Section 13 Event") (or, if an event described in Section 11(a)(ii) (each a "Section 11(a)(ii) Event") has occurred prior to the first occurrence of a Section 13 Event, multiplying the number of such 1/1,000ths of a share for which a Right was exercisable immediately prior to the first occurrence of a Section 11(a)(ii) Event) by the Purchase Price in effect immediately prior to such first occurrence, and (B) dividing that product (which following the first occurrence of a Section 13 Event, shall be referred to as the "Purchase Price" for each Right and for all purposes of the Agreement) by 50 percent of the current market price per share of the Common Stock of such Principal Party (determined in the manner described in Section 11(d)(i) hereof) on the date of consummation of such Section 13 Event; (ii) the Principal Party shall thereafter be liable for, and shall assume, by virtue of such Section 13 Event, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term "Company" shall thereafter be deemed to refer to such Principal Party, it being specifically intended that the provisions of Section 11 hereof apply to such Principal Party following the first occurrence of a Section 13 Event; and (iv) such Principal Party shall take such steps (including, but not limited to, the authorization and reservation of a sufficient number of shares of its Common Stock) in connection with the consummation of any such transaction as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to the shares of its Common Stock thereafter deliverable upon the exercise of the Rights.

(b) Definition of Principal Party. The term "Principal Party" shall mean:

(i) in the case of any transaction described in subsection (x) or (y) of paragraph (a) of this Section 13, the Person that is the issuer of any securities into which shares of Common Stock of the Company are converted in such merger or consolidation, and if no securities are so issued, the Person that is the other party to the merger or consolidation; or

(ii) in the case of any transaction described in subsection (z) of paragraph (a) of this Section 13, the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions;

provided, however, that in any such case, (x) if the Common Stock of such Person is not at such time and has not been continuously over the preceding 12-month period registered under Section 12 of the Exchange Act, and such Person is a direct or indirect Subsidiary of another Person the Common Stock of which is and has been so registered, "Principal Party" shall refer to such other Person the Common Stock of which is so registered; (y) in case such Person is a Subsidiary, directly or indirectly, of more than one Person, the Common Stocks of all of which are and have been so registered, "Principal Party" shall refer to whichever of such Persons is the issuer of the

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Common Stock having the greatest market value of shares held by the public, and
(z) in case such Person is owned, directly or indirectly, by a joint venture formed by two or more Persons that are not owned, directly or indirectly, by the same Person, the rules set forth in (x) and (y) above shall apply to each of the chains of ownership having an interest in such joint venture as if such party were a "Subsidiary" of both or all of such joint venturers and the Principal Parties in each such chain shall bear the obligations sat forth in this Section 13 in the same ratio as their direct or indirect interests in such Person bear

to the total of such interests.

(c) Limitation on Consummation of Mergers. The Company shall not consummate any such consolidation, merger, sale or transfer unless the Principal Party shall have a sufficient number of authorized shares of its Common Stock that have not been issued or reserved for issuance to permit the exercise in full of all of the Outstanding Rights in accordance with this Section 13 and unless prior thereto the Company and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing for the terms set forth in paragraphs (a) and (b) of this Section 13 and further providing that, as soon as practicable after the date of any consolidation, merger or sale of assets mentioned in paragraph (a) of this Section 13, the **Principal Party will:**

(i) prepare and file a registration statement under the Securities Act, with respect to the Rights and the securities purchasable upon exercise of the Rights on an appropriate form, will use its best efforts to cause such registration statement to (A) become effective as soon as practicable after such filing, and (B) will use its best efforts to cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the date of expiration of the Rights and will use its best efforts to comply with all applicable State blue sky and other securities laws; and

(ii) deliver to holders of the Rights historical financial statements for the Principal Party and each of its Affiliates which comply in all respects with the requirements for registration under the Exchange Act.

The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers. In the event that a Section 13 Event shall occur at any time after the occurrence of a Section 11(a)(ii) Event, the Rights which have not theretofore been exercised shall thereafter become exercisable in the manner described in Section 13(a).

(d) Permitted Offers. Notwithstanding anything in this Agreement to the contrary, Section 13 shall not be applicable to a transaction described in subsections (x) and (y) of paragraph (a) of this Section 13 if: (i) such transaction is consummated with a Person or Persons who acquired shares of Common Stock pursuant to a Permitted Offer (or a wholly owned subsidiary of any such Person or Persons); (ii) the price per share of Common Stock of the Company offered in such transaction is not less than the price per Common Share of the Company paid to all holders of Common Stock of the Company whose shares were purchased pursuant to such Permitted Offer; and (iii) the form of consideration being offered to the remaining holders of Common Stock of the Company pursuant to such transaction is the same as the form of consideration paid pursuant to such Permitted Offer. Upon consummation of such transaction contemplated by this paragraph (d), all Rights hereunder shall expire.

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Section 14. Fractional Rights and Fractional Shares.

(a) Issuance of Fractional Rights. The Company shall not be required to issue fractions of Rights, except prior to the Distribution Date in accordance with Section 11(p) hereof, or to distribute Rights Certificates that evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Rights Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price of the Rights for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last sale price or, if not so quoted, the average of the high bid and low asked prices in the over- the-counter market, as reported by the NASDAQ System or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date shall be as determined in good faith by the Board, or, if at the time of such determination there is an Acquiring Person, by a nationally recognized investment banking firm selected by such majority.

(b) Issuance of Certain Fractional Shares of Preferred Stock. The Company shall not be required to issue fractions of shares of Preferred Stock (other than fractions that are integral multiples of 1/1,000ths of a share of Preferred Stock) upon exercise of the Rights or to distribute certificates which evidence fractional shares (other than fractions that are integral multiples of 1/1,000ths of a share of Preferred Stock). In lieu of fractional shares that are not integral multiples of 1/1,000ths of a share of Preferred Stock, the Company may pay to the registered holders of Rights Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of 1/1,000ths of a share of Preferred Stock. For purposes of this Section 14(b), the current market value of 1/1,000ths of a share of Preferred Stock shall be 1/1,000ths of the closing price of a share of Preferred Stock (as determined pursuant to Section 11(d)(ii) for the Trading Day immediately prior to the date of such exercise.

(c) Following the occurrence of a Triggering Event the Company shall not be required to issue fractions of shares of its Common Stock upon exercise of the Rights or to distribute certificates which evidence fractional shares of such Common Stock. In lieu of fractional shares of such Common Stock, the Company may pay to the registered holders of Rights Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one (1) share of a the Common Stock of the Company. For purposes of this Section 14(c), the current market value of one share of Common Stock shall be the closing price of one share of Common Stock (as determined

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pursuant to Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of such exercise.

(d) The holder of a Right by the acceptance of the Right expressly waives his right to receive any fractional Rights or any fractional shares upon exercise of a Right except as permitted by this Section 14.

Section 15. Rights of Action.

All rights of action in respect of this Agreement are vested in the respective registered holders of the Rights Certificates (and, prior to the Distribution Date, the registered holders of the Common Stock); and any registered holder of any Rights Certificate (or, prior to the Distribution Date, of the Common Stock), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Rights Certificate in the manner provided in such Rights Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of, the obligations of any Person subject to this Agreement.

Section 16. Agreement of Right Holders.

Every holder of a Right by accepting the same consents and agrees with the Company and the Rights Agents and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of the Common Stock;

(b) after the Distribution Date, the Rights Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office of the Rights Agent, duly endorsed or accompanied by a proper instrument of transfer and with the appropriate forms and certificates fully executed;

(c) subject to Section 6(a), Section 7(e) and Section 7(f) hereof, the Company and the Rights Agent may deem and treat the Person in whose name the Rights Certificate (or, prior to the Distribution Date, the associated Common Stock certificate) is registered on the registration books of the Company as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Rights Certificates or the associated Common Stock certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent, subject to the last sentence of Section 7(e) hereof, shall be required to be affected by any notice to the contrary; and

(d) notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any

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preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; provided, however, the Company must use its best efforts to have any such order, decree or ruling lifted or otherwise overturned as soon as possible.

Section 17. Rights Certificate Holder Not Deemed a Stockholder.

No holder, as such, of any Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the number of shares of Preferred Stock or any other securities of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed to confer upon the holder of any Rights Certificate, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 24), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Rights Certificates shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent.

(a) The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability or expense incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the cost and expenses of defending against any claim of liability in the premises and reasonable counsel fees and expenses. The indemnification provided herein shall survive the expiration of the Rights and the termination of this Agreement.

(b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any Rights Certificate or certificate for the Common Stock or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons or otherwise upon the advice of counsel as set forth in Section 20 hereof.

(c) Anything in this Agreement to the contrary notwithstanding, in no event shall the Rights Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Rights Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

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Section 19. Merger or Consolidation or Change of Name of Rights Agent.

(a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation, succeeding to the corporate trust, stock transfer or other stockholder services business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided, however, that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Rights Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificate so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, any successor Rights Agent may countersign such Rights Certificates in its name as the successor Rights Agent; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

(b) In case at any time the name of the Rights Agent shall be changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

Section 20. Duties of Rights Agent.

The Rights Agent undertakes only the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Rights Certificates, by their acceptance thereof, shall be bound and no implied duties shall be read into this Agreement against the Rights Agent:

(a) The Rights Agent may consult with the legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, the President, any Vice President, the Treasurer, any assistant Treasurer, the Secretary, or any assistant Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

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(c) The Rights Agent shall be liable hereunder only for its own gross negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for, or by reason of, any of the statements of fact or recitals contained in this Agreement or in the Rights Certificates (except as to its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Rights Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Rights Certificate; nor shall it be responsible for any adjustment required under the provisions of Section 11 or Section 13 hereof or be responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights evidenced by Rights Certificates after actual notice of any such adjustment); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of Common Stock or Preferred Stock to be issued pursuant to this Agreement or any Rights Certificate or as to whether any shares of the Common Stock or Preferred Stock will, when so issued, be validly authorized and issued, fully paid and non-assessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may be reasonably required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the Board, the President, any Vice President, the Treasurer, any assistant Treasurer, the Secretary, or any assistant Secretary of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with instructions of any such officer. Any application by the Rights Agent for written instructions from the Company with respect to any matter about which the Rights Agent is reasonably uncertain as to its responsibilities hereunder, may, at the option of the Rights Agent, set forth in writing any action proposed to be taken or omitted by the Rights Agent under this Agreement and the date on and/or after which such action shall be taken or such omission shall be effective. The Rights Agent shall not be liable for any action taken by, or omission of, the Rights Agent in accordance with a proposal included in any such application on or after the date specified in such application (which date shall not be less than five Business Days after the date any such officer of the Company actually receives such application, unless any such officer shall have consented in writing to an earlier date) unless, prior to taking any such action (or the effective date in the case of an omission), the Rights Agent shall have received written instructions in response to such application specifying the action to be taken or omitted.

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(h) The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct provided that reasonable care was exercised in the selection and continued employment thereof.

(j) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

(k) If, with respect to any Rights Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the form of assignment or form of election to purchase, as the case may be, has either not been completed or indicated an affirmative response to clause 1 and/or 2 thereof, the Rights Agent shall not take any further action with respect to such requested exercise of transfer without receiving written instructions of the Company.

(l) The Rights Agent shall have no responsibility to the Company, holders of Rights, any holders of Common Stock or any holders of Preferred Stock for interest or earnings or any monies held by the Rights Agent pursuant to and in compliance with this Agreement.

(m) The Rights Agent shall not be required to take notice or been deemed to have notice of any fact, event or determination (including, without limitation, any dates or events defined in this Agreement or the designation of any Person as an Acquiring Person, Affiliate or Associate) under this Agreement unless and until the Rights Agent shall be specifically notified in writing by the Company of such fact, event or determination, and all notices shall be effective if given in accordance with Section 25 hereof, and in the absence of such notice the Rights Agent may conclusively assume that no such event or condition exists.

Section 21. Change of Rights Agent.

The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement and upon 30 days notice in writing mailed to the Company and to each transfer agent of the Preferred Stock and the Common Stock by registered or certified mail, and to the holders of the Rights Certificates by first class mail. The Company may remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Preferred Stock and the Common Stock by registered or certified mail, and to the holders of the Rights Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall

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otherwise become incapable of acting, the Company shall appoint a successor Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Rights Certificate (who shall, with such notice, submit his Rights Certificate for inspection by the Company), then the registered holder of any Rights Certificate or the resigning Rights Agent may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be: (i) a corporation organized, existing and doing business under the laws of the United States or of any state of the United States, in good standing, which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least $50 million; or (ii) an Affiliate of a corporation described in clause (i) of this sentence. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed and the duties and obligations of the resigning Rights Agent shall cease and terminate; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Preferred Stock and the Common Stock, and mail a notice thereof in writing to the registered holders of the Rights Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity

of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Rights Certificates.

Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price per share and the number or kind or class of shares or other securities or property purchasable under the Rights Certificates made in accordance with the provisions of this Agreement. In addition, in connection with the issuance or sale of shares of Common Stock of the Company following the Distribution Date and prior to the redemption or expiration of the Rights, the Company (a) shall, with respect to such shares of Common Stock so issued or sold pursuant to the exercise of stock options or under any employee plan or arrangement granted or awarded prior to or as of the Distribution Date, or upon the exercise, conversion or exchange of securities hereinafter issued by the Company, and (b) may, in any other case, if deemed necessary or appropriate by the Board of Directors of the Company, issue Rights Certificates representing the appropriate number of Rights in connection with such issuance or sale; provided, however, that (i) no such Rights Certificate shall be issued if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or the Person to whom such Rights Certificates would be issued, and (ii) no such Rights Certificate shall be issued if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof.

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Section 23. Redemption and Termination.

(a) The Board of Directors of the Company may, at its option, at any time prior to 5:00 p.m., New York, New York time, on the earlier of (x) the Share Acquisition Date (or if the Share Acquisition Date shall have occurred prior to the Record Date, the close of business on the tenth day following the Record Date) or (y) the Final Expiration Date, redeem all but not less than all of the then outstanding Rights at a redemption price of $0.0005 per Right as such amount may be appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"), provided, however, that if, following the occurrence of a Share Acquisition Date but prior to any event described in Section 13(a), either (x) in connection with any event specified in Section 13(a) in which all holders of Common Stock are treated alike and not involving (other than as a holder of Common Stock being treated like all other such holders) an Acquiring Person or an Affiliate or Associate of an Acquiring Person or any other person in which such Acquiring Person, Affiliate or such Associate has any interest, or any other Person acting directly or indirectly on behalf of or in association with any such Acquiring Person, Affiliate or Associate, or (y) following the occurrence of an event set forth in, and the expiration of any period during which the holders of Rights may exercise the Rights under, Section 11(a)(ii) if each of the following shall have occurred and remain in effect: (i) such Section 11(a)(ii) Event shall be deemed inadvertent as determined by the Board in its discretion taking into account all such factors as the Board deems relevant; (ii) a Person who is an Acquiring Person shall have transferred or otherwise disposed of a number of shares of Common Stock in a transaction, or series of transactions, which did not result in the occurrence of a Triggering Event such that such Person is thereafter a Beneficial Owner of 10 percent or less of the outstanding shares of Common Stock of the Company, (iii) there are no other Persons, immediately following the occurrence of the event described in clause (ii) hereof, who is Acquiring Persons, and (iv) the transfer or other disposition described in clause (ii) hereof, above was other than pursuant to a transaction, or series of transactions, which directly or indirectly involved the Company or any of its Subsidiaries, then the right of redemption shall be reinstated and thereafter be subject to the provisions of this Section 23.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price. Promptly after the action of the Board of Directors ordering the redemption for the Rights, the Company shall file with the Rights Agent evidence of such action by the Board of Directors and shall give notice of such redemption to the holders of the then outstanding Rights by mailing such notice to each such holder at such holder's last address as it appears upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the Transfer Agent for the Common Stock of the Company. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in this Section 23, and other than in connection with the purchase of Common Stock of the Company prior to the Distribution Date.

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Section 24. Notice of Certain Events.

(a) In case the Company shall propose at any time following the Distribution Date: (i) to pay any dividend payable in stock of any class to the holders of Preferred Stock or to make any other distribution to the holders of Preferred Stock (other than a regular periodic cash dividend at a rate not in excess of 125 percent of the rate of the last cash dividend theretofore paid);
(ii) to offer to the holders of Preferred Stock rights or warrants to subscribe for or to purchase any additional shares of Preferred Stock or shares of stock of any class or any other securities, rights or options; (iii) to effect any reclassification of Preferred Stock (other than a reclassification involving only the subdivision of outstanding shares of Preferred Stock); (iv) to effect any consolidation or merger into or with any other Person (other than a Subsidiary of the Company in a transaction or transactions that comply with
Section 11(o) hereof); (v) to effect any sale or other transfer (or to permit one or more of its subsidiaries to effect any sale or other transfer), in one or more transactions, of more than 50 percent of the assets or earning power of the Company and its subsidiaries (taken as a whole) to, any other Person (other than a Subsidiary of the Company in a transaction or transactions that comply with
Section 11(o) hereof); or (vi) to effect the liquidation, dissolution or winding up of the Company, then, in each such case, the Company shall give to each holder of a Rights Certificate, in accordance with Section 25, a notice of such proposed action, which shall specify the record date for, and the purposes of, such stock dividend, distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the Preferred Stock, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least twenty days prior to the record date for determining holders of Preferred Stock for purposes of such action, and in the case of any such other action, at least twenty days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Preferred Stock, whichever shall be earlier.

(b) In case any of the events set forth in Section 11(a)(ii) of this Agreement shall occur, then, in any such case; (i) the Company shall, as soon as practicable thereafter, give to each holder of a Rights Certificate, in accordance with Section 25 and to the extent feasible, a notice of the occurrence of such event, which shall specify the event and the consequences of the event to holders of Rights under Section 11(a)(ii); and (ii) all references in the preceding paragraph to Preferred Stock shall be deemed to thereafter refer to Common Stock and/or other securities, as the case may be.

Section 25. Notices.

Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Rights Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Stilwell Financial Inc.
Attn.: President
920 Main Street
Kansas City, Missouri 64105

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Subject to the provisions of Section 21, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Rights Certificate to or on the Rights Agent shall be sufficiently given or made upon receipt if sent by registered or certified mail, postage prepaid, return receipt requested addressed (until another address is filed in writing with the Company) as follows:

UMB Bank, N.A., as Rights Agent Attn.: Corporate Trust Department P.O. Box 417015
Kansas City, Missouri 64141-7015

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Rights Certificate shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 26. Supplements and Amendments.

Prior to the Distribution Date and subject to the penultimate sentence of this Section 26, the Company and the Rights Agent shall, if the Company so directs, supplement or amend any provision of this Agreement without the approval of any holders of Rights Certificates. From and after the Distribution Date and subject to the penultimate sentence of this Section 26, the Company and the Rights Agent shall, if the Company so directs, supplement, amend, remove any provision of this Agreement without approval of any holders of Rights in order:
(i) to cure any ambiguity; (ii) to correct or supplement any provision contained herein that may be defective or inconsistent with any other provisions herein;
(iii) to shorten or lengthen any time period hereunder (which lengthening or shortening, following the first occurrence of an event set forth in clauses (i) and (ii) of the first provision to Section 23(a) hereof, shall be effective only if approved by at least 70 percent of the then members of the Board); or (iv) to change or supplement the provisions hereunder in any manner which the Company may deem necessary or desirable and which shall not adversely affect the interests of the holders of Rights Certificates (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person); provided, this Agreement may not be supplemented or amended to lengthen, pursuant to clause (iii) of this sentence, (A) a time period relating to when the Rights may be redeemed at such time as the Rights are not then redeemable, or (B) any other time period unless such lengthening is for the purpose of protecting, enhancing or clarifying the rights of, and/or the benefits to, the holders of Rights. Upon the delivery of a certificate from an appropriate officer of the Company and an opinion of counsel reasonably acceptable to the Rights Agent that state that the proposed supplement or amendment is in compliance with the terms of this Section 26, the Rights Agent shall execute such supplement or amendment unless the Rights Agent shall have determined in good faith that such supplement or amendment would adversely affect its interests under this Agreement. Notwithstanding anything contained in this Agreement to the contrary, no supplement or amendment shall be made which changes the Redemption Price, the Final Expiration Date, the Purchase Price or the number of 1/1,000ths of a share of Preferred Stock for which a Right is exercisable. Prior to the Distribution Date, the interests of the holders of Rights shall be deemed coincident with the interests of the holders of Common Stock of the Company.

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Section 27. Successors.

All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 28. Determination and Actions by the Board of Directors, etc.

For all purposes of this Agreement, any calculation of the number of shares of Common Stock of the Company outstanding at any particular time, including for purposes of determining the particular percentage of such outstanding shares of Common Stock of the Company of which any Person is the Beneficial Owner, shall be made in accordance with the provisions of Rule 13d-3(d)(l)(i) of the General Rules and Regulations under the Exchange Act. The Board of Directors of the Company shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board or the Company, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (i) interpret the provisions of this Agreement, and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement (including a determination to redeem or not redeem the Rights or to amend the Agreement). All such actions, calculations, interpretations and determinations (including, for the purpose of clause (ii) below, all omissions with respect to the foregoing which are done or made by the Board) in good faith, shall (i) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights Certificates and all other parties, and (ii) not subject to the Board to any liability to the holders of the Rights Certificates.

Section 29. Benefits of this Agreement.

Nothing in this Agreement shall be construed to give any Person other than the Company, the Rights Agent and the registered holders of the Rights Certificates any legal or equitable right, remedy or claim under this Agreement; and this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Rights Certificates.

Section 30. Severability.

If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated; provided, however, that notwithstanding anything in this Agreement to the contrary, if any such term, provision, covenant or restriction is held by such court or authority to be invalid, void or unenforceable and the Board of Directors of the Company determines in its good faith judgment that severing the invalid language from this Agreement would adversely affect the purpose or effect of this Agreement, the right or redemption set forth in Section 23 hereof shall be reinstated and shall not expire until the close of business on the tenth day following the date of such determination by the Board of Directors. Without limiting the foregoing, if any provision requiring a majority of the Board of Directors of the Company to be Continuing Directors to act is held by any court of competent jurisdiction or other authority to be invalid, void or unenforceable, such determination

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shall then be made by the Board of Directors of the Company in accordance with applicable law and the Company's Certificate of Incorporation and By-Laws.

Section 31. Governing Law.

This Agreement, each Rights Certificate and each Right issued hereunder shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State, except for Sections 18, 19, 20 and 21 hereof and relating to the rights, duties and obligations of the Rights Agent, which shall be governed by the laws of the State of Missouri without reference to its choice of law rules.

Section 32. Counterparts.

This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 33. Descriptive Headings.

Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS HEREOF, the parties hereto have caused this Agreement to be duly executed and attested all as of the day and year first above written.

STILWELL FINANCIAL INC.

Attest:

By:/s/ Danny R. Carpenter
Name: Danny R. Carpenter
Title: Secretary

By: /s/ Landon H. Rowland
Name: Landon H. Rowland
Title: President and Chief Executive Officer

UMB BANK, N.A., AS RIGHTS AGENT

Attest:

/s/ Randy S. McPhail
Name: Randy S. McPhail
Title: Assistant Secretary

By: /s/ Frank C. Bramwell
Name: Frank C. Bramwell
Title: Senior Vice President

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EXHIBIT A

FORM OF

CERTIFICATE OF DESIGNATION

OF

STILWELL FINANCIAL INC.

SERIES A PREFERRED STOCK

Stilwell Financial Inc., a corporation organized and existing under and by virtue of The General and Business Corporation Law of Delaware, DOES HEREBY CERTIFY:

That at a meeting of the Board of Directors of Stilwell Financial Inc. the following resolution was duly adopted creating 1,000,000 shares of Preferred Stock, designated as Series A Preferred Stock.

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation in accordance with the provisions of the Certificate of Incorporation, as amended (the "Certificate of Incorporation"), a series of Series A Preferred Stock of the Corporation be, and it hereby is created, and the designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of such series, and the qualifications, limitations or restrictions thereof (in addition to the provisions set forth in the Certificate of Incorporation, which are applicable to the Preferred Stock) are as follows:

1. Designation and Amount. The shares of such series shall be designated as "Series A Preferred Stock" and the number of shares initially constituting such series shall be 1,000,000.

2. Dividends and Distributions.

(A) Subject to any prior and superior rights of the holders of any series of Preferred Stock ranking prior and superior to the shares of Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock shall be entitled prior to the payment of any dividends on shares ranking junior to the Series A Preferred Stock to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $10.00 or (b) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock, par value $0.001 per share, of the

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Corporation (the "Common Stock") or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time after June 14, 2000 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. Such adjustment shall be made successively whenever such a dividend or change in the Common Stock is consummated.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided, that in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $10.00 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued ant payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each 1/1,000th share of Series A Preferred Stock shall entitle the holder thereof to one vote on all matters voted on at a meeting of the stockholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, or (ii) subdivide the outstanding Common

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Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. Such adjustment shall be made successively whenever such a dividend or change in the Common Stock is consummated.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters voted on at a meeting of stockholders of the Corporation.

(C) Except as set forth herein, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of capital stock of the Corporation ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of capital stock of the Corporation ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any capital stock of the Corporation ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock; provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any capital stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Preferred Stock or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights

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and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of capital stock of the Corporation unless the Corporation could, under paragraph (A) of this

Section 4, purchase or otherwise acquire such shares at such time and in such manner.

5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

6. Liquidation, Dissolution or Winding Up.

(A) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, no distribution shall be made on any shares of capital stock of the Corporation that rank junior (whether as to dividends or upon liquidation, dissolution or winding up) to Series A Preferred unless prior thereto the holders of Series A Preferred Shares shall have received an amount equal to 1,000 times the aggregate amount to be distributed per share to holders of the common stock.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A liquidation preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity with the Series A Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences.

(C) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

7. Merger; Consolidation. etc. In case the Corporation shall enter into any merger, consolidation, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1,000 times the aggregate amount of stock, securities, cash and/or other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common

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Stock into a smaller number of shares, then, in each such case, the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

8. No Redemption. The Series A Preferred Stock shall not be redeemable.

9. Ranking. The Series A Preferred Stock shall rank on a parity with all other series of the Corporation's Preferred Stock as to the payment of dividends and other distribution of assets, unless the terms of any such other series shall provide otherwise.

10. Amendment. The Certificate of Incorporation of the Corporation shall not be further amended in any manner that would materially alter or change the powers, preferences, rights, qualifications, limitations and restrictions of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Preferred Stock, voting separately as a class.

11. Fractional Shares. Series A Preferred Stock may be issued in fractions of a share, which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock.

IN WITNESS HEREOF, this Certificate of Designation is executed on behalf of the Corporation by its President and Chief Executive Officer and attested by its Secretary this 14th day of June, 2000.

STILWELL FINANCIAL INC.

By:

Landon H. Rowland President and Chief Executive Officer

ATTEST:

Danny R. Carpenter
Secretary

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STATE OF MISSOURI)
)
ss.
COUNTY OF JACKSON)

Before me, the undersigned Notary Public in and for said county and state, this day personally appeared Landon H. Rowland, personally known to me to be the President and Chief Executive Officer of STILWELL FINANCIAL INC. and who executed the foregoing instrument as President and Chief Executive Officer of Stilwell Financial Inc., and being first duly sworn, acknowledged reading in full and fully understanding the foregoing, acknowledged the facts therein stated to be true and correct, and who further acknowledged the execution of the same as the voluntary act of the Corporation.

Witness my hand and seal this day of June, 2000.

Notary Public

My Commission Expires:

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EXHIBIT B

FORM OF RIGHTS CERTIFICATE

Certificate No. A- [_____] Rights

NOT EXERCISABLE AFTER [_____] OR EARLIER IF REDEEMED BY THE COMPANY. THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE COMPANY, AT $[_____] PER RIGHT ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. UNDER CERTAIN CIRCUMSTANCES, RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON (AS SUCH TERM IS DEFINED IN THE RIGHTS AGREEMENT) AND ANY SUBSEQUENT HOLDER OF SUCH RIGHTS MAY BECOME NULL AND VOID. [THE RIGHTS PRESENTED BY THIS RIGHTS CERTIFICATE ARE OR WERE BENEFICIALLY OWNED BY A PERSON WHO WAS OR BECAME AN ACQUIRING PERSON OR AN ASSOCIATE OR AFFILIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT). ACCORDINGLY, THIS RIGHTS CERTIFICATE AND THE RIGHTS REPRESENTED HEREBY MAY BECOME NULL AND VOID IN THE CIRCUMSTANCES SPECIFIED IN SECTION 7(e) OF THE RIGHTS AGREEMENT.]/*/

RIGHTS CERTIFICATE

This certifies that [_____], or registered assigns is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement dated as of [_____], 2000 (the "Rights Agreement") between Stilwell Financial Inc., a Delaware corporation (the "Company"), and UMB Bank, N.A., a national banking association organized and existing under the laws of the United States of America (the "Rights Agent"), to purchase from the Company at any time prior to 5:00 P.M. (New York, New York time) on [_____] at the principal office or offices of the Rights Agent designated for such purpose, or its successors as Rights Agent, 1/1,000ths of a fully paid nonassessable share of the Series A Preferred Stock (the "Preferred Stock"), of the Company, at a purchase price of $[_____] per 1/1,000ths of a share (the "Purchase Price"), upon presentation and surrender of this Rights Certificate with the Form of Election to Purchase and related Certificate duly executed. The number of Rights evidenced by this Rights Certificate (and the number of shares which may be purchased upon exercise thereof) set forth above, and the Purchase Price per 1/1,000ths share set forth above, are the number and Purchase Price as of [_____], 2000, based on the Preferred Stock of the Company as constituted at such date.

Upon the occurrence of a transaction listed in Section 11(a)(ii) (a "Section 11(a)(ii) Event"), if the Rights evidenced by this Rights Certificate are beneficially owned by (i) an

/*/ The portion of the legend in brackets shall be inserted only if applicable and shall replace the preceding sentence.

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Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined in the Rights Agreement), (ii) a transferee of any such Acquiring Person, Associate or Affiliate, or (iii) under certain circumstances specified in the Rights Agreement, a transferee of a person who after such transfer, became an Acquiring Person, or an Affiliate or Associate of an Acquiring Person, such Rights shall become null and void and no holder hereof shall have any right with respect to such Rights from and after the occurrence of such Section 11(a)(ii) Event.

As provided in the Rights Agreement, the Purchase Price and the number and kind of shares of Preferred Stock or other securities which may be purchased upon the exercise of the Rights evidenced by this Rights Certificate are subject to modification and adjustment upon the happening of certain events.

This Rights Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Rights Certificates, which limitation of rights include the temporary suspension of the exercisability of such Rights under the specific circumstances set forth in the Rights Agreement. Copies of the Rights Agreement are on file at the above-mentioned office of the Rights Agent and are also available upon written request to the Rights Agent.

This Rights Certificate, with or without other Rights Certificates, upon surrender at the office or offices the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of 1/1,000ths of a share of Preferred Stock as the Rights evidenced by the Rights Certificate or Rights Certificates surrendered shall have entitled such holder to purchase. If this Rights Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate may be redeemed by the Company at its options at a redemption price of $0.0005 per Right.

No fractional shares of Preferred Stock will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which are integral multiples of 1/1,000ths of a share of Preferred Stock), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Rights Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of Preferred Stock or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or, to receive notice of meetings or other action affecting stockholders

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(except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Right evidenced by this Rights Certificate shall have been exercised as provided in the Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal. Dated as of this [_____] day of [_____], 2000.

[SEAL] STILWELL FINANCIAL INC.

By:_____
Title: President

ATTEST:

_____
Title: Secretary

Countersigned:

[RIGHTS AGENT]

By:_____
Authorized Signature

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[Form of Reverse Side of Rights Certificate]

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Rights Certificates.)

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto_____
(Please print name and address of transferee)

this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the within Rights Certificate on the books of the within-named Company, with full power of substitution.

Dated:_____

Signature Signature Guaranteed:

CERTIFICATE

The undersigned hereby certifies by checking the appropriate boxes that:

(1) this Rights Certificate is is not being sold, assigned and transferred by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined pursuant to the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, the undersigned did did not acquire the Rights evidenced by this Rights Certificate from any Person who is, was or subsequently became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated:_____

Signature Signature Guaranteed:

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NOTICE

The signature to the foregoing Assignment and Certificate must correspond to the name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.

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FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise Rights represented by the Rights Certificate)

To:_____

The undersigned hereby irrevocably elects to exercise _____ Rights represented by this Rights Certificate to purchase the shares of Preferred Stock issuable upon the exercise of the Rights (or such other securities of the Company or of any other person which may be issuable upon the exercise of the Rights) and requests that certificates for such shares be issued in the name of and delivered to:

Please insert social security
or other identifying number

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance remaining of such Rights shall be registered in the name of and delivered to:

Please insert social security
or other identifying number

(Please print name and address)

Dated:_____, _____

Signature

Signature Guaranteed:

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CERTIFICATE

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights evidenced by this Rights Certificate are are not being exercised by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined pursuant to the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, the undersigned did did not acquire the Rights evidenced by this Rights Certificate from any Person who is, was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated:_____, 2000

Signature

Signature Guaranteed:

NOTICE

The signature to the foregoing Election to Purchase and Certificate must correspond to the name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.

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EXHIBIT C

DETAILED SUMMARY OF RIGHTS TO PURCHASE SERIES A PREFERRED STOCK

On June 14, 2000, the Board of Directors of Stilwell Financial Inc. (the "Company") declared a dividend distribution of one Right for each outstanding share of the Company's Common Stock, $0.01 par value per share (the "Common Stock"), of the Company to the stockholders of record on June 28, 2000, (the Record Date"). Each Right entitles the registered holder to purchase from the Company 1/1,000ths of a share of Series A Preferred Stock the ("Preferred Stock") or in some circumstances, Common Stock, other securities, cash or other assets as summarized below at a price of $200 per share (the "Purchase Price"), (both shares and price are subject to adjustment as described below). The complete terms and conditions of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the Company and UMB Bank, N.A., dated as of June 14, 2000, as may be amended from time to time. Capitalized terms not defined herein are defined in the Rights Agreement.

Each share outstanding on the Record Date will receive one Right. Until the Distribution Date (or the earlier redemption or expiration of the Rights), shares of Common Stock issued (whether newly issued or from treasury) will have the Rights automatically attached. Following the Distribution Date, shares of Common Stock issued will be accompanied by Rights only in certain instances.

In the event that a Person or group of affiliated or associated persons (an "Acquiring Person") becomes the beneficial owner of or announces a tender or exchange offer for 15 percent or more of the outstanding shares of Common Stock of the Company, proper provision shall be made so that each holder of a Right, other than of Rights that are or were beneficially owned by the Acquiring Person (which will thereafter be null and void), will thereafter have the right to receive upon exercise that number of shares of the Preferred Stock (or in certain circumstances, Common Stock or assets or other securities of the Company) having a market value of two times the exercise price of the Right. In the event that the Company were acquired in a merger or other business combination transaction (other than pursuant to a Permitted Offer) or more than 50 percent of the Company's (together with its subsidiaries) assets or earning power were sold, proper provision shall be made so that each holder of a Right, other than of Rights that are or were beneficially owned by an Acquiring Person (which will thereafter be null and void) shall thereafter have the right to receive, upon the exercise thereof at the then current exercise price of the Right, that number of shares of the highest priority voting securities of the acquiring company (or certain of its affiliates) that at the time of such transaction would have a market value of two times the exercise price of the Right. If the Rights are exercised to acquire the Preferred Stock, then the Rights will not be exercisable to acquire the securities of any Acquiring Person.

Until ten calendar days following the earlier to occur of (unless extended by the Board of Directors and subject to the earlier redemption or expiration of the Rights): (i) the date of a public announcement that an Acquiring Person acquired, or obtained the right to acquire, beneficial ownership of 15 percent or more of the outstanding shares of the Common Stock of the Company, or (ii) the commencement or announcement of an intention to make a tender offer or exchange offer that would result in an Acquiring Person beneficially owning 15 percent or

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more of such outstanding shares of Common Stock of the Company (the earlier of such dates being called the "Distribution Date"), the Rights will be evidenced, with respect to any of the Company's Common Stock certificates outstanding as of the Record Date, by such Common Stock certificate. The certificates for shares of Common Stock issued after the Record Date, but prior to the Distribution Date will have a notation referencing the Rights Agreement. The Rights Agreement provides that, until the Distribution Date, the Rights will be transferred with and only with the Company's Common Stock, and until the Distribution Date (or earlier redemption or expiration of the Rights), the surrender for transfer of any of the Company's Common Stock certificates outstanding as of the Record Date, will also constitute the transfer of the Rights associated with the Common Stock represented by such certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Rights Certificates") will be mailed to holders of record of the Company's Common Stock as of the close of business on the Distribution Date and such separate Rights Certificates alone will evidence the Rights.

Permitted Offer is defined in the Rights Agreement as a tender offer that is for all outstanding Common Stock of the Company at a price and on terms determined to be adequate prior to the purchase of shares under such tender or exchange offer, by at least 70% of the members of the Board of Directors of the Company, taking into account all factors that such directors deem relevant including, without limitation, prices that could reasonably be achieved if the Company or its assets were sold on an orderly basis designed to realize maximum value and otherwise in the best interests of the Company and its stockholders (other than the Person or any Affiliate or Associate thereof for whose benefit the offer is being made).

The Purchase Price payable, and the number of shares of Preferred Stock (or Common Stock, other securities, cash or other assets, as the case may be) issuable upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of the Preferred Stock, (ii) upon the grant to holders of the Preferred Stock of certain rights or warrants to subscribe for shares of the Preferred Stock or convertible securities at less than the current market price of the Preferred Stock or (iii) upon the distribution to holders of the Preferred Stock of evidences of indebtedness or assets (excluding regular periodic cash dividends out of earnings or retained earnings or dividends payable in the Preferred Stock) or of subscription rights or warrants (other than those referred to above).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1 percent in such Purchase Price. No fractional shares will be issued (other than fractional shares which are integral multiples of 1/1,000ths of a share of Preferred Stock) and, in lieu thereof, an adjustment in cash will be made based on the market price of the Preferred Stock on the last Trading Date prior to the date of exercise.

The Rights are not exercisable until the Distribution Date. The Rights will expire on June 14, 2010, unless earlier redeemed by the Company as described below.

At any time prior to 5:00 p.m. New York, New York time on the tenth calendar day after the first date after the public announcement that an Acquiring Person has acquired beneficial ownership of 15 percent or more of the outstanding shares of the Common Stock of the

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Company (the "Share Acquisition Date"), the Company may redeem the Rights in whole, but not in part, at a price of $0.0005 per Right (the "Redemption Price"). Following the Share Acquisition Date, but prior to an event listed in Section 13(a) of the Rights Agreement (i.e. a merger, consolidation or sale of more than 50 percent of the assets or earnings power of the Company and its subsidiaries), the Company may redeem the Rights in connection with any event specified in Section 13(a) in which all stockholders are treated alike and which does not include the Acquiring Person or its Affiliates or Associates. In addition, the Company's right of redemption may be reinstated following an inadvertent trigger of the Rights (as determined by the Board) if an Acquiring Person reduces its beneficial ownership to 10 percent or less of the outstanding shares of Common Stock of the Company in a transaction or series of transactions not involving the Company. Immediately upon the action of the Board of Directors of the Company electing to redeem the Rights, the Company shall make announcement thereof, and upon such election, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends. While the distribution of the Rights will not be taxable to stockholders of the Company, stockholders may, depending on the circumstances, recognize taxable income in the event that the Rights become exercisable for the Preferred Stock (or other securities, as the case may be) of the Company.

Prior to the Distribution Date the Company may amend or supplement any provision of the Rights Agreement without the consent of the holders of the Rights. Following the Distribution Date, the Company may amend the provisions of the Rights Agreement in order to cure any ambiguity, to correct any defect or inconsistency, to make changes deemed necessary or desirable so long as such changes do not adversely affect the interests of the holders of the Rights (excluding the interests of any Acquiring Person and its affiliates and associates). In either case, however, the Company may not amend or supplement the Rights Agreement to change or supplement the Redemption Price, Final Expiration Date, the Purchase Price or the number of 1/1,000ths of a share of Preferred Stock for which a Right is exercisable.

The Rights may have the effect of impeding a change in control of the Company without the prior consent of the Company's Board of Directors, and the Rights could cause substantial dilution to a person that attempts to acquire the Company without conditioning the offer on redemption of the Rights by the Company's Board of Directors or on the acquisition by such person of a substantial number of Rights.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 10 dated June 15, 2000. A copy of the Rights Agreement is available free of charge from the Company by written request to Stillwell Financial, Inc., 920 Main Street, Kansas City, Missouri 64105. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is hereby incorporated herein by reference. In the event of a conflict between this summary and the Rights Agreement, the Rights Agreement will prevail.

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EXHIBIT 10.6.1

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made and entered into as of this 12th day of June, 2000, by and between Stilwell Financial, Inc., a Delaware corporation ("Stilwell") and Landon H. Rowland, an individual ("Executive") to be effective on the date of the Spin-off Distribution (as defined below).

WHEREAS, the parties expect that all of the issued and outstanding stock of Stilwell will be distributed (the "Spin-off Distribution") to the shareholders of Kansas City Southern Industries, Inc. ("KCSI") which has been the parent of Stilwell since its formation on January 23, 1998; and

WHEREAS, Executive previously was employed by KCSI, and Stilwell and Executive desire for Stilwell to continue to employ Executive on the terms and conditions set forth in this Agreement and to provide an incentive to Executive to remain in the employ of Stilwell hereafter, particularly in the event of any Change in Control (as herein defined) of Stilwell or any Significant Subsidiary (as herein defined), thereby establishing and preserving continuity of management of Stilwell.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, it is agreed by and between Stilwell and Executive as follows:

1. Employment. Stilwell hereby employs Executive as its Chairman of the Board, President and Chief Executive Officer to serve at the pleasure of the Board of Directors of Stilwell (the "Stilwell Board") and to have such duties, powers and responsibilities as may be prescribed or delegated from time to time by the Stilwell Board, subject to the powers vested in the Stilwell Board and in the stockholders of Stilwell. Executive shall faithfully perform his duties under this Agreement to the best of his ability and shall devote substantially all of his working time and efforts to the business and affairs of Stilwell and its affiliates.

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2. Compensation.

(a) Base Compensation. Stilwell shall pay Executive as compensation for his services hereunder an annual base salary at the rate of $825,000. Such rate shall not be increased prior to January 1, 2003 and shall not be reduced except as agreed by the parties or except as part of a general salary reduction program imposed by Stilwell and applicable to all officers of Stilwell.

(b) Incentive Compensation. For the years 2000, 2001, and 2002, Executive shall not be entitled to participate in any Stilwell incentive compensation plan.

3. Benefits and Stock Ownership.

(a) Benefits. During the period of his employment hereunder, Stilwell shall provide Executive with coverage under such benefit plans and programs as are made generally available to similarly situated employees of Stilwell, provided (a) Stilwell shall have no obligation with respect to any plan or program if Executive is not eligible for coverage thereunder, and (b) Executive acknowledges that stock options and other stock and equity participation awards are granted in the discretion of the Stilwell Board or the Compensation Committee of the Stilwell Board and that Executive has no right to receive stock options or other equity participation awards or any particular number or level of stock options or other awards. In determining contributions, coverage and benefits under any disability insurance policy and under any cash compensation-based plan provided to Executive by Stilwell, it shall be assumed that the value of Executive's annual compensation pursuant to this Agreement is the lower of 175% of Executive's annual base salary or $1,000,000. Executive acknowledges that all rights and benefits under benefit plans and programs shall be governed by the official text of each such plan or program and not by any summary or description thereof or any provision of this Agreement (except to the extent this Agreement expressly modifies such benefit plans or programs) and that Stilwell is not under any

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obligation to continue in effect or to fund any such plan or program, except as provided in Paragraph 7 hereof. Stilwell also shall reimburse Executive for ordinary and necessary travel and other business expenses in accordance with policies and procedures established by Stilwell.

(b) Stock Ownership. During the period of his employment hereunder, Executive shall retain ownership in himself or in members of his immediate family of at least a majority of the number of shares of (i) Stilwell stock received by Executive or members of his immediate family in the Distribution, and (ii) Stilwell stock acquired upon the exercise of stock options, but excluding from such number of shares any such shares transferred to Stilwell or sold to pay the purchase price upon the exercise of stock options or to pay or satisfy tax obligations resulting from such exercise.

4. Termination.

(a) Termination by Executive. Executive may terminate this Agreement and his employment hereunder by at least thirty (30) days advance written notice to Stilwell, except that in the event of any material breach of this Agreement by Stilwell, Executive may terminate this Agreement and his employment hereunder immediately upon notice to Stilwell.

(b) Death or Disability. This Agreement and Executive's employment hereunder shall terminate automatically on the death or disability of Executive, except to the extent employment is continued under Stilwell's disability plan. For purposes of this Agreement, Executive shall be deemed to be disabled if he qualifies for disability benefits under Stilwell's long-term disability plan.

(c) Termination by Stilwell For Cause. Stilwell may terminate this Agreement and Executive's employment "for cause" immediately upon notice to Executive. For purposes of

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this Agreement (except for Paragraph 7), termination "for cause" shall mean termination based upon any one or more of the following:

(i) Any material breach of this Agreement by Executive;

(ii) Executive's dishonesty involving Stilwell or any subsidiary of Stilwell;

(iii) Gross negligence or willful misconduct in the performance of Executive's duties as determined in good faith by the Stilwell Board;

(iv) Willful failure by Executive to follow reasonable instructions of the President or other officer to whom Executive reports concerning the operations or business of Stilwell or any subsidiary of Stilwell;

(v) Executive's fraud or criminal activity; or

(vi) Embezzlement or misappropriation by Executive.

(d) Termination by Stilwell Other Than For Cause.

(i) Stilwell may terminate this Agreement and Executive's employment other than for cause immediately upon notice to Executive, and in such event, Stilwell shall provide severance benefits to Executive in accordance with Paragraph 4(d)(ii) below.

(ii) Unless the provisions of Paragraph 7 of this Agreement are applicable, if Executive's employment is terminated under Paragraph 4(d)(i), Stilwell shall continue, for a period of two (2) years following such termination, (a) to pay to Executive as severance pay a monthly amount equal to one-twelfth (1/12th) of the annual base salary referenced in Paragraph 2(a) above, at the rate in effect immediately prior to termination, and, (b) to reimburse Executive for the cost (including state and federal income taxes payable with respect to this reimbursement) of continuing the health insurance coverage

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provided pursuant to this Agreement or obtaining health insurance coverage comparable to the health insurance provided pursuant to this Agreement, and obtaining coverage comparable to the life insurance provided pursuant to this Agreement, unless Executive is provided comparable health or life insurance coverage in connection with other employment. The foregoing obligations of Stilwell shall continue until the end of such two (2) year period notwithstanding the death or disability of Executive during said period (except, in the event of death, the obligation to reimburse Executive for the cost of life insurance shall not continue). In the year in which termination of employment occurs, Executive shall be eligible to receive benefits under the Stilwell Incentive Compensation Plan and the Stilwell Executive Plan (if such Plans then are in existence and Executive was entitled to participate immediately prior to termination) in accordance with the provisions of such plans then applicable, and severance pay received in such year shall be taken into account for the purpose of determining benefits, if any, under the Stilwell Incentive Compensation Plan but not under the Stilwell Executive Plan. After the year in which termination occurs, Executive shall not be entitled to accrue or receive benefits under the Stilwell Incentive Compensation Plan or the Stilwell Executive Plan with respect to the severance pay provided herein, notwithstanding that benefits under such plan then are still generally available to executive employees of Stilwell. After termination of employment, Executive shall not be entitled to accrue or receive benefits under any other employee benefit plan or program, except that Executive shall be entitled to participate in the Stilwell Employee Stock Ownership Plan and the Stilwell Section 401(k) Plan with Profit Sharing Plan Portion in the year of termination of employment only if Executive meets all requirements of such plans for participation in such year.

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5. Non-Disclosure and Non-Compete.

(a) Non-Disclosure. During the term of this Agreement and at all times after any termination of this Agreement, Executive shall not, either directly or indirectly, use or disclose any Stilwell trade secret, except to the extent necessary for Executive to perform his duties for Stilwell while an employee. For purposes of this Agreement, the term "Stilwell trade secret" shall mean any information regarding the business or activities of Stilwell or any subsidiary or affiliate, including any formula, pattern, compilation, program, device, method, technique, process, customer list, technical information or other confidential or proprietary information, that (a) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (b) is the subject of efforts of Stilwell or its subsidiary or affiliate that are reasonable under the circumstance to maintain its secrecy. In the event of any breach of this Paragraph 5 by Executive, Stilwell shall be entitled to terminate any and all remaining severance benefits under Paragraph 4(d)(ii) and shall be entitled to pursue such other legal and equitable remedies as may be available.

(b) Non-Compete. Following termination of this Agreement, except termination pursuant to Paragraph 4(d) or any termination after a Change in Control (as herein defined of Stilwell), for a period ending three (3) years after the last payment of salary or severance pay to Executive, Executive shall not, directly or indirectly, as an individual, consultant, employer, employee, officer, director, advisory director, principal, agent, partner, member, stockholder (except non-controlling holdings of stock of not more than 2% of a publicly traded company) or otherwise, (i) engage in a business in competition with any business conducted by Stilwell or any subsidiary of Stilwell at any time within five (5) years preceding the commencement of the period

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of non-compete provided herein or any business which Stilwell or any of its subsidiaries was actively considering for ownership or conduct during the aforesaid five (5) year period, or (ii) participate in management of any holding company owning, directly or indirectly, more than 5% of any such business. Executive acknowledges that certain subsidiaries of Stilwell now conduct business throughout the United States and in foreign countries, and agrees that this non-compete shall apply in all countries and jurisdictions in which Stilwell or any of its subsidiaries conduct business or was actively considering for the conduct of business during the aforesaid five (5) year period.

6. Duties Upon Termination; Survival.

(a) Duties. Upon termination of this Agreement by Stilwell or Executive for any reason, Executive shall immediately return to Stilwell all Stilwell trade secrets which exist in tangible form and shall sign such written resignations from all positions as an officer, director or member of any committee or board of Stilwell and all direct and indirect subsidiaries and affiliates of Stilwell as may be requested by Stilwell and shall sign such other documents and papers relating to Executive's employment, benefits and benefit plans as Stilwell may reasonably request.

(b) Survival. The provisions of Paragraphs 5, 6(a) and 7 of this Agreement shall survive any termination of this Agreement by Stilwell or Executive, and the provisions of Paragraph 4(d)(ii) shall survive any termination of this Agreement by Stilwell under Paragraph 4(d)(i).

7. Continuation of Employment Upon Change in Control of Stilwell.

(a) Continuation of Employment. Subject to the terms and conditions of this Paragraph 7, in the event of a Change in Control (as defined in Paragraph 7(d)) at any time during the term of this Agreement, Executive agrees to remain in the employ of Stilwell for a

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period of three years (the "Three-Year Period") from the date of such Change in Control (the "Control Change Date"). Stilwell agrees to continue to employ Executive for the Three-Year Period. During the Three-Year Period, (i) the Executive's position (including offices, titles, reporting requirements and responsibilities), authority and duties shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 12 month period immediately before the Control Change Date and (ii) the Executive's services shall be performed at the location where Executive was employed immediately before the Control Change Date or at any other location less than 40 miles from such former location. During the Three-Year Period, Stilwell shall continue to pay to Executive an annual base salary on the same basis and at the same intervals as in effect prior to the Control Change Date at a rate not less than 12 times the highest monthly base salary paid or payable to the Executive by Stilwell in respect of the 12-month period immediately before the Control Change Date.

(b) Benefits. During the Three-Year Period, Executive shall be entitled to participate, on the basis of his executive position, in each of the following Stilwell plans (together, the "Specified Benefits") in existence, and in accordance with the terms thereof, at the Control Change Date:

(i) any benefit plan, and trust fund associated therewith, related to (a) life, health, dental, disability, accidental death and dismemberment insurance or accrued but unpaid vacation time, (b) profit sharing, thrift or deferred savings (including deferred compensation, such as under Section 401(k) plans), (c) retirement or pension benefits, (d) ERISA excess benefits and similar plans and (e) tax favored employee stock ownership (such as under ESOP, and Employee Stock Purchase programs); and

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(ii) any other benefit plans hereafter made generally available to executives of Executive's level or to the employees of Stilwell generally.

In addition, Stilwell shall use its best efforts to cause all outstanding options held by Executive under any stock option plan of Stilwell or its affiliates to become immediately exercisable on the Control Change Date and to the extent that such options are not vested and are subsequently forfeited, the Executive shall receive a lump-sum cash payment within 5 days after the options are forfeited equal to the difference between the fair market value of the shares of stock subject to the non-vested, forfeited options determined as of the date such options are forfeited and the exercise price for such options. During the Three-Year Period Executive shall be entitled to participate, on the basis of his executive position, in any incentive compensation plan of Stilwell in accordance with the terms thereof at the Control Change Date; provided that if under Stilwell programs or Executive's Employment Agreement in existence immediately prior to the Control Change Date, there are written limitations on participation for a designated time period in any incentive compensation plan, such limitations shall continue after the Control Change Date to the extent so provided for prior to the Control Change Date.

If the amount of contributions or benefits with respect to the Specified Benefits or any incentive compensation is determined on a discretionary basis under the terms of the Specified Benefits or any incentive compensation plan immediately prior to the Control Change Date, the amount of such contributions or benefits during the Three-Year Period for each of the Specified Benefits shall not be less than the average annual contributions or benefits for each Specified Benefit for the three plan years ending prior to the Control Change Date and, in the case of any incentive compensation plan, the amount of the incentive compensation during the Three-Year

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Period shall not be less than 75% of the maximum that could have been paid to the Executive under the terms of the incentive compensation plan.

(c) Payment. With respect to any plan or agreement under which Executive would be entitled at the Control Change Date to receive Specified Benefits or incentive compensation as a general obligation of Stilwell which has not been separately funded (including specifically, but not limited to, those referred to under Paragraph 7(b)(i) and (ii) above), Executive shall receive within five (5) days after such date full payment in cash (discounted to the then present value on the basis of a rate of seven percent (7%) per annum) of all amounts to which he is then entitled thereunder.

(d) Change in Control. Except as provided in the last sentence of this Paragraph 7(d), for purposes of this Agreement, a "Change in Control" means any one or more of the following:

(i) the acquisition or holding by any person, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act"), other than by Stilwell or any Subsidiary (as defined below), or any employee benefit plan of Stilwell or a Subsidiary (and other than by KCSI prior to the Spin-off Distribution), of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of 20% or more of the then-outstanding common stock or the combined voting power of the then-outstanding voting securities ("Voting Power") of Stilwell; provided, however, that no Change in Control shall occur solely by reason of any such acquisition by a corporation with respect to which, after such acquisition, more than 60% of both the then- outstanding common shares and the then-outstanding Voting Power of such corporation are then beneficially owned, directly or indirectly, by the

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persons who were the beneficial owners of the then-outstanding common stock and Voting Power of Stilwell immediately before such acquisition, in substantially the same proportions as their respective ownership, immediately before such acquisition, of the then-outstanding common stock and Voting Power of Stilwell; or

(ii) individuals who, as of the date of the Spin-off Distribution, constitute the Stilwell Board (the "Incumbent Board") cease for any reason to constitute at least 75% of the Stilwell Board; provided that any individual who becomes a director after the Spin-off Distribution whose election or nomination for election by the stockholders of Stilwell was approved by at least 75% of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened "election contest" relating to the election of the directors of Stilwell (as such terms are used in Rule 14a- 11 under the Exchange Act) or "tender offer" (as such term is used in Section 14(d) of the Exchange Act) or a proposed Extraordinary Transaction (as defined below)) shall be deemed to be a member of the Incumbent Board; or

(iii) approval by the stockholders of Stilwell of any one or more of the following:

(A) a merger, reorganization, consolidation or similar transaction (any of the foregoing, an "Extraordinary Transaction") with respect to which persons who were the respective beneficial owners of the then-outstanding common stock and Voting Power of Stilwell immediately before such Extraordinary Transaction would not, if such Extraordinary Transaction were to be consummated immediately after such stockholder approval (but otherwise in accordance with the terms presented in writing to

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the stockholders of Stilwell for their approval), beneficially own, directly or indirectly, more than 60% of both the then-outstanding common shares and the then-outstanding Voting Power of the corporation resulting from such Extraordinary Transaction, in substantially the same proportions as their respective ownership, immediately before such Extraordinary Transaction, of the then-outstanding common stock and Voting Power of Stilwell,

(B) a liquidation or dissolution of Stilwell, or

(C) the sale or other disposition of all or substantially all of the assets of Stilwell in one transaction or a series of related transactions; or

(iv) the sale or other disposition by Stilwell, directly or indirectly, whether by merger, consolidation, combination, lease, exchange, spin-off, split-off, or other means, of any Significant Subsidiary or any reduction in Stilwell's direct or indirect beneficial ownership of any Significant Subsidiary to less than 50% of the Voting Power of such entity.

For purposes of this Agreement, "Subsidiary" shall mean any entity of which at least 50% of the Voting Power is beneficially owned, directly or indirectly, by Stilwell and "Significant Subsidiary" shall mean (A) any Subsidiary which contributed 30% or more of the total combined revenues of Stilwell and all Subsidiaries for the prior calendar year, and (B) any one or more entities, businesses or groups of assets directly or indirectly sold or disposed of by Stilwell (within the meaning of paragraph 7(d)(iv)) within any two year period that contributed 30% of more of such total combined revenues or would have contributed such 30% based on revenues of such entities, businesses or groups of assets for the calendar year prior to their sale or disposition.

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Notwithstanding the foregoing provisions of this Paragraph 7(d) to the contrary, the Spin-off Distribution shall not constitute a Change in Control.

(e) Termination After Control Change Date. Notwithstanding any other provision of this Paragraph 7, at any time after the Control Change Date, Stilwell may terminate the employment of Executive (the "Termination"), but unless such Termination is for Cause as defined in subparagraph (g) or for disability, within five (5) days of the Termination Stilwell shall pay to Executive his full base salary through the Termination, to the extent not theretofore paid, plus a lump sum amount (the "Special Severance Payment") equal to the product (discounted to the then present value on the basis of a rate of seven percent (7%) per annum) of (i) 175% of his annual base salary specified in Paragraph 7(a) multiplied by (ii) three, and Specified Benefits (excluding any incentive compensation) to which Executive was entitled immediately prior to Termination shall continue until the end of the 3-year period ("Benefits Period") beginning on the date of Termination. If any plan pursuant to which Specified Benefits are provided immediately prior to Termination would not permit continued participation by Executive after Termination, then Stilwell shall pay to Executive within five (5) days after Termination a lump sum payment equal to the amount of Specified Benefits Executive would have received under such plan if Executive had been fully vested in the average annual contributions or benefits in effect for the three plan years ending prior to the Control Change Date (regardless of any limitations based on the earnings or performance of Stilwell) and a continuing participant in such plan to the end of the Benefits Period. Following the end of the Benefits Period, Stilwell shall continue to provide to the Executive and the Executive's family the following benefits ("Post-Period Benefits"): (1) prior to the Executive's attainment of age sixty (60), health, prescription and dental benefits equivalent to those then applicable to active

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peer executives of Stilwell and their families, as the same may be modified from time to time, and (2) following the Executive's attainment of age sixty (60) (and without regard to the Executive's period of service with Stilwell), health and prescription benefits equivalent to those then applicable to retired peer executives of Stilwell and their families, as the same may be modified from time to time. The cost to the Executive of such Post-Period Benefits shall not exceed the cost of such benefits to active or retired (as applicable) peer executives, as the same may be modified from time to time. Notwithstanding the preceding two sentences of this Paragraph 7(e), if the Executive is covered under any health, prescription or dental plan provided by a subsequent employer, then the corresponding type of plan coverage (i.e., health, prescription or dental) required to be provided as Post-Period Benefits under this Paragraph 7(e) shall cease. The Executive's rights under this Paragraph 7(e) shall be in addition to, and not in lieu of, any post-termination continuation coverage or conversion rights the Executive may have pursuant to applicable law, including without limitation continuation coverage required by Section 4980 of the Code. Nothing in this Paragraph 7(e) shall be deemed to limit in any manner the reserved right of Stilwell, in its sole and absolute discretion, to at any time amend, modify or terminate health, prescription or dental benefits for active or retired employees generally.

(f) Resignation After Control Change Date. In the event of a Change in Control as defined in Paragraph 7(d), thereafter, upon good reason (as defined below), Executive may, at any time during the 3-year period following the Change in Control, in his sole discretion, on not less than thirty (30) days' written notice (the "Notice of Resignation") to the Secretary of Stilwell and effective at the end of such notice period, resign his employment with Stilwell (the "Resignation"). Within five (5) days of such a Resignation, Stilwell shall pay to Executive his full base salary through the effective date of such Resignation, to the extent not theretofore paid,

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plus a lump sum amount equal to the Special Severance Payment (computed as provided in the first sentence of Paragraph 7(e), except that for purposes of such computation all references to "Termination" shall be deemed to be references to "Resignation"). Upon Resignation of Executive, Specified Benefits to which Executive was entitled immediately prior to Resignation shall continue on the same terms and conditions as provided in Paragraph 7(e) in the case of Termination (including equivalent payments provided for therein), and Post- Period Benefits shall be provided on the same terms and conditions as provided in Paragraph 7(e) in the case of Termination. For purposes of this Agreement, "good reason" means any one or more of the following:

(i) the assignment to the Executive of any duties which result in a material adverse change in the Executive's position (including status, offices, titles, and reporting requirements), authority, duties, or other responsibilities with Stilwell, or any other action of Stilwell which results in a material adverse change in such position, authority, duties, or responsibilities, other than an insubstantial and inadvertent action which is remedied by Stilwell promptly after receipt of notice thereof given by the Executive,

(ii) any relocation of the Executive of more than 40 miles from the place where the Executive was located at the time of the Change in Control;

(iii) a material reduction or elimination of any component of the Executive's rate of compensation, including (x) base salary, (y) any incentive payment or (z) benefits or prerequisites which the Executive was receiving immediately prior to a Change in Control, or;

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(iv) any failure by Stilwell to comply with any of the provisions of Paragraph 7;

A passage of time prior to delivery of the Notice of Resignation or a failure by the Executive to include in the Notice of Resignation any fact or circumstance which contributes to a showing of good reason shall not waive any right of the Executive under this Agreement or preclude the Executive from asserting such fact or circumstance in enforcing rights under this Agreement.

(g) Termination for Cause After Control Change Date. Notwithstanding any other provision of this Paragraph 7, at any time after the Control Change Date, Executive may be terminated by Stilwell "for Cause." Cause means commission by the Executive of any felony or willful breach of duty by the Executive in the course of the Executive's employment, except that Cause shall not mean:

(i) bad judgment or negligence;

(ii) any act or omission believed by the Executive in good faith to have been in or not opposed to the interest of Stilwell (without intent of the Executive to gain, directly or indirectly, a profit to which the Executive was not legally entitled);

(iii) any act or omission with respect to which a determination could properly have been made by the Stilwell Board that the Executive met the applicable standard of conduct for indemnification or reimbursement under Stilwell's by-laws, any applicable indemnification agreement, or applicable law, in each case in effect at the time of such act or omission; or

(iv) any act or omission with respect to which Notice of Termination of the Executive is given more than 12 months after the earliest date on which any member

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of the Stilwell Board, not a party to the act or omission, knew or should have known of such act or omission.

Any Termination of the Executive's employment by Stilwell for Cause shall be communicated to the Executive by Notice of Termination.

(h) Gross-up for Certain Taxes. If it is determined (by the reasonable computation of Stilwell's independent auditors, which determinations shall be certified to by such auditors and set forth in a written certificate ("Certificate") delivered to the Executive) that any benefit received or deemed received by the Executive from Stilwell pursuant to this Agreement or otherwise (collectively, the "Payments") is or will become subject to any excise tax under
Section 4999 of the Code or any similar tax payable under any United States federal, state, local or other law (such excise tax and all such similar taxes collectively, "Excise Taxes"), then Stilwell shall, immediately after such determination, pay the Executive an amount (the "Gross-up Payment") equal to the product of:

(i) the amount of such Excise Taxes;

multiplied by

(ii) the Gross-up Multiple (as defined in Paragraph 7(k).

The Gross-up Payment is intended to compensate the Executive for the Excise Taxes and any federal, state, local or other income or excise taxes or other taxes payable by the Executive with respect to the Gross-up Payment.

Stilwell shall cause the preparation and delivery to the Executive of a Certificate upon request at any time. Stilwell shall, in addition to complying with this Paragraph 7(h), cause all determinations and certifications under Paragraphs 7(h)-(o) to

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be made as soon as reasonably possible and in adequate time to permit the Executive to prepare and file the Executive's individual tax returns on a timely basis.

(i) Determination by the Executive.

(i) If Stilwell shall fail (a) to deliver a Certificate to the Executive or (b) to pay to the Executive the amount of the Gross-up Payment, if any, within 14 days after receipt from the Executive of a written request for a Certificate, or if at any time following receipt of a Certificate the Executive disputes the amount of the Gross-up Payment set forth therein, the Executive may elect to demand the payment of the amount which the Executive, in accordance with an opinion of counsel to the Executive ("Executive Counsel Opinion"), determines to be the Gross-up Payment. Any such demand by the Executive shall be made by delivery to Stilwell of a written notice which specifies the Gross-up Payment determined by the Executive and an Executive Counsel Opinion regarding such Gross-up Payment (such written notice and opinion collectively, the "Executive's Determination"). Within 14 days after delivery of the Executive's Determination to Stilwell, Stilwell shall either (a) pay the Executive the Gross-up Payment set forth in the Executive's Determination (less the portion of such amount, if any, previously paid to the Executive by Stilwell) or (b) deliver to the Executive a Certificate specifying the Gross-up Payment determined by Stilwell's independent auditors, together with an opinion of Stilwell's counsel ("Stilwell Counsel Opinion"), and pay the Executive the Gross-up Payment specified in such Certificate. If for any reason Stilwell fails to comply with clause (b) of the preceding sentence, the Gross-up Payment specified in the Executive's Determination shall be controlling for all purposes.

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(ii) If the Executive does not make a request for, and Stilwell does not deliver to the Executive, a Certificate, Stilwell shall, for purposes of Paragraph 7(j), be deemed to have determined that no Gross-up Payment is due.

(j) Additional Gross-up Amounts. If, despite the initial conclusion of Stilwell and/or the Executive that certain Payments are neither subject to Excise Taxes nor to be counted in determining whether other Payments are subject to Excise Taxes (any such item, a "Non-Parachute Item"), it is later determined (pursuant to subsequently-enacted provisions of the Code, final regulations or published rulings of the IRS, final IRS determination or judgment of a court of competent jurisdiction or Stilwell's independent auditors) that any of the Non- Parachute Items are subject to Excise Taxes, or are to be counted in determining whether any Payments are subject to Excise Taxes, with the result that the amount of Excise Taxes payable by the Executive is greater than the amount determined by Stilwell or the Executive pursuant to Paragraph 7(h) or Paragraph
7(i), as applicable, then Stilwell shall pay the Executive an amount (which shall also be deemed a Gross-up Payment) equal to the product of:

(i) the sum of (a) such additional Excise Taxes and (b) any interest, fines, penalties, expenses or other costs incurred by the Executive as a result of having taken a position in accordance with a determination made pursuant to Paragraph 7(h); multiplied by

(ii) the Gross-up Multiple.

(k) Gross-up Multiple. The Gross-up Multiple shall equal a fraction, the numerator of which is one (1.0), and the denominator of which is one (1.0) minus the sum, expressed as a decimal fraction, of the rates of all federal, state, local and other income and other taxes and any Excise Taxes applicable to the Gross-up Payment; provided that, if such sum

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exceeds 0.8, it shall be deemed equal to 0.8 for purposes of this computation. (If different rates of tax are applicable to various portions of a Gross-up Payment, the weighted average of such rates shall be used.)

(l) Opinion of Counsel. "Executive Counsel Opinion" means a legal opinion of nationally recognized executive compensation counsel that there is a reasonable basis to support a conclusion that the Gross-up Payment determined by the Executive has been calculated in accord with this Paragraph 7 and applicable law. "Company Counsel Opinion" means a legal opinion of nationally recognized executive compensation counsel that (i) there is a reasonable basis to support a conclusion that the Gross-up Payment set forth in the Certificate of Stilwell's independent auditors has been calculated in accord with this Paragraph 7 and applicable law, and (ii) there is no reasonable basis for the calculation of the Gross-up Payment determined by the Executive.

(m) Amount Increased or Contested. The Executive shall notify Stilwell in writing of any claim by the IRS or other taxing authority that, if successful, would require the payment by Stilwell of a Gross-up Payment. Such notice shall include the nature of such claim and the date on which such claim is due to be paid. The Executive shall give such notice as soon as practicable, but no later than 10 business days, after the Executive first obtains actual knowledge of such claim; provided, however, that any failure to give or delay in giving such notice shall affect Stilwell's obligations under this Paragraph 7 only if and to the extent that such failure results in actual prejudice to Stilwell. The Executive shall not pay such claim less than 30 days after the Executive gives such notice to Stilwell (or, if sooner, the date on which payment of such claim is due). If Stilwell notifies the Executive in writing before the expiration of such period that it desires to contest such claim, the Executive shall:

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(i) give Stilwell any information that it reasonably requests relating to such claim;

(ii) take such action in connection with contesting such claim as Stilwell reasonably requests in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by Stilwell;

(iii) cooperate with Stilwell in good faith to contest such claim; and

(iv) permit Stilwell to participate in any proceedings relating to such claim; provided, however, that Stilwell shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including related interest and penalties, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing, Stilwell shall control all proceedings in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner. The Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Stilwell shall determine; provided, however, that if Stilwell directs the Executive to pay such claim and sue for a refund, Stilwell shall advance the amount of such payment to the Executive, on an interest- free basis and shall indemnify the Executive, on an after-tax basis, for any Excise Tax or income tax,

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including related interest or penalties, imposed with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. The Stilwell's control of the contest shall be limited to issues with respect to which a Gross-up Payment would be payable. The Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the IRS or other taxing authority.

(n) Refunds. If, after the receipt by the Executive of an amount advanced by Stilwell pursuant to Paragraph 7(m), the Executive receives any refund with respect to such claim, the Executive shall (subject to Stilwell's complying with the requirements of Paragraph 7(m)) promptly pay Stilwell the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by Stilwell pursuant to Paragraph 7(m), a determination is made that the Executive shall not be entitled to a full refund with respect to such claim and Stilwell does not notify the Executive in writing of its intent to contest such determination before the expiration of 30 days after such determination, then the applicable part of such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-up Payment required to be paid. Any contest of a denial of refund shall be controlled by Paragraph 7(m).

(o) Expenses. If any dispute should arise under this Agreement after the Control Change Date involving an effort by Executive to protect, enforce or secure rights or benefits claimed by Executive hereunder, Stilwell shall pay (promptly upon demand by Executive accompanied by reasonable evidence of incurrence) all reasonable expenses (including

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attorneys' fees) incurred by Executive in connection with such dispute, without regard to whether Executive prevails in such dispute except that Executive shall repay Stilwell any amounts so received if a court having jurisdiction shall make a final, nonappealable determination that Executive acted frivolously or in bad faith by such dispute. To assure Executive that adequate funds will be made available to discharge Stilwell's obligations set forth in the preceding sentence, Stilwell has established a trust and upon the occurrence of a Change in Control shall promptly deliver to the trustee of such trust to hold in accordance with the terms and conditions thereof that sum which the Stilwell Board shall have determined is reasonably sufficient for such purpose.

(p) Prevailing Provisions. On and after the Control Change Date, the provisions of this Paragraph 7 shall control and take precedence over any other provisions of this Agreement which are in conflict with or address the same or a similar subject matter as the provisions of this Paragraph 7.

8. Mitigation and Other Employment. After a termination of Executive's employment pursuant to Paragraph 4(d)(i) or a Change in Control as defined in Paragraph 7(d), Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and except as otherwise specifically provided in Paragraph 4(d)(ii) with respect to health and life insurance and in Paragraph 7(e) with respect to health, prescription and dental benefits, no such other employment, if obtained, or compensation or benefits payable in connection therewith shall reduce any amounts or benefits to which Executive is entitled hereunder. Such amounts or benefits payable to Executive under this Agreement shall not be treated as damages but as severance compensation to which Executive is entitled because Executive's employment has been terminated.

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9. Notice. Notices and all other communications to either party pursuant to this Agreement shall be in writing and shall be deemed to have been given when personally delivered, delivered by facsimile or deposited in the United States mail by certified or registered mail, postage prepaid, addressed, in the case of Stilwell, to Stilwell at 114 West 11th Street, Kansas City, Missouri 64105, Attention: Secretary, or, in the case of the Executive, to him at EverGlades Farm, 12717 Mt. Olivet, Kansas City, MO 64166, or to such other address as a party shall designate by notice to the other party.

10. Amendment. No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, waiver, modification or discharge is agreed to in a writing signed by Executive and the President of Stilwell. No waiver by any party hereto at any time of any breach by another party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the time or at any prior or subsequent time.

11. Successors in Interest. The rights and obligations of Stilwell under this Agreement shall inure to the benefit of and be binding in each and every respect upon the direct and indirect successors and assigns of Stilwell, regardless of the manner in which such successors or assigns shall succeed to the interest of Stilwell hereunder, and this Agreement shall not be terminated by the voluntary or involuntary dissolution of Stilwell or by any merger or consolidation or acquisition involving Stilwell or upon any transfer of all or substantially all of Stilwell's assets, or terminated otherwise than in accordance with its terms. In the event of any such merger or consolidation or transfer of assets, the provisions of this Agreement shall be binding upon and shall inure to the benefit of the surviving corporation or the corporation or other person to which such assets shall be transferred. Neither this Agreement nor any of the payments or benefits hereunder may be pledged,

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assigned or transferred by Executive either in whole or in part in any manner, without the prior written consent of Stilwell.

12. Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

13. Controlling Law and Jurisdiction. The validity, interpretation and performance of this Agreement shall be subject to and construed under the laws of the State of Missouri, without regard to principles of conflicts of law.

14. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and terminates and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the terms of Executive's employment or severance arrangements.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above stated.

STILWELL FINANCIAL, INC.

By /s/ Joseph D. Monello

Name: Joseph D. Monello
Title: Vice President and Chief Operating Officer

EXECUTIVE

/s/ Landon H. Rowland

Landon H. Rowland

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EXHIBIT 10.6.2

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made and entered into as of this 12th day of June, 2000, by and between Stilwell Financial, Inc., a Delaware corporation ("Stilwell") and Joseph D. Monello, an individual ("Executive") to be effective on the date of the Spin-off Distribution (as defined below).

WHEREAS, the parties expect that all of the issued and outstanding stock of Stilwell will be distributed (the "Spin-off Distribution") to the shareholders of Kansas City Southern Industries, Inc. ("KCSI") which has been the parent of Stilwell since its formation on January 23, 1998; and

WHEREAS, Executive previously was employed by KCSI with duties primarily relating to Stilwell since its formation in 1998, and Stilwell and Executive desire for Stilwell to continue to employ Executive on the terms and conditions set forth in this Agreement and to provide an incentive to Executive to remain in the employ of Stilwell hereafter, particularly in the event of any Change in Control (as herein defined) of Stilwell or any Significant Subsidiary (as herein defined), thereby establishing and preserving continuity of management of Stilwell.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, it is agreed by and between Stilwell and Executive as follows:

1. Employment. Stilwell hereby employs Executive as its Vice President and Chief Operating Officer to serve at the pleasure of the Board of Directors of Stilwell (the "Stilwell Board") and to have such duties, powers and responsibilities as may be prescribed or delegated from time to time by the President or other officer to whom Executive reports, subject to the powers vested in the Stilwell Board and in the stockholders of Stilwell. Executive shall faithfully perform his duties under this Agreement to the best of his ability and shall devote substantially all of his working time and efforts to the business and affairs of Stilwell and its affiliates.

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2. Compensation.

(a) Base Compensation. Stilwell shall pay Executive as compensation for his services hereunder an annual base salary at the rate of $660,000. Such rate shall not be increased prior to January 1, 2003 and shall not be reduced except as agreed by the parties or except as part of a general salary reduction program imposed by Stilwell and applicable to all officers of Stilwell.

(b) Incentive Compensation. For the years 2000, 2001 and 2002, Executive shall not be entitled to participate in any Stilwell incentive compensation plan, except that Stilwell shall pay Executive a cash bonus of $250,000 within ten days after the spin-off Distribution.

3. Benefits and Stock Ownership.

(a) Benefits. During the period of his employment hereunder, Stilwell shall provide Executive with coverage under such benefit plans and programs as are made generally available to similarly situated employees of Stilwell, provided (a) Stilwell shall have no obligation with respect to any plan or program if Executive is not eligible for coverage thereunder, and (b) Executive acknowledges that stock options and other stock and equity participation awards are granted in the discretion of the Stilwell Board or the Compensation Committee of the Stilwell Board and that Executive has no right to receive stock options or other equity participation awards or any particular number or level of stock options or other awards. In determining contributions, coverage and benefits under any disability insurance policy and under any cash compensation-based plan provided to Executive by Stilwell, it shall be assumed that the value of Executive's annual compensation, pursuant to this Agreement, is the lower of 175% of Executive's annual base salary or $1,000,000. Executive acknowledges that all rights and benefits under benefit plans and programs shall be governed by the official text of each such plan or program and not by any

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summary or description thereof or any provision of this Agreement (except to the extent this Agreement expressly modifies such benefit plans or programs) and that Stilwell is not under any obligation to continue in effect or to fund any such plan or program, except as provided in Paragraph 7 hereof. Stilwell also shall reimburse Executive for ordinary and necessary travel and other business expenses in accordance with policies and procedures established by Stilwell.

(b) Stock Ownership. During the period of his employment hereunder, Executive shall retain ownership in himself or in members of his immediate family of at least a majority of the number of shares of (i) Stilwell stock received by Executive or members of his immediate family in the Distribution, and (ii) Stilwell stock acquired upon the exercise of stock options, but excluding from such number of shares any such shares transferred to Stilwell or sold to pay the purchase price upon the exercise of stock options or to pay or satisfy tax obligations resulting from such exercise.

4. Termination.

(a) Termination by Executive. Executive may terminate this Agreement and his employment hereunder by at least thirty (30) days advance written notice to Stilwell, except that in the event of any material breach of this Agreement by Stilwell, Executive may terminate this Agreement and his employment hereunder immediately upon notice to Stilwell.

(b) Death or Disability. This Agreement and Executive's employment hereunder shall terminate automatically on the death or disability of Executive, except to the extent employment is continued under Stilwell's disability plan. For purposes of this Agreement, Executive shall be deemed to be disabled if he qualifies for disability benefits under Stilwell's long-term disability plan.

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(c) Termination by Stilwell For Cause. Stilwell may terminate this Agreement and Executive's employment "for cause" immediately upon notice to Executive. For purposes of this Agreement (except for Paragraph 7), termination "for cause" shall mean termination based upon any one or more of the following:

(i) Any material breach of this Agreement by Executive;

(ii) Executive's dishonesty involving Stilwell or any subsidiary of Stilwell;

(iii) Gross negligence or willful misconduct in the performance of Executive's duties as determined in good faith by the Stilwell Board;

(iv) Willful failure by Executive to follow reasonable instructions of the President or other officer to whom Executive reports concerning the operations or business of Stilwell or any subsidiary of Stilwell;

(v) Executive's fraud or criminal activity; or

(vi) Embezzlement or misappropriation by Executive.

(d) Termination by Stilwell Other Than For Cause.

(i) Stilwell may terminate this Agreement and Executive's employment other than for cause immediately upon notice to Executive, and in such event, Stilwell shall provide severance benefits to Executive in accordance with Paragraph 4(d)(ii) below.

(ii) Unless the provisions of Paragraph 7 of this Agreement are applicable, if Executive's employment is terminated under Paragraph 4(d)(i), Stilwell shall continue, for a period of two (2) years following such termination, (a) to pay to Executive as severance pay a monthly amount equal to one-twelfth (1/12th) of the annual base salary referenced in Paragraph 2(a) above, at the rate in effect immediately prior to termination,

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and, (b) to reimburse Executive for the cost (including state and federal income taxes payable with respect to this reimbursement) of continuing the health insurance coverage provided pursuant to this Agreement or obtaining health insurance coverage comparable to the health insurance provided pursuant to this Agreement, and obtaining coverage comparable to the life insurance provided pursuant to this Agreement, unless Executive is provided comparable health or life insurance coverage in connection with other employment. The foregoing obligations of Stilwell shall continue until the end of such two (2) year period notwithstanding the death or disability of Executive during said period (except, in the event of death, the obligation to reimburse Executive for the cost of life insurance shall not continue). In the year in which termination of employment occurs, Executive shall be eligible to receive benefits under the Stilwell Incentive Compensation Plan and the Stilwell Executive Plan (if such Plans then are in existence and Executive was entitled to participate immediately prior to termination) in accordance with the provisions of such plans then applicable, and severance pay received in such year shall be taken into account for the purpose of determining benefits, if any, under the Stilwell Incentive Compensation Plan but not under the Stilwell Executive Plan. After the year in which termination occurs, Executive shall not be entitled to accrue or receive benefits under the Stilwell Incentive Compensation Plan or the Stilwell Executive Plan with respect to the severance pay provided herein, notwithstanding that benefits under such plan then are still generally available to executive employees of Stilwell. After termination of employment, Executive shall not be entitled to accrue or receive benefits under any other employee benefit plan or program, except that Executive shall be entitled to participate in the Stilwell Employee Stock Ownership Plan and the Stilwell Section 401(k) Plan with Profit Sharing Plan

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Portion in the year of termination of employment only if Executive meets all requirements of such plans for participation in such year.

5. Non-Disclosure. During the term of this Agreement and at all times after any termination of this Agreement, Executive shall not, either directly or indirectly, use or disclose any Stilwell trade secret, except to the extent necessary for Executive to perform his duties for Stilwell while an employee. For purposes of this Agreement, the term "Stilwell trade secret" shall mean any information regarding the business or activities of Stilwell or any subsidiary or affiliate, including any formula, pattern, compilation, program, device, method, technique, process, customer list, technical information or other confidential or proprietary information, that (a) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (b) is the subject of efforts of Stilwell or its subsidiary or affiliate that are reasonable under the circumstance to maintain its secrecy. In the event of any breach of this Paragraph 5 by Executive, Stilwell shall be entitled to terminate any and all remaining severance benefits under Paragraph 4(d)(ii) and shall be entitled to pursue such other legal and equitable remedies as may be available.

6. Duties Upon Termination; Survival.

(a) Duties. Upon termination of this Agreement by Stilwell or Executive for any reason, Executive shall immediately return to Stilwell all Stilwell trade secrets which exist in tangible form and shall sign such written resignations from all positions as an officer, director or member of any committee or board of Stilwell and all direct and indirect subsidiaries and affiliates of Stilwell as may be requested by Stilwell and shall sign such other documents and papers relating to Executive's employment, benefits and benefit plans as Stilwell may reasonably request.

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(b) Survival. The provisions of Paragraphs 5, 6(a) and 7 of this Agreement shall survive any termination of this Agreement by Stilwell or Executive, and the provisions of Paragraph 4(d)(ii) shall survive any termination of this Agreement by Stilwell under Paragraph 4(d)(i).

7. Continuation of Employment Upon Change in Control of Stilwell.

(a) Continuation of Employment. Subject to the terms and conditions of this Paragraph 7, in the event of a Change in Control (as defined in Paragraph 7(d)) at any time during the term of this Agreement, Executive agrees to remain in the employ of Stilwell for a period of three years (the "Three-Year Period") from the date of such Change in Control (the "Control Change Date"). Stilwell agrees to continue to employ Executive for the Three-Year Period. During the Three-Year Period, (i) the Executive's position (including offices, titles, reporting requirements and responsibilities), authority and duties shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 12 month period immediately before the Control Change Date and (ii) the Executive's services shall be performed at the location where Executive was employed immediately before the Control Change Date or at any other location less than 40 miles from such former location. During the Three-Year Period, Stilwell shall continue to pay to Executive an annual base salary on the same basis and at the same intervals as in effect prior to the Control Change Date at a rate not less than 12 times the highest monthly base salary paid or payable to the Executive by Stilwell in respect of the 12-month period immediately before the Control Change Date.

(b) Benefits. During the Three-Year Period, Executive shall be entitled to participate, on the basis of his executive position, in each of the following Stilwell plans

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(together, the "Specified Benefits") in existence, and in accordance with the terms thereof, at the Control Change Date:

(i) any benefit plan, and trust fund associated therewith, related to (a) life, health, dental, disability, accidental death and dismemberment insurance or accrued but unpaid vacation time, (b) profit sharing, thrift or deferred savings (including deferred compensation, such as under Section 401(k) plans), (c) retirement or pension benefits, (d) ERISA excess benefits and similar plans and (e) tax favored employee stock ownership (such as under ESOP, and Employee Stock Purchase programs); and

(ii) any other benefit plans hereafter made generally available to executives of Executive's level or to the employees of Stilwell generally.

In addition, Stilwell shall use its best efforts to cause all outstanding options held by Executive under any stock option plan of Stilwell or its affiliates to become immediately exercisable on the Control Change Date and to the extent that such options are not vested and are subsequently forfeited, the Executive shall receive a lump-sum cash payment within 5 days after the options are forfeited equal to the difference between the fair market value of the shares of stock subject to the non-vested, forfeited options determined as of the date such options are forfeited and the exercise price for such options. During the Three-Year Period Executive shall be entitled to participate, on the basis of his executive position, in any incentive compensation plan of Stilwell in accordance with the terms thereof at the Control Change Date; provided that if under Stilwell programs or Executive's Employment Agreement in existence immediately prior to the Control Change Date, there are written limitations on participation for a designated time period in any incentive compensation plan, such limitations shall continue after the Control Change Date to the extent so provided for prior to the Control Change Date.

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If the amount of contributions or benefits with respect to the Specified Benefits or any incentive compensation is determined on a discretionary basis under the terms of the Specified Benefits or any incentive compensation plan immediately prior to the Control Change Date, the amount of such contributions or benefits during the Three-Year Period for each of the Specified Benefits shall not be less than the average annual contributions or benefits for each Specified Benefit for the three plan years ending prior to the Control Change Date and, in the case of any incentive compensation plan, the amount of the incentive compensation during the Three-Year Period shall not be less than 75% of the maximum that could have been paid to the Executive under the terms of the incentive compensation plan.

(c) Payment. With respect to any plan or agreement under which Executive would be entitled at the Control Change Date to receive Specified Benefits or incentive compensation as a general obligation of Stilwell which has not been separately funded (including specifically, but not limited to, those referred to under Paragraph 7(b)(i) and (ii) above), Executive shall receive within five (5) days after such date full payment in cash (discounted to the then present value on the basis of a rate of seven percent (7%) per annum) of all amounts to which he is then entitled thereunder.

(d) Change in Control. Except as provided in the last sentence of this Paragraph 7(d), for purposes of this Agreement, a "Change in Control" means any one or more of the following:

(i) the acquisition or holding by any person, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act"), other than by Stilwell or any Subsidiary (as defined below), or any employee benefit plan of Stilwell or a Subsidiary (and other than by KCSI prior to the

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Spin-off Distribution), of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of 20% or more of the then-outstanding common stock or the combined voting power of the then-outstanding voting securities ("Voting Power") of Stilwell; provided, however, that no Change in Control shall occur solely by reason of any such acquisition by a corporation with respect to which, after such acquisition, more than 60% of both the then-outstanding common shares and the then-outstanding Voting Power of such corporation are then beneficially owned, directly or indirectly, by the persons who were the beneficial owners of the then- outstanding common stock and Voting Power of Stilwell immediately before such acquisition, in substantially the same proportions as their respective ownership, immediately before such acquisition, of the then-outstanding common stock and Voting Power of Stilwell; or

(ii) individuals who, as of the date of the Spin-off Distribution, constitute the Stilwell Board (the "Incumbent Board") cease for any reason to constitute at least 75% of the Stilwell Board; provided that any individual who becomes a director after the Spin-off Distribution whose election or nomination for election by the stockholders of Stilwell was approved by at least 75% of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened "election contest" relating to the election of the directors of Stilwell (as such terms are used in Rule 14a- 11 under the Exchange Act) or "tender offer" (as such term is used in Section 14(d) of the Exchange Act) or a proposed Extraordinary Transaction (as defined below)) shall be deemed to be a member of the Incumbent Board; or

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(iii) approval by the stockholders of Stilwell of any one or more of the following:

(A) a merger, reorganization, consolidation or similar transaction (any of the foregoing, an "Extraordinary Transaction") with respect to which persons who were the respective beneficial owners of the then-outstanding common stock and Voting Power of Stilwell immediately before such Extraordinary Transaction would not, if such Extraordinary Transaction were to be consummated immediately after such stockholder approval (but otherwise in accordance with the terms presented in writing to the stockholders of Stilwell for their approval), beneficially own, directly or indirectly, more than 60% of both the then-outstanding common shares and the then-outstanding Voting Power of the corporation resulting from such Extraordinary Transaction, in substantially the same proportions as their respective ownership, immediately before such Extraordinary Transaction, of the then-outstanding common stock and Voting Power of Stilwell,

(B) a liquidation or dissolution of Stilwell, or

(C) the sale or other disposition of all or substantially all of the assets of Stilwell in one transaction or a series of related transactions; or

(iv) the sale or other disposition by Stilwell, directly or indirectly, whether by merger, consolidation, combination, lease, exchange, spin-off, split-off, or other means, of any Significant Subsidiary or any reduction in Stilwell's direct or indirect beneficial ownership of any Significant Subsidiary to less than 50% of the Voting Power of such entity.

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For purposes of this Agreement, "Subsidiary" shall mean any entity of which at least 50% of the Voting Power is beneficially owned, directly or indirectly, by Stilwell and "Significant Subsidiary" shall mean (A) any Subsidiary which contributed 30% or more of the total combined revenues of Stilwell and all Subsidiaries for the prior calendar year, and (B) any one or more entities, businesses or groups of assets directly or indirectly sold or disposed of by Stilwell (within the meaning of paragraph 7(d)(iv)) within any two year period that contributed 30% of more of such total combined revenues or would have contributed such 30% based on revenues of such entities, businesses or groups of assets for the calendar year prior to their sale or disposition.

Notwithstanding the foregoing provisions of this Paragraph 7(d) to the contrary, the Spin-off Distribution shall not constitute a Change in Control.

(e) Termination After Control Change Date. Notwithstanding any other provision of this Paragraph 7, at any time after the Control Change Date, Stilwell may terminate the employment of Executive (the "Termination"), but unless such Termination is for Cause as defined in subparagraph (g) or for disability, within five (5) days of the Termination Stilwell shall pay to Executive his full base salary through the Termination, to the extent not theretofore paid, plus a lump sum amount (the "Special Severance Payment") equal to the product (discounted to the then present value on the basis of a rate of seven percent (7%) per annum) of (i) 175% of his annual base salary specified in Paragraph 7(a) multiplied by (ii) three, and Specified Benefits (excluding any incentive compensation) to which Executive was entitled immediately prior to Termination shall continue until the end of the 3-year period ("Benefits Period") beginning on the date of Termination. If any plan pursuant to which Specified Benefits are provided immediately prior to Termination would not permit continued participation by

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Executive after Termination, then Stilwell shall pay to Executive within five (5) days after Termination a lump sum payment equal to the amount of Specified Benefits Executive would have received under such plan if Executive had been fully vested in the average annual contributions or benefits in effect for the three plan years ending prior to the Control Change Date (regardless of any limitations based on the earnings or performance of Stilwell) and a continuing participant in such plan to the end of the Benefits Period. Following the end of the Benefits Period, Stilwell shall continue to provide to the Executive and the Executive's family the following benefits ("Post-Period Benefits"): (1) prior to the Executive's attainment of age sixty (60), health, prescription and dental benefits equivalent to those then applicable to active peer executives of Stilwell and their families, as the same may be modified from time to time, and

(2) following the Executive's attainment of age sixty (60) (and without regard to the Executive's period of service with Stilwell), health and prescription benefits equivalent to those then applicable to retired peer executives of Stilwell and their families, as the same may be modified from time to time. The cost to the Executive of such Post-Period Benefits shall not exceed the cost of such benefits to active or retired (as applicable) peer executives, as the same may be modified from time to time. Notwithstanding the preceding two sentences of this Paragraph 7(e), if the Executive is covered under any health, prescription or dental plan provided by a subsequent employer, then the corresponding type of plan coverage (i.e., health, prescription or dental) required to be provided as Post-Period Benefits under this Paragraph 7(e) shall cease. The Executive's rights under this Paragraph 7(e) shall be in addition to, and not in lieu of, any post-termination continuation coverage or conversion rights the Executive may have pursuant to applicable law, including without limitation continuation coverage required by Section 4980 of the Code. Nothing in this Paragraph 7(e) shall be deemed to limit in any manner the reserved

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right of Stilwell, in its sole and absolute discretion, to at any time amend, modify or terminate health, prescription or dental benefits for active or retired employees generally.

(f) Resignation After Control Change Date. In the event of a Change in Control as defined in Paragraph 7(d), thereafter, upon good reason (as defined below), Executive may, at any time during the 3-year period following the Change in Control, in his sole discretion, on not less than thirty (30) days' written notice (the "Notice of Resignation") to the Secretary of Stilwell and effective at the end of such notice period, resign his employment with Stilwell (the "Resignation"). Within five (5) days of such a Resignation, Stilwell shall pay to Executive his full base salary through the effective date of such Resignation, to the extent not theretofore paid, plus a lump sum amount equal to the Special Severance Payment (computed as provided in the first sentence of Paragraph 7(e), except that for purposes of such computation all references to "Termination" shall be deemed to be references to "Resignation"). Upon Resignation of Executive, Specified Benefits to which Executive was entitled immediately prior to Resignation shall continue on the same terms and conditions as provided in Paragraph 7(e) in the case of Termination (including equivalent payments provided for therein), and Post-Period Benefits shall be provided on the same terms and conditions as provided in Paragraph 7(e) in the case of Termination. For purposes of this Agreement, "good reason" means any one or more of the following:

(i) the assignment to the Executive of any duties which result in a material adverse change in the Executive's position (including status, offices, titles, and reporting requirements), authority, duties, or other responsibilities with Stilwell, or any other action of Stilwell which results in a material adverse change in such position, authority, duties, or responsibilities, other than an insubstantial and inadvertent action

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which is remedied by Stilwell promptly after receipt of notice thereof given by the Executive,

(ii) any relocation of the Executive of more than 40 miles from the place where the Executive was located at the time of the Change in Control;

(iii) a material reduction or elimination of any component of the Executive's rate of compensation, including (x) base salary, (y) any incentive payment or (z) benefits or prerequisites which the Executive was receiving immediately prior to a Change in Control, or;

(iv) any failure by Stilwell to comply with any of the provisions of Paragraph 7;

A passage of time prior to delivery of the Notice of Resignation or a failure by the Executive to include in the Notice of Resignation any fact or circumstance which contributes to a showing of good reason shall not waive any right of the Executive under this Agreement or preclude the Executive from asserting such fact or circumstance in enforcing rights under this Agreement.

(g) Termination for Cause After Control Change Date. Notwithstanding any other provision of this Paragraph 7, at any time after the Control Change Date, Executive may be terminated by Stilwell "for Cause." Cause means commission by the Executive of any felony or willful breach of duty by the Executive in the course of the Executive's employment, except that Cause shall not mean:

(i) bad judgment or negligence;

(ii) any act or omission believed by the Executive in good faith to have been in or not opposed to the interest of Stilwell (without intent of the Executive to gain, directly or indirectly, a profit to which the Executive was not legally entitled);

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(iii) any act or omission with respect to which a determination could properly have been made by the Stilwell Board that the Executive met the applicable standard of conduct for indemnification or reimbursement under Stilwell's by-laws, any applicable indemnification agreement, or applicable law, in each case in effect at the time of such act or omission; or

(iv) any act or omission with respect to which Notice of Termination of the Executive is given more than 12 months after the earliest date on which any member of the Stilwell Board, not a party to the act or omission, knew or should have known of such act or omission.

Any Termination of the Executive's employment by Stilwell for Cause shall be communicated to the Executive by Notice of Termination.

(h) Gross-up for Certain Taxes. If it is determined (by the reasonable computation of Stilwell's independent auditors, which determinations shall be certified to by such auditors and set forth in a written certificate ("Certificate") delivered to the Executive) that any benefit received or deemed received by the Executive from Stilwell pursuant to this Agreement or otherwise (collectively, the "Payments") is or will become subject to any excise tax under
Section 4999 of the Code or any similar tax payable under any United States federal, state, local or other law (such excise tax and all such similar taxes collectively, "Excise Taxes"), then Stilwell shall, immediately after such determination, pay the Executive an amount (the "Gross-up Payment") equal to the product of:

(i) the amount of such Excise Taxes;

multiplied by

(ii) the Gross-up Multiple (as defined in Paragraph 7(k).

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The Gross-up Payment is intended to compensate the Executive for the Excise Taxes and any federal, state, local or other income or excise taxes or other taxes payable by the Executive with respect to the Gross-up Payment.

Stilwell shall cause the preparation and delivery to the Executive of a Certificate upon request at any time. Stilwell shall, in addition to complying with this Paragraph 7(h), cause all determinations and certifications under Paragraphs 7(h)-(o) to be made as soon as reasonably possible and in adequate time to permit the Executive to prepare and file the Executive's individual tax returns on a timely basis.

(i) Determination by the Executive.

(i) If Stilwell shall fail (a) to deliver a Certificate to the Executive or (b) to pay to the Executive the amount of the Gross-up Payment, if any, within 14 days after receipt from the Executive of a written request for a Certificate, or if at any time following receipt of a Certificate the Executive disputes the amount of the Gross-up Payment set forth therein, the Executive may elect to demand the payment of the amount which the Executive, in accordance with an opinion of counsel to the Executive ("Executive Counsel Opinion"), determines to be the Gross-up Payment. Any such demand by the Executive shall be made by delivery to Stilwell of a written notice which specifies the Gross-up Payment determined by the Executive and an Executive Counsel Opinion regarding such Gross-up Payment (such written notice and opinion collectively, the "Executive's Determination"). Within 14 days after delivery of the Executive's Determination to Stilwell, Stilwell shall either (a) pay the Executive the Gross-up Payment set forth in the Executive's Determination (less the portion of such amount, if any, previously paid to the Executive by Stilwell) or (b) deliver to the Executive a

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Certificate specifying the Gross-up Payment determined by Stilwell's independent auditors, together with an opinion of Stilwell's counsel ("Stilwell Counsel Opinion"), and pay the Executive the Gross-up Payment specified in such Certificate. If for any reason Stilwell fails to comply with clause (b) of the preceding sentence, the Gross-up Payment specified in the Executive's Determination shall be controlling for all purposes.

(ii) If the Executive does not make a request for, and Stilwell does not deliver to the Executive, a Certificate, Stilwell shall, for purposes of Paragraph 7(j), be deemed to have determined that no Gross-up Payment is due.

(j) Additional Gross-up Amounts. If, despite the initial conclusion of Stilwell and/or the Executive that certain Payments are neither subject to Excise Taxes nor to be counted in determining whether other Payments are subject to Excise Taxes (any such item, a "Non-Parachute Item"), it is later determined (pursuant to subsequently-enacted provisions of the Code, final regulations or published rulings of the IRS, final IRS determination or judgment of a court of competent jurisdiction or Stilwell's independent auditors) that any of the Non- Parachute Items are subject to Excise Taxes, or are to be counted in determining whether any Payments are subject to Excise Taxes, with the result that the amount of Excise Taxes payable by the Executive is greater than the amount determined by Stilwell or the Executive pursuant to Paragraph 7(h) or Paragraph
7(i), as applicable, then Stilwell shall pay the Executive an amount (which shall also be deemed a Gross-up Payment) equal to the product of:

(i) the sum of (a) such additional Excise Taxes and (b) any interest, fines, penalties, expenses or other costs incurred by the Executive as a result of having taken a position in accordance with a determination made pursuant to Paragraph 7(h); multiplied by

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(ii) the Gross-up Multiple.

(k) Gross-up Multiple. The Gross-up Multiple shall equal a fraction, the numerator of which is one (1.0), and the denominator of which is one (1.0) minus the sum, expressed as a decimal fraction, of the rates of all federal, state, local and other income and other taxes and any Excise Taxes applicable to the Gross-up Payment; provided that, if such sum exceeds 0.8, it shall be deemed equal to 0.8 for purposes of this computation. (If different rates of tax are applicable to various portions of a Gross-up Payment, the weighted average of such rates shall be used.)

(l) Opinion of Counsel. "Executive Counsel Opinion" means a legal opinion of nationally recognized executive compensation counsel that there is a reasonable basis to support a conclusion that the Gross-up Payment determined by the Executive has been calculated in accord with this Paragraph 7 and applicable law. "Company Counsel Opinion" means a legal opinion of nationally recognized executive compensation counsel that (i) there is a reasonable basis to support a conclusion that the Gross-up Payment set forth in the Certificate of Stilwell's independent auditors has been calculated in accord with this Paragraph 7 and applicable law, and (ii) there is no reasonable basis for the calculation of the Gross-up Payment determined by the Executive.

(m) Amount Increased or Contested. The Executive shall notify Stilwell in writing of any claim by the IRS or other taxing authority that, if successful, would require the payment by Stilwell of a Gross-up Payment. Such notice shall include the nature of such claim and the date on which such claim is due to be paid. The Executive shall give such notice as soon as practicable, but no later than 10 business days, after the Executive first obtains actual knowledge of such claim; provided, however, that any failure to give or delay in giving such

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notice shall affect Stilwell's obligations under this Paragraph 7 only if and to the extent that such failure results in actual prejudice to Stilwell. The Executive shall not pay such claim less than 30 days after the Executive gives such notice to Stilwell (or, if sooner, the date on which payment of such claim is due). If Stilwell notifies the Executive in writing before the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give Stilwell any information that it reasonably requests relating to such claim;

(ii) take such action in connection with contesting such claim as Stilwell reasonably requests in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by Stilwell;

(iii) cooperate with Stilwell in good faith to contest such claim; and

(iv) permit Stilwell to participate in any proceedings relating to such claim; provided, however, that Stilwell shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including related interest and penalties, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing, Stilwell shall control all proceedings in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner. The Executive agrees to prosecute such contest to a

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determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Stilwell shall determine; provided, however, that if Stilwell directs the Executive to pay such claim and sue for a refund, Stilwell shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify the Executive, on an after-tax basis, for any Excise Tax or income tax, including related interest or penalties, imposed with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. The Stilwell's control of the contest shall be limited to issues with respect to which a Gross-up Payment would be payable. The Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the IRS or other taxing authority.

(n) Refunds. If, after the receipt by the Executive of an amount advanced by Stilwell pursuant to Paragraph 7(m), the Executive receives any refund with respect to such claim, the Executive shall (subject to Stilwell's complying with the requirements of Paragraph 7(m)) promptly pay Stilwell the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by Stilwell pursuant to Paragraph 7(m), a determination is made that the Executive shall not be entitled to a full refund with respect to such claim and Stilwell does not notify the Executive in writing of its intent to contest such determination before the expiration of 30 days after such determination, then the applicable part of such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent

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thereof, the amount of Gross-up Payment required to be paid. Any contest of a denial of refund shall be controlled by Paragraph 7(m).

(o) Expenses. If any dispute should arise under this Agreement after the Control Change Date involving an effort by Executive to protect, enforce or secure rights or benefits claimed by Executive hereunder, Stilwell shall pay (promptly upon demand by Executive accompanied by reasonable evidence of incurrence) all reasonable expenses (including attorneys' fees) incurred by Executive in connection with such dispute, without regard to whether Executive prevails in such dispute except that Executive shall repay Stilwell any amounts so received if a court having jurisdiction shall make a final, nonappealable determination that Executive acted frivolously or in bad faith by such dispute. To assure Executive that adequate funds will be made available to discharge Stilwell's obligations set forth in the preceding sentence, Stilwell has established a trust and upon the occurrence of a Change in Control shall promptly deliver to the trustee of such trust to hold in accordance with the terms and conditions thereof that sum which the Stilwell Board shall have determined is reasonably sufficient for such purpose.

(p) Prevailing Provisions. On and after the Control Change Date, the provisions of this Paragraph 7 shall control and take precedence over any other provisions of this Agreement which are in conflict with or address the same or a similar subject matter as the provisions of this Paragraph 7.

8. Mitigation and Other Employment. After a termination of Executive's employment pursuant to Paragraph 4(d)(i) or a Change in Control as defined in Paragraph 7(d), Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and except as otherwise specifically

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provided in Paragraph 4(d)(ii) with respect to health and life insurance and in Paragraph 7(e) with respect to health, prescription and dental benefits, no such other employment, if obtained, or compensation or benefits payable in connection therewith shall reduce any amounts or benefits to which Executive is entitled hereunder. Such amounts or benefits payable to Executive under this Agreement shall not be treated as damages but as severance compensation to which Executive is entitled because Executive's employment has been terminated.

9. Notice. Notices and all other communications to either party pursuant to this Agreement shall be in writing and shall be deemed to have been given when personally delivered, delivered by facsimile or deposited in the United States mail by certified or registered mail, postage prepaid, addressed, in the case of Stilwell, to Stilwell at 114 West 11th Street, Kansas City, Missouri 64105, Attention: Secretary, or, in the case of the Executive, to him at 10051 Hardy Drive, Overland Park, KS 66212, or to such other address as a party shall designate by notice to the other party.

10. Amendment. No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, waiver, modification or discharge is agreed to in a writing signed by Executive and the President of Stilwell. No waiver by any party hereto at any time of any breach by another party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the time or at any prior or subsequent time.

11. Successors in Interest. The rights and obligations of Stilwell under this Agreement shall inure to the benefit of and be binding in each and every respect upon the direct and indirect successors and assigns of Stilwell, regardless of the manner in which such successors or assigns shall succeed to the interest of Stilwell hereunder, and this Agreement shall not be terminated by

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the voluntary or involuntary dissolution of Stilwell or by any merger or consolidation or acquisition involving Stilwell or upon any transfer of all or substantially all of Stilwell's assets, or terminated otherwise than in accordance with its terms. In the event of any such merger or consolidation or transfer of assets, the provisions of this Agreement shall be binding upon and shall inure to the benefit of the surviving corporation or the corporation or other person to which such assets shall be transferred. Neither this Agreement nor any of the payments or benefits hereunder may be pledged, assigned or transferred by Executive either in whole or in part in any manner, without the prior written consent of Stilwell.

12. Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

13. Controlling Law and Jurisdiction. The validity, interpretation and performance of this Agreement shall be subject to and construed under the laws of the State of Missouri, without regard to principles of conflicts of law.

14. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and terminates and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the terms of Executive's employment or severance arrangements.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above stated.

STILWELL FINANCIAL, INC.

By /s/ Landon H. Rowland

Name: Landon H. Rowland
Title: President and Chief Executive Officer

EXECUTIVE

/s/ Joseph D. Monello

Joseph D. Monello

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EXHIBIT 10.6.3

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made and entered into as of this 12th day of June, 2000, by and between Stilwell Financial, Inc., a Delaware corporation ("Stilwell") and Danny R. Carpenter, an individual ("Executive") to be effective on the date of the Spin-off Distribution (as defined below).

WHEREAS, the parties expect that all of the issued and outstanding stock of Stilwell will be distributed (the "Spin-off Distribution") to the shareholders of Kansas City Southern Industries, Inc. ("KCSI") which has been the parent of Stilwell since its formation on January 23, 1998; and

WHEREAS, Executive previously was employed by KCSI with duties primarily relating to Stilwell since its formation in 1998, and Stilwell and Executive desire for Stilwell to continue to employ Executive on the terms and conditions set forth in this Agreement and to provide an incentive to Executive to remain in the employ of Stilwell hereafter, particularly in the event of any Change in Control (as herein defined) of Stilwell or any Significant Subsidiary (as herein defined), thereby establishing and preserving continuity of management of Stilwell.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, it is agreed by and between Stilwell and Executive as follows:

1. Employment. Stilwell hereby employs Executive as its Vice President and Secretary to serve at the pleasure of the Board of Directors of Stilwell (the "Stilwell Board") and to have such duties, powers and responsibilities as may be prescribed or delegated from time to time by the President or other officer to whom Executive reports, subject to the powers vested in the Stilwell Board and in the stockholders of Stilwell. Executive shall faithfully perform his duties under this Agreement to the best of his ability and shall devote substantially all of his working time and efforts to the business and affairs of Stilwell and its affiliates.

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2. Compensation.

(a) Base Compensation. Stilwell shall pay Executive as compensation for his services hereunder an annual base salary at the rate of $400,000. Such rate shall not be increased prior to January 1, 2003 and shall not be reduced except as agreed by the parties or except as part of a general salary reduction program imposed by Stilwell and applicable to all officers of Stilwell.

(b) Incentive Compensation. For the years 2000, 2001 and 2002, Executive shall not be entitled to participate in any Stilwell incentive compensation plan, except that Stilwell shall pay Executive a cash bonus of $400,000 within ten days after the spin-off Distribution.

3. Benefits and Stock Ownership.

(a) Benefits. During the period of his employment hereunder, Stilwell shall provide Executive with coverage under such benefit plans and programs as are made generally available to similarly situated employees of Stilwell, provided (a) Stilwell shall have no obligation with respect to any plan or program if Executive is not eligible for coverage thereunder, and (b) Executive acknowledges that stock options and other stock and equity participation awards are granted in the discretion of the Stilwell Board or the Compensation Committee of the Stilwell Board and that Executive has no right to receive stock options or other equity participation awards or any particular number or level of stock options or other awards. In determining contributions, coverage and benefits under any disability insurance policy and under any cash compensation-based plan provided to Executive by Stilwell, it shall be assumed that the value of Executive's annual compensation, pursuant to this Agreement, is the lower of 175% of Executive's annual base salary or $1,000,000. Executive acknowledges that all rights and benefits under benefit plans and programs shall be governed by the official text of each such plan or program and not by any

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summary or description thereof or any provision of this Agreement (except to the extent this Agreement expressly modifies such benefit plans or programs) and that Stilwell is not under any obligation to continue in effect or to fund any such plan or program, except as provided in Paragraph 7 hereof. Stilwell also shall reimburse Executive for ordinary and necessary travel and other business expenses in accordance with policies and procedures established by Stilwell.

(b) Stock Ownership. During the period of his employment hereunder, Executive shall retain ownership in himself or in members of his immediate family of at least a majority of the number of shares of (i) Stilwell stock received by Executive or members of his immediate family in the Distribution, and (ii) Stilwell stock acquired upon the exercise of stock options, but excluding from such number of shares any such shares transferred to Stilwell or sold to pay the purchase price upon the exercise of stock options or to pay or satisfy tax obligations resulting from such exercise.

4. Termination.

(a) Termination by Executive. Executive may terminate this Agreement and his employment hereunder by at least thirty (30) days advance written notice to Stilwell, except that in the event of any material breach of this Agreement by Stilwell, Executive may terminate this Agreement and his employment hereunder immediately upon notice to Stilwell.

(b) Death or Disability. This Agreement and Executive's employment hereunder shall terminate automatically on the death or disability of Executive, except to the extent employment is continued under Stilwell's disability plan. For purposes of this Agreement, Executive shall be deemed to be disabled if he qualifies for disability benefits under Stilwell's long-term disability plan.

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(c) Termination by Stilwell For Cause. Stilwell may terminate this Agreement and Executive's employment "for cause" immediately upon notice to Executive. For purposes of this Agreement (except for Paragraph 7), termination "for cause" shall mean termination based upon any one or more of the following:

(i) Any material breach of this Agreement by Executive;

(ii) Executive's dishonesty involving Stilwell or any subsidiary of Stilwell;

(iii) Gross negligence or willful misconduct in the performance of Executive's duties as determined in good faith by the Stilwell Board;

(iv) Willful failure by Executive to follow reasonable instructions of the President or other officer to whom Executive reports concerning the operations or business of Stilwell or any subsidiary of Stilwell;

(v) Executive's fraud or criminal activity; or

(vi) Embezzlement or misappropriation by Executive.

(d) Termination by Stilwell Other Than For Cause.

(i) Stilwell may terminate this Agreement and Executive's employment other than for cause immediately upon notice to Executive, and in such event, Stilwell shall provide severance benefits to Executive in accordance with Paragraph 4(d)(ii) below.

(ii) Unless the provisions of Paragraph 7 of this Agreement are applicable, if Executive's employment is terminated under Paragraph 4(d)(i), Stilwell shall continue, for a period of two (2) years following such termination, (a) to pay to Executive as severance pay a monthly amount equal to one-twelfth (1/12th) of the annual base salary referenced in Paragraph 2(a) above, at the rate in effect immediately prior to termination,

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and, (b) to reimburse Executive for the cost (including state and federal income taxes payable with respect to this reimbursement) of continuing the health insurance coverage provided pursuant to this Agreement or obtaining health insurance coverage comparable to the health insurance provided pursuant to this Agreement, and obtaining coverage comparable to the life insurance provided pursuant to this Agreement, unless Executive is provided comparable health or life insurance coverage in connection with other employment. The foregoing obligations of Stilwell shall continue until the end of such two (2) year period notwithstanding the death or disability of Executive during said period (except, in the event of death, the obligation to reimburse Executive for the cost of life insurance shall not continue). In the year in which termination of employment occurs, Executive shall be eligible to receive benefits under the Stilwell Incentive Compensation Plan and the Stilwell Executive Plan (if such Plans then are in existence and Executive was entitled to participate immediately prior to termination) in accordance with the provisions of such plans then applicable, and severance pay received in such year shall be taken into account for the purpose of determining benefits, if any, under the Stilwell Incentive Compensation Plan but not under the Stilwell Executive Plan. After the year in which termination occurs, Executive shall not be entitled to accrue or receive benefits under the Stilwell Incentive Compensation Plan or the Stilwell Executive Plan with respect to the severance pay provided herein, notwithstanding that benefits under such plan then are still generally available to executive employees of Stilwell. After termination of employment, Executive shall not be entitled to accrue or receive benefits under any other employee benefit plan or program, except that Executive shall be entitled to participate in the Stilwell Employee Stock Ownership Plan and the Stilwell Section 401(k) Plan with Profit Sharing Plan

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Portion in the year of termination of employment only if Executive meets all requirements of such plans for participation in such year.

5. Non-Disclosure. During the term of this Agreement and at all times after any termination of this Agreement, Executive shall not, either directly or indirectly, use or disclose any Stilwell trade secret, except to the extent necessary for Executive to perform his duties for Stilwell while an employee. For purposes of this Agreement, the term "Stilwell trade secret" shall mean any information regarding the business or activities of Stilwell or any subsidiary or affiliate, including any formula, pattern, compilation, program, device, method, technique, process, customer list, technical information or other confidential or proprietary information, that (a) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (b) is the subject of efforts of Stilwell or its subsidiary or affiliate that are reasonable under the circumstance to maintain its secrecy. In the event of any breach of this Paragraph 5 by Executive, Stilwell shall be entitled to terminate any and all remaining severance benefits under Paragraph 4(d)(ii) and shall be entitled to pursue such other legal and equitable remedies as may be available.

6. Duties Upon Termination; Survival.

(a) Duties. Upon termination of this Agreement by Stilwell or Executive for any reason, Executive shall immediately return to Stilwell all Stilwell trade secrets which exist in tangible form and shall sign such written resignations from all positions as an officer, director or member of any committee or board of Stilwell and all direct and indirect subsidiaries and affiliates of Stilwell as may be requested by Stilwell and shall sign such other documents and papers relating to Executive's employment, benefits and benefit plans as Stilwell may reasonably request.

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(b) Survival. The provisions of Paragraphs 5, 6(a) and 7 of this Agreement shall survive any termination of this Agreement by Stilwell or Executive, and the provisions of Paragraph 4(d)(ii) shall survive any termination of this Agreement by Stilwell under Paragraph 4(d)(i).

7. Continuation of Employment Upon Change in Control of Stilwell.

(a) Continuation of Employment. Subject to the terms and conditions of this Paragraph 7, in the event of a Change in Control (as defined in Paragraph 7(d)) at any time during the term of this Agreement, Executive agrees to remain in the employ of Stilwell for a period of three years (the "Three-Year Period") from the date of such Change in Control (the "Control Change Date"). Stilwell agrees to continue to employ Executive for the Three-Year Period. During the Three-Year Period, (i) the Executive's position (including offices, titles, reporting requirements and responsibilities), authority and duties shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 12 month period immediately before the Control Change Date and (ii) the Executive's services shall be performed at the location where Executive was employed immediately before the Control Change Date or at any other location less than 40 miles from such former location. During the Three-Year Period, Stilwell shall continue to pay to Executive an annual base salary on the same basis and at the same intervals as in effect prior to the Control Change Date at a rate not less than 12 times the highest monthly base salary paid or payable to the Executive by Stilwell in respect of the 12-month period immediately before the Control Change Date.

(b) Benefits. During the Three-Year Period, Executive shall be entitled to participate, on the basis of his executive position, in each of the following Stilwell plans

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(together, the "Specified Benefits") in existence, and in accordance with the terms thereof, at the Control Change Date:

(i) any benefit plan, and trust fund associated therewith, related to (a) life, health, dental, disability, accidental death and dismemberment insurance or accrued but unpaid vacation time, (b) profit sharing, thrift or deferred savings (including deferred compensation, such as under Section 401(k) plans), (c) retirement or pension benefits, (d) ERISA excess benefits and similar plans and (e) tax favored employee stock ownership (such as under ESOP, and Employee Stock Purchase programs); and

(ii) any other benefit plans hereafter made generally available to executives of Executive's level or to the employees of Stilwell generally.

In addition, Stilwell shall use its best efforts to cause all outstanding options held by Executive under any stock option plan of Stilwell or its affiliates to become immediately exercisable on the Control Change Date and to the extent that such options are not vested and are subsequently forfeited, the Executive shall receive a lump-sum cash payment within 5 days after the options are forfeited equal to the difference between the fair market value of the shares of stock subject to the non-vested, forfeited options determined as of the date such options are forfeited and the exercise price for such options. During the Three-Year Period Executive shall be entitled to participate, on the basis of his executive position, in any incentive compensation plan of Stilwell in accordance with the terms thereof at the Control Change Date; provided that if under Stilwell programs or Executive's Employment Agreement in existence immediately prior to the Control Change Date, there are written limitations on participation for a designated time period in any incentive compensation plan, such limitations shall continue after the Control Change Date to the extent so provided for prior to the Control Change Date.

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If the amount of contributions or benefits with respect to the Specified Benefits or any incentive compensation is determined on a discretionary basis under the terms of the Specified Benefits or any incentive compensation plan immediately prior to the Control Change Date, the amount of such contributions or benefits during the Three-Year Period for each of the Specified Benefits shall not be less than the average annual contributions or benefits for each Specified Benefit for the three plan years ending prior to the Control Change Date and, in the case of any incentive compensation plan, the amount of the incentive compensation during the Three-Year Period shall not be less than 75% of the maximum that could have been paid to the Executive under the terms of the incentive compensation plan.

(c) Payment. With respect to any plan or agreement under which Executive would be entitled at the Control Change Date to receive Specified Benefits or incentive compensation as a general obligation of Stilwell which has not been separately funded (including specifically, but not limited to, those referred to under Paragraph 7(b)(i) and (ii) above), Executive shall receive within five (5) days after such date full payment in cash (discounted to the then present value on the basis of a rate of seven percent (7%) per annum) of all amounts to which he is then entitled thereunder.

(d) Change in Control. Except as provided in the last sentence of this Paragraph 7(d), for purposes of this Agreement, a "Change in Control" means any one or more of the following:

(i) the acquisition or holding by any person, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act"), other than by Stilwell or any Subsidiary (as defined below), or any employee benefit plan of Stilwell or a Subsidiary (and other than by KCSI prior to the

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Spin-off Distribution), of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of 20% or more of the then-outstanding common stock or the combined voting power of the then-outstanding voting securities ("Voting Power") of Stilwell; provided, however, that no Change in Control shall occur solely by reason of any such acquisition by a corporation with respect to which, after such acquisition, more than 60% of both the then-outstanding common shares and the then-outstanding Voting Power of such corporation are then beneficially owned, directly or indirectly, by the persons who were the beneficial owners of the then- outstanding common stock and Voting Power of Stilwell immediately before such acquisition, in substantially the same proportions as their respective ownership, immediately before such acquisition, of the then-outstanding common stock and Voting Power of Stilwell; or

(ii) individuals who, as of the date of the Spin-off Distribution, constitute the Stilwell Board (the "Incumbent Board") cease for any reason to constitute at least 75% of the Stilwell Board; provided that any individual who becomes a director after the Spin-off Distribution whose election or nomination for election by the stockholders of Stilwell was approved by at least 75% of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened "election contest" relating to the election of the directors of Stilwell (as such terms are used in Rule 14a- 11 under the Exchange Act) or "tender offer" (as such term is used in Section 14(d) of the Exchange Act) or a proposed Extraordinary Transaction (as defined below)) shall be deemed to be a member of the Incumbent Board; or

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(iii) approval by the stockholders of Stilwell of any one or more of the following:

(A) a merger, reorganization, consolidation or similar transaction (any of the foregoing, an "Extraordinary Transaction") with respect to which persons who were the respective beneficial owners of the then-outstanding common stock and Voting Power of Stilwell immediately before such Extraordinary Transaction would not, if such Extraordinary Transaction were to be consummated immediately after such stockholder approval (but otherwise in accordance with the terms presented in writing to the stockholders of Stilwell for their approval), beneficially own, directly or indirectly, more than 60% of both the then-outstanding common shares and the then-outstanding Voting Power of the corporation resulting from such Extraordinary Transaction, in substantially the same proportions as their respective ownership, immediately before such Extraordinary Transaction, of the then-outstanding common stock and Voting Power of Stilwell,

(B) a liquidation or dissolution of Stilwell, or

(C) the sale or other disposition of all or substantially all of the assets of Stilwell in one transaction or a series of related transactions; or

(iv) the sale or other disposition by Stilwell, directly or indirectly, whether by merger, consolidation, combination, lease, exchange, spin-off, split-off, or other means, of any Significant Subsidiary or any reduction in Stilwell's direct or indirect beneficial ownership of any Significant Subsidiary to less than 50% of the Voting Power of such entity.

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For purposes of this Agreement, "Subsidiary" shall mean any entity of which at least 50% of the Voting Power is beneficially owned, directly or indirectly, by Stilwell and "Significant Subsidiary" shall mean (A) any Subsidiary which contributed 30% or more of the total combined revenues of Stilwell and all Subsidiaries for the prior calendar year, and (B) any one or more entities, businesses or groups of assets directly or indirectly sold or disposed of by Stilwell (within the meaning of paragraph 7(d)(iv)) within any two year period that contributed 30% of more of such total combined revenues or would have contributed such 30% based on revenues of such entities, businesses or groups of assets for the calendar year prior to their sale or disposition.

Notwithstanding the foregoing provisions of this Paragraph 7(d) to the contrary, the Spin-off Distribution shall not constitute a Change in Control.

(e) Termination After Control Change Date. Notwithstanding any other provision of this Paragraph 7, at any time after the Control Change Date, Stilwell may terminate the employment of Executive (the "Termination"), but unless such Termination is for Cause as defined in subparagraph (g) or for disability, within five (5) days of the Termination Stilwell shall pay to Executive his full base salary through the Termination, to the extent not theretofore paid, plus a lump sum amount (the "Special Severance Payment") equal to the product (discounted to the then present value on the basis of a rate of seven percent (7%) per annum) of (i) 175% of his annual base salary specified in Paragraph 7(a) multiplied by (ii) three, and Specified Benefits (excluding any incentive compensation) to which Executive was entitled immediately prior to Termination shall continue until the end of the 3-year period ("Benefits Period") beginning on the date of Termination. If any plan pursuant to which Specified Benefits are provided immediately prior to Termination would not permit continued participation by

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Executive after Termination, then Stilwell shall pay to Executive within five (5) days after Termination a lump sum payment equal to the amount of Specified Benefits Executive would have received under such plan if Executive had been fully vested in the average annual contributions or benefits in effect for the three plan years ending prior to the Control Change Date (regardless of any limitations based on the earnings or performance of Stilwell) and a continuing participant in such plan to the end of the Benefits Period. Following the end of the Benefits Period, Stilwell shall continue to provide to the Executive and the Executive's family the following benefits ("Post-Period Benefits"): (1) prior to the Executive's attainment of age sixty (60), health, prescription and dental benefits equivalent to those then applicable to active peer executives of Stilwell and their families, as the same may be modified from time to time, and

(2) following the Executive's attainment of age sixty (60) (and without regard to the Executive's period of service with Stilwell), health and prescription benefits equivalent to those then applicable to retired peer executives of Stilwell and their families, as the same may be modified from time to time. The cost to the Executive of such Post-Period Benefits shall not exceed the cost of such benefits to active or retired (as applicable) peer executives, as the same may be modified from time to time. Notwithstanding the preceding two sentences of this Paragraph 7(e), if the Executive is covered under any health, prescription or dental plan provided by a subsequent employer, then the corresponding type of plan coverage (i.e., health, prescription or dental) required to be provided as Post-Period Benefits under this Paragraph 7(e) shall cease. The Executive's rights under this Paragraph 7(e) shall be in addition to, and not in lieu of, any post-termination continuation coverage or conversion rights the Executive may have pursuant to applicable law, including without limitation continuation coverage required by Section 4980 of the Code. Nothing in this Paragraph 7(e) shall be deemed to limit in any manner the reserved

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right of Stilwell, in its sole and absolute discretion, to at any time amend, modify or terminate health, prescription or dental benefits for active or retired employees generally.

(f) Resignation After Control Change Date. In the event of a Change in Control as defined in Paragraph 7(d), thereafter, upon good reason (as defined below), Executive may, at any time during the 3-year period following the Change in Control, in his sole discretion, on not less than thirty (30) days' written notice (the "Notice of Resignation") to the Secretary of Stilwell and effective at the end of such notice period, resign his employment with Stilwell (the "Resignation"). Within five (5) days of such a Resignation, Stilwell shall pay to Executive his full base salary through the effective date of such Resignation, to the extent not theretofore paid, plus a lump sum amount equal to the Special Severance Payment (computed as provided in the first sentence of Paragraph 7(e), except that for purposes of such computation all references to "Termination" shall be deemed to be references to "Resignation"). Upon Resignation of Executive, Specified Benefits to which Executive was entitled immediately prior to Resignation shall continue on the same terms and conditions as provided in Paragraph 7(e) in the case of Termination (including equivalent payments provided for therein), and Post-Period Benefits shall be provided on the same terms and conditions as provided in Paragraph 7(e) in the case of Termination. For purposes of this Agreement, "good reason" means any one or more of the following:

(i) the assignment to the Executive of any duties which result in a material adverse change in the Executive's position (including status, offices, titles, and reporting requirements), authority, duties, or other responsibilities with Stilwell, or any other action of Stilwell which results in a material adverse change in such position, authority, duties, or responsibilities, other than an insubstantial and inadvertent action

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which is remedied by Stilwell promptly after receipt of notice thereof given by the Executive,

(ii) any relocation of the Executive of more than 40 miles from the place where the Executive was located at the time of the Change in Control;

(iii) a material reduction or elimination of any component of the Executive's rate of compensation, including (x) base salary, (y) any incentive payment or (z) benefits or prerequisites which the Executive was receiving immediately prior to a Change in Control, or;

(iv) any failure by Stilwell to comply with any of the provisions of Paragraph 7;

A passage of time prior to delivery of the Notice of Resignation or a failure by the Executive to include in the Notice of Resignation any fact or circumstance which contributes to a showing of good reason shall not waive any right of the Executive under this Agreement or preclude the Executive from asserting such fact or circumstance in enforcing rights under this Agreement.

(g) Termination for Cause After Control Change Date. Notwithstanding any other provision of this Paragraph 7, at any time after the Control Change Date, Executive may be terminated by Stilwell "for Cause." Cause means commission by the Executive of any felony or willful breach of duty by the Executive in the course of the Executive's employment, except that Cause shall not mean:

(i) bad judgment or negligence;

(ii) any act or omission believed by the Executive in good faith to have been in or not opposed to the interest of Stilwell (without intent of the Executive to gain, directly or indirectly, a profit to which the Executive was not legally entitled);

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(iii) any act or omission with respect to which a determination could properly have been made by the Stilwell Board that the Executive met the applicable standard of conduct for indemnification or reimbursement under Stilwell's by-laws, any applicable indemnification agreement, or applicable law, in each case in effect at the time of such act or omission; or

(iv) any act or omission with respect to which Notice of Termination of the Executive is given more than 12 months after the earliest date on which any member of the Stilwell Board, not a party to the act or omission, knew or should have known of such act or omission.

Any Termination of the Executive's employment by Stilwell for Cause shall be communicated to the Executive by Notice of Termination.

(h) Gross-up for Certain Taxes. If it is determined (by the reasonable computation of Stilwell's independent auditors, which determinations shall be certified to by such auditors and set forth in a written certificate ("Certificate") delivered to the Executive) that any benefit received or deemed received by the Executive from Stilwell pursuant to this Agreement or otherwise (collectively, the "Payments") is or will become subject to any excise tax under
Section 4999 of the Code or any similar tax payable under any United States federal, state, local or other law (such excise tax and all such similar taxes collectively, "Excise Taxes"), then Stilwell shall, immediately after such determination, pay the Executive an amount (the "Gross-up Payment") equal to the product of:

(i) the amount of such Excise Taxes;

multiplied by

(ii) the Gross-up Multiple (as defined in Paragraph 7(k).

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The Gross-up Payment is intended to compensate the Executive for the Excise Taxes and any federal, state, local or other income or excise taxes or other taxes payable by the Executive with respect to the Gross-up Payment.

Stilwell shall cause the preparation and delivery to the Executive of a Certificate upon request at any time. Stilwell shall, in addition to complying with this Paragraph 7(h), cause all determinations and certifications under Paragraphs 7(h)-(o) to be made as soon as reasonably possible and in adequate time to permit the Executive to prepare and file the Executive's individual tax returns on a timely basis.

(i) Determination by the Executive.

(i) If Stilwell shall fail (a) to deliver a Certificate to the Executive or (b) to pay to the Executive the amount of the Gross-up Payment, if any, within 14 days after receipt from the Executive of a written request for a Certificate, or if at any time following receipt of a Certificate the Executive disputes the amount of the Gross-up Payment set forth therein, the Executive may elect to demand the payment of the amount which the Executive, in accordance with an opinion of counsel to the Executive ("Executive Counsel Opinion"), determines to be the Gross-up Payment. Any such demand by the Executive shall be made by delivery to Stilwell of a written notice which specifies the Gross-up Payment determined by the Executive and an Executive Counsel Opinion regarding such Gross-up Payment (such written notice and opinion collectively, the "Executive's Determination"). Within 14 days after delivery of the Executive's Determination to Stilwell, Stilwell shall either (a) pay the Executive the Gross-up Payment set forth in the Executive's Determination (less the portion of such amount, if any, previously paid to the Executive by Stilwell) or (b) deliver to the Executive a

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Certificate specifying the Gross-up Payment determined by Stilwell's independent auditors, together with an opinion of Stilwell's counsel ("Stilwell Counsel Opinion"), and pay the Executive the Gross-up Payment specified in such Certificate. If for any reason Stilwell fails to comply with clause (b) of the preceding sentence, the Gross-up Payment specified in the Executive's Determination shall be controlling for all purposes.

(ii) If the Executive does not make a request for, and Stilwell does not deliver to the Executive, a Certificate, Stilwell shall, for purposes of Paragraph 7(j), be deemed to have determined that no Gross-up Payment is due.

(j) Additional Gross-up Amounts. If, despite the initial conclusion of Stilwell and/or the Executive that certain Payments are neither subject to Excise Taxes nor to be counted in determining whether other Payments are subject to Excise Taxes (any such item, a "Non-Parachute Item"), it is later determined (pursuant to subsequently-enacted provisions of the Code, final regulations or published rulings of the IRS, final IRS determination or judgment of a court of competent jurisdiction or Stilwell's independent auditors) that any of the Non- Parachute Items are subject to Excise Taxes, or are to be counted in determining whether any Payments are subject to Excise Taxes, with the result that the amount of Excise Taxes payable by the Executive is greater than the amount determined by Stilwell or the Executive pursuant to Paragraph 7(h) or Paragraph
7(i), as applicable, then Stilwell shall pay the Executive an amount (which shall also be deemed a Gross-up Payment) equal to the product of:

(i) the sum of (a) such additional Excise Taxes and (b) any interest, fines, penalties, expenses or other costs incurred by the Executive as a result of having taken a position in accordance with a determination made pursuant to Paragraph 7(h); multiplied by

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(ii) the Gross-up Multiple.

(k) Gross-up Multiple. The Gross-up Multiple shall equal a fraction, the numerator of which is one (1.0), and the denominator of which is one (1.0) minus the sum, expressed as a decimal fraction, of the rates of all federal, state, local and other income and other taxes and any Excise Taxes applicable to the Gross-up Payment; provided that, if such sum exceeds 0.8, it shall be deemed equal to 0.8 for purposes of this computation. (If different rates of tax are applicable to various portions of a Gross-up Payment, the weighted average of such rates shall be used.)

(l) Opinion of Counsel. "Executive Counsel Opinion" means a legal opinion of nationally recognized executive compensation counsel that there is a reasonable basis to support a conclusion that the Gross-up Payment determined by the Executive has been calculated in accord with this Paragraph 7 and applicable law. "Company Counsel Opinion" means a legal opinion of nationally recognized executive compensation counsel that (i) there is a reasonable basis to support a conclusion that the Gross-up Payment set forth in the Certificate of Stilwell's independent auditors has been calculated in accord with this Paragraph 7 and applicable law, and (ii) there is no reasonable basis for the calculation of the Gross-up Payment determined by the Executive.

(m) Amount Increased or Contested. The Executive shall notify Stilwell in writing of any claim by the IRS or other taxing authority that, if successful, would require the payment by Stilwell of a Gross-up Payment. Such notice shall include the nature of such claim and the date on which such claim is due to be paid. The Executive shall give such notice as soon as practicable, but no later than 10 business days, after the Executive first obtains actual knowledge of such claim; provided, however, that any failure to give or delay in giving such

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notice shall affect Stilwell's obligations under this Paragraph 7 only if and to the extent that such failure results in actual prejudice to Stilwell. The Executive shall not pay such claim less than 30 days after the Executive gives such notice to Stilwell (or, if sooner, the date on which payment of such claim is due). If Stilwell notifies the Executive in writing before the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give Stilwell any information that it reasonably requests relating to such claim;

(ii) take such action in connection with contesting such claim as Stilwell reasonably requests in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by Stilwell;

(iii) cooperate with Stilwell in good faith to contest such claim; and

(iv) permit Stilwell to participate in any proceedings relating to such claim; provided, however, that Stilwell shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including related interest and penalties, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing, Stilwell shall control all proceedings in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner. The Executive agrees to prosecute such contest to a

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determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Stilwell shall determine; provided, however, that if Stilwell directs the Executive to pay such claim and sue for a refund, Stilwell shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify the Executive, on an after-tax basis, for any Excise Tax or income tax, including related interest or penalties, imposed with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. The Stilwell's control of the contest shall be limited to issues with respect to which a Gross-up Payment would be payable. The Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the IRS or other taxing authority.

(n) Refunds. If, after the receipt by the Executive of an amount advanced by Stilwell pursuant to Paragraph 7(m), the Executive receives any refund with respect to such claim, the Executive shall (subject to Stilwell's complying with the requirements of Paragraph 7(m)) promptly pay Stilwell the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by Stilwell pursuant to Paragraph 7(m), a determination is made that the Executive shall not be entitled to a full refund with respect to such claim and Stilwell does not notify the Executive in writing of its intent to contest such determination before the expiration of 30 days after such determination, then the applicable part of such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent

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thereof, the amount of Gross-up Payment required to be paid. Any contest of a denial of refund shall be controlled by Paragraph 7(m).

(o) Expenses. If any dispute should arise under this Agreement after the Control Change Date involving an effort by Executive to protect, enforce or secure rights or benefits claimed by Executive hereunder, Stilwell shall pay (promptly upon demand by Executive accompanied by reasonable evidence of incurrence) all reasonable expenses (including attorneys' fees) incurred by Executive in connection with such dispute, without regard to whether Executive prevails in such dispute except that Executive shall repay Stilwell any amounts so received if a court having jurisdiction shall make a final, nonappealable determination that Executive acted frivolously or in bad faith by such dispute. To assure Executive that adequate funds will be made available to discharge Stilwell's obligations set forth in the preceding sentence, Stilwell has established a trust and upon the occurrence of a Change in Control shall promptly deliver to the trustee of such trust to hold in accordance with the terms and conditions thereof that sum which the Stilwell Board shall have determined is reasonably sufficient for such purpose.

(p) Prevailing Provisions. On and after the Control Change Date, the provisions of this Paragraph 7 shall control and take precedence over any other provisions of this Agreement which are in conflict with or address the same or a similar subject matter as the provisions of this Paragraph 7.

8. Mitigation and Other Employment. After a termination of Executive's employment pursuant to Paragraph 4(d)(i) or a Change in Control as defined in Paragraph 7(d), Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and except as otherwise specifically

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provided in Paragraph 4(d)(ii) with respect to health and life insurance and in Paragraph 7(e) with respect to health, prescription and dental benefits, no such other employment, if obtained, or compensation or benefits payable in connection therewith shall reduce any amounts or benefits to which Executive is entitled hereunder. Such amounts or benefits payable to Executive under this Agreement shall not be treated as damages but as severance compensation to which Executive is entitled because Executive's employment has been terminated.

9. Notice. Notices and all other communications to either party pursuant to this Agreement shall be in writing and shall be deemed to have been given when personally delivered, delivered by facsimile or deposited in the United States mail by certified or registered mail, postage prepaid, addressed, in the case of Stilwell, to Stilwell at 114 West 11th Street, Kansas City, Missouri 64105, Attention: Secretary, or, in the case of the Executive, to him at 5639 High Drive, Shawnee Mission, Kansas 66208, or to such other address as a party shall designate by notice to the other party.

10. Amendment. No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, waiver, modification or discharge is agreed to in a writing signed by Executive and the President of Stilwell. No waiver by any party hereto at any time of any breach by another party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the time or at any prior or subsequent time.

11. Successors in Interest. The rights and obligations of Stilwell under this Agreement shall inure to the benefit of and be binding in each and every respect upon the direct and indirect successors and assigns of Stilwell, regardless of the manner in which such successors or assigns shall succeed to the interest of Stilwell hereunder, and this Agreement shall not be terminated by

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the voluntary or involuntary dissolution of Stilwell or by any merger or consolidation or acquisition involving Stilwell or upon any transfer of all or substantially all of Stilwell's assets, or terminated otherwise than in accordance with its terms. In the event of any such merger or consolidation or transfer of assets, the provisions of this Agreement shall be binding upon and shall inure to the benefit of the surviving corporation or the corporation or other person to which such assets shall be transferred. Neither this Agreement nor any of the payments or benefits hereunder may be pledged, assigned or transferred by Executive either in whole or in part in any manner, without the prior written consent of Stilwell.

12. Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

13. Controlling Law and Jurisdiction. The validity, interpretation and performance of this Agreement shall be subject to and construed under the laws of the State of Missouri, without regard to principles of conflicts of law.

14. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and terminates and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the terms of Executive's employment or severance arrangements.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above stated.

STILWELL FINANCIAL, INC.

By: /s/ Landon H. Rowland

Name: Landon H. Rowland
Title: President and Chief Executive Officer

EXECUTIVE

/s/ Danny R. Carpenter

_____

Danny R. Carpenter

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EXHIBIT 10.6.4

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made and entered into as of this 12th day of June, 2000, by and between Stilwell Financial, Inc., a Delaware corporation ("Stilwell") and Anthony P. McCarthy, an individual ("Executive") to be effective on the date of the Spin-off Distribution (as defined below).

WHEREAS, the parties expect that all of the issued and outstanding stock of Stilwell will be distributed (the "Spin-off Distribution") to the shareholders of Kansas City Southern Industries, Inc. ("KCSI") which has been the parent of Stilwell since its formation on January 23, 1998; and

WHEREAS, Executive previously was employed by KCSI with duties primarily relating to Stilwell since its formation in 1998, and Stilwell and Executive desire for Stilwell to continue to employ Executive on the terms and conditions set forth in this Agreement and to provide an incentive to Executive to remain in the employ of Stilwell hereafter, particularly in the event of any Change in Control (as herein defined) of Stilwell or any Significant Subsidiary (as herein defined), thereby establishing and preserving continuity of management of Stilwell.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, it is agreed by and between Stilwell and Executive as follows:

1. Employment. Stilwell hereby employs Executive as its Vice President - Finance to serve at the pleasure of the Board of Directors of Stilwell (the "Stilwell Board") and to have such duties, powers and responsibilities as may be prescribed or delegated from time to time by the President or other officer to whom Executive reports, subject to the powers vested in the Stilwell Board and in the stockholders of Stilwell. Executive shall faithfully perform his duties under this Agreement to the best of his ability and shall devote substantially all of his working time and efforts to the business and affairs of Stilwell and its affiliates.

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2. Compensation.

(a) Base Compensation. Stilwell shall pay Executive as compensation for his services hereunder an annual base salary at the rate of $200,000. Such rate shall not be increased prior to January 1, 2003 and shall not be reduced except as agreed by the parties or except as part of a general salary reduction program imposed by Stilwell and applicable to all officers of Stilwell.

(b) Incentive Compensation. For the years 2000, 2001 and 2002, Executive shall not be entitled to participate in any Stilwell incentive compensation plan, except that Stilwell shall pay Executive a cash bonus of $150,000 within ten days after the spin-off Distribution.

3. Benefits and Stock Ownership.

(a) Benefits. During the period of his employment hereunder, Stilwell shall provide Executive with coverage under such benefit plans and programs as are made generally available to similarly situated employees of Stilwell, provided (a) Stilwell shall have no obligation with respect to any plan or program if Executive is not eligible for coverage thereunder, and (b) Executive acknowledges that stock options and other stock and equity participation awards are granted in the discretion of the Stilwell Board or the Compensation Committee of the Stilwell Board and that Executive has no right to receive stock options or other equity participation awards or any particular number or level of stock options or other awards. In determining contributions, coverage and benefits under any disability insurance policy and under any cash compensation-based plan provided to Executive by Stilwell, it shall be assumed that the value of Executive's annual compensation, pursuant to this Agreement, is the lower of 175% of Executive's annual base salary or $1,000,000. Executive acknowledges that all rights and benefits under benefit plans and programs shall be governed by the official text of each such plan or program and not by any

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summary or description thereof or any provision of this Agreement (except to the extent this Agreement expressly modifies such benefit plans or programs) and that Stilwell is not under any obligation to continue in effect or to fund any such plan or program, except as provided in Paragraph 7 hereof. Stilwell also shall reimburse Executive for ordinary and necessary travel and other business expenses in accordance with policies and procedures established by Stilwell.

(b) Stock Ownership. During the period of his employment hereunder, Executive shall retain ownership in himself or in members of his immediate family of at least a majority of the number of shares of (i) Stilwell stock received by Executive or members of his immediate family in the Distribution, and (ii) Stilwell stock acquired upon the exercise of stock options, but excluding from such number of shares any such shares transferred to Stilwell or sold to pay the purchase price upon the exercise of stock options or to pay or satisfy tax obligations resulting from such exercise.

4. Termination.

(a) Termination by Executive. Executive may terminate this Agreement and his employment hereunder by at least thirty (30) days advance written notice to Stilwell, except that in the event of any material breach of this Agreement by Stilwell, Executive may terminate this Agreement and his employment hereunder immediately upon notice to Stilwell.

(b) Death or Disability. This Agreement and Executive's employment hereunder shall terminate automatically on the death or disability of Executive, except to the extent employment is continued under Stilwell's disability plan. For purposes of this Agreement, Executive shall be deemed to be disabled if he qualifies for disability benefits under Stilwell's long-term disability plan.

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(c) Termination by Stilwell For Cause. Stilwell may terminate this Agreement and Executive's employment "for cause" immediately upon notice to Executive. For purposes of this Agreement (except for Paragraph 7), termination "for cause" shall mean termination based upon any one or more of the following:

(i) Any material breach of this Agreement by Executive;

(ii) Executive's dishonesty involving Stilwell or any subsidiary of Stilwell;

(iii) Gross negligence or willful misconduct in the performance of Executive's duties as determined in good faith by the Stilwell Board;

(iv) Willful failure by Executive to follow reasonable instructions of the President or other officer to whom Executive reports concerning the operations or business of Stilwell or any subsidiary of Stilwell;

(v) Executive's fraud or criminal activity; or

(vi) Embezzlement or misappropriation by Executive.

(d) Termination by Stilwell Other Than For Cause.

(i) Stilwell may terminate this Agreement and Executive's employment other than for cause immediately upon notice to Executive, and in such event, Stilwell shall provide severance benefits to Executive in accordance with Paragraph 4(d)(ii) below.

(ii) Unless the provisions of Paragraph 7 of this Agreement are applicable, if Executive's employment is terminated under Paragraph 4(d)(i), Stilwell shall continue, for a period of one (1) year following such termination, (a) to pay to Executive as severance pay a monthly amount equal to one-twelfth (1/12th) of the annual base salary referenced in Paragraph 2(a) above, at the rate in effect immediately prior to termination,

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and, (b) to reimburse Executive for the cost (including state and federal income taxes payable with respect to this reimbursement) of continuing the health insurance coverage provided pursuant to this Agreement or obtaining health insurance coverage comparable to the health insurance provided pursuant to this Agreement, and obtaining coverage comparable to the life insurance provided pursuant to this Agreement, unless Executive is provided comparable health or life insurance coverage in connection with other employment. The foregoing obligations of Stilwell shall continue until the end of such one (1) year period notwithstanding the death or disability of Executive during said period (except, in the event of death, the obligation to reimburse Executive for the cost of life insurance shall not continue). In the year in which termination of employment occurs, Executive shall be eligible to receive benefits under the Stilwell Incentive Compensation Plan and the Stilwell Executive Plan (if such Plans then are in existence and Executive was entitled to participate immediately prior to termination) in accordance with the provisions of such plans then applicable, and severance pay received in such year shall be taken into account for the purpose of determining benefits, if any, under the Stilwell Incentive Compensation Plan but not under the Stilwell Executive Plan. After the year in which termination occurs, Executive shall not be entitled to accrue or receive benefits under the Stilwell Incentive Compensation Plan or the Stilwell Executive Plan with respect to the severance pay provided herein, notwithstanding that benefits under such plan then are still generally available to executive employees of Stilwell. After termination of employment, Executive shall not be entitled to accrue or receive benefits under any other employee benefit plan or program, except that Executive shall be entitled to participate in the Stilwell Employee Stock Ownership Plan and the Stilwell Section 401(k) Plan with Profit Sharing Plan

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Portion in the year of termination of employment only if Executive meets all requirements of such plans for participation in such year.

5. Non-Disclosure. During the term of this Agreement and at all times after any termination of this Agreement, Executive shall not, either directly or indirectly, use or disclose any Stilwell trade secret, except to the extent necessary for Executive to perform his duties for Stilwell while an employee. For purposes of this Agreement, the term "Stilwell trade secret" shall mean any information regarding the business or activities of Stilwell or any subsidiary or affiliate, including any formula, pattern, compilation, program, device, method, technique, process, customer list, technical information or other confidential or proprietary information, that (a) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (b) is the subject of efforts of Stilwell or its subsidiary or affiliate that are reasonable under the circumstance to maintain its secrecy. In the event of any breach of this Paragraph 5 by Executive, Stilwell shall be entitled to terminate any and all remaining severance benefits under Paragraph 4(d)(ii) and shall be entitled to pursue such other legal and equitable remedies as may be available.

6. Duties Upon Termination; Survival.

(a) Duties. Upon termination of this Agreement by Stilwell or Executive for any reason, Executive shall immediately return to Stilwell all Stilwell trade secrets which exist in tangible form and shall sign such written resignations from all positions as an officer, director or member of any committee or board of Stilwell and all direct and indirect subsidiaries and affiliates of Stilwell as may be requested by Stilwell and shall sign such other documents and papers relating to Executive's employment, benefits and benefit plans as Stilwell may reasonably request.

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(b) Survival. The provisions of Paragraphs 5, 6(a) and 7 of this Agreement shall survive any termination of this Agreement by Stilwell or Executive, and the provisions of Paragraph 4(d)(ii) shall survive any termination of this Agreement by Stilwell under Paragraph 4(d)(i).

7. Continuation of Employment Upon Change in Control of Stilwell.

(a) Continuation of Employment. Subject to the terms and conditions of this Paragraph 7, in the event of a Change in Control (as defined in Paragraph 7(d)) at any time during the term of this Agreement, Executive agrees to remain in the employ of Stilwell for a period of three years (the "Three-Year Period") from the date of such Change in Control (the "Control Change Date"). Stilwell agrees to continue to employ Executive for the Three-Year Period. During the Three-Year Period, (i) the Executive's position (including offices, titles, reporting requirements and responsibilities), authority and duties shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 12 month period immediately before the Control Change Date and (ii) the Executive's services shall be performed at the location where Executive was employed immediately before the Control Change Date or at any other location less than 40 miles from such former location. During the Three-Year Period, Stilwell shall continue to pay to Executive an annual base salary on the same basis and at the same intervals as in effect prior to the Control Change Date at a rate not less than 12 times the highest monthly base salary paid or payable to the Executive by Stilwell in respect of the 12-month period immediately before the Control Change Date.

(b) Benefits. During the Three-Year Period, Executive shall be entitled to participate, on the basis of his executive position, in each of the following Stilwell plans

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(together, the "Specified Benefits") in existence, and in accordance with the terms thereof, at the Control Change Date:

(i) any benefit plan, and trust fund associated therewith, related to
(a) life, health, dental, disability, accidental death and dismemberment insurance or accrued but unpaid vacation time, (b) profit sharing, thrift or deferred savings (including deferred compensation, such as under Section
401(k) plans), (c) retirement or pension benefits, (d) ERISA excess benefits and similar plans and (e) tax favored employee stock ownership (such as under ESOP, and Employee Stock Purchase programs); and

(ii) any other benefit plans hereafter made generally available to executives of Executive's level or to the employees of Stilwell generally.

In addition, Stilwell shall use its best efforts to cause all outstanding options held by Executive under any stock option plan of Stilwell or its affiliates to become immediately exercisable on the Control Change Date and to the extent that such options are not vested and are subsequently forfeited, the Executive shall receive a lump-sum cash payment within 5 days after the options are forfeited equal to the difference between the fair market value of the shares of stock subject to the non-vested, forfeited options determined as of the date such options are forfeited and the exercise price for such options. During the Three-Year Period Executive shall be entitled to participate, on the basis of his executive position, in any incentive compensation plan of Stilwell in accordance with the terms thereof at the Control Change Date; provided that if under Stilwell programs or Executive's Employment Agreement in existence immediately prior to the Control Change Date, there are written limitations on participation for a designated time period in any incentive compensation plan, such limitations shall continue after the Control Change Date to the extent so provided for prior to the Control Change Date.

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If the amount of contributions or benefits with respect to the Specified Benefits or any incentive compensation is determined on a discretionary basis under the terms of the Specified Benefits or any incentive compensation plan immediately prior to the Control Change Date, the amount of such contributions or benefits during the Three-Year Period for each of the Specified Benefits shall not be less than the average annual contributions or benefits for each Specified Benefit for the three plan years ending prior to the Control Change Date and, in the case of any incentive compensation plan, the amount of the incentive compensation during the Three-Year Period shall not be less than 75% of the maximum that could have been paid to the Executive under the terms of the incentive compensation plan.

(c) Payment. With respect to any plan or agreement under which Executive would be entitled at the Control Change Date to receive Specified Benefits or incentive compensation as a general obligation of Stilwell which has not been separately funded (including specifically, but not limited to, those referred to under Paragraph 7(b)(i) and (ii) above), Executive shall receive within five (5) days after such date full payment in cash (discounted to the then present value on the basis of a rate of seven percent (7%) per annum) of all amounts to which he is then entitled thereunder.

(d) Change in Control. Except as provided in the last sentence of this Paragraph 7(d), for purposes of this Agreement, a "Change in Control" means any one or more of the following:

(i) the acquisition or holding by any person, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act"), other than by Stilwell or any Subsidiary (as defined below), or any employee benefit plan of Stilwell or a Subsidiary (and other than by KCSI prior to the

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Spin-off Distribution), of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of 20% or more of the then-outstanding common stock or the combined voting power of the then-outstanding voting securities ("Voting Power") of Stilwell; provided, however, that no Change in Control shall occur solely by reason of any such acquisition by a corporation with respect to which, after such acquisition, more than 60% of both the then-outstanding common shares and the then-outstanding Voting Power of such corporation are then beneficially owned, directly or indirectly, by the persons who were the beneficial owners of the then- outstanding common stock and Voting Power of Stilwell immediately before such acquisition, in substantially the same proportions as their respective ownership, immediately before such acquisition, of the then-outstanding common stock and Voting Power of Stilwell; or

(ii) individuals who, as of the date of the Spin-off Distribution, constitute the Stilwell Board (the "Incumbent Board") cease for any reason to constitute at least 75% of the Stilwell Board; provided that any individual who becomes a director after the Spin-off Distribution whose election or nomination for election by the stockholders of Stilwell was approved by at least 75% of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened "election contest" relating to the election of the directors of Stilwell (as such terms are used in Rule 14a- 11 under the Exchange Act) or "tender offer" (as such term is used in Section 14(d) of the Exchange Act) or a proposed Extraordinary Transaction (as defined below)) shall be deemed to be a member of the Incumbent Board; or

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(iii) approval by the stockholders of Stilwell of any one or more of the following:

(A) a merger, reorganization, consolidation or similar transaction (any of the foregoing, an "Extraordinary Transaction") with respect to which persons who were the respective beneficial owners of the then-outstanding common stock and Voting Power of Stilwell immediately before such Extraordinary Transaction would not, if such Extraordinary Transaction were to be consummated immediately after such stockholder approval (but otherwise in accordance with the terms presented in writing to the stockholders of Stilwell for their approval), beneficially own, directly or indirectly, more than 60% of both the then-outstanding common shares and the then-outstanding Voting Power of the corporation resulting from such Extraordinary Transaction, in substantially the same proportions as their respective ownership, immediately before such Extraordinary Transaction, of the then-outstanding common stock and Voting Power of Stilwell,

(B) a liquidation or dissolution of Stilwell, or

(C) the sale or other disposition of all or substantially all of the assets of Stilwell in one transaction or a series of related transactions; or

(iv) the sale or other disposition by Stilwell, directly or indirectly, whether by merger, consolidation, combination, lease, exchange, spin-off, split-off, or other means, of any Significant Subsidiary or any reduction in Stilwell's direct or indirect beneficial ownership of any Significant Subsidiary to less than 50% of the Voting Power of such entity.

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For purposes of this Agreement, "Subsidiary" shall mean any entity of which at least 50% of the Voting Power is beneficially owned, directly or indirectly, by Stilwell and "Significant Subsidiary" shall mean (A) any Subsidiary which contributed 30% or more of the total combined revenues of Stilwell and all Subsidiaries for the prior calendar year, and (B) any one or more entities, businesses or groups of assets directly or indirectly sold or disposed of by Stilwell (within the meaning of paragraph 7(d)(iv)) within any two year period that contributed 30% of more of such total combined revenues or would have contributed such 30% based on revenues of such entities, businesses or groups of assets for the calendar year prior to their sale or disposition.

Notwithstanding the foregoing provisions of this Paragraph 7(d) to the contrary, the Spin-off Distribution shall not constitute a Change in Control.

(e) Termination After Control Change Date. Notwithstanding any other provision of this Paragraph 7, at any time after the Control Change Date, Stilwell may terminate the employment of Executive (the "Termination"), but unless such Termination is for Cause as defined in subparagraph (g) or for disability, within five (5) days of the Termination Stilwell shall pay to Executive his full base salary through the Termination, to the extent not theretofore paid, plus a lump sum amount (the "Special Severance Payment") equal to the product (discounted to the then present value on the basis of a rate of seven percent (7%) per annum) of (i) 175% of his annual base salary specified in Paragraph 7(a) multiplied by (ii) two, and Specified Benefits (excluding any incentive compensation) to which Executive was entitled immediately prior to Termination shall continue until the end of the 3-year period ("Benefits Period") beginning on the date of Termination. If any plan pursuant to which Specified Benefits are provided immediately prior to Termination would not permit continued participation by

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Executive after Termination, then Stilwell shall pay to Executive within five (5) days after Termination a lump sum payment equal to the amount of Specified Benefits Executive would have received under such plan if Executive had been fully vested in the average annual contributions or benefits in effect for the three plan years ending prior to the Control Change Date (regardless of any limitations based on the earnings or performance of Stilwell) and a continuing participant in such plan to the end of the Benefits Period. Following the end of the Benefits Period, Stilwell shall continue to provide to the Executive and the Executive's family the following benefits ("Post-Period Benefits"): (1) prior to the Executive's attainment of age sixty (60), health, prescription and dental benefits equivalent to those then applicable to active peer executives of Stilwell and their families, as the same may be modified from time to time, and

(2) following the Executive's attainment of age sixty (60) (and without regard to the Executive's period of service with Stilwell), health and prescription benefits equivalent to those then applicable to retired peer executives of Stilwell and their families, as the same may be modified from time to time. The cost to the Executive of such Post-Period Benefits shall not exceed the cost of such benefits to active or retired (as applicable) peer executives, as the same may be modified from time to time. Notwithstanding the preceding two sentences of this Paragraph 7(e), if the Executive is covered under any health, prescription or dental plan provided by a subsequent employer, then the corresponding type of plan coverage (i.e., health, prescription or dental) required to be provided as Post-Period Benefits under this Paragraph 7(e) shall cease. The Executive's rights under this Paragraph 7(e) shall be in addition to, and not in lieu of, any post-termination continuation coverage or conversion rights the Executive may have pursuant to applicable law, including without limitation continuation coverage required by Section 4980 of the Code. Nothing in this Paragraph 7(e) shall be deemed to limit in any manner the reserved

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right of Stilwell, in its sole and absolute discretion, to at any time amend, modify or terminate health, prescription or dental benefits for active or retired employees generally.

(f) Resignation After Control Change Date. In the event of a Change in Control as defined in Paragraph 7(d), thereafter, upon good reason (as defined below), Executive may, at any time during the 3-year period following the Change in Control, in his sole discretion, on not less than thirty (30) days' written notice (the "Notice of Resignation") to the Secretary of Stilwell and effective at the end of such notice period, resign his employment with Stilwell (the "Resignation"). Within five (5) days of such a Resignation, Stilwell shall pay to Executive his full base salary through the effective date of such Resignation, to the extent not theretofore paid, plus a lump sum amount equal to the Special Severance Payment (computed as provided in the first sentence of Paragraph 7(e), except that for purposes of such computation all references to "Termination" shall be deemed to be references to "Resignation"). Upon Resignation of Executive, Specified Benefits to which Executive was entitled immediately prior to Resignation shall continue on the same terms and conditions as provided in Paragraph 7(e) in the case of Termination (including equivalent payments provided for therein), and Post-Period Benefits shall be provided on the same terms and conditions as provided in Paragraph 7(e) in the case of Termination. For purposes of this Agreement, "good reason" means any one or more of the following:

(i) the assignment to the Executive of any duties which result in a material adverse change in the Executive's position (including status, offices, titles, and reporting requirements), authority, duties, or other responsibilities with Stilwell, or any other action of Stilwell which results in a material adverse change in such position, authority, duties, or responsibilities, other than an insubstantial and inadvertent action

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which is remedied by Stilwell promptly after receipt of notice thereof given by the Executive,

(ii) any relocation of the Executive of more than 40 miles from the place where the Executive was located at the time of the Change in Control;

(iii) a material reduction or elimination of any component of the Executive's rate of compensation, including (x) base salary, (y) any incentive payment or (z) benefits or prerequisites which the Executive was receiving immediately prior to a Change in Control, or;

(iv) any failure by Stilwell to comply with any of the provisions of Paragraph 7;

A passage of time prior to delivery of the Notice of Resignation or a failure by the Executive to include in the Notice of Resignation any fact or circumstance which contributes to a showing of good reason shall not waive any right of the Executive under this Agreement or preclude the Executive from asserting such fact or circumstance in enforcing rights under this Agreement.

(g) Termination for Cause After Control Change Date. Notwithstanding any other provision of this Paragraph 7, at any time after the Control Change Date, Executive may be terminated by Stilwell "for Cause." Cause means commission by the Executive of any felony or willful breach of duty by the Executive in the course of the Executive's employment, except that Cause shall not mean:

(i) bad judgment or negligence;

(ii) any act or omission believed by the Executive in good faith to have been in or not opposed to the interest of Stilwell (without intent of the Executive to gain, directly or indirectly, a profit to which the Executive was not legally entitled);

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(iii) any act or omission with respect to which a determination could properly have been made by the Stilwell Board that the Executive met the applicable standard of conduct for indemnification or reimbursement under Stilwell's by-laws, any applicable indemnification agreement, or applicable law, in each case in effect at the time of such act or omission; or

(iv) any act or omission with respect to which Notice of Termination of the Executive is given more than 12 months after the earliest date on which any member of the Stilwell Board, not a party to the act or omission, knew or should have known of such act or omission.

Any Termination of the Executive's employment by Stilwell for Cause shall be communicated to the Executive by Notice of Termination.

(h) Gross-up for Certain Taxes. If it is determined (by the reasonable computation of Stilwell's independent auditors, which determinations shall be certified to by such auditors and set forth in a written certificate ("Certificate") delivered to the Executive) that any benefit received or deemed received by the Executive from Stilwell pursuant to this Agreement or otherwise (collectively, the "Payments") is or will become subject to any excise tax under
Section 4999 of the Code or any similar tax payable under any United States federal, state, local or other law (such excise tax and all such similar taxes collectively, "Excise Taxes"), then Stilwell shall, immediately after such determination, pay the Executive an amount (the "Gross-up Payment") equal to the product of:

(i) the amount of such Excise Taxes; multiplied by

(ii) the Gross-up Multiple (as defined in Paragraph 7(k).

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The Gross-up Payment is intended to compensate the Executive for the Excise Taxes and any federal, state, local or other income or excise taxes or other taxes payable by the Executive with respect to the Gross-up Payment.

Stilwell shall cause the preparation and delivery to the Executive of a Certificate upon request at any time. Stilwell shall, in addition to complying with this Paragraph 7(h), cause all determinations and certifications under Paragraphs 7(h)-(o) to be made as soon as reasonably possible and in adequate time to permit the Executive to prepare and file the Executive's individual tax returns on a timely basis.

(i) Determination by the Executive.

(i) If Stilwell shall fail (a) to deliver a Certificate to the Executive or (b) to pay to the Executive the amount of the Gross-up Payment, if any, within 14 days after receipt from the Executive of a written request for a Certificate, or if at any time following receipt of a Certificate the Executive disputes the amount of the Gross-up Payment set forth therein, the Executive may elect to demand the payment of the amount which the Executive, in accordance with an opinion of counsel to the Executive ("Executive Counsel Opinion"), determines to be the Gross-up Payment. Any such demand by the Executive shall be made by delivery to Stilwell of a written notice which specifies the Gross-up Payment determined by the Executive and an Executive Counsel Opinion regarding such Gross-up Payment (such written notice and opinion collectively, the "Executive's Determination"). Within 14 days after delivery of the Executive's Determination to Stilwell, Stilwell shall either (a) pay the Executive the Gross-up Payment set forth in the Executive's Determination (less the portion of such amount, if any, previously paid to the Executive by Stilwell) or (b) deliver to the Executive a

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Certificate specifying the Gross-up Payment determined by Stilwell's independent auditors, together with an opinion of Stilwell's counsel ("Stilwell Counsel Opinion"), and pay the Executive the Gross-up Payment specified in such Certificate. If for any reason Stilwell fails to comply with clause (b) of the preceding sentence, the Gross-up Payment specified in the Executive's Determination shall be controlling for all purposes.

(ii) If the Executive does not make a request for, and Stilwell does not deliver to the Executive, a Certificate, Stilwell shall, for purposes of Paragraph 7(j), be deemed to have determined that no Gross-up Payment is due.

(j) Additional Gross-up Amounts. If, despite the initial conclusion of Stilwell and/or the Executive that certain Payments are neither subject to Excise Taxes nor to be counted in determining whether other Payments are subject to Excise Taxes (any such item, a "Non-Parachute Item"), it is later determined (pursuant to subsequently-enacted provisions of the Code, final regulations or published rulings of the IRS, final IRS determination or judgment of a court of competent jurisdiction or Stilwell's independent auditors) that any of the Non- Parachute Items are subject to Excise Taxes, or are to be counted in determining whether any Payments are subject to Excise Taxes, with the result that the amount of Excise Taxes payable by the Executive is greater than the amount determined by Stilwell or the Executive pursuant to Paragraph 7(h) or Paragraph
7(i), as applicable, then Stilwell shall pay the Executive an amount (which shall also be deemed a Gross-up Payment) equal to the product of:

(i) the sum of (a) such additional Excise Taxes and (b) any interest, fines, penalties, expenses or other costs incurred by the Executive as a result of having taken a position in accordance with a determination made pursuant to Paragraph 7(h); multiplied by

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(ii) the Gross-up Multiple.

(k) Gross-up Multiple. The Gross-up Multiple shall equal a fraction, the numerator of which is one (1.0), and the denominator of which is one (1.0) minus the sum, expressed as a decimal fraction, of the rates of all federal, state, local and other income and other taxes and any Excise Taxes applicable to the Gross-up Payment; provided that, if such sum exceeds 0.8, it shall be deemed equal to 0.8 for purposes of this computation. (If different rates of tax are applicable to various portions of a Gross-up Payment, the weighted average of such rates shall be used.)

(l) Opinion of Counsel. "Executive Counsel Opinion" means a legal opinion of nationally recognized executive compensation counsel that there is a reasonable basis to support a conclusion that the Gross-up Payment determined by the Executive has been calculated in accord with this Paragraph 7 and applicable law. "Company Counsel Opinion" means a legal opinion of nationally recognized executive compensation counsel that (i) there is a reasonable basis to support a conclusion that the Gross-up Payment set forth in the Certificate of Stilwell's independent auditors has been calculated in accord with this Paragraph 7 and applicable law, and (ii) there is no reasonable basis for the calculation of the Gross-up Payment determined by the Executive.

(m) Amount Increased or Contested. The Executive shall notify Stilwell in writing of any claim by the IRS or other taxing authority that, if successful, would require the payment by Stilwell of a Gross-up Payment. Such notice shall include the nature of such claim and the date on which such claim is due to be paid. The Executive shall give such notice as soon as practicable, but no later than 10 business days, after the Executive first obtains actual knowledge of such claim; provided, however, that any failure to give or delay in giving such

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notice shall affect Stilwell's obligations under this Paragraph 7 only if and to the extent that such failure results in actual prejudice to Stilwell. The Executive shall not pay such claim less than 30 days after the Executive gives such notice to Stilwell (or, if sooner, the date on which payment of such claim is due). If Stilwell notifies the Executive in writing before the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give Stilwell any information that it reasonably requests relating to such claim;

(ii) take such action in connection with contesting such claim as Stilwell reasonably requests in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by Stilwell;

(iii) cooperate with Stilwell in good faith to contest such claim; and

(iv) permit Stilwell to participate in any proceedings relating to such claim; provided, however, that Stilwell shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including related interest and penalties, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing, Stilwell shall control all proceedings in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner. The Executive agrees to prosecute such contest to a

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determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Stilwell shall determine; provided, however, that if Stilwell directs the Executive to pay such claim and sue for a refund, Stilwell shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify the Executive, on an after-tax basis, for any Excise Tax or income tax, including related interest or penalties, imposed with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. The Stilwell's control of the contest shall be limited to issues with respect to which a Gross-up Payment would be payable. The Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the IRS or other taxing authority.

(n) Refunds. If, after the receipt by the Executive of an amount advanced by Stilwell pursuant to Paragraph 7(m), the Executive receives any refund with respect to such claim, the Executive shall (subject to Stilwell's complying with the requirements of Paragraph 7(m)) promptly pay Stilwell the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by Stilwell pursuant to Paragraph 7(m), a determination is made that the Executive shall not be entitled to a full refund with respect to such claim and Stilwell does not notify the Executive in writing of its intent to contest such determination before the expiration of 30 days after such determination, then the applicable part of such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent

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thereof, the amount of Gross-up Payment required to be paid. Any contest of a denial of refund shall be controlled by Paragraph 7(m).

(o) Expenses. If any dispute should arise under this Agreement after the Control Change Date involving an effort by Executive to protect, enforce or secure rights or benefits claimed by Executive hereunder, Stilwell shall pay (promptly upon demand by Executive accompanied by reasonable evidence of incurrence) all reasonable expenses (including attorneys' fees) incurred by Executive in connection with such dispute, without regard to whether Executive prevails in such dispute except that Executive shall repay Stilwell any amounts so received if a court having jurisdiction shall make a final, nonappealable determination that Executive acted frivolously or in bad faith by such dispute. To assure Executive that adequate funds will be made available to discharge Stilwell's obligations set forth in the preceding sentence, Stilwell has established a trust and upon the occurrence of a Change in Control shall promptly deliver to the trustee of such trust to hold in accordance with the terms and conditions thereof that sum which the Stilwell Board shall have determined is reasonably sufficient for such purpose.

(p) Prevailing Provisions. On and after the Control Change Date, the provisions of this Paragraph 7 shall control and take precedence over any other provisions of this Agreement which are in conflict with or address the same or a similar subject matter as the provisions of this Paragraph 7.

8. Mitigation and Other Employment. After a termination of Executive's employment pursuant to Paragraph 4(d)(i) or a Change in Control as defined in Paragraph 7(d), Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and except as otherwise specifically

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provided in Paragraph 4(d)(ii) with respect to health and life insurance and in Paragraph 7(e) with respect to health, prescription and dental benefits, no such other employment, if obtained, or compensation or benefits payable in connection therewith shall reduce any amounts or benefits to which Executive is entitled hereunder. Such amounts or benefits payable to Executive under this Agreement shall not be treated as damages but as severance compensation to which Executive is entitled because Executive's employment has been terminated.

9. Notice. Notices and all other communications to either party pursuant to this Agreement shall be in writing and shall be deemed to have been given when personally delivered, delivered by facsimile or deposited in the United States mail by certified or registered mail, postage prepaid, addressed, in the case of Stilwell, to Stilwell at 114 West 11th Street, Kansas City, Missouri 64105, Attention: Secretary, or, in the case of the Executive, to him at 79 Beach Drive, Lake Tapawingo, Missouri 64015, or to such other address as a party shall designate by notice to the other party.

10. Amendment. No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, waiver, modification or discharge is agreed to in a writing signed by Executive and the President of Stilwell. No waiver by any party hereto at any time of any breach by another party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the time or at any prior or subsequent time.

11. Successors in Interest. The rights and obligations of Stilwell under this Agreement shall inure to the benefit of and be binding in each and every respect upon the direct and indirect successors and assigns of Stilwell, regardless of the manner in which such successors or assigns shall succeed to the interest of Stilwell hereunder, and this Agreement shall not be terminated by

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the voluntary or involuntary dissolution of Stilwell or by any merger or consolidation or acquisition involving Stilwell or upon any transfer of all or substantially all of Stilwell's assets, or terminated otherwise than in accordance with its terms. In the event of any such merger or consolidation or transfer of assets, the provisions of this Agreement shall be binding upon and shall inure to the benefit of the surviving corporation or the corporation or other person to which such assets shall be transferred. Neither this Agreement nor any of the payments or benefits hereunder may be pledged, assigned or transferred by Executive either in whole or in part in any manner, without the prior written consent of Stilwell.

12. Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

13. Controlling Law and Jurisdiction. The validity, interpretation and performance of this Agreement shall be subject to and construed under the laws of the State of Missouri, without regard to principles of conflicts of law.

14. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and terminates and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the terms of Executive's employment or severance arrangements.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above stated.

STILWELL FINANCIAL, INC.

By: /s/ Landon H. Rowland

Name: Landon H. Rowland
Title: President and Chief Executive Officer

EXECUTIVE

/s/ Anthony P. McCarthy

Anthony P. McCarthy

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EXHIBIT 10.12

STILWELL FINANCIAL INC.
EMPLOYEE STOCK PURCHASE PLAN
June 13, 2000

1. Purpose

The purpose of this Employee Stock Purchase Plan is to encourage and enable Eligible Employees of Stilwell Financial Inc. ("Stilwell") and certain of its Subsidiaries and Affiliates to acquire proprietary interests in Stilwell through the ownership of Common Stock in order to establish a closer identification of their interests with those of Stilwell by providing them with a more direct means of participating in its growth and earnings which, in turn, will provide motivation for participating Employees to remain in the employ of and to give greater effort on behalf of the Stilwell Group.

2. Definitions

The following words or terms, when used herein, shall have the following respective meanings:

(a) "Plan" or "The Plan" shall mean and refer to this Stilwell Employee Stock Purchase Plan.

(b) "Stilwell Group" shall mean and refer to Stilwell, and its Subsidiaries and Affiliates collectively.

(c) "Stilwell" shall mean and refer to Stilwell Financial Inc.

(d) "Shares," "Stock" or "Common Stock" shall mean and refer to shares of $0.01 par value Common Stock of Stilwell, which it is authorized by its Certificate of Incorporation to issue.

(e) "Committee" or "The Committee" shall mean and refer to the Committee appointed by the Board of Directors of Stilwell, to administer this Plan.

(f) "Eligible Employee" or "Employee" shall mean and refer to a person regularly employed by Stilwell or those of its Subsidiary or Affiliated Entities designated by the Stilwell Board of Directors on such date as shall be designated by the Committee for any offering of Stock made pursuant to this Plan; provided, however, persons whose customary employment is for only 20 hours or less per week or for not more than five months in any calendar year shall not be an "Employee" or an "Eligible Employee" as those terms are used herein.

(g) "Purchase Period" shall mean and refer to the number of calendar months during which installment payments for Stock purchased under the Plan shall be made.

(h) "Option" or "Options" shall mean and refer to the right or rights granted to Eligible Employees to purchase Stilwell's Common Stock under an offering made under this Plan pursuant to their elections to purchase.

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(i) "Subscription Period" shall mean and refer to that period of time prescribed in any offer of Stock under this Plan beginning on the first day Employees may elect to purchase Shares and ending on the last day such elections to purchase are authorized to be received and accepted.

(j) "Average Market Price" shall mean and refer to the mean of the high and low prices for Stilwell Shares traded on the New York Stock Exchange.

(k) "Annual Pay" shall mean and refer to annual base rate of pay as determined from the payroll records on such date as shall be designated by the Committee for any offer of Stock made pursuant to this Plan.

(l) "Maximum Purchase Price" shall mean 85% of the Average Market Price on the Date of Grant designated by the Board of Directors or the Committee under an offering made under this Plan, or if no Shares were traded on that day, on the last day prior thereto on which Shares were traded.

(m) "Outstanding Election" shall mean an election to purchase Stock in an offering under the Plan, or that part of such an election, which has not been canceled (including voluntary cancellation by the Employee and deemed cancellations under Paragraphs 14 and 15) prior to the close of business on the last business day of the Purchase Period.

(n) "Subsidiary," "Affiliate" or "Affiliated Entity" shall mean any corporation (other than the employer corporation) in an unbroken chain of corporations beginning with the employer corporation if, at the time of the granting of the Option, each of the corporations other than the last corporation in the unbroken chain owns Stock possessing 50% or more of the total combined voting power of all classes of Stock in one of the other corporations in such chain.

(o) "Active Service" shall mean and refer to the state of being paid for services performed or paid while absent for sickness, vacation, holidays or paid leave of absence, but shall not include termination or severance payments.

(p) "Date of Grant" shall mean the date designated by the Board of Directors as the date Options are granted to Eligible Employees pursuant to an offering made under this Plan.

3. Shares Reserved for Plan

A total of 4,000,000 Shares of Stilwell's authorized and unissued $0.01 par value Common Stock are reserved for this Plan. The Shares so reserved may be issued and sold pursuant to one or more offerings under the Plan. With respect to any such offering, the Board of Directors or the Committee will specify the number of Shares to be made available, the length of the Subscription Period, the length of the Purchase Period, the Date of Grant and such other terms and conditions not inconsistent with the Plan as may be necessary or appropriate.

In the event of a subdivision or combination of Stilwell's Shares, the maximum number of Shares which may thereafter be issued and sold under the Plan and the number of Shares under elections to purchase at the time of such subdivision or combination will be proportionately increased or decreased, the terms relating to the price at which Shares under elections to purchase will be sold will be appropriately adjusted, and such other action will be taken as in the opinion of

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the Committee is appropriate under the circumstances. In the case of reclassification or other changes in Stilwell's Shares, the Committee will make appropriate adjustments.

4. Administration of the Plan

This Plan shall be administered by a Committee appointed by the Board of Directors, consisting of not less than three members of the Board who are not eligible to participate in this Plan and one of whom shall be designated as Chairman of the Committee. The Committee is vested with full authority to make, administer and interpret such equitable rules and regulations regarding this Plan or to make amendments to the Plan itself as it may deem advisable. Its determinations as to the interpretation and operation of this Plan shall be final and conclusive.

The Committee may act by a majority vote at a regular or special meeting of the Committee or by decision reduced to writing and signed by a majority of the Committee without holding a formal meeting. Whenever under this Plan an action may be taken by the Board of Directors or the Committee, in the case of inconsistent or contradictory actions, the action of the Board of Directors shall prevail.

Vacancies in the membership of the Committee arising from death, resignation or other inability to serve shall be filled by appointment by the Board of Directors.

5. Participation in the Plan

Options to purchase Shares will be granted to Eligible Employees as defined above; provided, however, the Board of Directors or the Committee may determine, as to any offering of Common Stock made under this Plan, that the offer will not be extended to highly compensated Employees within the meaning of section 414(q) of the Internal Revenue Code of 1986, as amended.

6. Employee's Election to Purchase - Grant of Options

In order to participate in an offering under the Plan, an Eligible Employee must elect to purchase Shares by signing a form provided by Stilwell showing the number of Shares the Employee elects to purchase and delivering it before the end of the Subscription Period for the offering to the chief accounting officer of the Stilwell Group entity by whom he is employed or other officer designated in the offer to receive and accept such elections. Notice that an election to purchase Shares has become effective, that the Employee has been granted an Option to purchase Shares and showing the number of Shares which the Employee has elected to purchase under the Option (subject to adjustment pursuant to Paragraph 7) shall be delivered to each participating Employee.

7. Number of Shares Which May Be Purchased

In each offering under the Plan, each Eligible Employee may elect to purchase and shall be granted an Option to purchase up to a maximum number of Shares, the total Maximum Purchase Price of which does not exceed such percentage of such Employee's Annual Pay as specified by the Committee for the Stock offering; provided, however, that no such Employee shall be granted an Option to purchase less than 10 Shares in any offering under this Plan; provided, further, that no

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Employee shall be granted an Option to purchase Shares under this Plan if such Employee, immediately after such Option is granted, owns or holds Options to purchase Stock possessing 5% or more of the total combined voting power or value of all classes of Stock of Stilwell or of any of its Subsidiaries; provided, further, no Employee may be granted an Option to purchase Stock which permits his rights to purchase Stock under all such Plans of Stilwell and any of its Subsidiaries to accrue at a rate which exceeds $25,000 of fair market value of such Stock (determined at the time such Option is granted) for each calendar year in which such Option is outstanding at any time. Any Employee may elect to purchase less than the maximum number of Shares which he is entitled to elect to purchase.

The number of Shares which an Eligible Employee elects to purchase in an offering under the Plan may be reduced in the event the offering is over- subscribed. No Option granted to an Eligible Employee in an offering under the Plan shall permit such Employee to purchase Shares which, if added together with the total number of Shares purchased by all other Employees in such offering, would exceed the total number of Shares authorized for sale in such offering. As of the close of business on the last business day of the Purchase Period in an offering, the number of Shares which all Eligible Employees have elected to purchase under Outstanding Elections shall be counted. If the total number of Shares which all Eligible Employees have elected to purchase under Outstanding Elections in the offering exceeds the number of Shares authorized to be sold in the offering, the number of Shares for which each such Outstanding Election is effective shall be reduced on a pro rata basis, and the total number of Shares which may be purchased pursuant to all such Outstanding Elections shall not exceed the total number of Shares authorized for sale in such offering.

All Shares authorized to be sold in any offering under this Plan in excess of the total number of Shares purchased by Eligible Employees in any such offering shall continue to be reserved for this Plan and shall be available for inclusion in any subsequent offering under this Plan.

8. Purchase Price

The purchase price per Share (except in case of a deemed cancellation of election to purchase) will be 85% of the Average Market Price on the last business day of the month in which the Purchase Period ends or, if no Shares were traded on that day, on the last day prior thereto on which Shares were traded; provided the purchase price per Share will not be more than the Maximum Purchase Price; provided, further, the purchase price will in no event be less than the par value of the Shares.

9. Method of Payment

Payment for Shares purchased pursuant to the Plan shall be made in installments, with no right of prepayment. Each Employee electing to purchase Shares shall authorize the withholding from his regular pay for each month during the Purchase Period the sums which will produce at the end of the Purchase Period an amount sufficient to accumulate the Maximum Purchase Price per Share multiplied by the number of Shares the Employee elected to purchase on the election form submitted by the Employee in accordance with Paragraph 6 of this Plan. Such deductions shall be in uniform monthly amounts in conformity with his employer's payroll deduction schedule. In no event shall an Employee be permitted to complete payment for or receive any Shares after 27 months from the Date of Grant of the Option to him pursuant to Paragraph 6.

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10. Interest on Payments

No interest shall be paid on sums withheld from an Employee's pay for purchase of Shares under this Plan.

11. Rights as Stockholder

An Employee will become a stockholder with respect to Shares which are purchased pursuant to Options granted under the Plan when such Shares are transferred into the Employee's name on the books and records of the Company. Ownership of Shares purchased under the Plan will be entered on the books and records of the Company as soon as practicable after payment for the Shares has been received in full by the Company. A certificate for Shares purchased under the Plan will be issued as soon as practicable after an Employee becomes a stockholder. An Employee will have no rights as a stockholder with respect to Shares for which an election to purchase has been made under the Plan until such Employee becomes a stockholder as provided above.

12. Rights to Purchase Shares Not Transferable

An Employee's rights under his election to purchase Shares under this Plan may not be sold, pledged, assigned, or transferred in any manner, provided, that if an Employee's election to purchase is deemed to be canceled due to his death, the Employee's estate or the person acquiring the Employee's rights under the Plan by bequest, inheritance, intestacy or by written designation filed by the Employee with the Company before death may exercise the deceased Employee's rights under the Plan for 12 months after such Employee's death, provided, that in no event may the Employee's estate or such person exercise an Option under the Plan more than 27 months after the Date of Grant. If an Employee's rights are sold, pledged, assigned, or transferred in violation of this paragraph, the right to purchase Shares of the Employee guilty of such violation shall terminate and the only right remaining under such Employee's election to purchase will be to have paid over to the person entitled thereto the amount then credited to the Employee's account.

13. Cancellation of Election to Purchase

An Employee who has elected to purchase Shares may cancel his election as to any or all of such Shares by written notice of cancellation delivered to the chief accounting officer of the Stilwell Group entity by whom he is employed or other officer designated to accept such notice of cancellation, but such notice of cancellation must be so delivered before the close of business on the last business day of the Purchase Period. If an Employee cancels his election as to only a part of the Shares, he shall continue to make the required installment payment with respect to the number of Shares for which his election is not canceled. With respect to the Shares for which he cancels his election, the Employee shall receive in cash, as soon as practicable after delivery of the notice of cancellation, the amount credited to his account with respect to such Shares.

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14. Deemed Cancellations

(a) Events Constituting a Deemed Cancellation

(i) Leave of Absence, Lay-Off or Temporarily Out of Active Service

An Employee purchasing Stock under the Plan who is granted a leave of absence, is laid off, or otherwise temporarily out of Active Service during the Purchase Period may elect during such absence, for a period of no longer than 90 days and not beyond the last day of the Purchase Period, to make his installment payments in cash if payroll deductions are not sufficient to cover the deduction.

If an Employee does not return to Active Service upon the expiration of his leave of absence or lay-off or, in any event, within 90 days from the date of his leaving Active Service, (unless the right to reemployment with the corporation is guaranteed either by statute or contract) his election to purchase shall be deemed to have been canceled on the 91st day after such Employee's leaving Active Service.

(ii) Effect of Failure to Make Payments When Due

If in any payroll period, for any reason not set forth in Paragraph 14(a)(i), an Employee has no pay or his pay is insufficient (after other authorized deductions) to permit deduction of his installment payment, such payment may be made in cash at the time. In the event of insufficient pay, notification requesting payment will be sent to the participant at his last known address.

Subject to the above and other provisions of this Plan permitting postponement, if an Employee fails to make any payment, his election to purchase shall be deemed to have been canceled at the time such payment was due.

(iii) Termination of Employment

If, before an Employee has completed payment for Shares under the Plan, he resigns, is dismissed or transferred to a company other than Stilwell or a Subsidiary of Stilwell, or if the entity by which he is employed should cease to be a Subsidiary of Stilwell, his election to purchase shall be deemed to have been canceled at that time; provided, however, that the Committee in its sole discretion may in lieu thereof specify that there shall be a "Substitution or Assumption" (and not a deemed cancellation) of an election to purchase if the Committee determines that a company or entity and Stilwell have made satisfactory arrangements for such company or entity to substitute a new option for the Option under such election to purchase, or to assume such Option under such election to purchase, by reason of a transaction (A) that is a corporate merger, consolidation, acquisition of property or stock, separation, reorganization, or liquidation, as defined in Section 424(a) of the United States Internal Revenue Code of 1986 and regulations thereunder (including a spin-off, split-up or similar transaction); (B) pursuant to which the excess of the aggregate fair market value of the shares subject to the new option immediately after the Substitution or Assumption over the aggregate option price of such shares is not more than the excess of the aggregate fair market value of all Shares subject to the Option immediately before the Substitution or Assumption over the aggregate option

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price of such Shares; and (C) pursuant to which the new option or the assumption of the Option does not give the Employee additional benefits which he did not have under the Option.

(b) Terms and Conditions of a Deemed Cancellation

In the event that an Employee's election to purchase Shares is deemed to be canceled due to a leave of absence, failure to make a payment when due or termination of employment, each as defined above, the Company will notify the Employee of such deemed cancellation by mailing notice to him at his last known address. Once an Employee's election to purchase Shares is deemed to be canceled the Employee may elect to (1) receive cash in the amount credited to his account at the time the deemed cancellation becomes effective, or (2) apply this amount to the purchase of as many Shares as the amount will purchase as of the last day of the month in which the deemed cancellation is effective and receive the balance of the account, if any, in cash. Such an election to purchase Shares must be made within three months after notification by the Company of the deemed cancellation, but not later than the last business day of the Purchase Period nor more than three months after the effective date of the deemed cancellation. Unless an election to obtain Shares is made within the allowable time periods described above, such Employee's only right will be to receive in cash the total amount credited to his account.

A deemed cancellation of an election to purchase Stock will become effective at the close of business on the day the event causing the deemed cancellation occurs, but in no event later than the last business day of the Purchase Period. In the event an Employee elects to purchase Shares within the allowable time periods described above, the purchase price per share shall be the lesser of (1) 85% of the Average Market Price on the last business day of the month in which the deemed cancellation is effective, or (2) the Maximum Purchase Price, provided, that in no event will the purchase price be less than the par value of
the Shares.

(c) Terms and Conditions of a Substitution or Assumption

If the Committee determines under Section 14(a)(iii) of the Plan to provide a Substitution or Assumption of Options granted hereunder, the Employee shall have no further rights under this Plan and the Employee's rights, if any, to his account or to purchase any property in lieu of Shares shall be governed exclusively by the arrangements effecting such Substitution or Assumption including any stock purchase plan of the company or entity substituting a new option for an Option or assuming an existing Option.

15. Death of a Participant

If an Employee dies before he has completed payment for Shares under the Plan, his election to purchase Shares shall be deemed to have been canceled on the date of death. In this event the Company will notify the Employee's estate or designated beneficiary(ies) of such deemed cancellation by mailing notice to the last known address. Once an Employee's election to purchase Shares is deemed to be canceled, the estate or designated beneficiary(ies) may elect to (1) receive cash in the amount credited to his account at the time the deemed cancellation becomes effective, or (2) apply this amount to the purchase of as many Shares as the amount will purchase as of the last day of the month in which the deemed cancellation is effective and receive the balance of the account, if any, in cash. Such election must be made by the Employee's estate or the designated

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beneficiary(ies) within 12 months after the Employee's death, provided, that in no event may the Employee's estate or such person make the election more than 27 months after the Date of Grant. Unless an election to obtain Shares is made within the allowable time periods described above, the only right will be to receive in cash the total amount credited to the account.

A deemed cancellation of an election to purchase Stock will become effective at the close of business on the day the event causing the deemed cancellation occurs, but in no event later than the last business day of the Purchase Period. In the event an Employee's estate, or the designated beneficiary(ies), elects to purchase Shares within the allowable time periods described above, the purchase price per share shall be the lesser of (1) 85% of the Average Market Price on the last business day of the month in which the deemed cancellation is effective or (2) the Maximum Purchase Price, provided, that in no event will the purchase price be less than the par value of the Shares.

16. Application of Funds

All funds received by Stilwell in payment for Shares purchased under this Plan and held by Stilwell at any time may be used for any valid corporate purpose.

17. Commencement of Plan

This Plan shall commence on July 13, 2000, subject to the occurrence of the distribution of Stilwell stock as contemplated pursuant to that certain Form 10 and Information Statement filed preliminarily by Stilwell with the Securities and Exchange Commission August 18, 1999, File No. 1-15253

18. Government Approvals or Consents; Amendment

This Plan and any offering and sales to Employees under it are subject to any governmental approvals or consents that may be or become applicable in connection therewith. The Board of Directors or the Committee may terminate the Plan at any time and may make such changes in the Plan and include such terms in any offering under this Plan as may be necessary or desirable, including, but not limited to, such changes as may be necessary or desirable, in the opinion of counsel for Stilwell to comply with the rules or regulations of any governmental authority, or to be eligible for tax benefits under the United States Internal Revenue Code of 1986, as amended, or the laws of any state.

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EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-37994) of Stilwell Financial Inc. of our report dated March 16, 2000 relating to the financial statements of Stilwell Financial Inc., which appears in the Information Statement which is filed as Exhibit 99.1 to this Registration Statement on Form 10.

We also consent to the incorporation by reference in the Registration Statement on Form S-3 referred to above of our report dated February 29, 2000 relating to the financial statements of DST Systems, Inc., which appears in the DST Systems, Inc. Annual Report on Form 10-K for the year ended December 31, 1999. The financial statements of DST Systems, Inc. included in its December 31, 1999 Form 10-K together with our report thereon have been incorporated by reference in the Information Statement referred to above.

/s/ PricewaterhouseCoopers LLP

Kansas City, Missouri
June 14, 2000

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PRELIMINARY COPY
SUBJECT TO COMPLETION OR AMENDMENT, DATED JUNE 15, 2000
INFORMATION STATEMENT
STILWELL FINANCIAL INC.
Common Stock, par value $.01 per share

This information statement is being furnished by Kansas City Southern Industries, Inc., a Delaware corporation ("KCSI"), in connection with the distribution to holders of record of common stock of KCSI, on June 28, 2000 of TWO SHARES OF COMMON STOCK, PAR VALUE $.01 PER SHARE, INCLUDING CERTAIN ATTACHED PREFERRED STOCK PURCHASE RIGHTS OF STILWELL FINANCIAL INC., A DELAWARE CORPORATION ("STILWELL"), FOR EVERY ONE SHARE OF KCSI COMMON STOCK OUTSTANDING ON THE RECORD DATE. The Distribution will result in all of the outstanding shares of Stilwell common stock being distributed to holders of KCSI common stock on a pro-rata basis. KCSI HAS RECEIVED A TAX RULING FROM THE INTERNAL REVENUE SERVICE WHICH STATES THAT NO GAIN OR LOSS, FOR UNITED STATES FEDERAL INCOME TAX PURPOSES, WILL BE RECOGNIZED BY HOLDERS OF KCSI COMMON STOCK UPON RECEIPT OF THE STILWELL COMMON STOCK IN THIS DISTRIBUTION.

Stilwell was formed by KCSI as a holding company for the group of businesses and investments that comprise the financial services segment of KCSI. Stilwell's principal subsidiary is Janus Capital Corporation, an investment advisory company, which represented approximately 96% of the revenues and approximately 91% of the ongoing net income of KCSI's financial services segment for the three months ended March 31, 2000. The following table presents summary financial information for KCSI (excluding Stilwell) and Stilwell as of, and for the three months ended March 31, 2000.

	STOCKHOLDERS' EQUITY	ASSETS	REVENUES	OPERATING INCOME	NET INCOME
	(In Millions)				
KCSI	$ 624.9	$ 1,884.7	$ 148.9	$ 18.0	$ 4.5
Stilwell	889.0	1,432.7	545.1	244.9	188.7
Total	$ 1,513.9	$ 3,317.4	$ 694.0	$ 262.9	$ 193.2

Recently, there have been STRAINED RELATIONS BETWEEN STILWELL AND JANUS as a result of a disagreement over whether there should be a separate spin-off of Janus. See "Summary-Overview of Stilwell's Business and Strategy." Stillwell does not believe that this disagreement will cause any key employees of Janus to resign, but these employees are not subject to any noncompete agreements that would preclude them from participating in a competing financial services business. See "Risk Factors-Continuation of Strained Relations Between Stilwell and Janus Management Could Have a Material Adverse Effect on Stilwell." Stilwell may be required under certain agreements containing mandatory put rights to purchase the interests in Janus owned by certain

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minority stockholders at any time at the option of those holders at a fair market value purchase price equal to fifteen times the net after-tax earnings per share of Janus over the period indicated in the relevant agreement, or in some circumstances as determined by an independent appraisal. IF STILWELL HAD BEEN REQUIRED TO MAKE SUCH PURCHASE BASED ON THE VALUE OF THE STOCK AT A FIFTEEN TIMES MULTIPLE AS OF MARCH 31, 2000, IT WOULD HAVE BEEN REQUIRED TO PAY APPROXIMATELY $833 MILLION. Stilwell is also required under such agreements and certain other agreements to purchase the interests in Janus owned by such minority stockholders and other minority stockholders at the option of those holders upon the occurrence of certain changes in ownership of KCSI or Stilwell at a fair market value purchase price equal to fifteen times the net after-tax earnings per share of Janus over the period indicated in the relevant agreement or as otherwise negotiated between the parties or determined by Janus' Stock Option Committee. IF STILWELL WERE REQUIRED TO MAKE SUCH PURCHASE BASED ON THE VALUE OF THE STOCK AT A FIFTEEN TIMES MULTIPLE AS OF MARCH 31, 2000, IT WOULD HAVE BEEN REQUIRED TO PAY APPROXIMATELY $1.14 BILLION (reduced by the amount paid upon exercise of any mandatory put rights). As of March 31, 2000, Stilwell had $200 million in credit facilities available, owned securities which, if liquidated, would provide estimated net proceeds of $826 million after taxes and associated transaction costs and had cash balances at the Stilwell holding company level in excess of $147.5 million. To the extent that these resources were insufficient to fund its purchase obligations, Stilwell had access to the capital markets and, with respect to most of the shares to be purchased, had 120 days to raise additional sums. See "Risk Factors-Stilwell May Be Required to Purchase or Sell Janus Common Stock" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Minority Purchase Agreements."

The distribution of Stilwell common stock will be effective on July 12, 2000, and it is expected that certificates representing Stilwell common stock will be mailed within two days following such date.

No consideration will be paid by KCSI's stockholders for the shares of Stilwell Common Stock to be received by them in the distribution nor will they be required to surrender or exchange shares of KCSI common stock or take any other action in order to receive Stilwell common stock.

There has been no established trading market for the shares of Stilwell Common Stock, although it is expected that a "when-issued" trading market will develop near the Record Date. Stilwell has received approval, subject to official notice of issuance, to have the Stilwell Common Stock listed on the New York Stock Exchange under the symbol "SV."

IN REVIEWING THIS INFORMATION STATEMENT, YOU SHOULD CAREFULLY CONSIDER THE MATTERS DESCRIBED UNDER THE CAPTION "RISK FACTORS" WHICH BEGINS ON PAGE 23.

NO VOTE OF STOCKHOLDERS IS REQUIRED IN CONNECTION WITH THIS DISTRIBUTION. WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS INFORMATION STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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THIS INFORMATION STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES. ANY SUCH OFFERING MAY ONLY BE MADE BY MEANS OF A SEPARATE PROSPECTUS PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND OTHERWISE IN COMPLIANCE WITH APPLICABLE LAW.

THE DATE OF THIS INFORMATION STATEMENT IS JUNE 15, 2000.

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SUMMARY

THE FOLLOWING IS A SUMMARY OF CERTAIN INFORMATION CONTAINED ELSEWHERE IN THIS INFORMATION STATEMENT (THE "INFORMATION STATEMENT"). REFERENCE IS MADE TO, AND THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY, THE MORE DETAILED INFORMATION SET FORTH IN THIS INFORMATION STATEMENT, WHICH SHOULD BE READ IN ITS ENTIRETY. UNLESS OTHERWISE STATED OR THE CONTEXT OTHERWISE REQUIRES, REFERENCES IN THIS INFORMATION STATEMENT TO (i) KCSI AND STILWELL INCLUDE KCSI'S AND STILWELL'S RESPECTIVE DIRECT AND INDIRECT SUBSIDIARIES AND EQUITY INVESTMENTS, (ii) STILWELL PRIOR TO THE DISTRIBUTION DATE REFER TO KCSI'S FINANCIAL SERVICES SEGMENT (AS DESCRIBED BELOW) AND (iii) BERGER (AS DEFINED HEREIN) PRIOR TO SEPTEMBER 30, 1999 REFER TO BERGER ASSOCIATES, INC.

OVERVIEW OF THE DISTRIBUTION

Corporation Making the Distribution	Kansas City Southern Industries, Inc., a Delaware corporation.
Corporation and Business Being Distributed	Stilwell Financial Inc., a Delaware corporation and wholly-owned subsidiary of KCSI. Stilwell is a holding company for the group of businesses and investments that comprise the KCSI financial services segment. These businesses, the most significant of which is Janus Capital Corporation ("Janus"), offer a variety of asset management and related financial services to registered investment companies, retail investors, institutions and individuals. See "Business."
Business to be Retained By KCSI	Rail transportation. Through its principal subsidiaries and joint ventures, KCSI owns and operates a rail network of approximately 6,000 miles of main and branch lines that link the key commercial and industrial markets of the United States and Mexico and, through a joint venture, is participating in the rebuilding and operation of the trans-isthmus railroad in Panama.
Primary Purpose of the Distribution	Separation of the financial services business, to be owned solely by Stilwell, from the rail transportation business, to be owned solely by KCSI. The Distribution will allow each company to (i) focus on adopting strategies and pursuing objectives appropriate to its specific business; (ii) focus attention and financial resources on the development and management of growth in each of their respective core businesses; (iii) eliminate time and resources spent resolving differences between the businesses relating to utilization of KCSI resources, available capital, capitalization, management style,

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	organizational structure and long-term and short-term strategies and goals; (iv) minimize the exposure of each business to the liabilities arising from the operations of the other; (v) issue its own securities to implement more focused stock-based compensation programs keyed more directly to its earnings and performance; and (vi) issue its own securities to pursue acquisitions or strategic relationships. See "The Distribution-Background and Reasons for the Distribution."
Number of Shares of Stilwell Common Stock To Be Received by Each KCSI Stockholder	Two shares of common stock, par value $.01 per share, including certain attached preferred stock purchase rights (collectively, the "Stilwell Common Stock"), for every one share of KCSI common stock ("KCSI Common Stock") held on the Record Date. No consideration will need to be paid by KCSI's stockholders for the shares of Stilwell Common Stock to be received by them in the Distribution nor will they be required to surrender or exchange shares of KCSI Common Stock or take any other action to receive Stilwell Common Stock. See "The Distribution-Manner of Effecting the Distribution" and "Description of Capital Stock-Stockholders' Rights Plan."
Total Number of Shares to be Distributed	Will depend on the number of shares of KCSI Common Stock outstanding on the Record Date. Based on the number of shares of KCSI Common Stock outstanding as of March 31, 2000, approximately 222,800,000 shares of Stilwell Common Stock will be distributed. The shares of Stilwell Common Stock to be distributed will constitute all of the outstanding shares of Stilwell Common Stock on the Distribution Date. See "The Distribution-Manner of Effecting the Distribution" and "The Distribution-Results of the Distribution."
Distribution Agent	UMB Bank, N.A. (the "Distribution Agent"), 1010 Grand Avenue, Kansas City, Missouri 64106.
KCSI's Board's Power to Modify or Abandon	The Distribution may be amended, modified or abandoned at any time prior to the Record Date by, and in the sole discretion of, KCSI's Board of Directors. See "The Distribution-Modification or Abandonment of the Distribution."
No Fractional Shares	No fractional shares of Stilwell Common Stock will be distributed in the Distribution. See "The Distribution-Manner of Effecting the Distribution."
No Established Trading	There has been no established trading market for

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Market for Stilwell Common Stock	Stilwell Common Stock, although a "when-issued" trading market is expected to develop near the Record Date. Stilwell has received approval, subject to official notice of issuance, to have the Stilwell Common Stock listed on the New York Stock Exchange under the symbol "SV." See "The Distribution-Trading of Stilwell Common Stock."
Interests of Stilwell Officers and Directors in the Distribution	Stilwell officers and directors who own shares of KCSI Common Stock on the Record Date will receive shares of Stilwell common stock in the same proportion as other KCSI stockholders in the Distribution. Stilwell officers and directors will also receive New Stilwell Options (defined herein) for each KCSI non-qualified stock option held on the record date, in the same 2 to 1 proportion. See "Relationship Between KCSI and Stilwell After the Distribution - Employee Benefits." In addition, Stilwell has entered into employment agreements with certain of its officers dated June 12, 2000. Under the employment agreements, which are consistent with past compensation practices of KCSI, these officers are not entitled to participate in any Stilwell incentive compensation plan during 2000, 2001 and 2002, but will receive cash bonuses aggregating $1,200,000 within ten days after the Distribution Date and will be eligible to participate in other benefit plans. In conjunction with entering into the employment agreements and in lieu of participation in Stilwell's incentive compensation plans, these officers received a grant of options to purchase an aggregate of 550,600 shares of KCSI Common Stock, 527,000 of which will become exercisable based on the performance of the market price of KCSI's Common Stock. At the time of the Distribution, Stilwell options will be substituted for all such KCSI options in their entirety and the target stock price levels for the performance options will be adjusted to Stilwell stock prices. The employment agreements also include severance and change of control benefits. See "Management - Employment Agreements with the Named Executive Officers."
Record Date	Close of business on June 28, 2000 (the "Record Date").
Distribution Date	Certificates representing the shares of Stilwell Common Stock will be delivered to the Distribution Agent on July 12, 2000 (the "Distribution Date") and the Distribution will be effective on that date.

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Date Certificates are to Be Mailed	Certificates representing the shares of Stilwell Common Stock are expected to be mailed by the Distribution Agent to KCSI stockholders within two days following the Distribution Date (the "Mailing Date"). See "The Distribution-Manner of Effecting the Distribution."
Tax Ruling Indicates Distribution Will Be Tax-Free	KCSI has received a tax ruling (the "Tax Ruling") from the Internal Revenue Service (the "IRS") that states that for United States federal income tax purposes, no gain or loss will be recognized by KCSI from the Distribution or by the holders of KCSI Common Stock upon receipt of the Stilwell Common Stock in the Distribution. See "The Distribution-Material Federal Income Tax Consequences."
KCSI and Stilwell to be Operated as Separate Companies	Following the Distribution, KCSI and Stilwell will be operated separately as independent companies. They will continue to have a limited relationship, including a common director, during a transitional period. See "The Distribution-Results of the Distribution," "Relationship Between KCSI and Stilwell After the Distribution," and "Certain Relationships and Related Transactions."
Stilwell Anticipates Paying Cash Dividends	To date, Stilwell has not declared or paid any dividends on the Stilwell Common Stock, but anticipates paying cash dividends following the Distribution. The payment of dividends by Stilwell is subject to the discretion of its Board of Directors, and various factors may prevent it from paying dividends. These factors include Stilwell's financial position, its capital requirements and liquidity, the existence of a stock repurchase program, contractual and legal requirements, results of operations and such other factors as Stilwell's Board of Directors may consider relevant. As a holding company, Stilwell's ability to pay dividends is dependent on the dividends and income it receives from its subsidiaries. At the present time Stilwell's primary source of cash is dividends received from Janus. Janus represented approximately 95% of Stilwell's revenues and approximately 91% of Stilwell's net income for the year ended December 31, 1999 and for that year Stilwell received $173.2 million in dividends from Janus. The payment of dividends by Janus is subject to the discretion of its Board of Directors. Although Stilwell has a contractual obligation to cause such payment, Thomas H. Bailey, the Chief Executive Officer of Janus, has certain

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	rights to select a majority of that Board (the Janus Board Selection Rights, as defined in "Summary-Overview of Stilwell's Business and Strategy-Background"), and such majority of directors could determine in their discretion that Janus will not pay dividends for any given year. See "Risk Factors-Various Factors May Hinder the Declaration and Payment of Dividends by Stilwell Following the Distribution," "Dividend Policy," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 15 to the Stilwell consolidated financial statements.
Risk Factors To Be Considered	Stockholders should carefully review the matters discussed in the section entitled "Risk Factors" for a discussion of matters that should be considered in owning Stilwell Common Stock.
Provisions Which May Have Antitakeover Effects	Provisions of Stilwell's certificate of incorporation and bylaws, certain agreements, Stilwell's Stockholders' Rights Plan and provisions of the Delaware General Corporation Law and the Internal Revenue Code of 1986, as amended (the "Code"), may have the effect of delaying, deterring or preventing a change in control of Stilwell. See "Risk Factors," "The Distribution-Material Federal Income Tax Consequences" and "Description of Capital Stock."

* * *

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OVERVIEW OF STILWELL'S BUSINESS AND STRATEGY

BACKGROUND

KCSI is a holding company that has owned and managed, through its direct and indirect subsidiaries, two principal business segments: rail transportation and financial services. ONLY THE FINANCIAL SERVICES SEGMENT IS INCLUDED IN THE DISTRIBUTION. The primary entities comprising the financial services segment are Janus, an approximately 81.5% owned subsidiary; Stilwell Management, Inc. ("SMI," formerly Berger Associates, Inc.), a wholly-owned subsidiary; Berger LLC ("Berger"), of which SMI owns 100% of Berger preferred limited liability company interests and approximately 86% of the Berger regular limited liability company interests; Nelson Money Managers Plc ("Nelson"), an 80% owned subsidiary; DST Systems, Inc. ("DST"), an equity investment in which SMI holds an approximately 32% interest, and miscellaneous other subsidiaries and equity investments (the "Miscellaneous Corporations"). Janus is the principal business of the financial services segment of KCSI, representing 97% of assets under management at March 31, 2000 and 96% of revenues and 91% of ongoing net income for the three months ended March 31, 2000. The businesses which comprise the financial services segment offer a variety of asset management and related financial services to registered investment companies, retail investors, institutions and individuals.

After extensive review and discussion, the Board of Directors of KCSI concluded that it is in the best interests of KCSI and its stockholders for KCSI to focus on the rail transportation business and for a separate company to focus on the financial services business and determined that the Distribution was the best way to accomplish a separation of the two businesses. KCSI formed Stilwell as a holding company for the group of businesses and investments that comprise KCSI's financial services segment. In connection with the Distribution, KCSI transferred to Stilwell KCSI's ownership interests in Janus, Berger, Nelson, DST, the Miscellaneous Corporations and certain other financial services-related assets, and Stilwell assumed all of KCSI's liabilities associated with the assets transferred, effective July 1, 1999. Consistent with the prior philosophy of KCSI, Stilwell expects to encourage autonomy by its subsidiaries in the operation of their businesses. Stilwell has agreed that the management of Janus will continue to operate the business of Janus of providing investment advice and management services on the basis provided in a stock purchase agreement with Thomas H. Bailey ("Mr. Bailey"), the Chief Executive Officer of Janus, and another Janus stockholder (the "Janus Stock Purchase Agreement"). The Janus Stock Purchase Agreement with Mr. Bailey, the holder of 12% of Janus common stock, provides that so long as Mr. Bailey is a holder of at least 5% of the shares of Janus and continues to be employed as President or Chairman of the Board of Janus (or, if he does not serve as President, James P. Craig, III serves as President and Chief Executive Officer or Co-Chief Executive Officer with Mr. Bailey), he shall continue to establish and implement policy with respect to the investment advisory and portfolio management activity of Janus. Such agreement provides that in furtherance of such objective, so long as both the ownership threshold and officer status conditions described above are satisfied, in those circumstances Stilwell will vote its shares of Janus stock to elect directors of

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Janus, at least the majority of whom are selected by Mr. Bailey, subject to Stilwell's approval, which approval may not be unreasonably withheld (the "Janus Board Selection Rights"). See Stilwell Financial Inc., "Stilwell Business Strategy" and "Business -Stilwell Business Strategy."

On March 26, 1999, a number of minority stockholders and employees of Janus, including members of Janus' management, its chief executive officer, its chief investment officer, portfolio managers and assistant portfolio managers who own a material number of Janus shares, five of the six Janus consider in addition to the Distribution, a separate spin-off of Janus. Members of the Janus Minority Group met with the KCSI Board of Directors on June 23, 1999 and urged the Board to consider their separate spin-off proposal.

After considering the information presented by the Janus Minority Group, KCSI's Board of Directors decided it was in the best interests of KCSI and its stockholders to proceed with the Distribution in the manner previously contemplated and as described herein. In arriving at this decision, KCSI's Board of Directors took into consideration a number of factors, including that: (i) a favorable tax ruling on the Distribution had been received from the Internal Revenue Service, (ii) the presentation by the Janus Minority Group was not persuasive, in the Board's view, as to the advantages of the alternative proposal as compared to the Distribution,
(iii) an estimated minimum of six to nine months would be required to obtain a favorable tax ruling, and there was a lack of certainty that a favorable ruling could be obtained at all, with respect to the alternative proposal, and (iv) the Distribution was more consistent with the strategic direction of Stilwell. The Board did not seek or obtain any independent analysis of the Janus Minority Group's proposal. See "The Distribution-Background and Reasons for the Distribution."

Recently, press reports have appeared in which certain Janus employees have expressed objections to the Distribution and other disagreements with Stilwell's structure and direction. Representatives of Stilwell and of the Janus Minority Group have met and held discussions regarding resolution of these disagreements and while not all disagreements have been resolved, agreements have been made under which Stilwell sold to Janus 192,408 shares of Janus common stock to be used to provide long-term incentives to Janus personnel. In return, Janus agreed not to grant phantom stock, stock appreciation rights, or similar rights, for so long as Janus common stock is available for use under its Long-Term Incentive Plan. The availability of Janus common stock for this purpose will depend upon the number of such shares granted or sold from time to time by Janus and upon the number acquired from holders by voluntary sale or upon the death, retirement or termination of employment of employees of Janus. In first quarter 2000, Janus made an annual grant to Janus employees of 35,670 shares of Janus common stock, but the number of shares awarded in future years may be more or less than that amount. KCSI and Stilwell have also agreed to waive certain rights of first refusal and options to purchase other outstanding shares of Janus common stock so that such shares may be available for awards under the Long-Term Incentive Plan. Finally, KCSI, Stilwell and Janus have agreed to increase an intercompany credit line available to Janus and to the assignment to Stilwell of the Janus Stock Purchase Agreement.

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See "The Distribution--Background and Reasons for the Distribution."

[FN]

The Janus Minority Group is comprised of:

Thomas H. Bailey	President, Chairman, Chief Executive Officer and Director
William H. Bales	Vice President and Portfolio Manager
Laurence J. Chang	Vice President and Portfolio Manager
Jonathan D. Coleman	Vice President and Portfolio Manager
David J. Corkins	Vice President and Portfolio Manager
James P. Craig, III	Vice Chairman, Chief Investment Officer and Director
David C. Decker	Vice President and Portfolio Manager
Michael J. Dugas	Assistant Portfolio Manager
Thomas A. Early	Vice President, General Counsel and Secretary
James P. Goff	Vice President and Portfolio Manager
Steven R. Goodbarn	Vice President of Finance, Treasurer and Chief Financial Officer
Helen Young Hayes	Vice President and Portfolio Manager
Michael E. Herman	Director
Marjorie G. Hurd	Vice President and Chief Operations Officer
Warren B. Lammert	Vice President and Portfolio Manager
Chih-Lin Mike Lu	Vice President and Portfolio Manager
Brent A. Lynn	Assistant Portfolio Manager
Thomas R. Malley	Vice President and Portfolio Manager
Thomas A. McDonnell	Director
Elias Marc Pinto	Vice President and Portfolio Manager
Karen L. Reidy	Vice President and Assistant Portfolio Manager
Blaine P. Rollins	Vice President and Portfolio Manager
Sandy R. Rufenacht	Vice President and Portfolio Manager
Ron Sachs	Assistant Portfolio Manager
Scott W. Schoelzel	Vice President and Portfolio Manager
John H. Schreiber	Assistant Portfolio Manager
Ronald V. Speaker	Vice President and Portfolio Manager
Michael Stolper	Director
Mark B. Whiston	Vice President and Chief Marketing Officer
Claire Young	Vice President and Portfolio Manager

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STILWELL FINANCIAL INC.

Stilwell is a holding company that manages its investments in the principal subsidiaries and equity investments more particularly described below and elsewhere in this Information Statement. The functions performed by Stilwell include consolidated accounting; consolidated tax return preparation and filing; corporate secretarial functions; banking and financing; administration of retirement and stock option plans; internal auditing; investor relations; analysis and evaluation of acquisition and strategic business opportunities; insurance assessment and coverage and holding company legal services. Stilwell management does not have direct experience in mutual fund investment advisory or portfolio management services and will rely on its subsidiaries' managements to perform such functions. At Janus, Mr. Bailey will continue to establish and implement policy with respect to the investment advisory and portfolio management activity of that subsidiary, and has the right to select a majority of the directors of Janus, pursuant to the Janus Board Selection Rights.

STILWELL'S PRINCIPAL SUBSIDIARIES AND EQUITY INVESTMENTS

JANUS CAPITAL CORPORATION

Janus and its adviser subsidiaries are investment advisers registered with the U.S. Securities and Exchange Commission (the "SEC") or other regulatory bodies, and are the investment advisers of the Janus Investment Fund, Janus Aspen Series, Janus World Funds Plc and Janus Universal Funds (collectively, the "Janus Advised Funds"). Additionally, Janus is the adviser or sub-adviser to other investment companies and institutional and individual private accounts, including pension, profit-sharing and other employee-benefit plans, trusts, charitable organizations, endowments, foundations and others (collectively, "Janus Sub-Advised Funds and Private Accounts"). As of March 31, 2000, Janus had total assets under management of $315.3 billion, of which $255.0 billion are in the Janus Advised Funds and the remainder are in Janus Sub-Advised Funds and Private Accounts. Janus primarily offers equity portfolios to its investors, which comprised approximately 95% of total assets under management for Janus and its affiliates at March 31, 2000. At that date, funds advised by Janus had approximately 5.4 million shareowner accounts. For the five-year period ended March 31, 2000, Janus' total assets under management increased 1,198 percent. See "Business-Stilwell's Principal Subsidiaries and Equity Investments-Janus Capital Corporation."

BERGER LLC

Berger is the entity to which Berger Associates, Inc. contributed its operating assets and business as part of a restructuring consummated as of September 30, 1999. Berger is an investment adviser registered with the SEC and serves as an investment adviser to a group of registered investment companies known as the Berger Advised Funds (as defined in "Business-- Stilwell's Principal Subsidiaries and Equity Investments-

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Berger LLC"). Berger also serves as investment sub-adviser to a group of registered investment companies and separate accounts known as the Berger Sub-Advised Funds and Private Accounts (as defined in "Business--Stilwell's Principal Subsidiaries and Equity Investments-Berger LLC"). Berger owns 80% of Berger/Bay Isle LLC, a Delaware limited liability company ("B/B Isle"), which is a joint venture with Bay Isle Financial Corporation. B/B Isle acts as investment adviser to privately managed separate accounts (the "B/B Isle Separate Accounts"). As of March 31, 2000, the Berger Complex (as defined in "Business--Stilwell's Principal Subsidiaries and Equity Investments- Berger LLC") had total assets under management of $8.2 billion. Of this amount, Berger managed $7.4 billion in the Berger Advised Funds and $0.7 billion in the Berger Sub-Advised Funds and Private Accounts; and B/B Isle managed $0.1 billion in the B/B Isle Separate Accounts. As of March 31, 2000, funds included in the Berger Complex had more than 258,000 shareowner accounts. For the five-year period ended March 31, 2000, assets under management in the Berger Complex increased by 173 percent. See "Business- Stilwell's Principal Subsidiaries and Equity Investments-Berger LLC."

NELSON MONEY MANAGERS PLC

Nelson provides investment advice and investment management services in the United Kingdom, primarily to individuals who are retired or contemplating retirement. In order to reach these clients, Nelson has traditionally performed financial planning seminars for employees of companies in the United Kingdom. More recently, Nelson has also been offering services directly to the public via advertisements in the media. For individuals interested in Nelson's services, Nelson assigns a specific investment adviser to have a one-on-one consultation. The investment adviser works with each client to conduct an analysis of the client's investment objectives and then recommends in writing the construction of a portfolio to meet those objectives. Recommendations for the design and ongoing maintenance of the portfolio structure are the responsibility of the investment adviser. The selection and management of the instruments which constitute the portfolio are the responsibility of Nelson's investment management team. At March 31, 2000, Nelson employed more than 40 investment advisers and managed approximately $1.4 billion ((Pound)866 million) in assets. At March 31, 2000, Nelson managed assets for more than 15,000 individuals. For the five-year period ended March 31, 2000, Nelson's total assets under management increased by approximately 130 percent. See "Business-Stilwell's Principal Subsidiaries and Equity Investments-Nelson Money Managers Plc."

DST SYSTEMS, INC.

DST, together with its subsidiaries and joint ventures, provides information processing, printing and mailing and computer software services and products to mutual funds, investment managers, communications industries and other service industries through business units organized into three operating segments: Financial Services, Customer Management and Output Solutions. DST's Financial Services segment serves primarily mutual funds, insurance companies, banks, brokers and financial planners. DST's Customer Management segment provides services and products to the video/broadband, direct broadcast

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satellite, wireless and Internet-protocol telephony, Internet and utility markets worldwide. DST's Output Solutions segment provides statement processing and solutions to customers of DST's other segments and to other customers. See "Business-Stilwell's Principal Subsidiaries and Equity Investments-DST Systems, Inc."

STILWELL BUSINESS STRATEGY

Stilwell believes that it has established a strong platform to support future growth in revenues, deriving its strength in large part from the experience and capabilities of Stilwell's subsidiaries and equity investments as full service providers of asset management and related financial services. The strength of Stilwell's subsidiaries and equity investments is based on core investment professionals, solid investment performance results, sophisticated distribution systems, quality customer service, talented support and service staff and product expertise and systems. In addition, Stilwell believes that it will benefit from the brand name equity associated with the names JANUS, BERGER, NELSON and DST. Opportunities for growth for Stilwell are expected to come, principally through its subsidiaries and equity investments, from new and existing clients, strategic acquisitions and alliances and strengthening the brand name and brand image of Stilwell's subsidiaries and equity investments.

MAINTAIN AND ENHANCE EXISTING CLIENT RELATIONSHIPS. As one of its primary business objectives, Stilwell intends to maintain and enhance existing client relationships by continuing to provide a high level of quality service to existing clients through strong support and service staff, excellent customer service and product expertise and systems.

GENERATE GROWTH FROM NEW AND EXISTING CLIENTS. Stilwell will pursue growth from new clients through on-going sales and marketing efforts. Additionally, Stilwell will seek to increase its share of existing clients' managed assets.

To encourage growth, Stilwell intends to continue compensation programs with equity incentives for key management employees of its principal subsidiaries to provide incentives through ownership of stock in the enterprises in which they are employed. Stilwell seeks to facilitate the acquisition of such ownership through such compensation programs and by making such programs competitive with, if not superior to, compensation programs of other financial services companies.

PURSUE STRATEGIC ACQUISITIONS AND ALLIANCES. Stilwell plans to regularly evaluate strategic acquisitions, joint ventures and alliances and pursue those that appear appropriate as a means of expanding the range of its product offerings and distribution, as well as for increasing its sales and marketing capabilities.

STRENGTHEN BRAND NAME AND BRAND IMAGE. Stilwell intends to continue developing several independent financial services businesses with autonomous management and separate brand names. Stilwell believes it has a strong starting position for this strategy, based on its existing ownership of Janus, Berger and Nelson, as well as its equity investment in DST. Management of each of Stilwell's affiliates has general autonomy over its respective day-to-day operations, allowing each business to develop a separate public identity, satisfy legal

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requirements regarding separation of investment decisions and maintain compliance with certain minority stockholder agreements. At Janus, Mr. Bailey will continue to establish and implement policy with respect to the investment advisory and portfolio management activity of that subsidiary, and to select a majority of the directors of Janus, pursuant to the Janus Board Selection Rights.

ORGANIZATIONAL STRUCTURE

The following chart shows the organizational structure of Stilwell's principal subsidiaries and equity investments.

[Organizational Chart Inserted Here]

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SUMMARY FINANCIAL AND OPERATING DATA

The following table presents summary financial data of Stilwell. The information set forth below should be read in conjunction with, and is qualified in its entirety by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and notes thereto included elsewhere in this Information Statement. The summary financial data for the five years ended December 31, 1999 was derived from the audited consolidated financial statements of Stilwell. The summary financial data as of and for the three months ended March 31, 1999 and 2000 was derived from the unaudited consolidated financial statements of Stilwell, which were prepared on the same basis as the historical audited financial statements.

The summary financial data set forth below may not be indicative of Stilwell's future performance and does not necessarily reflect the financial position and results of operations of Stilwell had Stilwell operated as a separate, stand- alone entity during each of the periods presented. In addition to historical earnings per share data based on the Stilwell capital structure as of March 31, 2000 (1,000 shares outstanding), pro forma earnings per share information is presented for the year ended December 31, 1999 and for the three months ended March 31, 1999 and 2000. This pro forma information is presented for purposes of comparison to future years and was derived assuming an issuance of two shares of Stilwell Common Stock for every one outstanding share of KCSI Common Stock as of March 31, 2000. In addition, dilutive options were included based on the number of dilutive KCSI stock options assumed to be exercised as of March 31, 2000 in connection with the determination of KCSI's diluted earnings per share computations. Pro forma basic and diluted earnings per share for the year ended December 31, 1999 and for the three months ended March 31, 1999 reflect adjustments for interest expense (at an assumed rate of 6.5%), net of income taxes assumed to be incurred, as if the assumption of $125 million of indebtedness from KCSI had occurred as of January 1, 1999. See "Financing-- Description of the Credit Facilities."

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	Year Ended December 31,					Three Months Ended March 31	
	1995(i)	1996(ii)	1997	1998(iii)	1999	1999	2000(iv)
	(Dollars in Millions, except per share data)					(Unaudited)	
FINANCIAL DATA:							
INCOME STATEMENT DATA:							
Revenues	$236.7	$329.6	$485.1	$670.8	$1,212.3	$233.3	$545.1
Operating expenses	156.5	197.8	285.9	390.2	694.0	136.1	300.2
Operating Income	80.2	131.8	199.2	280.6	518.3	97.2	244.9
Equity in earnings of unconsolidated affiliates	29.6	68.6	24.9	25.8	46.7	11.2	18.8
Gain on litigation settlement							44.2
Gain on sale of Janus common stock							15.1
Reduction in ownership of DST	--	--	--	(29.7)	--	--	--
Gain on sale of DST	296.3	--	--	--	--	--	--
Other, net	3.7	8.2	5.8	12.6	21.5	3.9	7.3
Pretax Income	409.8	208.6	229.9	289.3	586.5	112.3	330.3
Income tax provision	181.3	58.2	87.0	103.7	216.1	40.1	114.3
Minority interest	10.5	15.8	24.9	33.4	57.3	11.2	27.3
Net Income	$218.0	$134.6	$118.0	$152.2	$ 313.1	$ 61.0	$188.7

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Per Share Data:							
Weighted Average Common shares outstanding	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Basic Earnings per share	$218,000	$134,600	$118,000	$152,200	$313,100	$ 61,000	$188,700
Diluted Earnings per share	218,000	134,000	117,400	149,900	308,300	60,200	186,400
Pro Forma Per Share Data:							
Common shares outstanding (in thousands)					222,799	222,799	222,799
Basic Earnings per share					$ 1.38	$ 0.27	$ 0.85
Diluted Common shares outstanding (in thousands)					230,760	230,760	230,760
Diluted Earnings per share					$ 1.31	$ 0.26	$ 0.81

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	December 31,					Three Months Ended March 31,	
	1995	1996	1997	1998	1999	1999	2000(iv)
BALANCE SHEET DATA:							
Total Assets	$475.2	$548.2	$672.6	$822.9	$1,231.5	$868.1	$1,432.7
Long term obligations:							
Third Parties	0.4	0.1	--	--	--	--	--
KCSI	--	117.3	84.1	16.6	--	--	--
Cash dividends per Common share	n/a	n/a	n/a	n/a	n/a	n/a	n/a
OPERATING DATA:							
Total Assets Under Management (in billions)	$ 34.5	$ 50.3	$ 71.6	$113.1	$257.4	$141.7	$ 324.9
Total Shareowner Accounts (in millions)	2.5	2.5	2.7	3.0	4.3	3.4	5.5

(i) Reflects DST as an unconsolidated affiliate as of January 1, 1995 due to the DST public offering and associated transactions completed in November 1995, which reduced Stilwell's ownership of DST to approximately 41% and resulted in deconsolidation of DST from Stilwell's consolidated financial statements. The public offering and associated transactions resulted in a $144.6 million after-tax gain to Stilwell.

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(ii) Includes a one-time after-tax gain of $47.7 million, representing Stilwell's proportionate share of the one-time gain recognized by DST in connection with the merger of The Continuum Company, Inc. ("Continuum"), formerly a DST equity affiliate, with Computer Sciences Corporation ("CSC")in a tax-free share exchange.

(iii) Includes a one-time non-cash charge of $36.0 million ($23.2 million after-tax) resulting from the merger of a wholly-owned subsidiary of DST with USCS International, Inc. ("USCS"). The merger was accounted for by DST under the pooling of interests method. The charge reflects Stilwell's reduced ownership of DST (from 41% to approximately 32%), together with Stilwell's proportionate share of DST and USCS fourth quarter merger- related costs.

(iv) Includes two one-time gains: a) a $27.3 million (after-tax) gain on the settlement of litigation with a former equity affiliate; and b) a $15.1 million (after-tax) gain resulting from the sale by Stilwell of 192,408 shares of Janus common stock to Janus, which reduced Stilwell's ownership in Janus to approximately 81.5%.

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INTRODUCTION

KCSI formed Stilwell on January 23, 1998 as a holding company for the group of businesses and investments that comprise the financial services business of KCSI and to effect the Distribution. Such businesses include Janus, Berger, Nelson, DST and the Miscellaneous Corporations. In connection with the Distribution, KCSI transferred to Stilwell KCSI's ownership interests in these businesses and certain other financial services-related assets and Stilwell assumed all of KCSI's liabilities associated with the assets transferred, effective July 1, 1999.

On June 14, 2000, the Board of Directors of KCSI gave final approval to the Distribution, payable to holders of record of KCSI Common Stock on the Record Date, of two shares of Stilwell Common Stock for every one share of KCSI Common Stock outstanding on the Record Date. As a result of the Distribution, all of the outstanding shares of Stilwell Common Stock will be distributed to holders of KCSI Common Stock on a pro-rata basis (including the holders of KCSI Common Stock through accounts in the KCSI ESOP, the Stilwell ESOP, the DST ESOP and the KCSI Profit Sharing Plan (as each is defined herein)). No fractional shares of Stilwell Common Stock will be distributed in the Distribution. Certificates representing shares of Stilwell Common Stock are expected to be mailed by the Distribution Agent to KCSI stockholders on the Mailing Date.

Stockholders of KCSI with inquiries relating to the Distribution should contact: The Office of the Corporate Secretary; 114 West 11th Street, Kansas City, MO 64105, telephone (816) 983-1237.

RISK FACTORS

Stockholders of KCSI should carefully consider and evaluate all of the information set forth in this Information Statement, including the risk factors listed below. In addition to the historical information included herein, the discussion set forth below, as well as other portions of this Information Statement, contains comments not based upon historical fact. Such forward- looking comments are based upon information currently available to management and management's perception thereof as of the date of this Information Statement. Readers can identify these forward-looking comments by their use of such verbs as "expects," "anticipates," "believes" or similar verbs or conjugations of such verbs. The actual results of operations of Stilwell could materially differ from those indicated in forward-looking comments. The differences could be caused by a number of factors or combination of factors. Readers are strongly encouraged to consider the following risk factors when evaluating any such forward-looking comments. Stilwell will not update any forward-looking comments set forth in this Information Statement.

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RISKS RELATED TO THE BUSINESS OF STILWELL FINANCIAL INC.

A DECLINE IN THE PERFORMANCE OF THE SECURITIES MARKETS COULD ADVERSELY AFFECT STILWELL'S REVENUES

The results of operations of Stilwell are affected by many economic factors, including the performance of the U.S. securities markets. A decline in the securities markets or certain segments of those markets, failure of the securities markets or segments thereof to sustain their recent levels of growth, or short-term volatility in the securities markets or segments thereof could result in investors withdrawing assets from the markets or decreasing their rate of investment, either of which could adversely affect Janus, Berger and Nelson. Because most of Stilwell's revenues are based on the value of assets under management, a decline in the value of those assets would adversely affect revenues of Stilwell. Favorable performance by the U.S. securities markets over the last several years has attracted a substantial increase in the investments in these markets. Partly as a result of this financial environment, the assets under management of Janus and Berger have increased significantly and levels of profitability have grown. The growth rate of Stilwell's subsidiaries and equity investments has varied from year to year, and the high average growth rates sustained in the recent past may not continue. In addition, in periods of slowing growth or declining revenues, profits and profit margins are adversely affected because certain expenses remain relatively fixed.

POOR INVESTMENT PERFORMANCE OF FUNDS MANAGED BY STILWELL'S SUBSIDIARIES COULD ADVERSELY AFFECT STILWELL'S REVENUES

Success for Stilwell is dependent to a significant extent on the investment performance of the mutual funds and other accounts (the "Funds") managed by its subsidiaries, especially Janus. Failure of the Funds to perform well could have an adverse effect on the revenues of Stilwell. Good performance stimulates sales of the Funds' shares and tends to keep redemptions low. Increased sales of the Funds' shares generate higher revenues for Stilwell (which are directly related to assets under management). Conversely, poor performance tends to result in decreased sales and increased redemptions of the Funds' shares, with corresponding decreases in revenues to Stilwell. Similarly, success for Nelson is partly dependent on attaining consistently reasonable investment returns for the assets managed by Nelson.

STILWELL'S BUSINESS IS DEPENDENT ON INVESTMENT ADVISORY AGREEMENTS WHICH ARE SUBJECT TO TERMINATION OR NON-RENEWAL

Most of the revenues of Janus and Berger are derived pursuant to investment advisory agreements with their respectively managed Funds. Any termination of or failure to renew a significant number of these agreements could have a material adverse impact on Janus or Berger. These investment advisory agreements may be terminated by either party with notice, are terminated in the event of an "assignment" (as defined in the Investment Company Act of 1940, as amended (the "1940 Act")), and must be approved and renewed annually by the disinterested members of each fund's board of directors or trustees, or its shareowners, as required by law.

Generally, any change in control of Janus or Berger would constitute an "assignment" under the 1940 Act. The Distribution is not expected to result in a change of control of Janus or Berger and therefore under the applicable rules

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of the Securities and Exchange Commission would not constitute such an assignment. Under certain circumstances a material reduction in the ownership of Janus common stock by Mr. Bailey or his departure from Janus by removal, death, or resignation could be a change of control, resulting in an assignment, because he has contractual rights to select a majority of the directors of Janus, pursuant to the Janus Board Selection Rights. Under the 1940 Act, "control" is defined as "the power to exercise a controlling influence over the management or policies of a company, unless such power is solely the result of an official position with the company." The 1940 Act establishes a presumption that any person who owns less than 25% of the voting securities of a company does not control that company. Since Mr. Bailey owns less than 25% of Janus, he is presumed to not control Janus. That presumption can be rebutted by evidence but, under the 1940 Act, it continues until the SEC issues an order determining that the presumption has been rebutted. The SEC has issued such an order in the past with regard to a holder of less than 25% of the voting securities of a company, but on facts much different from Mr. Bailey's circumstances. The SEC has not issued such an order with respect to Mr. Bailey and it is unclear whether it would do so. If the SEC were to issue such an order, Mr. Bailey's departure from Janus, or a material reduction in his ownership of Janus common stock, which eliminated his Janus Board Selection Rights could be deemed a change in control of Janus. Such a change in control would result, under the 1940 Act and under the Investment Advisers Act of 1940 (the "Advisers Act"), in an assignment and termination of Janus' investment advisory contracts, requiring approval of fund shareowners and other advisory clients to obtain new agreements. See "Risk Factors-Stilwell May Be Required to Purchase or Sell Janus Common Stock." The Boards of Trustees or Directors of the Janus Advised Funds and of the funds in the Berger Complex ("Trustees") generally may terminate the investment advisory agreements upon written notice for any reason, including if they believe the Distribution may adversely affect the funds. See "Summary-Overview of Stilwell's Business and Strategy-Stilwell Financial Inc." and "Business."

ANY EVENT THAT NEGATIVELY AFFECTS THE U.S. MUTUAL FUND INDUSTRY COULD HAVE A MATERIAL ADVERSE EFFECT ON STILWELL

Any event affecting the U.S. mutual fund industry which results in a general decrease in assets under management or a significant general decline in the number of U.S. mutual fund industry clients or accounts could have a material adverse effect on Janus, Berger and DST. The future growth and success of Janus, Berger and DST depend in part upon the continued growth of the mutual fund industry in the United States, which has experienced significant growth over the last several years. Janus and Berger derive a substantial portion of their revenues from assets under management in U.S. mutual funds. DST derives a substantial portion of its revenues from the delivery of services and products to U.S. mutual fund industry clients.

STILWELL'S INABILITY TO ATTRACT AND RETAIN KEY PERSONNEL COULD HAVE A MATERIAL ADVERSE EFFECT ON ITS FUTURE SUCCESS

The loss of the services of one or more of Stilwell's key employees or its failure to attract, retain and motivate qualified personnel could have a material adverse impact on Stilwell's business, financial condition, results of operations and future prospects. As with other investment management businesses, Stilwell's future performance depends to a significant degree upon the continued contributions of certain officers, portfolio managers and other key management personnel. Stilwell's business is also similar to other

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investment management businesses in that it is dependent on its ability to attract, retain and motivate highly skilled, and often highly specialized, technical and management personnel. There is substantial competition for qualified technical and management personnel. Further, relations between Stilwell and the management of its key subsidiary, Janus, have been strained recently, primarily as the result of disagreements over the structure of the Distribution. See "Risk Factors--Continuation of Strained Relations Between Stilwell and Janus Management Could Have a Material Adverse Effect on Stilwell," "Management," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 15 to the Stilwell consolidated financial statements.

INCREASED COMPETITION COULD REDUCE THE DEMAND FOR STILWELL'S PRODUCTS AND SERVICES WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON STILWELL'S BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND BUSINESS PROSPECTS

Stilwell is subject to substantial and growing competition in all aspects of its business. Such competition could reduce the demand for Stilwell's products and services and could have a material adverse effect on Stilwell's business, financial condition, results of operations and business prospects. Janus and Berger compete with hundreds of other mutual fund management distribution and service companies that distribute their fund shares through a variety of methods, including affiliated and unaffiliated sales forces, broker-dealers, and direct sales to the public. Nelson competes with other money managers in obtaining new client business. DST competes with third party providers, in- house systems and broker-dealers for the provision of processing services. Although no one company or group of companies dominates the financial services industry, many are larger, better known and have greater resources than Stilwell. Stilwell believes that competition in the mutual fund industry will increase as a result of increased flexibility afforded to banks and other financial institutions to sponsor mutual funds and distribute mutual fund shares, and as a result of consolidation and acquisition activity within the industry. In addition, the mutual fund industry, in general, faces significant competition as the number of mutual funds continues to increase, marketing and distribution channels become more creative and complex, and investors place greater emphasis on published fund recommendations and investment category rankings. Barriers to entry to the investment management business are relatively few, and Stilwell anticipates that Janus, Berger and Nelson will face a growing number of competitors. See "Business-Competition."

STILWELL'S CREDIT FACILITIES IMPOSE RESTRICTIONS ON ITS ABILITY TO CONDUCT BUSINESS AND MAY NOT BE SUFFICIENT TO SATISFY STILWELL'S CAPITAL AND OPERATING REQUIREMENTS

Stilwell's credit facilities impose restrictions on its ability to conduct business and may not be sufficient to satisfy Stilwell's capital and operating requirements. These credit facilities contain covenants that, among other things, restrict the ability of Stilwell to transfer assets, merge, incur debt and create liens. In addition, the credit facilities require Stilwell to maintain specified financial ratios, including maximum leverage, minimum net worth and minimum interest coverage. The ability of Stilwell to comply with such provisions may be affected by events beyond Stilwell's control. The breach of any of these covenants would result in a default under the credit facilities. In the event of any such default, lenders party to the credit facilities could elect to declare all amounts borrowed under the credit facilities, together with accrued interest and other fees, to be due and

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payable. If any indebtedness under the credit facilities is accelerated, Stilwell may not have sufficient assets to repay such indebtedness in full.

The timing of Stilwell's future capital requirements will depend on a number of factors, including the ability of Stilwell to successfully implement its business strategy. In addition, Stilwell, as a continuation of its practice of providing credit facilities to its subsidiaries, has provided an intercompany credit facility to Janus for use by Janus for general corporate purposes, effectively reducing the amount of the credit facilities available for Stilwell's other purposes. Stilwell may require additional capital sooner than anticipated to the extent that Stilwell's operations do not progress as anticipated or if certain put rights are exercised by Janus stockholders. Based on financial information as of March 31, 2000, Stilwell would have the ability to fund the purchase of stock required if all such put rights had been exercised without, in management's judgment, causing a breach of any of Stilwell's current credit facility restrictions. Stilwell has not obtained the concurrence of its lenders with this judgment. There may not be any additional capital available on acceptable terms, or at all, and the failure to obtain any such required capital could have a material adverse effect on Stilwell's operations. See "Financing" and "Management's Discussion and Analysis of Financial Conditions and Results of Operations-Minority Purchase Agreements."

STILWELL'S BUSINESS IS SUBJECT TO PERVASIVE REGULATION WITH ATTENDANT COSTS OF COMPLIANCE AND SERIOUS CONSEQUENCES FOR VIOLATIONS

Virtually all aspects of Stilwell's business are subject to various laws and regulations. Violations of such laws or regulations could subject Stilwell and/or its employees to disciplinary proceedings or civil or criminal liability, including revocation of licenses, censures, fines or temporary suspension or permanent bar from the conduct of their business. Any such proceeding or liability could have a material adverse effect upon Stilwell's business, financial condition, results of operations and business prospects. These laws and regulations generally grant regulatory agencies and bodies broad administrative powers, including, in some cases, the power to limit or restrict Stilwell from operating its businesses in the event it fails to comply with such laws and regulations. Due to the extensive regulations and laws to which Stilwell is subject, management of Stilwell is required to devote substantial time and effort to legal and regulatory compliance issues.

In addition, the regulatory environment in which Stilwell operates is subject to change. Stilwell may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations. See "Business-Regulation."

STILWELL'S BUSINESS IS VULNERABLE TO SYSTEMS FAILURES WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON STILWELL'S BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Any delays or inaccuracies in securities pricing information or information processing could give rise to claims against Janus, Berger, Nelson or DST, which could have a material adverse effect on Stilwell's business, financial condition and results of operations. Janus, Berger, Nelson and DST are highly dependent on communications and information systems and on third party vendors for securities pricing information and updates from certain software. In addition, DST's processing services are dependent on the Winchester and Poindexter Data Centers, DST's facilities for computer

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operations, information processing and image processing. Stilwell's subsidiaries and equity investments may suffer a systems failure or interruption, whether caused by an earthquake, fire, other natural disaster, power or telecommunications failure, unauthorized access, act of God, act of war or otherwise and Stilwell's back-up procedures and capabilities may not be adequate or sufficient to eliminate the risk of extended interruptions in operations.

CERTAIN AGREEMENTS PROVIDE THE CHIEF EXECUTIVE OFFICER OF JANUS SUBSTANTIAL INFLUENCE OVER THE INVESTMENT POLICIES OF JANUS

The Janus Stock Purchase Agreement with Mr. Bailey, the holder of 12% of Janus common stock, provides that so long as Mr. Bailey is a holder of at least 5% of the shares of Janus and continues to be employed as President or Chairman of the Board of Janus (or, if he does not serve as President, James P. Craig, III serves as President and Chief Executive Officer or Co-Chief Executive Officer with Mr. Bailey), he shall continue to establish and implement policy with respect to the investment advisory and portfolio management activity of Janus. In furtherance of such objective, such agreement provides that, so long as both the ownership threshold and officer status conditions described above are satisfied, in those circumstances Stilwell will vote its shares of Janus stock to elect directors of Janus, at least the majority of whom are selected by Mr. Bailey, subject to Stilwell's approval, which approval may not be unreasonably withheld. The agreement also provides that any change in management philosophy, style or approach with respect to investment advisory and portfolio management policies of Janus shall be mutually agreed upon by Stilwell and Mr. Bailey. In addition, Janus is party to employment and other agreements with certain key employees of Janus that provide that in the event that (i) Mr. Bailey, James P. Craig, Vice Chairman and Chief Investment Officer of Janus, or an individual mutually agreed to by Mr. Bailey and the Board of Directors of Janus, no longer serves as the Chief Executive Officer of Janus, or (ii) Mr. Bailey ceases to have the foregoing rights with respect to selection of a majority of the Board of Directors of Janus, these employees would be entitled to additional benefits following certain terminations of their employment and additional vesting of certain shares of Janus stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 15 to the Stilwell consolidated financial statements.

STILWELL'S BUSINESS IS SUBJECT TO INTERNATIONAL MARKET RISKS OF EVENTS WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON STILWELL'S BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain portions of the managed portfolios of Janus and Berger as well as assets managed by Nelson are invested from time to time in various securities of corporations located or doing business in foreign trading markets and developing regions of the world commonly known as emerging markets. These portfolios and assets, and revenues derived from the management of such portfolios and assets, are subject to various risks of events which could have a material adverse effect on Stilwell's business, financial condition and results of operations. Such risks include unfavorable political and diplomatic developments, currency fluctuations, social instability, changes in governmental policies, expropriation, nationalization, confiscation of assets and changes in legislation relating to foreign ownership. In addition, foreign trading markets, particularly in some emerging market countries, are often smaller, less liquid, less regulated and significantly more volatile.

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RISKS RELATED TO THE DISTRIBUTION

STILWELL'S LACK OF OPERATING HISTORY AS A STAND-ALONE COMPANY MAKES IT DIFFICULT TO PREDICT ITS FUTURE RESULTS

Stilwell was formed in 1998 as a holding company for the group of businesses and investments that comprise the financial services business of KCSI, and has never operated as a stand-alone company. Following the Distribution, KCSI will have no obligation to provide financial or other assistance to Stilwell except as described in an intercompany agreement (the "Intercompany Agreement") and a tax disaffiliation agreement (the "Tax Disaffiliation Agreement") between KCSI and Stilwell. See "Relationship Between KCSI and Stilwell After the Distribution," "Financing" and "Business." The historical financial information included in this Information Statement may not be indicative of Stilwell's future performance, and does not necessarily reflect the financial position, results of operations and cash flows of Stilwell had Stilwell operated as a separate stand-alone entity during each of the periods presented. In addition, the financial information included herein does not reflect any changes that may occur in the financial condition and operations of Stilwell as a result of the Distribution. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and Stilwell's consolidated financial statements.

THERE HAS BEEN NO PRIOR MARKET FOR STILWELL COMMON STOCK AND IT IS IMPOSSIBLE TO PREDICT THE PRICES AT WHICH THOSE SECURITIES MIGHT TRADE

There has been no established trading market for Stilwell Common Stock, and there can be no reliable prediction as to the prices at which it will trade after completion of the Distribution. While it is expected that a "when-issued" trading market will develop near the Record Date, until the Stilwell Common Stock is fully distributed and an orderly trading market develops, the prices at which trading in Stilwell Common Stock occurs may fluctuate significantly. Trading in Stilwell Common Stock on a "when-issued" basis exposes traders to a risk of loss if the Distribution does not occur. See "The Distribution-Trading of Stilwell Common Stock." Based on Stilwell's contribution to the net income of KCSI, Stilwell expects that the two shares of its common stock to be distributed for each one share of KCSI common stock may together trade initially in a range reflecting 90% to 95% of the market price of KCSI common stock at the time of the Distribution. The closing price on the New York Stock Exchange of KCSI common stock on June 9, 2000, was $75.6875. If the Distribution had occurred on that date, on this basis Stilwell common stock could have been expected to trade in a range of $34 to $36 per share. However, this estimate does not take into account other factors which influence the market price of securities, including disaggregation values and other factors that may not be related to Stilwell's net income. The prices at which shares of Stilwell Common Stock trade will be determined by the marketplace and may be influenced by many factors, including, among others, Stilwell's performance and prospects, the depth and liquidity of the market for Stilwell Common Stock, investor perception of Stilwell and its businesses and the industry in which Stilwell operates, Stilwell's dividend policy, general financial and other market conditions, domestic and international economic conditions and the impact of factors described in this "Risk Factors" section. See "The Distribution-Trading of Stilwell Common Stock."

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THE COMBINED POST-DISTRIBUTION MARKET VALUE OF KCSI COMMON STOCK AND STILWELL COMMON STOCK MAY NOT EQUAL OR EXCEED THE PRE-DISTRIBUTION MARKET VALUE OF KCSI COMMON STOCK

The combined market value of KCSI Common Stock and Stilwell Common Stock immediately after the Distribution may not be equal to or greater than the market value of KCSI Common Stock immediately prior to the Distribution. After the Distribution, KCSI expects that the KCSI Common Stock will continue to be listed for trading on the New York Stock Exchange. As a result of the Distribution, absent other action, the trading prices of KCSI Common Stock are expected to be significantly lower than the trading prices of KCSI Common Stock immediately prior to the Distribution. In an attempt to address this issue, KCSI's Board of Directors intends to effect, after the Record Date, a reverse stock split whereby every two shares of KCSI Common Stock then outstanding will be combined into one share of KCSI Common Stock. See "The Distribution-Trading of Stilwell Common Stock." The primary objective of the reverse stock split is to attempt to move the trading price of KCSI common stock back into a higher trading range since lower-priced stocks may be unattractive to some investors.

SUBSTANTIAL SALES OF STILWELL COMMON STOCK FOLLOWING THE DISTRIBUTION OR THE PERCEPTION THAT SUCH SALES MIGHT OCCUR COULD DEPRESS THE MARKET PRICE OF STILWELL COMMON STOCK

Substantially all of the shares of Stilwell Common Stock issued in the Distribution will be eligible for immediate resale in the public market. Any sales of substantial amounts of Stilwell Common Stock in the public market, or the perception that such sales might occur, whether as a result of the Distribution or otherwise, could depress the market price of Stilwell Common Stock. Stilwell is unable to predict whether substantial amounts of Stilwell Common Stock will be sold in the open market following the Distribution. See "The Distribution-Trading of Stilwell Common Stock."

THE INTERCOMPANY AGREEMENT AND THE TAX DISAFFILIATION AGREEMENT CONTAIN INDEMNIFICATION OBLIGATIONS OF KCSI AND STILWELL THAT KCSI OR STILWELL MAY NOT BE ABLE TO SATISFY, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON KCSI OR STILWELL

The Intercompany Agreement and the Tax Disaffiliation Agreement allocate responsibility between KCSI and Stilwell for various liabilities and obligations. However, the availability of such indemnities will depend upon the future financial strength of KCSI and Stilwell. KCSI or Stilwell may not be in a financial position to fund such indemnities if they should arise, which could have a material adverse effect on KCSI or Stilwell. The Intercompany Agreement provides that each party will indemnify the other against claims relating to or arising out of their respective businesses before and after the Distribution. The Tax Disaffiliation Agreement provides that each party will indemnify the other with respect to taxes attributable to their respective businesses arising before or after the Distribution, taxes or losses caused by their respective breach of the Tax Disaffiliation Agreement and taxes and claims relating to their respective businesses caused by KCSI's or Stilwell's actions, failure to act, any party's actions with respect to KCSI or Stilwell, inaccurate or incomplete information provided by KCSI or Stilwell in the Tax Ruling request or any actions taken by KCSI or Stilwell that negatively impact the Tax Ruling. See "Relationship Between KCSI and Stilwell after the Distribution."

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ACQUISITIONS, WHICH ARE PART OF STILWELL'S BUSINESS STRATEGY, INVOLVE INHERENT RISKS WHICH COULD RESULT IN ADVERSE EFFECTS ON STILWELL'S OPERATING RESULTS AND FINANCIAL CONDITION AND DILUTE THE HOLDINGS OF CURRENT STOCKHOLDERS

As part of its business strategy, Stilwell intends to consider acquisitions of similar or complementary businesses. See "Business-Stilwell Business Strategy." If Stilwell is not correct when it assesses the value, strengths, weaknesses, liabilities and potential profitability of acquisition candidates or if it is not successful in integrating the operations of the acquired businesses, that could have a material adverse effect on Stilwell's operating results and financial condition. Any future acquisitions will be accompanied by the risks commonly associated with acquisitions. These risks include, among others, potential exposure to unknown liabilities of acquired companies and to acquisition costs and expenses, the difficulty and expense of integrating the operations and personnel of the acquired companies, the potential disruption to the business of the combined company and potential diversion of management's time and attention, the impairment of relationships with and the possible loss of key employees and clients as a result of the changes in management, the occurrence of amortization expenses if an acquisition is accounted for as a purchase, and dilution to the stockholders of the combined company if the acquisition is made for stock of the combined company. In addition, products, technologies or businesses of acquired companies may not be effectively assimilated into Stilwell's business and product offerings of the combined company may not have a positive effect on the combined company's revenues or earnings. The combined company may also incur significant expense to complete acquisitions and to support the acquired products and businesses. Further, any such acquisitions may be funded with cash, debt or equity, which could have the effect of diluting or otherwise adversely affecting the holdings or the rights of stockholders acquiring Stilwell Common Stock in the Distribution. Finally, Stilwell may not be successful in identifying attractive acquisition candidates or completing acquisitions on favorable terms.

ANTITAKEOVER PROVISIONS: PROVISIONS OF STILWELL'S GOVERNING DOCUMENTS, ITS RIGHTS PLAN AND RESTRICTIONS RELATING TO THE TAX RULING COULD DELAY OR PREVENT A CHANGE IN CONTROL OF STILWELL, THEREBY ENTRENCHING CURRENT MANAGEMENT AND POSSIBLY DEPRESSING THE MARKET PRICE OF STILWELL COMMON STOCK

Provisions of Stilwell's Certificate and Bylaws, the Rights Plan and restrictions relating to the Tax Ruling are antitakeover in nature and may delay or make more difficult acquisitions or changes in control of Stilwell, thereby entrenching current management and possibly depressing the market price of Stilwell Common Stock. For example, Stilwell's Certificate and Bylaws authorize blank series preferred stock, require a supermajority stockholder vote for approval of certain types of business combinations, establish a staggered Board of Directors and impose certain procedural and other requirements for some corporate actions. Stilwell's Rights Plan could significantly dilute the interest in Stilwell of persons seeking to acquire control of Stilwell without prior approval of Stilwell's Board of Directors. Further, income taxes that could be imposed by the Code as a result of ownership changes of Stilwell made in conjunction with the Distribution may have the effect of delaying or making more difficult changes in control of Stilwell. See "Description of Capital Stock" and "The Distribution-Material Federal Income Tax Consequences."

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STILWELL HAS A SIGNIFICANT NUMBER OF AUTHORIZED BUT UNISSUED SHARES WHICH IF ISSUED COULD DILUTE THE EQUITY INTERESTS OF EXISTING STILWELL STOCKHOLDERS AND ADVERSELY AFFECT EARNINGS PER SHARE

If more shares of Stilwell Common Stock are issued following the Distribution, the equity interests of existing Stilwell stockholders could be diluted and the earnings per share of Stilwell Common Stock could be adversely affected. Stilwell is authorized to issue one billion shares of Stilwell Common Stock. Approximately 222,800,000 shares of Stilwell Common Stock will be distributed and outstanding after the Distribution. See "Capitalization" and "Description of Capital Stock." The Board of Directors of Stilwell has full discretion to issue shares of Stilwell Common Stock at any time in the future, subject to applicable legal, stock exchange and other regulatory requirements.

VARIOUS FACTORS MAY HINDER THE DECLARATION AND PAYMENT OF DIVIDENDS BY STILWELL FOLLOWING THE DISTRIBUTION

The payment of dividends by Stilwell is subject to the discretion of its Board of Directors, and various factors may prevent it from paying dividends. Such factors include Stilwell's financial position, its capital requirements and liquidity, the existence of a stock repurchase program, any loan agreement restrictions, state corporate law requirements, results of operations and such other factors as Stilwell's Board of Directors may consider relevant. In addition, as a holding company, Stilwell's ability to pay dividends is dependent on the dividends and income it receives from its subsidiaries. At the present time Stilwell's primary source of cash is dividends received from Janus. In 1999, Stilwell received $173.2 million in dividends from Janus. Additionally, for the year ended December 31, 1999, Janus represented 95% of Stilwell revenues and 91% of Stilwell net income. The payment of dividends by Janus is subject to the discretion of its Board of Directors. Although Stilwell has a contractual obligation to cause such payment, Mr. Bailey has the right to select a majority of that Board, pursuant to the Janus Board Selection Rights. Such majority of directors may determine in their discretion that Janus will not pay dividends for any given year. See "Dividend Policy," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 15 to the Stilwell consolidated financial statements.

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CONTINUATION OF STRAINED RELATIONS BETWEEN STILWELL AND JANUS MANAGEMENT COULD HAVE A MATERIAL ADVERSE EFFECT ON STILWELL

Relations between Stilwell and the management of its key subsidiary, Janus, have been strained recently, primarily as the result of disagreements over the structure of the Distribution. See "The Distribution-Background and Reasons for the Distribution." Although not expected, continuation of these strained relations could result in the loss of key Janus employees and Janus management which could have a material adverse effect on Stilwell. The portfolio managers and other key employees of Janus are not subject to any noncompete agreements that would preclude them from participating in a competing financial services business, although they are subject to agreements that prohibit them for a specific period of time following the end of their employment from soliciting any investment advisory or investment management clients of Janus or hiring or soliciting employees to leave the employ of Janus. It is also possible that the publicity surrounding the disagreements between Stilwell and members of the Janus Minority Group could have an adverse effect on Janus' business and on Stilwell's ability to attract or retain qualified personnel. See "Risk Factors - Stilwell's Inability to Attract and Retain Key Personnel Could Have a Material Adverse Effect on Its Future Success," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 15 to the Stilwell consolidated financial statements.

STILWELL MAY BE REQUIRED TO PURCHASE OR SELL JANUS COMMON STOCK

Under mandatory put rights contained in certain agreements, Stilwell may be required to purchase the interests in Janus owned by certain minority stockholders. Under the mandatory put rights, KCSI or Stilwell would be required to purchase the interests of such stockholders at a fair market value purchase price equal to fifteen times the net after-tax earnings over a specified period, or in some circumstances as determined by an independent appraisal. The purchase price will be determined by independent appraisal if the appraisal process is elected by either the selling stockholder or Stilwell, except that no appraisal process is applicable to shares held by Mr. Bailey and by one other stockholder. The period used to calculate net after-tax earnings per share is the fiscal year ended immediately prior to the date that the put rights are exercised or the last four complete calendar quarters ended immediately prior to the date that the put rights are exercised. If Stilwell had been required to make such purchases based on the value of the stock at a fifteen times multiple as of March 31, 2000, Stilwell would have been required to pay approximately $833 million. Under these and other agreements, Stilwell may be required to purchase the interests in Janus owned by certain minority stockholders upon certain changes in ownership of KCSI or Stilwell. If Stilwell had been required to make such purchases based on the value of the stock at a fifteen times multiple as of March 31, 2000, Stilwell would have been required to pay approximately $1.14 billion (reduced by the amount paid upon exercise of any mandatory put rights). As of March 31, 2000, Stilwell had $200 million in credit facilities available and had cash balances at the Stilwell holding company level in excess of $147.5 million. The market value of Stilwell's 32% investment in DST was approximately $1.38 billion using DST's closing price on the New York Stock Exchange on May 22, 2000. Although Stilwell has no intention of converting this investment into cash, management believes that, if cash were needed to fund the purchase of Janus common stock from minority stockholders, it could liquidate its investment in DST within 120 days and receive approximately $826 million after taking into account payment of approximately $512 million

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in federal and state income taxes under current statutory rates, underwriting discounts and commissions estimated at $41 million and payment of associated transaction costs, estimated at $900,000. To the extent that available credit facilities, existing cash balances and proceeds from the liquidation of Stilwell's investment in DST were insufficient to fund its purchase obligations, Stilwell had access to the capital markets and, with respect to the Janus Stock Purchase Agreement, had 120 days to raise additional sums. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-- Minority Purchase Agreements." If such purchases were to include a reduction in ownership of Janus common stock held by Mr. Bailey, to below 5%, because this would terminate his Janus Board Selection Rights under the Janus Stock Purchase Agreement, this might be deemed to constitute a change of control which would result in an assignment and termination of Janus' investment advisory agreements. See "Risk Factors-Stilwell's Business is Dependent on Investment Advisory Agreements Which Are Subject to Termination or Non-Renewal."

Under the Janus Stock Purchase Agreement, upon the occurrence of a Change in Ownership (as defined below) of Stilwell, Stilwell may be required, at such holders' option, to sell its stock of Janus to such minority stockholders, or to purchase such holders' Janus stock. The purchase price in either instance is equal to fifteen times the net after-tax earnings per share of Janus for the fiscal year ending immediately after the Change in Ownership, or as otherwise negotiated between the parties. Under other stock purchase agreements and restriction agreements with other minority stockholders, upon the occurrence of a Change in Ownership of KCSI or Stilwell, Stilwell may be required, at such stockholders' option, to purchase such minority stockholders' Janus stock at a fair market value purchase price equal to fifteen times the net after-tax earnings over the period indicated in the relevant agreement, or in some circumstances as determined by Janus' Stock Option Committee. The period used to calculate net after-tax earnings per share is the fiscal year ended immediately prior to the date that the put rights are exercised or the last four complete calendar quarters ended immediately prior to the date that notice of the Change in Ownership is given by KCSI or Stilwell. A Change in Ownership of KCSI or Stilwell is deemed to occur if (i) a person or entity without the prior approval of KCSI or Stilwell acquires a significant percentage of stock with the intent to acquire control of KCSI or Stilwell or (ii) upon certain changes in the composition of KCSI's or Stilwell's Board of Directors. The Janus Stock Purchase Agreement and its amendments are filed as exhibits to the Registration Statement on Form 10 to which this Information Statement is an exhibit. The Janus Stock Purchase Agreement and certain, but not all, of these other agreements have been assigned to Stilwell, and none of the other agreements have been amended to change the reference to Change in Ownership from KCSI to Stilwell. However, pursuant to the Intercompany Agreement, Stilwell is obligated to KCSI in the same manner that KCSI is obligated under these agreements, and Stilwell has the right to any benefits and assets received by KCSI under such agreements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Minority Purchase Agreements" and "Financing."

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THIS INFORMATION STATEMENT IS BEING FURNISHED SOLELY TO PROVIDE INFORMATION TO KCSI STOCKHOLDERS WHO WILL RECEIVE SHARES OF STILWELL COMMON STOCK IN THE DISTRIBUTION. IT IS NOT AN INDUCEMENT OR ENCOURAGEMENT TO BUY OR SELL ANY SECURITIES OF KCSI OR STILWELL. THE INFORMATION CONTAINED IN THIS INFORMATION STATEMENT IS ACCURATE AS OF THE DATE SET FORTH ON ITS COVER. CHANGES MAY OCCUR AFTER THAT DATE, AND NEITHER KCSI NOR STILWELL WILL UPDATE THE INFORMATION EXCEPT IN THE NORMAL COURSE OF THEIR RESPECTIVE REQUIRED PUBLIC DISCLOSURES.

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THE DISTRIBUTION

BACKGROUND AND REASONS FOR THE DISTRIBUTION

KCSI was incorporated in 1962 as a holding company for its rail transportation business. Following its formation, KCSI engaged in a series of transactions aimed at diversifying beyond the railroad business. KCSI entered the mutual fund industry in 1963 when it acquired a Chicago-based mutual fund manager, later named Supervised Investor Services, Inc. ("SIS").

During the late 1960s, mutual funds began to experience difficulty in securing accurate and timely recordkeeping for their shareowners as the volume of mutual fund transactions increased. Using computer and data processing capabilities developed for its railroad business, KCSI in cooperation with SIS management developed specialized data processing systems and computer software services and products designed specifically for mutual funds. In 1968, DST (originally called "DATA-SYS-TANCE") was incorporated by KCSI to own, enhance and market these systems to the financial services industry. DST's financial services business eventually expanded to provide information processing and computer software services and products to mutual funds, investment managers and other financial services organizations.

KCSI sold SIS in 1970 and subsequently reduced its ownership in DST to 32%. Through a series of transactions starting in 1984, KCSI acquired what is now an approximately 81.5% ownership interest in Janus. KCSI further expanded its mutual fund business when it acquired a minority interest in Berger in 1992, and later increased that interest to over 80%. In 1998, KCSI acquired an 80% interest in Nelson.

For the last few years, KCSI management has considered a number of proposals for separating the financial services and transportation segments. These proposals included a combination or a public offering of its rail transportation segment and a spin-off separating the rail transportation and financial services segments. KCSI management retained investment bankers and other advisors to examine KCSI's structure and to advise on various aspects of separating the two businesses. After extensive review and discussion, KCSI's Board of Directors determined that the Distribution was the best way to accomplish a separation of the rail transportation and financial services businesses. On February 3, 1998, KCSI announced that its Board of Directors intended to pursue a strategic restructuring plan to effect the Distribution after receipt of a favorable tax ruling from the IRS.

On February 27, 1998, KCSI filed a ruling request with the IRS requesting that the IRS rule that the Distribution would qualify as a tax-free distribution under Code Section 355. On April 29, 1998, KCSI's Board of Directors approved the Distribution, which it indicated it would effect after declaration of the dividend of Stilwell Common Stock at a later date, receipt of a favorable tax ruling from the IRS and satisfaction of other conditions.

On July 15, 1998, the stockholders of KCSI approved a reverse stock split of KCSI Common Stock to be effective after the Record Date and a benefit plan for Stilwell Financial Inc. in contemplation of KCSI's completing the Distribution. No further stockholder vote is required in connection with the Distribution.

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When KCSI determined that the IRS might not rule favorably on the Distribution without changes in the planned structure for Stilwell's subsidiaries and equity investments, the ruling request was withdrawn. A revised ruling request was submitted to the IRS by letter dated January 26, 1999.

On March 26, 1999, without any prior consultation with KCSI management, the Janus Minority Group delivered a proposal to the Chief Executive Officer of KCSI suggesting that KCSI's Board of Directors consider an alternative to the Distribution. The Janus Minority Group's proposal indicated, that while they strongly supported the separation of KCSI's financial services operations from its rail operations, they preferred that an additional, separate spin-off of Janus be considered. The Janus Minority Group argued that their alternative to the Distribution would enhance shareholder value, better achieve the business purposes of the separation and be more advantageous from a tax and accounting point of view. In response to their suggestion that a meeting be held to discuss their proposal, a special meeting of KCSI's Board of Directors was held on June 23, 1999. At that meeting, KCSI's Board of Directors received a presentation from the Janus Minority Group and their representatives regarding the details of the alternative proposal.

KCSI's Board of Directors considered and discussed the information presented by the Janus Minority Group and information provided by Stilwell management regarding the advantages and disadvantages of the two methods of achieving the separation. The principal advantages for an additional spin-off of Janus cited by some members of the Janus Minority Group were that Stilwell's stock, unlike that of Janus, would trade in the market at a holding company discount and that a separate Janus spin-off would provide a structure for better equity incentives to Janus employees. The Board considered the presentation to them as contradictory on the question of a holding company discount, as some information suggested Stilwell would not be perceived as a holding company because of the large proportion of its revenues being derived from Janus. In addition, the Board determined that there was sufficient Janus stock available from Stilwell and from Mr. Bailey to meet Janus' reasonable needs for equity incentives for several years. Moreover, the Board believed that going forward with the spin-off of Stilwell would not preclude later consideration of a spin- off or other restructuring of Janus if that were to be found to be appropriate. Therefore, in the absence of any compelling reason to change direction and experience further delay in the long planned separation of KCSI's principal business segments, KCSI's Board of Directors decided that the Distribution should go forward on the basis originally contemplated and as set forth herein. In arriving at this decision, KCSI's Board of Directors took into consideration a number of factors, including that: (i) a favorable tax ruling on the Distribution had been received from the Internal Revenue Service, (ii) the presentation by the Janus Minority Group was not persuasive, in the Board's view, as to the advantages of the alternative proposal as compared to the Distribution, (iii) an estimated minimum of six to nine months would be required to obtain a favorable tax ruling, and there was a lack of certainty that a favorable ruling could be obtained at all, with respect to the alternative proposal, and (iv) the Distribution was more consistent with the strategic direction of Stilwell. The Board did not seek or obtain any independent analysis of the Janus Minority Group's proposal.

The determination by KCSI's Board that there was sufficient Janus stock available from Stilwell and Mr. Bailey to meet Janus' reasonable needs for

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equity incentives for several years was based on an understanding reached between KCSI and Mr. Bailey on December 14, 1998 for KCSI to sell approximately 100,000 shares of Janus stock and for Mr. Bailey to sell approximately 50,000 shares of Janus stock to Janus. Prior to that date, Mr. Bailey and Mr. James P. Craig, III stated that 300,000 shares would meet the needs of Janus for equity incentives for a period of five to ten years and Mr. Bailey proposed that KCSI sell 200,000 and that he sell 100,000, of the shares needed. The understanding between KCSI and Mr. Bailey for a sale of approximately 150,000 shares was never consummated; however, as part of an effort to assure that additional shares of Janus stock would be available for equity incentives for Janus employees and to resolve differences with the Janus Minority Group, on November 19, 1999 Stilwell agreed to sell to Janus 192,408 shares of Janus common stock to be used to provide equity incentives.

The Janus Fund Trustees (William D. Stewart, Gary O. Loo, Dennis B. Mullen, Martin H. Waldinger and James T. Rothe) expressed support on March 26, 1999 for the proposal of the Janus Minority Group, indicating that, based on their discussions with members of that group, the Trustees believed the proposal would provide superior equity ownership opportunities for key Janus employees and could help assure continuity of management for the Janus Funds. Stilwell management assured the Trustees of their support for equity incentive arrangements for key Janus personnel, but believed these incentives could be achieved without a separate spin-off of Janus. The Trustees have continued to express their support for equity incentive arrangements for the key Janus personnel, but have indicated that they intend to remain neutral with respect to the particular proposals of Janus and Stilwell and other disagreements between Stilwell and the Janus Minority Group. The Trustees have strongly encouraged the parties to resolve their disagreements as soon as possible so that they would not be a distraction to the management of the Janus Funds.

KCSI's support for employee equity incentives at Janus started in 1984 when KCSI demonstrated its willingness to acquire a majority interest in Janus and leave key employees, specifically Mr. Bailey and Mr. Jack R. Thompson, as shareholders. KCSI fully supported share ownership by a broader group of Janus employees in January, 1995, when KCSI waived the right to purchase 526,819 shares sold by Mr. Bailey to 14 other employees of Janus and to Janus. Since January, 1995, KCSI has given waivers or otherwise completed transactions on eight occasions for the sale of a total of 256,700 additional shares either to other employees of Janus or to Janus for use as equity incentives. As a director of Janus, Mr. Landon H. Rowland (KCSI's Chairman, President and Chief Executive Officer) has consistently voted in favor of equity incentive programs for Janus employees involving the sale or grant of Janus shares, or the grant of options to purchase Janus shares. In addition, as described above, Stilwell sold to Janus 192,408 shares of Janus common stock to be used for equity incentives for employees. At the same time, Stilwell and KCSI agreed to waive all rights of first refusal, options to purchase and other rights to purchase shares of Janus common stock contained in various agreements with minority stockholders, subject to certain conditions set forth in the waiver, in order that such shares could be purchased by Janus and available for equity incentives.

Press reports have appeared in which certain Janus employees have expressed objections to the Distribution and other disagreements with Stilwell's structure and direction. Representatives of Stilwell and of the Janus Minority Group have met and held discussions regarding resolution of these disagreements and while not all disagreements have been resolved,

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agreements have been made under which Stilwell sold to Janus 192,408 shares of Janus common stock to be used to provide long-term incentives to Janus personnel. In return, Janus agreed not to grant phantom stock, stock appreciation rights, or similar rights, for so long as Janus common stock is available for use under its Long-Term Incentive Plan. The availability of Janus common stock for this purpose will depend upon the number of such shares granted or sold from time to time by Janus and upon the number acquired from holders by voluntary sale or upon the death, retirement or termination of employment of employees of Janus. In first quarter 2000, Janus made an annual grant to Janus employees of 35,670 shares of Janus common stock, but the number of shares awarded in future years may be more or less than that amount. KCSI and Stilwell have also agreed to waive certain rights of first refusal and options to purchase other outstanding shares of Janus common stock so that such shares may be available for awards under Janus' Long-Term Incentive Plan. Finally, KCSI, Stilwell and Janus have agreed to increase an intercompany credit line available to Janus and to the assignment to Stilwell of the Janus Stock Purchase Agreement.

The Distribution is intended to accomplish several purposes. First, it is intended to separate the financial services business of Stilwell from the rail transportation business of KCSI, each such business having its own distinct financial, investment and operating characteristics, so that each can focus on adopting strategies and pursuing objectives more appropriate to its specific business than is possible with Stilwell's businesses consolidated with those of KCSI.

In addition, KCSI's Board of Directors believes that the Distribution will better enable management of each business segment to focus attention and financial resources on the development and management of growth in each of their respective core businesses, without regard to the corporate objectives, policies, challenges and investment criteria of the other.

KCSI's two segments have different dynamics and business cycles, serve different marketplaces and customer bases, are subject to different competitive forces and regulations, have different organizational structures and management styles and must be managed with different long-term and short-term strategies and goals. KCSI management believes that separating the two businesses into independent companies, each with its own management team and board of directors, is necessary to address management and competitive issues and considerations that result from operating these diverse businesses under a single holding company structure. Separating the two segments also will help resolve differences between them over utilization of KCSI's resources, available capital and capitalization.

Further, KCSI's rail transportation business is subject to risks of environmental liabilities and catastrophe, collision or property loss and currency fluctuations and other risks of conducting business outside the United States while its financial services business is subject to risks arising from market volatility, exposure to derivatives and hedges and other regulatory and operating conditions specific to the financial services industry. Separating the two businesses is intended to eliminate the exposure of each to liabilities arising from operations of the other.

Finally, as separate companies, KCSI and Stilwell will be able to issue their own respective securities to develop more focused stock-based compensation programs keyed more directly to their respective earnings and

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performance. The Board of Directors of KCSI believes that such programs should enhance KCSI's and Stilwell's ability to attract, motivate and retain key employees for the further development and growth of the rail transportation business and financial services business, respectively. Stilwell and KCSI will each also have greater ability to effect acquisitions or strategic relationships by issuing their own respective securities.

MANNER OF EFFECTING THE DISTRIBUTION

Prior to the Distribution, Stilwell will issue additional shares of Stilwell Common Stock to KCSI pursuant to a stock split effected in the form of a dividend to provide a sufficient number of shares for the Distribution. KCSI will effect the Distribution on the Distribution Date by delivering all of the outstanding shares of Stilwell Common Stock to the Distribution Agent for distribution to the stockholders of record of KCSI Common Stock on the Record Date. The Distribution will be made on the basis of two shares of Stilwell Common Stock for every one share of KCSI Common Stock held on the Record Date. This ratio was established because of the large contribution of Stilwell to the earnings of KCSI. Given this factor, it was believed that the distribution ratio should be more than 1 to 1 and that fractional shares should be avoided. Using more shares than 2 for 1 might have had the effect of causing Stilwell Common Stock to have a market price that would be too low on a per share basis in the Board's view. The 2 for 1 distribution ratio was established in an attempt to have Stilwell Common Stock trade at an initial trading range that was slightly less than half of the trading price of KCSI Common Stock immediately prior to the Distribution. Based on Stilwell's contribution to the net income of KCSI, Stilwell expects that the two shares of its common stock to be distributed for each one share of KCSI common stock may together trade initially in a range reflecting 90% to 95% of the market price of KCSI common stock at the time of the Distribution. The closing price on the New York Stock Exchange of KCSI common stock on June 9, 2000, was $75.6875. If the Distribution had occurred on that date, on this basis Stilwell common stock could have been expected to trade in a range of $34 to $36 per share. However, this estimate does not take into account other factors which influence the market price of securities, including disaggregation values and other factors that may not be related to Stilwell's net income. Neither KCSI nor Stilwell can predict the prices at which their securities may trade as a result of the Distribution. See "Risk Factors--There Has Been No Prior Market for Stilwell Common Stock and it is Impossible to Predict the Prices at Which Those Securities Might Trade." The shares of Stilwell Common Stock to be distributed will constitute all of the outstanding shares of Stilwell Common Stock on the Distribution Date. The shares of Stilwell Common Stock will be fully paid and non-assessable and the holders thereof will not be entitled to preemptive rights. See "Description of Capital Stock-Common Stock." The shares of Stilwell Common Stock will also be distributed with certain attached preferred stock purchase rights. See "Description of Capital Stock-Stockholders' Rights Plan." Certificates representing shares of Stilwell Common Stock are expected to be mailed by the Distribution Agent to KCSI stockholders on the Mailing Date.

No holder of KCSI Common Stock will be required to pay any consideration for the shares of Stilwell Common Stock to be received by them in the Distribution, to surrender or exchange any shares of KCSI Common Stock, or to take any other action in order to receive the shares of Stilwell Common Stock to which they are entitled in the Distribution. No fractional shares of Stilwell Common Stock will be distributed in the Distribution.

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RESULTS OF THE DISTRIBUTION

Stilwell will be a separate, independent company after the Distribution. Based on the number of shares of KCSI Common Stock outstanding as of March 31, 2000 and the number of stockholders as of March 31, 2000, approximately 222,800,000 shares of Stilwell Common Stock will be distributed to approximately 6,000 KCSI stockholders in the Distribution on a pro-rata basis (including the holders of KCSI Common Stock through accounts in the KCSI ESOP, the Stilwell ESOP, the DST ESOP and the KCSI Profit Sharing Plan). The total number of shares of Stilwell Common Stock that will be distributed will be determined as of the Record Date. The Distribution will not affect the number of outstanding shares of KCSI Common Stock.

DIFFERENCES IN RIGHTS OF STOCKHOLDERS ARISING FROM DIFFERENCES BETWEEN THE CERTIFICATES AND BYLAWS OF STILWELL AND KCSI

Following the Distribution, the rights of Stilwell's stockholders will be governed by Stilwell's Certificate and Bylaws, which contain differences from the certificate of incorporation and bylaws of KCSI, including the following:

Stilwell's Certificate provides that the holders of Stilwell voting stock are not able to cumulate votes for the election of directors, whereas, pursuant to the KCSI Certificate, holders of KCSI voting stock are entitled, in general, to cumulate votes for the election of directors.

Stilwell's Certificate requires a supermajority vote of at least 70% of the then-outstanding shares of capital stock of Stilwell entitled to vote generally in the election of directors (the "Voting Stock") to approve certain transactions with a person or entity (or affiliate thereof) holding more than 20% of the Voting Stock, including, but not limited to, a merger, consolidation, disposition of Stilwell's assets, or adoption of a plan of liquidation ("Certain Transactions"). Stilwell's Certificate also requires a supermajority vote of at least 70% of the Voting Stock to approve an amendment to the Stilwell Certificate provisions relating to, (a) the directors' ability to set the number of directors within a prescribed range and to fill vacancies on Stilwell's Board of Directors, (b) the existence of a staggered board, (c) the removal of directors, (d) calling meetings of Stilwell's stockholders, (e) prohibiting stockholder action by written consent in lieu of a meeting and (f) the amendment of Stilwell's Certificate. Additionally, on and after the date on which a person or entity (or affiliate thereof) becomes the holder of more than 20% of Stilwell's Voting Stock, Stilwell's Certificate requires a supermajority vote of at least 70% of Stilwell's Voting Stock to approve (i) an amendment to the Stilwell Bylaws by stockholder action, (ii) the removal of a director for cause,
(iii) an amendment to certain definitions contained in Stilwell's Certificate, or (iv) an amendment to provisions of the Stilwell Certificate relating to (a) the number, powers and preferences of Stilwell Common Stock and Stilwell Preferred Stock, (b) stockholder nominations of directors and business to be brought by stockholders, (c) amending the Stilwell Bylaws, (d) approving Certain Transactions with a person or entity (or affiliate thereof) holding more than 20% of the Voting Stock, (e) factors to be considered in evaluating offers relating to tender offers, mergers, or the purchase or acquisition of all or substantially all of the properties and assets of Stilwell, (f) indemnification of officers, directors and others and (g) liability of directors. KCSI's certificate of incorporation requires a supermajority vote of at least 70% of the KCSI voting stock to approve (i) a merger or

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consolidation with, or disposition of KCSI's assets to, a person or entity (or affiliate thereof) holding more than 5% of KCSI's outstanding voting stock, and
(ii) an amendment to the KCSI certificate of incorporation increasing the number of directors above 18, abolishing cumulative voting for directors, abolishing the division of the board into three classes, or (iii) to amend the super majority voting requirement for approval of a merger, consolidation or disposition of assets of KCSI.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES

In July, 1999, KCSI received the Tax Ruling which states that for United States federal income tax purposes, no gain or loss will be recognized by KCSI from the Distribution or by the holders of KCSI Common Stock upon receipt of the Stilwell Common Stock in the Distribution. The Tax Ruling is based upon the accuracy of factual representations and assumptions provided by KCSI. Additionally, KCSI received a supplementary tax ruling from the IRS which states that the assumption of $125 million of KCSI debt by Stilwell would have no effect on the Tax Ruling. Assuming the accuracy of the factual representations and assumptions provided by KCSI in connection with the Tax Ruling request, neither KCSI nor the holders of KCSI Common Stock will have to recognize taxable gain or loss as a result of the Distribution. The following discussion describes the material United States federal income tax consequences if the transaction qualifies as a tax-free transaction. It further discusses the material United States federal income tax consequences if the Distribution were not to qualify as a tax-free transaction. See "Risk Factors-The Intercompany Agreement and the Tax Disaffiliation Agreement Contain Indemnification Obligations of KCSI and Stilwell that KCSI or Stilwell May Not be Able to Satisfy, Which Could Have a Material Adverse Effect on KCSI or Stilwell." Finally, the discussion describes the material United States federal tax consequences of certain ownership changes of KCSI or Stilwell after the Distribution. The discussion is based on the Code, United States Treasury regulations promulgated thereunder, and judicial and administrative interpretations thereof, all as in effect on the date hereof, and is subject to any changes in these or other laws occurring after such date. The discussion generally does not address the effects of any state, local or foreign tax laws. In addition, the discussion set forth below may not be applicable to certain KCSI stockholders who, among other limitations, received their shares of KCSI Common Stock as compensation, who are not citizens or residents of the United States or who are otherwise subject to special treatment under the Code.

CONSEQUENCES OF QUALIFICATION AS A TAX-FREE DISTRIBUTION. Subject to certain special circumstances that may apply to certain KCSI stockholders, the Distribution will have the following federal income tax consequences if treated as non-taxable under Code Section 355:

(1) A KCSI stockholder will not recognize gain or loss, and no amount will be included in the income of a KCSI stockholder upon the receipt of Stilwell Common Stock by such stockholder as a result of the Distribution.

(2) A KCSI stockholder's tax basis in the KCSI Common Stock with respect to which Stilwell Common Stock is received will be apportioned between such stockholder's KCSI Common Stock and the shares of Stilwell Common Stock received by such stockholder in proportion to the relative fair market values of such stockholder's KCSI Common Stock and Stilwell Common Stock.

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(3) A KCSI stockholder's holding period for Stilwell Common Stock received in the Distribution will include the period during which such stockholder held the KCSI Common Stock with respect to which the Stilwell Common Stock is distributed, provided that such KCSI Common Stock is held as a capital asset by such holder on the Distribution Date.

Current United States Treasury regulations require that each KCSI stockholder who receives shares of Stilwell Common Stock pursuant to the Distribution attach a statement to such stockholder's federal income tax return for the taxable year in which the Distribution occurs, providing certain information with respect to the applicability of Code Section 355 to the Distribution. KCSI has agreed that it will provide each KCSI stockholder as of the Record Date information necessary to comply with this requirement.

CONSEQUENCES OF FAILURE TO QUALIFY AS A TAX-FREE DISTRIBUTION. If the Distribution ultimately were determined not to qualify as a tax-free transaction pursuant to Code Section 355, the following federal income tax consequences would result:

(1) Each KCSI stockholder would be considered to have received a distribution in an amount equal to the fair market value, when distributed, of the shares of Stilwell Common Stock received by such stockholder. Such a distribution would be taxed as a dividend to such stockholder to the extent of KCSI's current and accumulated earnings and profits for federal income tax purposes (which current earnings and profits, if any, would be increased by any gain recognized by KCSI as a result of the Distribution (as discussed below)). To the extent that the aggregate fair market value of the shares of Stilwell Common Stock distributed exceeded such earnings and profits, such excess would be treated first as a non-taxable reduction in the tax basis of a stockholder's KCSI Common Stock to the extent of such tax basis, and thereafter as short-term or long-term capital gain, provided the KCSI Common Stock were held by the stockholder as a capital asset.

(2) A KCSI stockholder's tax basis in the shares of Stilwell Common Stock received in the Distribution would equal the fair market value of the Stilwell Common Stock on the Distribution Date, and the stockholder's holding period for the shares of Stilwell Common Stock would begin on such date. In such event, a KCSI stockholder's tax basis in such stockholder's KCSI Common Stock would not be affected by the Distribution, unless, as described above, the amount of the Distribution were to exceed the current and accumulated earnings and profits of KCSI and were treated as a non-taxable reduction in tax basis. Upon a subsequent sale of the shares of Stilwell Common Stock, a stockholder would recognize gain or loss measured by the difference between the amount realized on such sale and the stockholder's tax basis in the shares of Stilwell Common Stock sold.

(3) KCSI would recognize gain in an amount equal to the difference between the fair market value of the shares of Stilwell Common Stock distributed and KCSI's basis in the shares of Stilwell Common Stock.

CONSEQUENCES OF CERTAIN OWNERSHIP CHANGES AFTER THE DISTRIBUTION. Code Section 355 would require KCSI to recognize gain for federal income tax purposes as of the Distribution Date equal to the difference between the fair market value and adjusted basis of the Stilwell Common Stock if 50 percent or more of the total combined interests (by vote or value) of KCSI or Stilwell were acquired, directly or indirectly, subsequent to the Distribution (or up to

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two years before the Distribution) in an acquisition which is part of a plan that included the Distribution (which would be presumed if such an acquisition were within two years of the Distribution). Under the Tax Disaffiliation Agreement, Stilwell is required to indemnify KCSI for any taxes resulting from any changes in ownership of Stilwell. See "Relationship Between KCSI and Stilwell After the Distribution-Tax Disaffiliation Agreement."

THE SUMMARY OF FEDERAL INCOME TAX CONSEQUENCES SET FORTH ABOVE MAY NOT BE APPLICABLE TO STOCKHOLDERS WHO RECEIVED THEIR SHARES OF KCSI COMMON STOCK THROUGH THE EXERCISE OF AN OPTION OR OTHERWISE AS COMPENSATION, WHO ARE NOT CITIZENS OR RESIDENTS OF THE UNITED STATES OR WHO ARE OTHERWISE SUBJECT TO SPECIAL TREATMENT UNDER THE CODE. ALL STOCKHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE DISTRIBUTION TO THEM, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND FOREIGN TAX LAWS.

TRADING OF STILWELL COMMON STOCK

There has been no established trading market for the Stilwell Common Stock. A "when-issued" trading market in the Stilwell Common Stock is expected to develop near the Record Date. The term "when-issued" means trading in shares prior to the time certificates are actually available or issued. None of these trades, however, can be finally settled until after the Distribution Date, when regular trading in the Stilwell Common Stock has begun. If the Distribution does not occur, all when-issued trading will be null and void. Prices at which shares of the Stilwell Common Stock may trade, on a when-issued basis or after the Distribution, cannot be predicted. Until the Stilwell Common Stock is fully distributed and an orderly trading market develops, the prices at which trading in such stock occurs may fluctuate significantly. In addition, an active trading market in Stilwell Common Stock may not develop or be sustained in the future. Stilwell has received approval, subject to official notice of issuance, to have the Stilwell Common Stock listed on the New York Stock Exchange under the symbol "SV." In the event trading does occur, the prices at which shares of Stilwell Common Stock trade will be determined by the marketplace and may be influenced by many factors, including, among others, Stilwell's performance and prospects, the depth and liquidity of the market for Stilwell Common Stock, investor perception of Stilwell and its businesses and the industry in which Stilwell operates, Stilwell's dividend policy, general financial and other market conditions, domestic and international economic conditions and the impact of factors referred to in "Risk Factors." In addition, the stock market has experienced price and volume fluctuations that have affected the market price of many stocks and that, at times, could be viewed as unrelated or disproportionate to the operating performance of such companies. Such volatility and other factors may have a material adverse effect on the market price for shares of Stilwell Common Stock. See "Risk Factors-There Has Been No Prior Market for Stilwell Common Stock and it is Impossible to Predict the Prices at Which Those Securities Might Trade."

As a result of the Distribution, absent other action, the trading prices of KCSI Common Stock are expected to be significantly lower than the trading prices of KCSI Common Stock immediately prior to the Distribution. In an attempt to address the effect of the Distribution on KCSI Common Stock's trading price on the New York Stock Exchange and in contemplation of the Distribution, KCSI's Board of Directors received stockholder approval to effect, after the Record Date, a reverse stock split, whereby every two shares of KCSI Common Stock then outstanding will be combined into one share of KCSI

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Common Stock. The primary objective of the reverse stock split is to attempt to move the trading price of KCSI common stock back into a higher trading range since lower-priced stocks may be unattractive to some investors. No further stockholder approval is required for the Distribution. Nevertheless, even after such reverse stock split, the combined trading prices of KCSI Common Stock and Stilwell Common Stock after the Distribution may be less than, equal to, or greater than, the trading price of KCSI Common Stock immediately prior to the Distribution. Such prices may also be affected by certain provisions of Stilwell's Certificate and Bylaws, certain agreements, the Rights Plan, the Code and the DGCL, all of which may have an antitakeover effect. See "Risk Factors- The Combined Post-Distribution Market Value of KCSI Common Stock and Stilwell Common Stock May Not Equal or Exceed the Pre-Distribution Market Value of KCSI Common Stock," "Risk Factors-Antitakeover Provisions: Provisions of Stilwell's Governing Documents, its Rights Plan and Restrictions Relating to the Tax Ruling Could Delay or Prevent a Change in Control of Stilwell, Thereby Entrenching Current Management and Possibly Depressing the Market Price of Stilwell Common Stock," and "Description of Capital Stock."

Shares of Stilwell Common Stock distributed to KCSI stockholders will be freely transferable, except for shares received by persons who may be deemed to be "affiliates" of Stilwell under the Securities Act of 1933, as amended (the "Securities Act"). Persons who may be deemed to be affiliates of Stilwell after the Distribution will generally include individuals or entities that control, are controlled by, or are under common control with Stilwell and may include certain officers and directors of Stilwell as well as principal stockholders of Stilwell. Persons who are affiliates of Stilwell will be permitted to sell their shares of Stilwell Common Stock only pursuant to an effective registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act, such as the exemptions afforded by Section 4(2) of the Securities Act and Rule 144 thereunder.

MODIFICATION OR ABANDONMENT OF THE DISTRIBUTION

The Distribution may be amended, modified or abandoned at any time prior to the Record Date by, and in the sole discretion of, KCSI's Board of Directors.

SOLVENCY AND SURPLUS OPINION OF FINANCIAL ADVISOR

KCSI has engaged Duff & Phelps, LLC ("Duff & Phelps") as its financial advisor in connection with the Distribution. Duff & Phelps is a nationally recognized financial advisory firm active in the valuation of businesses and securities and in rendering advisory services in connection with a variety of corporate and securities matters. Duff and Phelps was retained, based on its qualifications, expertise and reputation in providing such financial advice to companies, by KCSI to provide certain opinions to KCSI's Board of Directors as to the solvency and capitalization of KCSI following the Distribution. Specifically, KCSI has requested Duff & Phelps to render opinions to KCSI's Board of Directors that after effecting the Distribution (i) the fair salable value of KCSI's assets exceeds the stated value of KCSI's liabilities (including contingent liabilities); (ii) KCSI will not have an unreasonably small amount of capital for the operation of the businesses in which it is engaged; (iii) KCSI will be able to pay its stated liabilities (including contingent liabilities) as they mature; and (iv) the fair salable value of KCSI's assets exceeds the stated value of KCSI's liabilities (including all contingent liabilities) by an amount greater than the sum of the aggregate par

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value of its issued capital stock and all amounts allocated to capital by KCSI's Board of Directors. Duff & Phelps and its affiliates have not provided any financial advisory services to KCSI during the past two years, but Duff & Phelps has been engaged to provide valuation services to Stilwell in connection with Stilwell's stockholders' rights plan. Duff & Phelps has reported that it does not own beneficially and has never owned beneficially any interest in KCSI.

There were no limitations placed by KCSI on Duff & Phelps in conducting its analysis or in issuing its opinion. Duff & Phelps' qualitative analysis was based on discussions with senior management concerning the history, current operations and future outlook of the remaining business of KCSI after the Distribution - the rail transportation segment of KCSI - which primarily includes The Kansas City Southern Railway Company ("KCSR"). Duff & Phelps also toured representative operating facilities. The financial analysis was based on historical financial statements for the rail transportation segment to the extent available, as well as internal operating documents, including financial projections. Duff & Phelps also reviewed documents relating to the Distribution. Industry information and data on comparable companies used as background for the analysis was obtained from regularly published sources.

The financial projections used by Duff & Phelps in their analysis were prepared by and are the responsibility of the management of KCSI and KCSR, and not the management of Stilwell. Those projections and the prospective financial information set forth in the following tables are based upon estimates and assumptions that, while presented with numerical specificity and considered reasonable by KCSI and KCSR, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of KCSI and KCSR. Actual results will vary from those used and set forth in the tables, and those variations may be material. PricewaterhouseCoopers has neither examined nor compiled the accompanying prospective financial information nor the financial projections from which it was derived and, accordingly, does not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers report included in this Information Statement relates only to Stilwell's historical financial information and does not extend to any prospective financial information.

The following is a summary of the various analyses performed by Duff & Phelps in arriving at the conclusions set forth in the opinion.

DISCOUNTED CASH FLOW ANALYSIS. Duff & Phelps reviewed KCSI's financial performance data and other information to conduct a discounted cash flow analysis. In performing this analysis, Duff & Phelps examined the projected cash available to invest in the business and to service debt. In addition, discount rates were determined using a combination of theoretical models. Following is the financial ratio analysis produced by the discounted cash flow analysis.

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Ratio	2000	2001	YEAR 2002	2003	2004
EBITDA/Interest Expense	2.05x	2.55x	2.66x	3.01x	3.47x
Funded Debt/EBITDA	4.83x	3.85x	3.55x	3.11x	2.66x
Funded Debt/Total Capital	51.0%	48.6%	45.5%	41.8%	37.3%

EBITDA = Earnings before interest, taxes, depreciation and amortization

ANALYSIS OF SELECTED COMPARABLE PUBLICLY TRADED COMPANIES. Duff & Phelps compared certain financial and operating information and projected financial performance data of KCSI with similar information and data of six publicly traded railroad companies that Duff & Phelps deemed comparable to KCSI in terms of qualitative and quantitative factors. No single company utilized in the analysis of the railroad companies is identical to KCSI. Following is the list of the comparable companies used in the analysis of KCSI.

Company	Market Cap.(1) (millions)	LTM Revenues (millions)	LTM EBITDA Margin, Adj.(2)
Burlington Northern Santa Fe Corp.	$10,814	$ 9,148	39.6%
Canadian National Railway	5,509	3,895	NA
CSX Corporation	4,519	10,417	26.3
Norfolk Southern Corp.	6,866	5,660	22.5
Union Pacific Corp.	10,394	11,446	32.8
Wisconsin Central Transportation Corp.	638	366	41.7
KCSI (Transportation Segment)	NA	$ 598	30.6%

LTM = latest twelve months as of March 31, 2000 EBITDA = earnings before interest, taxes, depreciation and amortization

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(1) Market capitalization as of June 9, 2000
(2) Adds back rent expense related to operating leases

Duff & Phelps compared each company's enterprise value (equity value plus the value of debt and preferred stock, less cash) to EBITDA and revenues. Following are the key valuation multiples of the comparable railroad companies.

Company	Enterprise Value as a Multiple of LTM EBITDA	Projected EBITDA	LTM Revenues	Adj. Ent. Val./ Adj. LTM EBITDA(1)
Burlington Northern Santa Fe Corp.	5.4x	5.3x	1.9x	6.1x
Canadian National Railway	5.8	5.8	2.2	NA
CSX Corporation	7.0	6.6	1.0	8.8
Norfolk Southern Corp.	13.5	9.8	2.6	13.2
Union Pacific Corp.	6.7	6.2	1.8	7.5
Wisconsin Central Transportation Corp.	8.4	7.7	2.7	9.0
Median	6.9x	6.4x	2.0x	8.8x

LTM = latest twelve months as of March 31, 2000 EBITDA = earnings before interest, taxes, depreciation and amortization
(1) Operating lease rent expense added back to EBITDA; debt grossed up by capitalizing operating lease expense

ANALYSIS OF INDUSTRY TRANSACTIONS. Duff & Phelps compared transactions involving railroad companies that Duff & Phelps deemed comparable in terms of qualitative and quantitative factors. Duff & Phelps noted that the transaction involving the proposed merger of Burlington Northern Santa Fe Corp. and Canadian National Railway did not include a control premium.

Duff & Phelps used and relied on the information provided by and on behalf of KCSI without independent verification thereof by Duff & Phelps. Duff & Phelps assumed no responsibility for the accuracy or completeness of any information provided by or on behalf of KCSI or any other information regarding KCSI or the Distribution provided or otherwise made available to Duff & Phelps. Duff & Phelps used generally accepted valuation and analytical techniques as the basis for its opinions.

Duff & Phelps delivered such opinion on June 14, 2000, a copy of which is included as an exhibit to the Registration Statement on Form 10 of which this Information Statement is a part. Duff & Phelps received customary fees, including reimbursement of certain out-of-pocket expenses, for its services as a financial advisor related to the Distribution. KCSI has agreed to indemnify Duff & Phelps against certain liabilities and expenses in connection with its services as a financial advisor.

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RELATIONSHIP BETWEEN KCSI AND STILWELL AFTER THE DISTRIBUTION

For the purpose of governing certain of the limited ongoing relationships between KCSI and Stilwell during a transitional period after the Distribution and providing for an orderly transition of Stilwell to a separate company, KCSI and Stilwell have entered into various agreements and relationships, including those described in this section regarding certain transition services, indemnification, tax matters and other matters relating to the Distribution.

INTERCOMPANY AGREEMENT

KCSI and Stilwell have entered into an Intercompany Agreement which generally provides for a number of matters relating to the Distribution and certain other matters involving a limited ongoing relationship between KCSI and Stilwell during a transitional period, including certain indemnification rights, insurance matters, access to records and information and certain transitional support services.

Under the Intercompany Agreement, each of the parties has agreed to indemnify the other against certain claims relating to or arising out of their respective businesses before and after the Distribution and to have joint responsibility for obligations, if any, of KCSI which relate neither to Stilwell nor KCSI's respective businesses (unless KCSI and Stilwell otherwise agree). The Intercompany Agreement provides that Stilwell is obligated to KCSI with respect to all of KCSI's agreements relating to the financial services segment that were not assigned to Stilwell in the same manner that KCSI is obligated under such agreements, and Stilwell has the right to any benefits and assets received by KCSI under such agreements. The Intercompany Agreement also provides for the continuation of KCSI's medical, dental, vision, life insurance and long-term disability insurance coverage for Stilwell-related individuals who retire through December 31, 1999. The Intercompany Agreement also grants Stilwell access to historical financial and accounting information regarding Stilwell. In addition, KCSI and Stilwell will provide each other with access to business records, materials and personnel for appropriate purposes and agreed to certain document retention arrangements. Pursuant to the Intercompany Agreement, after December 31, 1999, Stilwell may request from KCSI data tapes of historical financial and accounting records and information applicable to Stilwell. The cost associated with the services to be provided by KCSI will be a fixed dollar amount or percentage based on the estimated cost to KCSI of providing such services. All such transitional and ongoing relationships will be on an arm's-length basis. Stilwell believes that the amounts to be paid to KCSI for services will not exceed the amounts that would have to be paid if such services were provided by third parties. Finally, the Intercompany Agreement outlines mediation and arbitration procedures to resolve any disputes between the parties relating to the subjects included in the agreements between KCSI and Stilwell.

TAX DISAFFILIATION AGREEMENT

KCSI and Stilwell have entered into a Tax Disaffiliation Agreement which provides for their respective obligations concerning various tax liabilities and the procedures for preparing and filing consolidated and combined tax returns for the periods prior to and including the Distribution Date. The Tax Disaffiliation Agreement further provides that KCSI will indemnify and hold

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harmless Stilwell with respect to all federal, state, local and foreign income, franchise and similar taxes ("Taxes") attributable to the income, operations or assets of the transportation division of KCSI for any taxable period, whether arising before or after the Distribution Date. It also provides that Stilwell will indemnify and hold harmless KCSI with respect to all Taxes attributable to the income, operations or assets of Stilwell for any taxable period, whether arising before or after the Distribution Date. The Tax Disaffiliation Agreement also provides for payments between the two companies for tax adjustments, carrybacks and refunds. Further, the Tax Disaffiliation Agreement provides for cooperation with respect to certain tax matters, including the preparation of income tax returns, the exchange of information, the handling of tax audits and other proceedings and the retention of records which may affect the income tax liability of either party.

Additionally, KCSI and Stilwell each agree not to take any action which would cause the Distribution to fail to qualify as a tax-free distribution under Code
Section 355 unless required to do so by law. KCSI and Stilwell have agreed to indemnify each other with respect to any tax liability resulting from their respective failures to comply with such provisions. KCSI and Stilwell have also agreed to indemnify each other if either should cause the Distribution to fail to qualify as a tax-free spin-off under Code Section 355 because of a change of ownership of their respective companies. See "Risk Factors--The Intercompany Agreement and the Tax Disaffiliation Agreement Contain Indemnification Obligations of KCSI and Stilwell that KCSI and Stilwell May Not be Able to Satisfy, Which Could Have a Material Adverse Effect on KCSI or Stilwell."

EMPLOYEE BENEFITS

Pursuant to the Intercompany Agreement, Stilwell will retain or assume, as the case may be, sole responsibility as employer for all employees of KCSI designated to become Stilwell employees, and will use reasonable efforts to cause any employee of Stilwell who is then a party to any employment, change in control or other employment-related agreement (other than any stock option agreements) with KCSI to terminate such agreement or agreements not later than the Distribution Date.

KCSI provides benefits to its employees under the KCSI Profit Sharing Plan and Trust Agreement (the "KCSI Profit Sharing Plan"), The Employee Stock Ownership Plan and Trust Agreement of KCSI (the "KCSI ESOP"), The KCSI 401(k) Plan and Trust Agreement (the "KCSI 401(k) Plan") and The Employee Stock Purchase Plan of KCSI (the "KCSI Purchase Plan"). Options to purchase KCSI Common Stock are also currently outstanding pursuant to the KCSI 1991 Amended and Restated Stock Option and Performance Award Plan (the "KCSI Stock Option Plan"). KCSI and Stilwell have agreed to adjust each existing KCSI employee benefit or award in the following manner:

- PROFIT SHARING PLAN. The Stilwell Financial Inc. 401(k) Plan (the "Stilwell 401(k) Plan") has a profit sharing portion for accounts of participants and for future contributions (the "Profit Sharing Portion"). The trustee for the KCSI Profit Sharing Plan, the KCSI 401(k) Plan and the KCSI ESOP (the "Trustee") will divide the KCSI Profit Sharing Plan as of the Distribution and will transfer the accounts of participants of Stilwell Financial Inc. to the Profit Sharing Portion in a plan-to-plan transfer of assets. An investment manager will manage the participant accounts in the Profit Sharing Portion. The Profit Sharing Portion

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provides generally the same eligibility and vesting requirements and distribution provisions as the KCSI Profit Sharing Plan.

- STILWELL 401(K) PLAN. As of the Distribution, the Trustee will transfer the accounts of the Stilwell participants who will participate in the 401(k) portion of the Stilwell 401(k) Plan (the "401(k) Portion") to the 401(k) Portion. The 401(k) Portion provides generally the same investment options and the same eligibility and vesting requirements and distribution provisions as the KCSI 401(k) Plan. The trustee for the Stilwell 401(k) Plan will accept the transferred accounts from the KCSI 401(k) Plan and participants' elections under the KCSI 401(k) Plan will remain in effect under the 401(k) Portion until changed by the Stilwell participants.

- STILWELL STOCK OPTION PLAN. As part of the Distribution, KCSI and Stilwell plan to substitute options for KCSI non-qualified stock options held by KCSI and Stilwell employees, former KCSI employees and KCSI directors (including former directors) to provide for the equitable adjustment of the stock options as allowed by the KCSI Stock Option Plan. Specifically, as part of the Distribution, all KCSI non-qualified stock options outstanding as of the Record Date ("Options") will remain outstanding with an adjusted exercise price ("New KCSI Options"), and holders of the Options will receive separately exercisable options to buy Stilwell Common Stock ("New Stilwell Options") (collectively, the New KCSI Options and the New Stilwell Options are referred to as "Substituted Options"). New Stilwell Options for approximately 16,000,000 shares will be issued to current and former employees and directors of KCSI and Stilwell and will result in the dilution of ownership of Stilwell stockholders.

The exercise prices of the Substituted Options will be a prorated amount of the exercise price for the related Options based on the ratio of the trading price of Stilwell Common Stock to the total of the trading prices of both KCSI Common Stock (excluding Stilwell) and Stilwell Common Stock. For this purpose, the trading prices will be the closing prices of the stocks on the New York Stock Exchange on the Distribution Date. The other terms of the Substituted Options will be the same as for the Options.

The New Stilwell Options will be granted in the same proportion as the distribution of Stilwell Common Stock in the Distribution; i.e., two New Stilwell Options for each Option held. New KCSI Options and New Stilwell Options which will be substituted for Options which were subject to time vesting (under the KCSI Stock Option Plan, vesting means the Options become exercisable; therefore, Options which time vest are Options which become exercisable after the passage of a specified period of time) will vest at the time the Options for which they were substituted would have vested. The Stilwell 1998 Long Term Incentive Stock Plan (as amended and restated effective August 11, 1999) ("Stilwell Stock Option Plan") will govern the New Stilwell Options.

The substitution of New KCSI Options and New Stilwell Options for Options is provided for in the Intercompany Agreement under which (1) the New KCSI Options and New Stilwell Options will be established with the exercise prices determined as described above based on an allocation of the exercise price of the Options; and (2) KCSI and Stilwell assume the obligation to issue shares of their Common Stock upon the exercise of the New KCSI Options and the New Stilwell Options, respectively.

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- STILWELL ESOP. Stilwell has adopted the Employee Stock Ownership Plan of Stilwell (the "Stilwell ESOP") and, the Trustee has transferred the Stilwell participant accounts to the Stilwell ESOP. The KCSI ESOP and the Stilwell ESOP will participate in the Distribution. Immediately after the Distribution, participants in the Stilwell ESOP will have two shares of Stilwell Common Stock for each one share of KCSI Common Stock in their accounts. To allow Stilwell participants to retain the KCSI Common Stock in their respective Stilwell ESOP accounts, Stilwell participants will have an election with respect to the portion of each Stilwell participant's account allocated to KCSI Common Stock to keep the KCSI Common Stock in their accounts or to have the trustee for the Stilwell ESOP sell the KCSI Common Stock in their accounts and reinvest the proceeds in either Stilwell Common Stock or in a guaranteed investment contract fund. The election may be a partial election; however, once a participant elects to have the KCSI Common Stock held in his or her ESOP account sold, the participant may not reinvest in KCSI Common Stock, nor may a participant elect to sell any of the Stilwell Common Stock in his or her account to invest in the guaranteed investment contract fund. For any participant who does not affirmatively elect to retain the KCSI Common Stock in his or her account, the trustee for the Stilwell ESOP will sell the KCSI Common Stock from his or her account and will reinvest the proceeds in Stilwell Common Stock.

- STILWELL STOCK PURCHASE PLAN. The main provisions of the Stilwell Stock Purchase Plan are substantially similar to the KCSI Purchase Plan: eligible employees may purchase during certain periods Stilwell Common Stock at 85% of the average market price on either the exercise date or the grant date, whichever is lower, but in no event at less than the par value of the shares. Eligible Stilwell employees may elect to have up to a board- determined maximum percentage of annualized base pay applied to purchase Stilwell Common Stock, and the purchase price will be collected via employee payroll deductions. With certain exceptions, all employees of Stilwell or any eligible Stilwell affiliates who work at least 20 hours per week for five months of the year will be eligible to participate in the Stilwell Stock Purchase Plan. The Stilwell Stock Purchase Plan will be administered by Stilwell's Board of Directors or Stilwell's Compensation Committee.

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FINANCING

DESCRIPTION OF THE CREDIT FACILITIES

On May 14, 1999, KCSI renewed a $100 million, 364-day senior unsecured competitive advance/revolving credit facility (the "Credit Facility") with several banks and institutional lenders (the "Lenders"). The Credit Facility has been transferred to Stilwell. The Credit Facility contains interest rates below prime and terms which can be fixed up to the expiration date. Management elected not to renew the Credit Facility upon expiration on May 13, 2000.

On January 11, 2000, KCSI arranged a new $200 million 364-day senior unsecured competitive Advance/Revolving Credit Facility ("New Credit Facility"). KCSI borrowed $125 million under this facility and used the proceeds to retire other debt obligations. Stilwell has assumed the New Credit Facility, including the $125 million borrowed thereunder, thereby reducing its stockholders' equity. Upon such assumption, KCSI was released from all obligations, and Stilwell became the sole obligor, under the New Credit Facility. Stilwell may assign and delegate all or a portion of its rights and obligations under the New Credit Facility to one or more of its domestic subsidiaries. In March 2000, Stilwell repaid the $125 million borrowed under the New Credit Facility.

Two borrowing options are available under the New Credit Facility: a competitive advance option, which is uncommitted, and a committed revolving credit option. Interest on the competitive advance option is based on rates obtained from bids as selected by Stilwell in accordance with the lenders' standard competitive auction procedures. Interest on the revolving credit option accrues based on the type of loan (e.g., Eurodollar, Swingline, etc.), with rates computed using LIBOR plus 0.35% per annum or, alternatively, the highest of the prime rate, the Federal Funds Effective Rate plus 0.005% or the Base Certificate of Deposit Rate plus 1%.

The New Credit Facility includes a facility fee of 0.15% per annum and a utilization fee of 0.125% on the amount of outstanding loans under the New Credit Facility for each day on which the aggregate utilization of the New Credit Facility exceeds 33% of the aggregate commitments of the various lenders.

The credit facilities include customary covenants that, among other things, restrict the ability of Stilwell to create liens, incur debt, enter into certain sale and lease-back transactions and transactions with affiliates, transfer assets, merge, maintain specified financial assets and otherwise restrict corporate activities. The credit facilities also contain various financial covenants, including the requirement for Stilwell to maintain specified financial ratios such as maximum leverage, minimum net worth and minimum interest coverage. Because of such financial covenants, maximum utilization of Stilwell's available lines of credit may be restricted. Based on financial information as of March 31, 2000, Stilwell would have the ability to fund the purchase of stock required if all such put rights had been exercised without, in management's judgment, causing a breach of any of Stilwell's current credit facility restrictions. See "Risk Factors-Stilwell May be Required to Purchase or Sell Janus Common Stock." Stilwell has not obtained the concurrence of its lenders with this judgment but the existence of the Janus put rights was disclosed to those lenders at the time they provided

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the existing credit facilities. In any event, if additional capital is needed for operations or the honoring of the Janus put rights, management would not necessarily rely on existing credit facilities but would likely seek to obtain additional financing on substantially the same terms and conditions as existing credit facilities.

The credit facilities contain customary events of default, including, but not limited to, failure by Stilwell to satisfy its obligations under the credit facilities, a change of control of Stilwell, events of bankruptcy, insolvency and reorganization and other material indebtedness defaults by Stilwell. See "Risk Factors-Stilwell's Credit Facilities Impose Restrictions on Stilwell's Ability to Conduct Business and may not be Sufficient to Satisfy Stilwell's Capital and Operating Requirements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

NEED FOR ADDITIONAL FINANCING

The timing of Stilwell's future capital requirements will depend on a number of factors, including the ability of Stilwell to successfully implement its business strategy. In addition, Stilwell, as a continuation of its practice of providing credit facilities to its subsidiaries, has provided an intercompany credit facility to Janus for use by Janus for general corporate purposes, effectively reducing the amount of the credit facilities available for Stilwell's other purposes. Stilwell may also require additional capital sooner than anticipated to the extent that Stilwell's operations do not progress as anticipated or if certain put rights are exercised by Janus stockholders. If all such Janus puts would have been exercised on April 1, 2000, the required payment would have been approximately $833 million. As of March 31, 2000, Stilwell had $200 million in credit facilities available and had cash balances at the Stilwell holding company level in excess of $147.5 million. The market value of Stilwell's 32% investment in DST was approximately $1.38 billion using DST's closing price on the New York Stock Exchange on May 22, 2000. Although Stilwell has no intention of converting this investment into cash, management believes that, if cash were needed to fund the purchase of Janus common stock from minority stockholders, it could liquidate its investment in DST within 120 days and receive approximately $826 million after taking into account payment of approximately $512 million in federal and state income taxes under current statutory rates, underwriting discounts and commissions estimated at $41 million and payment of associated transaction costs, estimated at $900,000. To the extent that available credit facilities, existing cash balances and proceeds from the liquidation of Stilwell's investment in DST were insufficient to fund its purchase obligations, Stilwell had access to the capital markets and, with respect to the Janus Stock Purchase Agreement, had 120 days to raise additional sums. Stilwell intends to obtain any additional financing for general corporate purposes on terms and conditions substantially similar to the Credit Facility and New Credit Facility. There may not be any required additional capital available on acceptable terms, or at all, and the failure to obtain any such required capital could have a material adverse effect on Stilwell's operations. See "Risk Factors-Stilwell's Credit Facilities Impose Restrictions on Stilwell's Ability to Conduct Business and may not be Sufficient to Satisfy Stilwell's Capital and Operating Requirements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations-Minority Purchase Agreements."

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CAPITALIZATION

Set forth below is the capitalization of Stilwell as of March 31, 2000 and on a pro forma basis to give effect to the Distribution as if the Distribution and related transactions had occurred on that date. The table set forth below should be read in conjunction with the financial statements set forth elsewhere in this Information Statement. The pro forma information may not reflect the capitalization of Stilwell in the future or as it would have been had Stilwell been a separate, independent company.

	March 31, 2000	
	Actual	Pro Forma
	(in millions)	
Debt obligations	$ --	$ --
Equity:		
Preferred Stock, $1.00 par value; 10,000,000 shares authorized; no shares issued or outstanding (no shares, as adjusted)	--	--
Common Stock, $.01 par value; 1,000,000,000 shares authorized; 1,000 issued and outstanding; (222,798,708 issued and outstanding, as adjusted) (1)	--	2.2
Net investment by KCSI	106.8	--
Retained Earnings	670.2	670.2
Accumulated other comprehensive income	112.0	112.0
Additional paid-in capital	--	104.6
Total Equity	889.0	889.0
Total Capitalization	$889.0	$889.0

(1) Based on an assumed two shares of Stilwell Common Stock for every one share of KCSI Common Stock. There were 111,399,354 shares of KCSI Common Stock issued and outstanding at March 31, 2000. Excludes an estimated 15,765,342 shares of Stilwell Common Stock reserved for issuance upon the exercise of New Stilwell Options granted in connection with the Distribution (assuming that two Stilwell options are granted for every one KCSI stock option).

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DIVIDEND POLICY

To date, Stilwell has not declared or paid any dividends on the Stilwell Common Stock, but it anticipates paying cash dividends following the Distribution. The payment of dividends by Stilwell is subject to the discretion of its Board of Directors, and various factors may prevent it from paying dividends. These factors include Stilwell's financial position, its capital requirements and liquidity, the existence of a stock repurchase program, contractual and legal requirements, results of operations and such other factors as Stilwell's Board of Directors may consider relevant. As a holding company, Stilwell's ability to pay dividends is dependent on the dividends and income it receives from its subsidiaries. At the present time Stilwell's primary source of cash is dividends received from Janus. In 1999, Stilwell received $173.2 million in dividends from Janus. Additionally, for the year ended December 31, 1999, Janus represented 95% of Stilwell's revenues and 91% of Stilwell's net income. The payment of dividends by Janus is subject to the discretion of its Board of Directors. Although Stilwell has a contractual obligation to cause such payment, Mr. Bailey has the right to select a majority of that Board, pursuant to the Janus Board Selection Rights. Such majority of directors may determine in their discretion that Janus will not pay dividends for any given year. See "Risk Factors-Various Factors May Hinder the Declaration and Payment of Dividends by Stilwell Following the Distribution," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 15 to the Stilwell consolidated financial statements.

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SELECTED FINANCIAL AND OPERATING DATA

The following table presents selected financial data of Stilwell. The information set forth below should be read in conjunction with, and is qualified in its entirety by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and notes thereto included elsewhere in this Information Statement. The selected financial data for the five years ended December 31, 1999 was derived from the audited consolidated financial statements of Stilwell. The selected financial data as of and for the three months ended March 31, 1999 and 2000 was derived from the unaudited consolidated financial statements of Stilwell, which were prepared on the same basis as the historical audited financial statements.

The selected financial data set forth below may not be indicative of Stilwell's future performance, and does not necessarily reflect the financial position and results of operations of Stilwell had Stilwell operated as a separate, stand-alone entity during each of the periods presented. In addition to historical earnings per share data based on the Stilwell capital structure as of March 31, 2000 (1,000 shares outstanding), pro forma earnings per share information is presented for the year ended December 31, 1999 and for the three months ended March 31, 1999 and 2000. This pro forma information is presented for comparison purposes to future years and was derived assuming an issuance of two shares of Stilwell Common Stock for every one outstanding share of KCSI Common Stock as of March 31, 2000. In addition, dilutive options were included based on the number of dilutive KCSI stock options assumed to be exercised as of March 31, 2000 in connection with the determination of KCSI's diluted earnings per share computations. Pro forma basic and diluted earnings per share for the year ended December 31, 1999 and for the three months ended March 31, 1999 reflect adjustments for interest expense (at an assumed rate of 6.5%), net of income taxes assumed to be incurred as if the assumption of $125 million of indebtedness from KCSI had occurred as of January 1, 1999. See "Financing-- Description of the Credit Facilities."

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	Year Ended December 31,					Three Months Ended March 31,	
	1995(i)	1996(ii)	1997	1998(iii)	1999	1999	2000(iv)
	(Dollars in Millions, except per share data)					(Unaudited)	
FINANCIAL DATA:							
INCOME STATEMENT DATA:							
Revenues	$236.7	$329.6	$485.1	$670.8	$1,212.3	$233.3	$545.1
Operating expenses	156.5	197.8	285.9	390.2	694.0	136.1	300.2
Operating Income	80.2	131.8	199.2	280.6	518.3	97.2	244.9
Equity in earnings of unconsolidated affiliates	29.6	68.6	24.9	25.8	46.7	11.2	18.8
Gain on litigation settlement							44.2
Gain on sale of Janus common stock							15.1
Reduction in ownership of DST	--	--	--	(29.7)	--	--	--
Gain on sale of DST	296.3	--	--	--	--	--	--
Other, net	3.7	8.2	5.8	12.6	21.5	3.9	7.3
Pretax Income	409.8	208.6	229.9	289.3	586.5	112.3	330.3
Income tax provision	181.3	58.2	87.0	103.7	216.1	40.1	114.3
Minority interest	10.5	15.8	24.9	33.4	57.3	11.2	27.3
Net Income	$218.0	$134.6	$118.0	$152.2	$ 313.1	$ 61.0	$188.7

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Per Share Data:							
Weighted Average Common shares outstanding	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Basic Earnings per share	$218,000	$134,600	$118,000	$152,200	$313,100	$ 61,000	$188,700
Diluted Earnings per share	218,000	134,000	117,400	149,900	308,300	60,200	186,400
Pro Forma Per Share Data:							
Common shares outstanding (in thousands)					222,799	222,799	222,799
Basic Earnings per share					$ 1.38	$ 0.27	$ 0.85
Diluted Common shares outstanding (in thousands)					230,760	230,760	230,760
Diluted Earnings per share					$ 1.31	$ 0.26	$ 0.81

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	December 31,					Three Months Ended March 31,	
	1995	1996	1997	1998	1999	1999	2000(iv)
BALANCE SHEET DATA:							
Total Assets	$475.2	$548.2	$672.6	$822.9	$1,231.5	$868.1	$1,432.7
Long term obligations:							
Third Parties	0.4	0.1	--	--	--	--	--
KCSI	--	117.3	84.1	16.6	--	--	--
Cash dividends per Common share	n/a	n/a	n/a	n/a	n/a	n/a	n/a
OPERATING DATA:							
Total Assets Under Management (in billions)	$ 34.5	$ 50.3	$ 71.6	$113.1	$ 257.4	$141.7	$ 324.9
Total Shareowner Accounts (in millions)	2.5	2.5	2.7	3.0	4.3	3.4	5.5

[FN]
(i) Reflects DST as an unconsolidated affiliate as of January 1, 1995 due to the DST public offering and associated transactions completed in November 1995, which reduced Stilwell's ownership of DST to approximately 41% and resulted in deconsolidation of DST from Stilwell's consolidated financial statements. The public offering and associated transactions resulted in a $144.6 million after-tax gain to Stilwell.

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(ii) Includes a one-time after-tax gain of $47.7 million, representing Stilwell's proportionate share of the one-time gain recognized by DST in connection with the merger of The Continuum Company, Inc. ("Continuum"), formerly a DST equity affiliate, with Computer Sciences Corporation ("CSC")in a tax-free share exchange.

(iii) Includes a one-time non-cash charge of $36.0 million ($23.2 million after-tax) resulting from the merger of a wholly-owned subsidiary of DST with USCS International, Inc. ("USCS"). The merger was accounted for by DST under the pooling of interests method. The charge reflects Stilwell's reduced ownership of DST (from 41% to approximately 32%), together with Stilwell's proportionate share of DST and USCS fourth quarter merger- related costs.

(iv) Includes two one-time gains: a) a $27.3 million (after-tax) gain on the settlement of litigation with a former equity affiliate; and b) a $15.1 million (after-tax) gain resulting from the sale by Stilwell of 192,408 shares of Janus common stock to Janus, which reduced Stilwell's ownership in Janus to approximately 81.5%.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The discussion set forth below, as well as other portions of this Information Statement, contains comments not based upon historical fact. Such forward- looking comments are based upon information currently available to management and management's perception thereof as of the date of this Information Statement. Readers can identify these forward-looking comments by the use of such verbs as "expects," "anticipates," "believes" or similar verbs or conjugations of such verbs. The actual results of operations of Stilwell could materially differ from those indicated in forward-looking comments. The differences could be caused by those factors identified in the section of this Information Statement which identifies risk factors, which are hereby incorporated by reference herein or by other factors which Stilwell has not yet identified. Readers are strongly encouraged to consider these factors when evaluating any forward-looking comments. Stilwell will not update any forward- looking comments set forth in this Information Statement.

This discussion and the financial statements included in this Information Statement were prepared by attributing the historical data for the financial services segment of KCSI to Stilwell utilizing accounting policies consistent with those applied to the preparation of KCSI's historical financial statements. Since the financial services business was operated as part of KCSI during the period presented, such financial information and statements may not necessarily reflect the results of operations or financial position of Stilwell or what the results of operations would have been if Stilwell had been a separate, independent company during those periods.

As a result, within this Management's Discussion and Analysis of Financial Condition and Results of Operations, historical transactions and events involving KCSI's financial services segment are discussed as if Stilwell were the entity involved in the transaction or event, unless otherwise indicated. Unless otherwise stated or the context otherwise requires, references herein to Stilwell include Stilwell's direct and indirect subsidiaries and equity investments. Also, intercompany transactions between Stilwell and KCSI during the periods covered herein are reflected as transfers from or dividends to KCSI.

The discussion herein is intended to clarify and focus on Stilwell's results of operations, certain changes in its financial position, liquidity, capital structure and business developments for the periods covered by the consolidated financial statements included in this Information Statement. This discussion should be read in conjunction with these consolidated financial statements, the related notes and the Report of Independent Accountants thereon, and is qualified in its entirety by reference thereto.

RESULTS OF OPERATIONS

SIGNIFICANT DEVELOPMENTS

Consolidated operating results from 1997 to 1999 were affected by the following significant developments.

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SALE OF JANUS STOCK. In the first quarter of 2000, Stilwell sold to Janus, for treasury, 192,408 shares of Janus common stock and such shares will be available for awards under Janus' recently adopted Long Term Incentive Plan. Janus has agreed that for so long as it has available shares of Janus common stock for grant under that plan, it will not award phantom stock, stock appreciation rights or similar rights. In first quarter 2000, Janus issued 35,670 shares of its stock to Janus employees as restricted stock. The sale of shares by Stilwell and the reissuance of shares to Janus employees as restricted stock resulted in an after-tax gain to Stilwell of approximately $15.1 million and reduced Stilwell's ownership of Janus to approximately 81.5%. After this first quarter 2000 issuance, more than 168,000 shares of Janus common stock remain in treasury for use in connection with Janus' Long Term Incentive Plan. Upon the issuance of all of these shares in future years, Stilwell's ownership interest in Janus will be 80.1%. See Note 16 to the Stilwell consolidated financial statements.

LITIGATION SETTLEMENT. In January 2000, Stilwell received approximately $44.2 million in connection with the settlement of a legal dispute related to a former equity investment. The settlement agreement resolves all outstanding issues related to this former equity investment. In the first quarter of 2000, Stilwell recognized an after-tax gain of approximately $27.3 million as a result of this settlement.

DST MERGER. On December 21, 1998, DST and USCS announced the completion of the merger of USCS with a wholly-owned DST subsidiary. Under the terms of the merger, USCS became a wholly-owned subsidiary of DST. The merger, accounted for as a pooling of interests by DST, expands DST's presence in the output solutions and customer management software and services industries. DST issued approximately 13.8 million shares of its common stock in the transaction, reducing Stilwell's ownership interest from 41% to approximately 32%. Stilwell recorded a one-time pretax non-cash charge of approximately $36.0 million ($23.2 million after-tax), reflecting Stilwell's reduced ownership of DST and Stilwell's proportionate share of DST and USCS costs incurred in the fourth quarter related to the merger. Stilwell accounts for its investment in DST under the equity method.

ASSET IMPAIRMENT CHARGES. In connection with Stilwell's review of its accounts for the year ended December 31, 1997 in accordance with its established accounting policies, $15.7 million of asset impairment charges were recorded during fourth quarter 1997. After consideration of related tax effects, these charges reduced consolidated earnings by $14.6 million. The asset impairment charges included a $12.7 million impairment of goodwill associated with Stilwell's investment in Berger. This charge was recorded because management determined that a portion of the carrying value of the investment in Berger, including identifiable intangible assets and goodwill, was not recoverable, primarily due to below-peer performance and growth of the core Berger funds. In addition, the charges included a $3.0 million allowance for a non-core cost investment reflecting recoverability issues.

OVERVIEW

On January 23, 1998, KCSI formed Stilwell as a holding company for the group of businesses and investments that comprised the financial services segment of KCSI. The primary entities comprising the financial services segment are Janus, an 81.5% owned subsidiary; Berger, of which SMI owns 100% of the Berger preferred limited liability company interests and approximately

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86% of the Berger regular limited liability company interests; Nelson, an 80% owned subsidiary; DST, an equity investment in which SMI holds an approximate 32% interest; and the Miscellaneous Corporations. KCSI transferred to Stilwell KCSI's ownership interests in Janus, Berger, Nelson, DST, the Miscellaneous Corporations and certain other financial services-related assets, and Stilwell assumed all of KCSI's liabilities associated with the assets transferred, effective July 1, 1999.

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THREE MONTHS ENDED MARCH 31, 2000 COMPARED WITH THE THREE MONTHS ENDED MARCH 31, 1999

Stilwell's revenues, operating income and net income (with subsidiary information exclusive of holding company amortization and interest costs attributed to the respective subsidiary) were as follows (in millions):

	Three Months Ended March 31,	
	1999	2000(i)
REVENUES:		
Janus	$220.7	$523.1
SMI and Berger	8.5	16.7
Other	4.1	5.3
Total	$233.3	$545.1
OPERATING INCOME (LOSS):		
Janus	$103.1	$250.6
SMI and Berger	0.5	4.7
Other	(6.4)	(10.4)
Total	$ 97.2	$244.9
NET INCOME:		
Janus	$ 53.9	$130.2
SMI and Berger(ii)	1.2	3.9
Other(ii)	5.9	54.6
Total	$ 61.0	$188.7

(i) Stilwell recorded two one-time gains during first quarter 2000: a) a $27.3 million (after-tax) gain resulting from the settlement of litigation with a former equity affiliate; and b) a $15.1 million (after-tax) gain resulting from the sale by Stilwell of 192,408 shares of Janus common stock to Janus. See "Significant Developments" above for additional information.
(ii) DST results are included in "Net Income-Other."

Assets under management as of March 31, 1999 and 2000 were as follows (in billions):

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	Three Months March 31,	
	1999	2000
JANUS		
Janus Advised Funds:		
Janus Investment Funds (i)	$ 96.1	$218.2
Janus Aspen Series (ii)	7.6	24.0
Janus Money Market Funds	6.3	9.4
Janus World Funds Plc (iii)	0.3	3.4

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Total Janus Advised Funds	110.3	255.0
Janus Sub-Advised Funds and Private Accounts	26.5	60.3
Total Janus	136.8	315.3
BERGER		
Berger Advised Funds	3.5	7.4
Berger Sub-Advised Funds and Private Accounts and B/B Isle Separate Accounts	0.2	0.8
Total Berger	3.7	8.2
NELSON	1.2	1.4
Total Assets Under Management	$141.7	$324.9

(i) Excludes money market funds.
(ii) The Janus Aspen Series consists of eleven portfolios offered through variable annuity and variable life insurance contracts, and certain qualified pension plans.
(iii) The Janus World Funds Plc are a group of Ireland-domiciled funds introduced in December 1998.

For the three months ended March 31, 2000, Stilwell reported consolidated earnings of $188.7 million, a $127.7 million increase over first quarter 1999. Exclusive of the one-time items discussed in "Significant Developments" above, ongoing net income was $85.3 million, or 140%, higher than comparable 1999. Due to a 126% increase in average assets under management quarter to quarter, Stilwell consolidated revenues reached $545.1 million, an increase of 134% over prior year, and consolidated operating margins improved to 44.9% versus 41.7% in first quarter 1999. These improved revenues and operating margins resulted in a 152% increase in operating income (to $244.9 million).

Assets under management increased more than $67.5 billion during the three months ended March 31, 2000, reaching $324.9 billion. Net sales and market appreciation for the quarter totaled $42.8 and $24.7 billion, respectively, with Janus contributing $42.1 and $23.6 billion of the respective totals. Average assets under management for the three months ended March 31, 2000 were 126% higher than the same period in 1999. In addition, shareowner accounts grew more than 28% during first quarter 2000, surpassing 5.5 million as of March 31, 2000.

Consolidated operating expenses increased 121% (to $300.2 million) in first quarter 2000 compared to 1999, largely reflecting the significant growth in revenues. Higher expenses were evident in the following components: i) salaries and wages, primarily due to investment performance-based incentive compensation and an increased number of employees; ii) alliance and third party administrator fees resulting from increased assets under management through this distribution channel; and iii) marketing and

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promotion, reflecting efforts to capitalize on strong investment performance by both Janus and Berger in the last two years. Additionally, depreciation and amortization increased by 129% as a result of the significant infrastructure developments by Janus, as well as amortization associated with the deferred commissions paid on the Janus World Funds B shares.

Equity in net earnings of DST for the three months ended March 31, 2000 improved to $18.0 million from $10.7 million in 1999. This $7.3 million improvement includes approximately $3.6 million from two non-recurring DST items - a gain on the settlement of a legal dispute with a former equity affiliate and gains related to sales of marketable securities. Exclusive of these DST gain items, Stilwell's proportionate share of DST earnings improved $3.7 million due to the following: i) a 14.1% increase in revenues, reflecting growth in the financial services segment (shareowner accounts serviced reached 61.0 million as of March 31, 2000 compared to 56.4 million at December 31, 1999 and 51.6 million at March 31, 1999) and output solutions segment; and ii) improved consolidated operating margins.

The 102% increase in the Other, net component of the Consolidated Statement of Income quarter to quarter is attributable to realized gains by Janus on the sale of short-term investments, higher interest income resulting from an increase in cash and gains resulting from the issuance of Janus shares to certain of its employees, which reduced Stilwell's ownership of Janus.

A brief discussion of significant Janus, Berger and Nelson items during the three months ended March 31, 2000 follows:

JANUS

Janus assets under management increased $65.8 billion during first quarter 2000 and $178.5 billion from March 31, 1999. Janus' net sales growth for the three months ended March 31, 2000 was more than 40% of the total growth experienced during all of 1999. This growth generally reflects ongoing favorable investment performance by the various funds/portfolios within the Janus group of mutual funds (as demonstrated by market appreciation of approximately $23.6 billion in first quarter 2000), marketing and promotional efforts and competitive levels of expenses and fees compared to industry standards.

BERGER

Berger assets under management increased 24% (to $8.2 billion) during the three months ended March 31, 2000 and 122% compared to the $3.7 billion in assets under management at March 31, 1999. For the first time in over two years, Berger's shareowner accounts increased during a quarter - almost 7% - reflecting positive investment performance during 1999 and first quarter 2000.

NELSON

Nelson's assets under management increased to (Pound)866 million, a 3% and 17% improvement compared to asset levels at December 31, 1999 and March 31, 1999, respectively. Nelson continues its expansion efforts and

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Stilwell expects that during this phase of Nelson's development, Nelson will operate at a loss. These losses, however, are not expected to have a material impact on Stilwell's results of operations or financial position.

YEAR TO YEAR COMPARISONS

Stilwell's revenues, operating income and net income (with subsidiary information exclusive of amortization and interest costs attributed to the respective subsidiary) were as follows (in millions):

	December 31,		
	1997	1998 (i)	1999
REVENUES:			
Janus	$450.1	$626.2	$1,155.3
SMI and Berger	34.9	33.5	40.0
Other	0.1	11.1	17.0
Total	$485.1	$670.8	$1,212.3
OPERATING INCOME (LOSS):			
Janus	$226.6	$296.7	$ 539.5
SMI and Berger	3.8	4.9	2.9
Other	(31.2)	(21.0)	(24.1)
Total	$199.2	$280.6	$ 518.3
NET INCOME (LOSS):			
Janus	$119.9	$164.0	$ 284.1
SMI and Berger(ii)	2.7	3.9	4.4
Other(ii)	(4.6)	(15.7)	24.6
Total	$118.0	$152.2	$ 313.1

(i) Includes a one-time non-cash charge of $36.0 million ($23.2 million after- tax) resulting from the merger of a wholly-owned subsidiary of DST with USCS. The merger was accounted for by DST under the pooling of interests method. The charge reflects Stilwell's reduced ownership of DST (from 41% to approximately 32%), together with Stilwell's proportionate share of DST and USCS costs in the fourth quarter related to the merger.
(ii) DST results are included in "Net Income-Other."

Assets under management as of December 31, 1996, 1997 and 1998 were as follows (in billions):

	December 31,		
	1997	1998	1999
JANUS			
Janus Advised Funds			

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Janus Investment Funds	$48.7	$ 75.9	$171.8
Janus Aspen Series	3.3	6.2	17.4
Janus Money Market Funds	2.6	4.8	1.4
Janus World Funds Plc	--	0.1	9.4
Total Janus Advised Funds	54.6	87.0	200.0
Janus Sub-Advised Funds and Private Accounts	13.2	21.3	49.5
Total Janus	67.8	108.3	249.5
BERGER			
Berger Advised Funds	3.3	3.5	6.0
Berger Sub-Advised Funds and Private Accounts and B/B Isle Separate Accounts	0.5	0.2	0.6
Total Berger	3.8	3.7	6.6
NELSON	--	1.1	1.3
Total Assets Under Management	$71.6	$113.1	$257.4

Stilwell reported 1999 net income of $313.1 million, an increase of 106% compared to $152.2 million in 1998. Exclusive of the one-time charges associated with the DST merger in 1998, net income was $137.7 million (79%) higher than 1998. Revenues increased $541.5 million, or 81%, over 1998, leading to higher operating income. Efforts to maintain costs consistent with the level of revenues resulted in an operating margin of 43%, improved over the 42% in 1998. Total assets under management increased $144.3 billion (128%) during 1999, reaching $257.4 billion at December 31, 1999. Total shareowner accounts exceeded 4.3 million as of December 31, 1999, a 43% increase over 1998. Equity earnings from DST for the year ended December 31, 1999 increased 45% versus comparable 1998 (exclusive of fourth quarter merger-related costs).

Stilwell reported earnings of $152.2 million in 1998 versus $118.0 million in 1997. Exclusive of the one-time items recorded in both years as discussed in the "Significant Developments" section above, earnings were $42.8 million, or 32%, higher than 1997. Revenues increased $185.7 million, or 38%, over 1997, leading to higher operating income. While operating income increased, efforts to ensure an adequate infrastructure to provide for consistent, reliable and accurate service to investors caused a decrease in operating margins in 1998, from 44% for the year ended December 31, 1997 (exclusive of one-time charges) to 42% for the year ended December 31, 1998. Total assets under management increased $41.5 billion, or 58%, during 1998, reaching $113.1 billion at December 31, 1998. Total shareowner accounts exceeded three million as of December 31, 1998, a 12% increase over 1997.

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Increases in Stilwell's revenue and operating income are a direct result of growth in assets under management. Assets under management and shareowner accounts have grown in recent years from a combination of new money investments (i.e., fund sales) and market appreciation. Fund sales have risen in response to marketing efforts, favorable fund performance,

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introduction and market reception of new products and the current popularity of no-load mutual funds. Market appreciation has resulted from increases in investment values.

Following is a detailed discussion of the operating results of the primary subsidiaries of Stilwell.

JANUS CAPITAL CORPORATION

1999

In 1999, assets under management increased 130.5% to $249.5 billion from $108.3 billion, as a result of net sales of $56.3 billion and market appreciation of $84.9 billion. Equity portfolios comprise 95% of all assets under management at the end of 1999.

Excluding money market funds, 1999 net sales of Janus Investment Funds, Janus Aspen Series and Janus World Funds were $42.2 billion and net sales of the Janus Subadvised Funds and Private Accounts totaled $10.0 billion. Total Janus shareowner accounts increased over 1.3 million, or 49%, to 4.1 million.

Investment management, shareholder servicing and fund administration revenue increased $529.1 million, or 85% in 1999, to $1.2 billion as a result of the increase in assets under management. Aggregate fee rates declined from 1997 to 1999.

Operating expenses increased 87% from $329.5 million to $615.8 million in 1999 as a result of the significant increase in assets under management, additional employees, facilities and other infrastructure-related costs. Approximately 56% of Janus' 1999 operating expenses consist of variable costs that generally increase or decrease with fluctuations in management fee revenue. An additional 15% of operating expenses (principally advertising, promotion, sponsorships, pension plan and other contributions) are discretionary on a short-term basis.

The following highlights changes in key expenses in 1999 from 1998:

- Employee compensation and benefits increased $144 million, or 91%, primarily attributable to increased incentive and base compensation. Additionally, Janus experienced significant overtime compensation, which was required to manage the rapid growth in investor activity. Incentive compensation increased due to the growth in management fee revenue and achievement of investment and financial performance goals. For the twelve months and thirty-six months ended December 31, 1999, over 99% of assets under management were ranked within the first quartile of investment performance as compared to their respective peer groups and over 97% outperformed their respective index (as defined pursuant to compensation agreements). Base compensation increased due to a 68% increase in full-time employees from approximately 1,300 at the end of 1998 to approximately 2,200 at December 31, 1999.

- Fees paid to alliance and mutual fund supermarket increased $77 million, or 124%, due principally to the growth in assets under management being distributed through these channels. Such assets increased from $32.3 billion at December 31, 1998 to $82.4 billion at December 31, 1999.

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- Marketing, promotional and advertising expenditures increased 41% to $56.9 million. Janus continued to promote brand awareness through print, television and radio media channels.

- Depreciation and amortization increased $9.8 million, or 141%, due to continued infrastructure spending discussed below.

- Sales commissions paid in 1999 related to sales of certain fund shares, known as B shares, in Janus World Funds Plc. These payments increased by $29.5 million to $31.7 million from $2.2 million in 1998. Amortization of these payments amounted to $8.1 million and $154,000 in 1999 and 1988, respectively.

1998

In 1998, assets under management increased 59.7% to $108.3 billion as a result of net fund sales of $13.4 billion and market appreciation of $27.1 billion. Approximately $87.0 billion was invested in the Janus Advised Funds with the remainder held by the Janus Sub-Advised Funds and Private Accounts. Equity portfolios comprised 94% of total assets under management at December 31, 1998.

Excluding money market funds, 1998 net sales of the Janus Investment Funds, Janus Aspen Series and Janus World Funds were $11.3 billion and net sales of Janus Sub-Advised Funds and Private Accounts totaled $1.6 billion. Total Janus shareowner accounts increased 353,000, or 15%, to 2.7 million.

Janus' revenues increased $176.1 million (39%) to $626.2 million in 1998, driven by the significant growth in assets under management year to year.

Exclusive of $2.6 and $2.2 million in amortization costs attributed to Janus in 1998 and 1997, respectively, operating expenses increased 47% from $223.5 million in 1997 to $329.5 million in 1998. This increase reflects the significant growth in assets under management and revenues, as well as Janus' efforts to develop its infrastructure to ensure consistent quality of service. Approximately 47% of Janus' 1998 operating expenses were variable items such as incentive compensation and mutual fund supermarket fees, 19% were discretionary items such as marketing and pension plan contributions and the remainder were fixed. The levels of profitability sustained in the recent past may not continue.

A brief discussion of key expense increases follows:

- Employee compensation and benefits increased $45 million, or 40%, in 1998 compared to 1997 due to an increased number of employees (including senior investment management, marketing and administration employees, as well as additional shareowner servicing and technology support personnel) and incentive compensation. Incentive compensation increased principally due to growth in assets under management combined with strong investment performance. In particular, portfolio management incentive compensation - formulated to reward top investment performance - approached its highest possible rate in 1998 as a result of more than 93% of assets under management ending 1998 in the top quartile of investment performance compared to their respective peer groups (as defined pursuant to compensation agreements).

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- Alliance and mutual fund supermarket fees increased 65% in 1998 to $62.3 million. This increase was principally due to an increase in assets under management being distributed through these channels, from $19.0 billion at December 31, 1997 to $32.3 billion at December 31, 1998.

- Marketing, promotional and advertising expenditures increased $17.5 million during 1998 to capitalize on generally favorable market conditions, to respond to market volatility and to continue establishing the Janus brand.

- Depreciation and amortization increased $2.3 million in 1998 compared to 1997 due to increased infrastructure spending as discussed below.

GENERAL

The growth in Janus' assets under management over the past several years is a function of several factors including, among others: (i) market-leading, exceptional investment performance for the one and three year periods and for the life of fund for most mutual funds under management; (ii) strong equity securities markets worldwide; (iii) a strong brand awareness; and (iv) effective use of third party distribution channels for both retail and sub-advised products.

Since 1996, Janus has introduced eight new domestic funds -- four in the Janus Investment Funds and four in the Janus Aspen Series. Additionally, to continue to achieve optimal results for investors, Janus closed two of its most popular funds recently. With assets growing substantially during the year, Janus Twenty Fund was closed in April 1999 and Janus Global Technology Fund was closed in January 2000. In December 1999, Janus announced plans to open Janus Strategic Value Fund, which opened in early 2000.

International, or offshore, operations increased assets under management by $1.4 billion in 1999, due to $1.1 billion in net sales and $337 million in market appreciation. Most of this growth was in the Janus World Funds which is a group of offshore multiclass funds introduced in December 1998 modeled after certain of the Janus Investment Funds and domiciled in Dublin, Ireland. These operations incurred an operating loss of $7.8 million (before taxes). Due to significant expansion currently underway, such operations are not expected to generate a profit in 2000. The majority of Janus World Funds sales were made into the funds' class B shares, which require Janus to advance sales commissions to various financial intermediaries. Janus paid $29.5 million in commissions during 1999. Amounts paid for commissions were not material in 1998. Continued growth in these funds may impact liquidity and cash resources. See "Results of Operations-Liquidity."

In 1999 and 1998, Janus invested more than $56 million and $37 million, respectively, on infrastructure development to ensure uninterrupted service to shareowners; to provide up-to-the minute investment and securities trading data; to improve operating efficiency; to integrate information systems; and to obtain additional physical space for expansion. Net occupied lease space increased by 251,000 square feet during 1999 to 686,000 square feet, with an additional 67,000 square feet occupied as of March 31, 2000. Infrastructure efforts in 1999 focused on the following:

- Increases in shareholder servicing capacity. Over 170,000 square feet was added in Denver and Austin to accommodate additional telephone

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representatives and shareholder processing personnel. Additions to telephone infrastructure were made during 1999 that allow for over 2,600 concurrent investor service calls to be received versus approximately 1,600 at the start of 1999. Additionally, XpressLine, Janus' automated call system, was expanded to handle 218,000 calls per day and 35,000 calls per hour.

- Continued development and enhancement of Janus' web site. In 1999, features were added to allow investors to execute most transactions (purchases, redemptions and exchanges) on-line, to access account information on-line, to select the preferred method of statement delivery (paper or electronic), to allow a Janus Investor Services representative to access copies of shareholder statements to assist with investor questions, and to provide information for institutional relationships. Capacity was expanded to handle over 300,000 visits per day. Janus intends to maintain a 100% web capacity reserve.

Infrastructure efforts in 1998 included the following:

- An enterprise-wide reporting system, producing more efficient and timely management reporting and allowing full integration of portfolio management, human resources, budgeting and financial systems;

- A second investor service and data center opened in Austin, Texas in 1998, including redundant data and telephone connections to allow the facility to operate in the event that Denver facilities and personnel become unavailable;

- An upgrade of Janus' web site, providing shareowners the opportunity to customize their respective personal Janus home pages and to process most transactions on-line; and

- Improvements of physical facilities, producing a more efficient workspace and allowing Janus to accommodate additional growth and technology.

SMI AND BERGER

1999

Berger reported 1999 net earnings of $4.4 million compared to $3.9 million in 1998, exclusive of $4.5 million in holding company amortization charges attributed to the investment in Berger in 1999 and 1998. Total assets under management held by the Berger funds as of December 31, 1999 increased to $6.6 billion, up 78% from the $3.7 billion as of December 31, 1998. This increase resulted from market appreciation of $2.3 billion and net sales of $0.6 billion. Total Berger shareowner accounts decreased approximately 13% during 1999, primarily within Berger funds introduced prior to 1997 (e.g., Berger Growth Fund - formerly the Berger One Hundred Fund and the Berger Growth & Income Fund, formerly the Berger One Hundred and One Fund). In contrast, the number of accounts in the funds introduced since 1997 increased 56% year to year. These fluctuations in shareowner accounts generally are indicative of recent performance compared to peer groups.

Due to the increased level of assets under management throughout 1999, revenues increased approximately 19% compared to 1998. Berger's 1999

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operating expenses increased approximately $8.5 million (30%) over 1998, resulting in lower operating margins in 1999 versus 1998. This increase in expenses was primarily due to higher salaries and wages costs in second and third quarters associated with management realignment and a change in corporate structure as discussed below. Without these reorganization costs, margins improved approximately four percentage points. Higher costs also occurred in third party distribution costs and investment performance-based incentive compensation.

Berger recorded $2.3 million in equity earnings from its joint venture investment, BBOI Worldwide LLC ("BBOI"), for the year ended December 31, 1999 compared to $1.5 million in 1998. This increase reflects continued growth in BBOI assets under management, which totaled $943 million at December 31, 1999 versus $522 million at December 31, 1998 (including, in both years, private accounts not reported in Berger's total assets under management). However, BBOI will be dissolved by the end of 2000.

1998

Berger reported 1998 net earnings of $3.9 million compared to $2.7 million in 1997, exclusive of amortization charges attributed to Berger in both years. Total assets under management held by the Berger Complex declined slightly to $3.7 billion as of December 31, 1998. This decline was attributable to market appreciation of $0.6 billion, more than offset by net redemptions of $0.7 billion. While total Berger shareowner accounts decreased approximately 13% during 1998, primarily within the Berger Growth Fund, the number of accounts in the funds introduced during 1997 and 1998 increased 88% year to year. These fluctuations in shareowner accounts generally are indicative of recent performance compared to peer groups.

As a result of fluctuations in the level of assets under management throughout 1998, revenues decreased approximately 4% in 1998 from 1997. Berger's 1998 operating expenses were essentially even with 1997. While reductions in marketing costs resulted from a more targeted advertising program, these savings were offset by higher salaries and wages resulting from an increased average number of employees during 1998 versus 1997. Amortization expense attributed to Berger was lower in 1998 due to reduced goodwill from the 1997 impairment discussed previously.

Berger recorded $1.5 million in equity earnings from its joint venture investment, BBOI, for the year ended December 31, 1998 compared to $0.6 million in 1997. This increase reflects continued growth in BBOI assets under management, which totaled (including, in both years, private accounts not reported in Berger's total assets under management) $522 million at December 31, 1998 versus $161 million at December 31, 1997.

GENERAL

BERGER LLC FORMATION AND OWNERSHIP HISTORY. On September 30, 1999, Berger Associates, Inc. ("BAI") assigned and transferred its operating assets and business to its subsidiary, Berger LLC, a limited liability company. In addition, BAI changed its name to Stilwell Management, Inc. ("SMI"). SMI owns 100% of the preferred limited liability company interests and approximately 86% of the regular limited liability company interests in Berger. The remaining 14% of regular limited liability company interests were issued to key SMI and Berger employees, resulting in a non-cash

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compensation charge. Additionally, in late 1999 Stilwell contributed to SMI the approximate 32% investment in DST.

Prior to the change in corporate form discussed above, the Company owned 100% of BAI. The Company increased its ownership in BAI to 100% during 1997 as a result of BAI's purchase, for treasury, of common stock from minority shareholders and the acquisition by KCSI of additional BAI shares from a minority shareholder through the issuance of 330,000 shares of KCSI common stock. In connection with these transactions, BAI granted options to acquire shares of its stock to certain employees. All of the outstanding options were cancelled upon formation of Berger. This transaction resulted in approximately $17.8 million of goodwill, which is being amortized over 15 years. However, the Company recorded a $12.7 million impairment of goodwill associated with the investment in Berger. The Company determined that a portion of the goodwill recorded in connection with the Berger investment was not recoverable, primarily due to below-peer performance and growth of the core Berger funds in 1996 and 1997.

The Company's 1994 acquisition of a controlling interest in BAI was completed under a Stock Purchase Agreement ("BAI SPA") covering a five-year period ending in October 1999. Pursuant to the BAI SPA, the Company was required to make additional purchase price payments based upon BAI attaining certain incremental levels of assets under management up to $10 billion by October 1999. The Company paid $3.0 million under this BAI SPA in 1999. No payments were made during 1998. In 1997, the Company made additional payments of $3.1 million. These payments represent adjustments to the purchase price and the resulting goodwill is being amortized over 15 years.

During the period from 1997 to 1999, Berger introduced six new equity funds:
the Berger Mid Cap Value Fund; the Berger Small Cap Value Fund; the Berger Balanced Fund; the Berger Mid Cap Growth Fund; the Berger Select Fund; and, most recently, the Berger Information Technology Fund. These funds held approximately $1.5 billion of assets under management at December 31, 1999, more than three times the $493 million at December 31, 1998. The core Berger funds (i.e., those introduced by Berger prior to 1997) gained more than $1.4 billion in assets under management during 1999, reversing these funds' experience during 1998 and 1997.

In second quarter 1999, Berger appointed a new president and chief executive officer and realigned the management of several of its advised funds, including the Berger Growth Fund, the Berger Balanced Fund and the Berger Select Fund. Berger believes these changes improve its opportunity for growth in the future.

At December 31, 1999 and 1998, approximately 28.0% and 27.6%, respectively, of Berger's total assets under management were generated through mutual fund supermarkets and other third party distribution channels.

NELSON MONEY MANAGERS PLC

ACQUISITION OF NELSON. On April 20, 1998, Stilwell completed the acquisition of 80% of Nelson, an investment adviser and manager based in the United Kingdom. Nelson provides investment advice and investment management services in the United Kingdom primarily to individuals who are retired or contemplating retirement. Nelson managed approximately $1.3 billion ((Pound)844 million) in assets as of December 31, 1999. The acquisition, which was accounted for as a purchase, was completed using a combination of

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cash, KCSI Common Stock and notes payable. The KCSI Common Stock issued in connection with the transaction has been reflected as a contribution from KCSI to Stilwell in the consolidated financial statements. The total purchase price was approximately $33 million, and the amount in excess of the fair market value of the net tangible and identifiable intangible assets received was recorded as goodwill, to be amortized over a period of 20 years. If the acquisition of Nelson had been completed January 1, 1998, inclusion of Nelson's results on a pro forma basis would not have been material to Stilwell's consolidated results of operations for the year ended December 31, 1998.

1999

For the year ended December 31, 1999, Nelson reported a net loss of $1.4 million compared to net income of $0.6 million for the period from acquisition to December 31, 1998 (exclusive of holding company amortization costs attributed to the investment in Nelson in both years). This decline resulted from Nelson's efforts to expand its revenue base through the use of its proprietary investment services in broader markets, as well as through brand-awareness and marketing programs initiated late in second quarter 1999. Revenues, which are earned based on a percentage of funds under management together with a fee on the client's initial investment, were higher in 1999 compared to 1998 due to higher assets under management and inclusive of a full year of Nelson revenues. Costs were higher in 1999, indicative of Nelson's growth efforts. Specifically, increases occurred in salaries and wages (reflecting growth in the number of employees), administration costs (infrastructure and training efforts) and advertising costs.

1998

Nelson contributed $0.6 million to consolidated net income in 1998 (exclusive of the $1.3 million of holding company amortization charges attributed to the investment in Nelson), reflecting the nine months of results since being acquired by KCSI. Nelson revenues were $11.1 million for the period from acquisition to year end 1998. Operating expenses, exclusive of amortization of intangibles, totaled $9.9 million. The intangible amounts associated with the acquisition of Nelson are being amortized over a 20 year period.

EQUITY IN EARNINGS OF DST

Equity earnings from DST totaled $44.4 million for 1999 versus $30.6 million in 1998 (exclusive of one-time fourth quarter merger-related charges). Improvement in revenues, operating margins and DST's equity earnings of unconsolidated affiliates contributed to this increase year to year, as did the required capitalization of internal use software development costs totaling approximately $20.9 million (DST's pretax total). Consolidated DST revenues increased 9.8% over the prior year, reflecting higher financial services and output solutions revenues. U.S. mutual fund shareowner accounts processed increased to 56.4 million compared to 49.8 million as of December 31, 1998.

Exclusive of the one-time fourth quarter merger-related charges resulting from the DST and USCS merger, equity earnings from DST increased $6.3 million to $30.6 million for the year ended December 31, 1998. This improvement over 1997 was attributable to revenue growth resulting from a 10.7% increase in mutual fund shareowner accounts serviced (reaching 49.8

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million at December 31, 1998), improved international operating results and higher operating margins year to year (15.1% versus 14.2% in 1997).

As discussed in the "Significant Developments" section above, fourth quarter and year ended 1998 include a one-time $23.2 million (after-tax) non-cash charge resulting from the merger of a wholly-owned subsidiary of DST and USCS. This charge reflects Stilwell's reduced ownership of DST (from 41% to approximately 32%), together with Stilwell's proportionate share of DST and USCS fourth quarter merger-related costs.

INTEREST EXPENSE AND OTHER, NET

Fluctuations in interest expense from 1997 through 1999 reflect declining average debt balances over the period. The effect on interest resulting from these lower balances was partially offset by a modest increase in charges on other interest-bearing balances during the three year period. Interest expense in 1999 reflects this trend as the decline in debt-related interest from 1998 exceeded the increase resulting from higher average balances for other interest- bearing balances. Average debt balances in 1998 were lower than 1997 due to repayments of outstanding balances early in 1998; accordingly, 1998 interest expense declined from 1997. Interest expense in 1997 reflected borrowings in connection with KCSI common stock repurchases.

Other, net for full year 1999 increased $17.1 million compared to 1998, exclusive of the $8.8 million (pretax) gain on the sale of Janus' 50% interest in IDEX Management, Inc. ("IDEX"). Janus continues as sub-advisor to the five portfolios in the IDEX group of mutual funds it served prior to the sale. This increase year-to-year resulted from the following: i) realized gains by Janus and Berger on the sale of short-term investments; ii) higher interest income resulting from an increase in cash; iii) an increase in investment income; and iv) gains resulting from the issuance of Janus shares to certain of its employees. Other, net increased in 1998 versus 1997 as a result of the gain on the sale of IDEX, partially offset by reduced 1998 other income recorded at the financial services holding company level relating to a sales agreement with a former affiliate.

STILWELL TRENDS AND OUTLOOK

Stilwell's earnings and cash flows are heavily dependent on prevailing financial market conditions. Significant increases or decreases in the various securities markets, particularly the equity markets, can have a material impact on Stilwell's results of operations, financial condition and cash flows.

Additionally, Stilwell results are affected by the relative performance of Janus, Berger and Nelson products, introduction and market reception of new products, as well as other factors, including increases in the rate of return of alternative investment products, increasing competition as the number of mutual funds continues to grow, and changes in marketing and distribution channels.

As a result of the rapid revenue growth during the last two years, Stilwell's operating margins have been strong. Management expects that Stilwell will experience margin pressures in the future as the various subsidiaries strive to ensure that the operational and administrative infrastructure continues to meet the high standards of quality and service historically provided to investors.

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Stilwell expects to continue to participate in the earnings or losses from its DST investment.

LIQUIDITY

Summary cash flow data is as follows (in millions):

	Year Ended December 31,			Three Months Ended March 31,	
	1997	1998	1999	1999	2000
Cash flows provided by (used for):					
Operating activities	$147.4	$176.0	$ 358.2	$ 89.2	$ 189.4
Investing activities	(15.4)	(51.9)	(45.2)	(7.3)	(38.7)
Financing activities	(91.1)	(95.3)	(127.4)	(75.2)	(124.1)
Net increase in cash and cash equivalents	40.9	28.8	185.6	6.7	26.6
Cash and cash equivalents at beginning of period	68.8	109.7	138.5	138.5	324.1
Cash and cash equivalents at end of period	$109.7	$138.5	$ 324.1	$145.2	$ 350.7

OPERATING CASH FLOWS. Stilwell's cash flow from operations has historically been positive and sufficient to fund operations, property acquisitions, and investments in and loans with affiliates. Borrowings from KCSI, when necessary, have typically been used in connection with acquisitions and the KCSI Common Stock repurchase program.

The following table summarizes consolidated operating cash flow information.

(in millions):

	Year Ended December 31,			Three Months Ended March 31,	
	1997	1998	1999	1999	2000
Net income	$118.0	$152.2	$313.1	$ 61.0	$188.7
Depreciation and amortization	13.1	16.8	35.4	6.8	15.6
Equity in undistributed earnings	(24.7)	(24.7)	(46.4)	(11.1)	(18.8)
Reduction in ownership of DST	--	29.7	--	--	--
Asset impairment charges	15.7	--	--	--	--
Gain on sale of Janus common stock	--	--	--	--	(15.1)
Employee deferred compensation	8.7	3.8	5.2	(3.6)	1.0
Deferred income taxes	(4.4)	(12.4)	11.8	7.9	27.5

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Minority interest in consolidated earnings	24.9	33.4	57.3	11.2	27.3
Change in working capital items	(4.2)	(12.3)	10.4	22.2	17.2
Deferred Commissions	--	--	(29.5)	(8.1)	(44.7)
Other	0.3	(10.5)	0.9	2.9	(9.3)
Net operating cash flow	$147.4	$176.0	$358.2	$ 89.2	$189.4

Operating cash flow for the three months ended March 31, 2000 exceeded comparable 1999 by $100.2 million, primarily due to higher net income (including one-time gain from litigation settlement) partially offset by deferred commission payments in 2000. Operating cash flows for the year ended December 31, 1999 exceeded 1998 by $182.2 million, primarily due to higher net income, partially offset by deferred commission payments by Janus from sales of Janus World Fund shares. Operating cash flows for the year ended December 31, 1998 increased by $28.6 million compared to 1997. This increase was attributable to higher ongoing earnings in 1998, offset by various changes in working capital items.

INVESTING CASH FLOWS. Stilwell used investing cash for property acquisitions of $5.8, $35.0 and $50.5 million in 1997, 1998 and 1999, respectively, and $7.7 and $31.5 million during the three months ended March 31, 1999 and 2000, respectively. The significant increase in property acquisitions in 1998, 1999 and first quarter 2000 reflects the infrastructure enhancements at Janus. Investments in and loans with affiliates totaled $12.0, $24.3 and $17.5 million during 1997, 1998 and 1999, respectively. The 1998 activity reflects the acquisition of Nelson in April. The 1999 activity relates to repurchases of Janus common stock by Janus, which resulted in additional goodwill associated with the Stilwell Financial Inc. investment in Janus. Net sales of investments in advised funds in 1999 were $16.6 million compared to net purchases of $2.2 million in 1998 and $1.4 million in 1997. Stilwell reported $6.8 million in net purchases of investments in advised funds during first quarter 2000 versus no activity during first quarter 1999.

FINANCING CASH FLOWS. For the years ended December 31, 1997, 1998 and 1999, the net activity with KCSI resulted in cash payments to KCSI of $73.7, $55.1 and $89.3 million, respectively. For the three months ended March 31, 1999 and 2000, the net activity with KCSI resulted in cash payments to KCSI of $53.4 million and cash receipts from KCSI of $7.6 million, respectively. Generally, net outflows to KCSI represent dividends received by Stilwell from Janus and Berger treated as passed through to KCSI (after satisfaction of ongoing Stilwell operational obligations), as well as repayments of indebtedness to KCSI. In 1998, the net activity declined from 1997 reflecting the repayment of indebtedness to KCSI, partially offset by amounts treated as transfers to Stilwell associated with Stilwell's acquisition of 80% of Nelson.

During the period from 1997 to 1999, the amount of distributions to minority stockholders has continued to grow based on improved earnings at Janus. During that period, Janus distributed at least 90% of its net income to its stockholders each year.

See discussion under "Minority Purchase Agreements" for information relative to existing contingencies and "Capital-Stilwell/KCSI Credit Agreements" for information on the assumption by Stilwell of $125 million of indebtedness in January 2000.

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CAPITAL STRUCTURE

CAPITAL REQUIREMENTS. Capital requirements, when necessary, for Janus, Berger, Nelson and other subsidiaries have been funded with cash flows from operations and negotiated term financing.

During 1998, Janus opened a new facility in Austin, Texas as an investor service and data center for transfer agent operations, allowing for continuous service in the event the Denver facility is unavailable. Also, throughout the period from 1997 to 1999, Janus has continued efforts to upgrade and expand its information technology and facilities infrastructure (as discussed in detail above). These efforts were generally funded with existing cash flows.

CAPITAL

Components of capital are shown as follows (in millions):

	December 31, 1997	1998	March 31, 1999	2000
Debt due within one year	$ 0.1	$ --	$ --	$ --
Long-term debt (third parties and KCSI)	84.1	16.6	--	--
Total debt (third parties and KCSI)	84.2	16.6	--	--
Stockholder's equity	348.3	540.2	814.6	889.0
Total debt plus equity	$432.5	$556.8	$814.6	$889.0
Total debt as a percent of total debt plus equity	19.5%	3.0%	0.0%	0.0%

During the period from December 31, 1997 to March 31, 2000, Stilwell's consolidated debt ratio (total debt as a percent of total debt plus equity) declined as a result of debt repayments and increased earnings. Also, positive non-cash equity adjustments related to unrealized gains (net of deferred income tax) on "available for sale" securities held primarily by DST contributed to higher equity.

Management anticipates that the debt ratio will remain low as a result of profitable operations and positive operating cash flows (subject to, among others, any stock repurchase programs approved by Stilwell's Board of Directors, acquisitions using debt and/or any required funding pursuant to mandatory put rights under the Janus minority purchase agreements -- see below). Note, however, that unrealized gains on "available for sale" securities held by Stilwell and DST, which are included net of deferred income taxes as accumulated other comprehensive income, are contingent on market conditions and thus, are subject to significant fluctuations in value.

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Significant declines in the value of these securities would negatively impact stockholder's equity and impact Stilwell's debt ratio.

STILWELL / KCSI CREDIT AGREEMENTS. In May 1998, KCSI established the Credit Facility assumable by Stilwell for its use upon separation of KCSI's two business segments. On May 14, 1999 KCSI renewed the Credit Facility. The Credit Facility has been transferred to Stilwell. The Credit Facility contains interest rates below prime and terms which can be fixed up to the expiration date. At December 31, 1999, the full $100 million was available under the Credit Facility. Management elected to not renew the Credit Facility upon its expiration on May 13, 2000.

On January 11, 2000, KCSI arranged a new $200 million 364-day senior unsecured competitive Advance/Revolving Credit Facility ("New Credit Facility"). KCSI borrowed $125 million under this facility and used the proceeds to retire other debt obligations. Stilwell has assumed the New Credit Facility, including the $125 million borrowed thereunder, thereby reducing its stockholders' equity. Upon such assumption, KCSI was released from all obligations, and Stilwell became the sole obligor, under the New Credit Facility. Stilwell may assign and delegate all or a portion of its rights and obligations under the New Credit Facility to one or more of its domestic subsidiaries. In March 2000, Stilwell repaid the $125 million borrowed under the New Credit Facility.

Two borrowing options are available under the New Credit Facility: a competitive advance option, which is uncommitted, and a committed revolving credit option. Interest on the competitive advance option is based on rates obtained from bids as selected by Stilwell in accordance with the lenders' standard competitive auction procedures. Interest on the revolving credit option accrued based on the type of loan (e.g., Eurodollar, Swingline, etc.), with rates computed using LIBOR plus 0.35% per annum or, alternatively, the highest of the prime rate, the Federal Funds Effective Rate plus 0.005% or the Base Certificate of Deposit Rate plus 1%.

Stilwell, as a continuation of its practice of providing credit facilities to its subsidiaries, has provided an intercompany credit facility to Janus for use by Janus for general corporate purposes, effectively reducing the amount of the credit facilities available for Stilwell's other purposes. Stilwell may also require additional capital sooner than anticipated to the extent that Stilwell's operations do not progress as anticipated or if certain put rights are exercised by Janus stockholders. Stilwell intends to obtain any additional financing for general corporate purposes on substantially the same terms and conditions as the Credit Facility and New Credit Facility.

The credit facilities contain a number of covenants, including various financial covenants. With respect to the Credit Facility, Stilwell was in compliance with these various provisions, including the financial covenants, as of December 31, 1998 and 1999 and March 31, 2000. Because of certain financial covenants contained in the credit facilities, however, maximum utilization of Stilwell's lines of credit may be restricted. Based on financial information as of March 31, 2000, Stilwell would have the ability to fund the purchase of stock required if all such put rights had been exercised without, in management's judgment, causing a breach of any of Stilwell's current credit facility restrictions. See "Risk Factors-Stilwell May be Required to Purchase or Sell Janus Common Stock." Stilwell has not obtained the concurrence of its lenders with this judgment but the existence of the Janus put rights was

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disclosed to those lenders at the time they provided the existing credit facilities. In any event, if additional capital is needed for operations or the honoring of the Janus put rights, management would not necessarily rely on existing credit facilities but would likely seek to obtain additional financing on substantially the same terms and conditions as existing credit facilities.

MINORITY PURCHASE AGREEMENTS. A stock purchase agreement with Thomas H. Bailey ("Mr. Bailey"), Janus' Chairman, President and Chief Executive Officer, and another Janus stockholder (the "Janus Stock Purchase Agreement") and certain restriction agreements with other Janus minority stockholders contain, among other provisions, mandatory put rights whereby under certain circumstances, Stilwell would be required to purchase the minority interests of such Janus minority stockholders at a fair market value purchase price equal to fifteen times the net after-tax earnings over the period indicated in the relevant agreement, or in some circumstances as determined by an independent appraisal. The purchase price will be determined by independent appraisal if the appraisal process is elected by either the selling stockholder or Stilwell, except that no appraisal process is applicable to shares held by Mr. Bailey and one other stockholder. Under the Janus Stock Purchase Agreement, termination of Mr. Bailey's employment could require a purchase and sale of the Janus common stock held by him. If other minority holders terminated their employment, some or all of their shares also could be subject to mandatory purchase and sale obligations. Certain other minority holders who continue their employment also could exercise puts. If all of the mandatory purchase and sale provisions and all the puts under such Janus minority stockholder agreements were implemented, Stilwell would have been required to pay approximately $833 million as of March 31, 2000, compared to $789, $447 and $337 million at December 31, 1999, 1998 and 1997, respectively. In the future these amounts may be higher or lower depending on Janus' earnings, fair market value and the timing of the exercise. Payment for the purchase of the respective minority interests is to be made under the Janus Stock Purchase Agreement within 120 days after receiving notification of exercise of the put rights. Under the restriction agreements with certain other Janus minority stockholders, payment for the purchase of the respective minority interests is to be made 30 days after the later to occur of (i) receiving notification of exercise of the put rights or (ii) determination of the purchase price through the independent appraisal process.

The Janus Stock Purchase Agreement and certain stock purchase agreements and restriction agreements with other minority stockholders also contain provisions whereby upon the occurrence of a Change in Ownership (as defined in such agreements) of KCSI or Stilwell, Stilwell may be required to purchase such holders' Janus stock or, as to the stockholders that are parties to the Janus Stock Purchase Agreement, at such holders' option, to sell its Janus stock to such minority stockholders. The price for such purchase or sale would be at a fair market value purchase price equal to fifteen times the net after-tax earnings over the period indicated in the relevant agreement, or in some circumstances as determined by Janus' Stock Option Committee or as determined by an independent appraisal. If Stilwell had been required to purchase the holders' Janus common stock after a Change in Ownership as of March 31, 2000, the purchase price would have been approximately $1.14 billion (reduced by the amount paid upon exercise of any mandatory put rights) (see additional information in Note 13 to the Stilwell consolidated financial statements).

Stilwell would account for any such purchase as the acquisition of a minority interest under Accounting Principles Board Opinion No. 16, Business

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Combinations.

As of March 31, 2000, Stilwell had $200 million in credit facilities available and had cash balances at the Stilwell holding company level in excess of $147.5 million. The market value of Stilwell's 32% investment in DST was approximately $1.38 billion using DST's closing price on the New York Stock Exchange on May 22, 2000. Although Stilwell has no intention of converting this investment into cash, management believes that, if cash were needed to fund the purchase of Janus common stock from minority stockholders, it could liquidate its investment in DST within 120 days and receive approximately $826 million after taking into account payment of approximately $512 million in federal and state income taxes under current statutory rates, underwriting discounts and commissions estimated at $41 million and payment of associated transaction costs, estimated at $900,000. To the extent that available credit facilities, existing cash balances and proceeds from the liquidation of Stilwell's investment in DST were insufficient to fund its purchase obligations, Stilwell had access to the capital markets and, with respect to the Janus Stock Purchase Agreement, had 120 days to raise additional sums.

OVERALL LIQUIDITY. Stilwell's cash management approach generally reflects efforts to minimize cash balances through debt repayment, when applicable. Cash not required for immediate operating or investing activities will be utilized to repay indebtedness under lines of credit. This approach is used to help mitigate Stilwell's floating-rate debt exposure to fluctuations in interest rates. If all indebtedness has been paid, Stilwell generally invests cash in a money market or similar account.

Pursuant to the Janus Stock Purchase Agreement, Janus has distributed at least 90% of its net income to its stockholders each year. Stilwell uses its portion of these dividends in accordance with its strategic plans, which plans have included, among others, repayment of indebtedness to KCSI, funding in connection with KCSI's Common Stock repurchase program, and investments in affiliates. Subsequent to December 31, 1999, Janus' Board of Directors declared and Janus paid approximately $100 million in dividends, of which approximately $17.9 million was paid to minority stockholders.

Purchases of class B shares in the Janus World Funds require a commission to be advanced by Janus. Deferred commissions were not material to the December 31, 1998 consolidated financial statements. Funding during the year ended December 31, 1999 totaled $29.5 million and during the three months ended March 31, 2000 totaled $44.7 million. As funding requirements grow in future years, Janus expects to obtain a credit line either through assignment of the New Credit Facility (see above) or from third parties.

Stilwell believes it has adequate resources available - including a sufficient line of credit (within the financial covenants referred to above) and businesses which have historically been positive cash flow generators - to satisfy its operating and capital requirements, and the continuing business needs of Stilwell during 2000.

OTHER

JANUS CAPITAL CORPORATION

The Janus Stock Purchase Agreement, as amended, provides that so long as Mr. Bailey is a holder of at least 5% of the common stock of Janus and continues to be employed as President or Chairman of the Board of Janus (or,

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if he does not serve as President, James P. Craig, III serves as President and Chief Executive Officer or Co-Chief Executive Officer with Mr. Bailey), Mr. Bailey shall continue to establish and implement policy with respect to the investment advisory and portfolio management activity of Janus. The agreement also provides that, in furtherance of such objective, so long as both the ownership threshold and officer status conditions described above are satisfied, Stilwell will vote its shares of Janus common stock to elect directors of Janus, at least the majority of whom are selected by Mr. Bailey, subject to Stilwell's approval, which approval may not be unreasonably withheld. The agreement further provides that any change in management philosophy, style or approach with respect to investment advisory and portfolio management policies of Janus shall be mutually agreed upon by Stilwell and Mr. Bailey.

Stilwell does not believe Mr. Bailey's rights under the Janus Stock Purchase Agreement are "substantive," within the meaning of Issue 96-16 of the Emerging Issue Task Force ("EITF 96-16") of the Financial Accounting Standards Board, because Stilwell can terminate those rights at any time by removing Mr. Bailey as an officer of Janus. Stilwell also believes that the removal of Mr. Bailey would not result in significant harm to Stilwell based on the factors discussed below. Colorado law provides that removal of an officer of a Colorado corporation may be done directly by its stockholders if the corporation's bylaws so provide. While Janus' bylaws contain no such provision currently, Stilwell has the ability to cause Janus to amend its bylaws to include such a provision. Under Colorado law, Stilwell could take such action at an annual meeting of stockholders or make a demand for a special meeting of stockholders. Janus is required to hold a special stockholders' meeting upon demand from a holder of more than 10% of its common stock and to give notice of the meeting to all stockholders. If notice of the meeting is not given within 30 days of such a demand, the District Court is empowered to summarily order the holding of the meeting. As the holder of more than 80% of the common stock of Janus, Stilwell has the requisite votes to compel a meeting and to obtain approval of the required actions at such a meeting.

Stilwell has concluded, supported by an opinion of legal counsel, that it could carry out the above steps to remove Mr. Bailey without breaching the Janus Stock Purchase Agreement and that if Mr. Bailey were to challenge his removal by instituting litigation, his sole remedy would be for damages and not injunctive relief and that Stilwell would likely prevail in that litigation.

Although Stilwell has the ability to remove Mr. Bailey, it has no present plan or intention to do so, as he is one of the persons regarded as most responsible for the success of Janus. The consequences of any removal of Mr. Bailey would depend upon the timing and circumstances of such removal. Mr. Bailey could be required to sell, and Stilwell could be required to purchase, his Janus common stock, unless he were terminated for cause. Certain other Janus minority stockholders would also be able, and, if they terminated employment, required, to sell to Stilwell their shares of Janus common stock. The amounts that Stilwell would be required to pay in the event of such purchase and sale transactions could be material. See Note 13 to the Stilwell consolidated financial statements. Such removal would have also resulted in acceleration of the vesting of a portion of the shares of restricted Janus common stock held by other minority stockholders, having an approximate aggregate value of $16.3 million as of December 31, 1999.

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There may also be other consequences of removal that cannot be presently identified or quantified. For example, Mr. Bailey's removal could result in the loss of other valuable employees or clients of Janus. The likelihood of occurrence and the effects of any such employee or client departures cannot be predicted and may depend on the reasons for and circumstances of Mr. Bailey's removal. However, Stilwell believes that Janus would be able in such a situation to retain or attract talented employees because: (i) of Janus' prominence; (ii) Janus' compensation scale is at the upper end of its peer group; (iii) some or all of Mr. Bailey's repurchased Janus stock could be then available for sale or grants to other employees; and (iv) many key Janus employees must continue to be employed at Janus to become vested in currently unvested restricted stock valued in the aggregate (after considering additional vesting that would occur upon the termination of Mr. Bailey) at approximately $36 million as of December 31, 1999. In addition, notwithstanding any removal of Mr. Bailey, Stilwell would expect to continue its practice of encouraging autonomy by its subsidiaries and their boards of directors so that management of Janus would continue to have responsibility for Janus' day-to-day operations and investment advisory and portfolio management policies and, because it would continue that autonomy, Stilwell would expect many current Janus employees to remain with Janus.

With respect to clients, Janus' investment advisory contracts with its clients are terminable upon 60 days' notice and in the event of a change in control of Janus. Under certain circumstances a material reduction in the ownership of Janus common stock by Mr. Bailey or his departure from Janus by removal, death, or resignation could be a change of control, resulting in an assignment, because he has contractual rights to select a majority of the directors of Janus, pursuant to the Janus Board Selection Rights. Under the 1940 Act, "control" is defined as "the power to exercise a controlling influence over the management or policies of a company, unless such power is solely the result of an official position with the company." The 1940 Act establishes a presumption that any person who owns less than 25% of the voting securities of a company does not control that company. Since Mr. Bailey owns less than 25% of Janus, he is presumed to not control Janus. That presumption can be rebutted by evidence but, under the 1940 Act, it continues until the SEC issues an order determining that the presumption has been rebutted. The SEC has issued such an order in the past with regard to a holder of less than 25% of the voting securities of a company, but on facts much different from Mr. Bailey's circumstances. The SEC has not issued such an order with respect to Mr. Bailey and it is unclear whether it would do so. If the SEC were to issue such an order, Mr. Bailey's departure from Janus, or a material reduction in his ownership of Janus common stock, which eliminated his Janus Board Selection Rights could be deemed a change in control of Janus. Such a change in control would result, under the 1940 Act and under the Advisers Act, in an assignment and termination of Janus' investment advisory contracts, requiring approval of fund shareowners and other advisory clients to obtain new agreements. However, in view of Janus' investment record, Stilwell has concluded it is reasonable to expect that in such an event most of Janus' clients would renew their investment advisory contracts, requiring approval of fund shareowners and other advisory clients to obtain new agreements. This conclusion is reached because (i) Janus relies on a team approach to investment management and development of investment expertise, (ii) Mr. Bailey has not served as a portfolio manager for any Janus fund for several years, (iii) a succession plan exists under which Mr. James P. Craig, III would succeed Mr. Bailey, and (iv) Janus should be able to continue to attract talented portfolio managers. It is reasonable to expect that Janus' clients' reaction will depend on the circumstances,

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including, for example, how much of the Janus team remained in place and what investment advisory alternatives were available.

The Janus Stock Purchase Agreement and other agreements provide for rights of first refusal on the part of Janus minority stockholders, Janus and Stilwell, with respect to certain sales of Janus stock. These agreements also require Stilwell to purchase the shares of Janus minority stockholders in certain circumstances. In addition, in the event of a Change in Ownership of Stilwell, as defined in the Janus Stock Purchase Agreement, Stilwell may be required to sell its stock of Janus to the stockholders who are parties to such agreement or to purchase such holders' Janus stock. In the event Mr. Bailey were terminated for any reason within one year following a Change in Ownership, he would be entitled to a severance payment, amounting, at December 31, 1999, to approximately $2 million. Purchase and sales transactions under these agreements are to be made based upon a multiple of the net earnings of Janus and/or other fair market value determinations, as defined therein. See Note 13 to the Stilwell consolidated financial statements.

Some Janus officers and directors serve as officers and/or directors of certain of the registered investment companies to which Janus acts as investment advisor.

Year 2000.

The Year 2000 discussion below contains forward-looking statements, including those concerning Stilwell's plans and expected completion dates, cost estimates, assessments of Year 2000 readiness for Stilwell as well as for third parties, and the potential risks of any failure on the part of Stilwell or third parties to be Year 2000 ready on a timely basis. Forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ from those projected. See additional information in the opening paragraph under "Introduction" in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the opening paragraph under "Risk Factors" in this Information Statement.

CURRENT STATUS. Stilwell and its subsidiaries experienced no material year 2000 related issues when the date moved to January 1, 2000, nor have any issues arisen as of the date of this Information Statement. Although this initial transition to year 2000 occurred without adverse effects, there still exists possible year 2000 issues for those applications, systems, processes and system hardware which have yet to be used in live activities and transactions. Stilwell continues to evaluate and pursue discussions with its various customers, partners and vendors with respect to Year 2000 issues, and all such parties may not be Year 2000 ready. While Stilwell cannot fully determine its impact, the inability of its computer systems to operate properly in year 2000 could result in significant difficulties in processing and completing fundamental transactions. In such events, Stilwell's results of operations, financial position and cash flows could be materially adversely affected.

GENERAL. Many existing computer programs and microprocessors that use only two digits (rather than four) to identify a year could fail or create erroneous results with respect to dates after December 31, 1999 if not corrected to read all four digits. This computer program flaw is expected to affect all companies and organizations, either directly (through a company's

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own computer programs or systems that use computer programs, such as telephone systems) or indirectly (through customers and vendors of the company).

Stilwell (including its subsidiaries and affiliates) depends upon its computer and other systems and the computers and other systems of third parties to conduct and manage its businesses. Additionally, Stilwell's products and services are heavily dependent upon using accurate dates in order to function properly. These Year 2000 related issues may also adversely affect the operations and financial performance of one or more of Stilwell's customers and suppliers as well as the companies in which Janus, Berger and Nelson invest. As a result, the failure of Stilwell's computer and other systems, products or services, the computer systems and other systems upon which Stilwell depends, or Stilwell's customers, suppliers or the companies in which Janus, Berger and Nelson invest to be Year 2000 ready could have a material adverse impact on Stilwell's results of operations, financial position and cash flows. Stilwell is unable to assess the extent or duration of that impact at this time, but they could be substantial.

KEY AREAS AND PROGRESS. The following provides a summary of each area and the progress toward identifying and resolving Year 2000 issues:

IT SYSTEMS. The IT systems (including mission critical and significant non- critical operating, accounting and supporting systems) and underlying hardware for Stilwell have operated in the year 2000 and no material failures or problems have arisen.

NON-IT SYSTEMS. All equipment that contains an internal clock or embedded micro-processor has been analyzed for Year 2000 and replacement and upgrades of this type of equipment is completed.

THIRD PARTY SYSTEMS. Stilwell depends heavily on third party systems in the operation of its businesses. As part of the Year 2000 project, significant third party relationships were evaluated to determine the status of their Year 2000 readiness and the potential impact on Stilwell's operations if those significant third parties fail to become Year 2000 ready.

Both Janus and Berger participated in various industry-wide efforts and were required to periodically report to the SEC their progress with respect to Year 2000 preparedness. Transactions and other activities have been successfully performed in the year 2000 for certain third party entities. Stilwell will continue to monitor its third party relationships for Year 2000 issues.

TESTING AND DOCUMENTATION PROCEDURES. All material modifications to IT and non-IT systems are being documented and maintained by the project teams for purposes of tracking the Year 2000 project and as a part of Stilwell's due diligence process.

YEAR 2000 RISKS. Stilwell continues to evaluate the principal risks associated with its IT and non-IT systems, as well as third party systems if they were not to operate properly in the Year 2000. Areas that could be affected include, but are not limited to, the ability to accurately track pricing and trading information, obtain and process customer orders and investor transactions, order and obtain critical supplies, and operate equipment and control systems. In addition, the investment performance of

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various funds could be adversely affected if the trading prices of the capital stock of a number of companies within such funds are lower as a result of Year 2000 related issues. Stilwell has no basis to form an estimate of costs or lost revenues at this time.

Stilwell believes, however, that the risks involved with the successful completion of its Year 2000 conversion relate primarily to available resources and third party readiness. Stilwell has allocated substantial resources to the Year 2000 project and believes that it is adequately staffed by employees, consultants and contractors.

Based on work performed and information received, Stilwell believes its key suppliers, customers and other significant third party relationships are prepared for the Year 2000 in all material respects (or that acceptable alternatives are available); however, management of Stilwell makes no assurances that all such parties are Year 2000 compliant.

In the event that Stilwell or key third parties are not Year 2000 ready, Stilwell's results of operations, financial position and cash flows could be materially adversely affected.

CONTINGENCY PLANS. Stilwell and its subsidiaries have identified alternative plans in the event that the Year 2000 project is not completed on a timely basis or otherwise does not meet anticipated needs. Stilwell has made alternative arrangements in the event that critical suppliers, customers, utility providers and other significant third parties are not Year 2000 ready.

YEAR 2000 COSTS. Through December 31, 1999, Stilwell has spent approximately $13 million in connection with ensuring that all computer programs are compatible with Year 2000 requirements. Stilwell anticipates future spending of less than $1 million in connection with this process. Current accounting principles require all costs associated with Year 2000 issues to be expensed as incurred. A portion of these costs will not result in an increase in expense to Stilwell because existing employees and equipment are being used to complete the project.

FOREIGN EXCHANGE MATTERS AND OTHER FINANCIAL INSTRUMENTS. In connection with Stilwell's investment in Nelson, an 80% owned subsidiary operating in the United Kingdom, and Janus' investment in Janus International (UK) Limited ("Janus UK"), matters arise with respect to financial accounting and reporting for foreign currency transactions and for translating foreign currency financial statements into U.S. dollars. Stilwell and Janus follow the requirements outlined in Statement of Financial Accounting Standards No. 52 "Foreign Currency Translation", and related authoritative guidance.

Nelson's and Janus UK's financial statements are accounted for using the British pound as the functional currency. Any gains or losses arising from transactions not denominated in the British pound are recorded as a foreign currency gain or loss and included in the results of operations of the respective companies. The translation of those companies' financial statements from the British pound into the U.S. dollar results in an adjustment to accumulated other comprehensive income. At December 31, 1998 and 1999, the cumulative translation adjustment was not material.

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Stilwell continues to evaluate existing alternatives with respect to utilizing foreign currency instruments to hedge its U.S. dollar investment in Nelson as market conditions change or exchange rates fluctuate. At March 31, 2000, Stilwell had no material outstanding foreign currency hedging instruments. Stilwell intends to respond to evolving business and market conditions in order to manage risks and exposures associated with Stilwell's various operations.

NEW ACCOUNTING PRONOUNCEMENTS

DERIVATIVE INSTRUMENTS. In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). FAS 133 establishes accounting and reporting standards for derivative financial instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires recognition of all derivatives as either assets or liabilities measured at fair value. Pursuant to an amendment by the FASB, FAS 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 2000 and should not be retroactively applied to financial statements of periods prior to adoption.

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SEGMENT DISCLOSURES. In 1998, Stilwell adopted the provisions of Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information" ("FAS 131"). FAS 131 establishes standards for the manner in which public business enterprises report information about operating segments in annual financial statements and requires disclosure of selected information about operating segments in interim financial reports issued to stockholders. FAS 131 also establishes standards for related disclosures about products and services, geographic areas and major customers. The adoption of FAS 131 did not have a material impact on the disclosures of Stilwell.

COMPREHENSIVE INCOME. Effective January 1, 1998, Stilwell adopted the provisions of Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" ("FAS 130"), which establishes standards for reporting and disclosure of comprehensive income and its components in the financial statements. Prior year information has been included pursuant to FAS 130. Stilwell's other comprehensive income consists primarily of unrealized gains and losses relating to investments held by Stilwell and DST as "available for sale" securities as defined by FAS 115. Stilwell records its proportionate share of any unrealized gains or losses related to these investments, net of deferred income taxes, in stockholder's equity as accumulated other comprehensive income. The unrealized gain related to these investments increased $42.6, $39.5 and $63.8 million ($25.9, $24.3 and $39.3 million, net of deferred income taxes) for the years ended December 31, 1997, 1998 and 1999, respectively. The unrealized gain related to these investments increased $0.3 and $8.0 million ($0.2 and $5.0 million, net of deferred income taxes) for the three months ended March 31, 1999 and 2000, respectively.

MINORITY RIGHTS. EITF 96-16 of the FASB reached a consensus that substantive "participating" minority rights which provide the minority stockholder with the right to effectively control significant decisions in the ordinary course of an investee's business could impact whether the majority stockholder should consolidate the investee. After evaluation of the rights of the minority stockholders of its consolidated subsidiaries and in particular the contractual rights of Mr. Bailey described in "Other--Janus Capital Corporation," KCSI management concluded that application of EITF 96-16 did not affect the Company's consolidated financial statements.

INTERNALLY DEVELOPED SOFTWARE. In 1998, Stilwell adopted the guidance outlined in American Institute of Certified Public Accountant's Statement of Position 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). SOP 98-1 requires that computer software costs incurred in the preliminary project stage, as well as training and maintenance costs be expensed as incurred. This guidance also requires that direct and indirect costs associated with the application development stage of internal use software be capitalized until such time that the software is substantially complete and ready for its intended use. Capitalized costs are to be amortized on a straight line basis over the useful life of the software. The adoption of this guidance did not have a material impact on Stilwell's results of operations, financial position or cash flows.

LITIGATION. From time to time Stilwell is involved in various legal actions arising in the normal course of business. While the outcome of the various legal proceedings involving Stilwell cannot be predicted with

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certainty, it is the opinion of management (after consultation with legal counsel) that the litigation reserves of Stilwell are adequate and that legal actions involving Stilwell and ultimate resolution of these matters will not be material to Stilwell's consolidated financial position, results of operations or cash flows.

REGULATORY INFLUENCE. Virtually all aspects of Stilwell's business is subject to various laws and regulations. Applicable laws include the 1940 Act, the Investment Advisers Act of 1940, as amended (the "Advisers Act"), the Securities Act, the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and various state securities and related laws (including laws in the United Kingdom). Applicable regulations include, but are not limited to, in the United States, the rules and regulations of the SEC, the Department of Labor (the "DOL"), securities exchanges and the National Association of Securities Dealers (the "NASD") and in the United Kingdom, the Investment Management Regulatory Organization Limited ("IMRO"), the Personal Investment Authority ("PIA") and the Financial Services Authority ("FSA"). While management of Stilwell is required to devote substantial time and effort in regulatory compliance issues, Stilwell does not foresee that such compliance under present statutes will impair its competitive capability or result in any material effect on results of operations.

INFLATION. Inflation has not had a significant impact on Stilwell's operations in the past three years. Generally accepted accounting principles require the use of historical costs. Replacement cost and related depreciation expense of Stilwell's property would be higher than the historical costs reported. Any increase in expenses from these fixed costs, coupled with variable cost increases due to significant inflation, would be difficult to recover through price increases given the competitive environments of Stilwell's principal subsidiaries.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Stilwell utilizes various financial instruments which entail certain inherent market risks. Generally, these instruments have not been entered into for trading purposes. The following information, together with information included in other parts of this Management's Discussion and Analysis of Financial Condition and Results of Operations, describe the key aspects of certain financial instruments which have market risk to Stilwell.

INTEREST RATE SENSITIVITY

Stilwell's interest sensitive liabilities include its long-term floating-rate debt obligations. At December 31, 1998 and 1999, Stilwell had no indebtedness outstanding under any line of credit.

FOREIGN EXCHANGE SENSITIVITY

Stilwell owns 80% of Nelson, a United Kingdom based financial services corporation and Janus indirectly owns 100% of Janus UK. In connection with these investments, matters arise with respect to financial accounting and reporting for foreign currency transactions and for translating foreign currency financial statements into U.S. dollars. Therefore, Stilwell is exposed to fluctuations in the value of the British pound.

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As the relative price of the British pound fluctuates versus the U.S. dollar, Stilwell's proportionate share of the earnings or losses of the respective companies is affected. The following table provides an example of the potential impact of a 10% change in the price of the British pound assuming that Nelson and Janus UK each have earnings of $1,000 and using ownership interests at December 31, 1998. The British pound is the functional currency.

	Nelson	Janus UK
Assumed Earnings	(Pound) 1,000	(Pound) 1,000
Exchange Rate (to U.S. $)	0.5 to 1	0.5 to 1
Converted U.S. Dollars	$2,000	$2,000
Stilwell Ownership Percentage of Nelson and Janus UK	80%	100%
Assumed Earnings	$1,600	$2,000
Assumed 10% increase in Exchange Rate	0.55 to 1	0.55 to 1
Converted to U.S. Dollars	$1,818	$1,818
Stilwell Ownership Percentage of Nelson and Janus UK	80%	100%
Assumed Earnings	$1,454	$1,818
Effect of 10% increase in Exchange Rate	$ (146)	$ (182)

The impact of changes in exchange rates on the balance sheet are reflected in a cumulative translation adjustment account as a part of accumulated other comprehensive income and do not affect earnings.

While not currently utilizing foreign currency instruments to hedge its U.S. dollar investment in Nelson, Stilwell continues to evaluate existing alternatives with respect to its investment in Nelson as market conditions and exchange rates fluctuate.

AVAILABLE FOR SALE INVESTMENT SENSITIVITY

Both Janus and Berger invest a portion of the revenues earned from providing investment advisory services in certain of their respective non-money market sponsored funds. These investments are classified as available for sale securities pursuant to FAS 115. Accordingly, these investments are carried in Stilwell's consolidated financial statements at fair market value and are subject to the investment performance of the underlying sponsored fund. Any unrealized gain or loss is recognized upon the sale of the investment.

Additionally, DST, a 32% owned equity investment, holds available for sale investments which may affect Stilwell's consolidated financial statements. Similarly to the Janus and Berger securities, any changes to the market value of the DST available for sale investments are reflected, net of deferred income tax, in DST's "accumulated other comprehensive income"

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component of its equity. Accordingly, Stilwell records its proportionate share of this amount as part of the investment in DST. While these changes in market value do not result in any impact to Stilwell's consolidated results of operations currently, upon disposition by DST of these investments, Stilwell will record its proportionate share of the gain or loss as a component of equity earnings.

EQUITY PRICE SENSITIVITY

As noted above, Stilwell owns 32% of DST, a publicly traded company. While changes in the market price of DST are not reflected in Stilwell's consolidated results of operation or financial position, they may affect the perceived value of the Stilwell Common Stock. Specifically, the market value of DST shares at any given point in time multiplied by the number of shares owned by Stilwell provides an amount, which when divided by the outstanding number of shares of Stilwell Common Stock, derives a per share "value" presumably attributable to Stilwell's investment in DST. Fluctuations in this "value" as a result of changes in the DST market price may affect Stilwell's stock price.

The revenues earned by Janus, Berger and Nelson are dependent on the underlying assets under management in the funds to which investment advisory services are provided. The portfolio of investments included in these various funds include combinations of equity, bond, annuity and other types of securities. Fluctuations in the value of these various securities are common and are generated by numerous factors, including, among others, market volatility, the overall economy, inflation, changes in investor strategies, availability of alternative investment vehicles, government regulations and others. Accordingly, declines in any one or a combination of these factors, or other factors not separately identified, may reduce the value of investment securities and, in turn, the underlying assets under management on which Stilwell revenues are earned.

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BUSINESS

BACKGROUND

KCSI is a holding company that has owned and managed, through its direct and indirect subsidiaries, two principal business segments: rail transportation and financial services. ONLY THE FINANCIAL SERVICES SEGMENT IS INCLUDED IN THE DISTRIBUTION. The primary entities comprising the financial services segment are Janus, an approximately 81.5% owned subsidiary; Berger, of which SMI owns 100% of Berger preferred limited liability company interests and approximately 86% of the Berger regular limited liability company interests; Nelson, an 80% owned subsidiary; DST, an equity investment in which SMI holds an approximately 32% interest, and the Miscellaneous Corporations. Janus is the principal business of the financial services segment of KCSI, representing 97% of assets under management at December 31, 1999 and 95% of revenues and 91% of net income for the year ended December 31, 1999. The businesses which comprise the financial services segment offer a variety of asset management and related financial services to registered investment companies, retail investors, institutions and individuals.

After extensive review and discussion, the Board of Directors of KCSI concluded that it is in the best interests of KCSI and its stockholders for KCSI to focus on the rail transportation business and for a separate company to focus on the financial services business. See "The Distribution-Background and Reasons for the Distribution." On January 23, 1998, KCSI formed Stilwell as a holding company for the group of businesses and investments that comprised the financial services segment of KCSI. In connection with the Distribution, KCSI transferred to Stilwell KCSI's ownership interests in Janus, Berger, Nelson, DST, the Miscellaneous Corporations and certain other financial services-related assets, and Stilwell assumed all of KCSI's liabilities associated with the assets transferred, effective July 1, 1999.

STILWELL FINANCIAL INC.

Stilwell Financial Inc. is a holding company that manages its investments in the principal subsidiaries and equity investments more particularly described below and elsewhere in this Information Statement. The functions performed by Stilwell Financial Inc. include consolidated accounting; consolidated tax return preparation and filing; corporate secretarial functions; banking and financing; administration of retirement and stock option plans; internal auditing; investor relations; analysis and evaluation of acquisition and strategic business opportunities; insurance assessment and coverage and holding company legal services. Stilwell management does not have direct experience in mutual fund investment advisory or portfolio management services and will rely on it subsidiaries' managements to perform such functions. At Janus, Mr. Bailey will continue to establish and implement policy with respect to the investment advisory and portfolio management activity of that subsidiary, and has the right to select a majority of the directors of Janus, pursuant to the Janus Board Selection Rights.

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STILWELL'S PRINCIPAL SUBSIDIARIES AND EQUITY INVESTMENTS

JANUS CAPITAL CORPORATION

Janus and its adviser subsidiaries are investment advisers registered with the SEC or other regulatory bodies, and are the investment advisers or sub- advisers to the Janus Advised Funds and Janus Sub-Advised Funds and Private Accounts. As of March 31, 2000, Janus had total assets under management of $315.3 billion, of which $255.0 billion were in the Janus Advised Funds and the remainder were in the Janus Sub-Advised Funds and Private Accounts. Janus primarily offers equity portfolios to investors, which comprised approximately 95% of total assets under management for Janus and its affiliates at March 31, 2000. At that date, funds advised by Janus had approximately 5.4 million shareowner accounts. For the five-year period ended March 31, 2000, Janus' total assets under management increased 1,198 percent.

Janus Management Corporation was formed in 1969 by Mr. Bailey (Janus' current president and chairman) and served as the initial investment adviser to the Janus Advised Funds, which began selling shares in 1970. Janus Capital Corporation was incorporated on June 27, 1978 as Bailey & Griffiths, Ltd. (Bailey & Griffiths, Ltd. was the successor to an investment adviser partnership which originally was named Logan Capital Management). In 1984, Janus Management Corporation was merged into Janus Capital Corporation. In 1984 and 1985, KCSI acquired an 80% ownership interest in Janus. Subsequent sales of stock in 1995, 1997, 1998 and 1999 resulted in approximately 6% of Janus being owned by approximately 63 employees (subject to vesting), in addition to the 12% owned by Mr. Bailey, as of December 31, 1999.

Janus has four operating subsidiaries. One such subsidiary, Janus Service Corporation ("Janus Service"), provides administrative and shareowner services to the Janus Advised Funds, and is a registered transfer agent. Another subsidiary, Janus Distributors, Inc. ("Janus Distributors"), serves as a distributor of the Janus Advised Funds and is a registered broker-dealer. Janus Capital International, Ltd. ("Janus International"), is an investment advisor registered with the SEC. Janus International also provides marketing and client services for Janus World Funds outside of Europe. Janus UK, an England and Wales company, is an investment advisor for certain non-U.S. customers, including Janus World Funds, and is registered with the United Kingdom's IMRO. Janus UK conducts securities trading from London and handles marketing and client servicing for Janus World Funds in Europe.

The following table sets forth (in millions) beginning assets, the changes during each period and ending assets for the Janus Advised Funds and the Janus Sub-Advised Funds and Private Accounts.

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	Year Ended December 31,					Three Months Ended March 31,	
	1995	1996	1997	1998	1999	1999	2000
Janus Advised Funds:							
Beginning Assets	$18,013.2	$24,633.7	$37,123.0	$ 54,572.2	$ 86,983.3	$ 86,983.3	$200,019.6
Net Sales	1,487.8	7,487.0	9,141.6	11,848.0	46,328.7	11,783.3	35,361.5
Appreciation	5,132.7	5,002.3	8,307.6	20,563.1	66,707.6	11,550.3	19,600.7
Ending Assets	24,633.7	37,123.0	54,572.2	86,983.3	200,019.6	110,316.9	254,981.8
Janus Sub-Advised Funds and Private Accounts:							
Beginning Assets	4,848.2	6,495.3	9,551.2	13,224.6	21,274.3	21,274.3	49,494.2
Net Sales (redemptions)	(148.0)	1,812.4	1,576.1	1,529.3	10,037.9	1,491.3	6,725.6
Appreciation	1,795.1	1,243.5	2,097.3	6,520.4	18,182.0	3,754.5	4,057.9
Ending Assets	6,495.3	9,551.2	13,224.6	21,274.3	49,494.2	26,520.1	60,277.7
Total assets under management	$31,129.0	$46,674.2	$67,796.8	$108,257.6	$249,513.8	$136,837.0	$315,259.5

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JANUS INVESTMENT MANAGEMENT

Pursuant to investment advisory agreements with each of the Janus Advised Funds and the Janus Sub-Advised Funds and Private Accounts, Janus provides overall investment management services. The investment advisory agreements generally provide that Janus will furnish continuous advice and recommendations concerning investments and reinvestments in conformity with the investment objectives and restrictions of the applicable fund or account. With respect to the Janus Advised Funds and the Janus Sub-Advised Funds, each investment advisory agreement must be approved and renewed annually by the fund's Board of Directors or Trustees who are not "interested persons" (as defined in the 1940 Act) of any such party. Amendments to such agreements generally must be approved by a majority of the shareowners of the affected fund and a majority of the Trustees or Board of Directors of the affected fund, including the Trustees or Directors who are not "interested persons" of that fund or Janus. Each agreement automatically terminates in the event of its "assignment" (as defined in the 1940 Act or the Advisers Act) and either party may terminate the agreement without penalty after written notice. The Distribution is not expected to result in a change of control of Janus and therefore under the applicable rules of the SEC would not constitute such an assignment.

Janus derives its revenue and net income primarily from diversified investment advisory services provided to the Janus Advised Funds and the Janus Sub-Advised Funds and Private Accounts. For the year ended December 31, 1999, Janus derived approximately $944 million in revenue from investment advisory services, representing approximately 82% of total revenue for Janus. Investment advisory fees for the Janus Advised Funds and the Janus Sub-Advised Funds and Private Accounts are negotiated separately and subject to extreme market pressures. Such fees vary depending on the type of the fund or account and the size of the assets managed, with fee rates above specified asset levels being reduced. The fees for the Janus Advised Funds (exclusive of Janus World Funds, which has B share arrangements) generally range from .20% to .75% depending on the type of portfolio and the amount of assets under management. With respect to the Janus Advised Funds, Janus may from time to time agree to waive all or a portion of its management fees, agree to expense caps and/or waive all or a portion of the operating expenses for marketing reasons. Additional information on the services provided to and all fees payable by the Janus Advised Funds and the Janus Sub-Advised Funds is contained in the prospectus for each of the funds, copies of which are available from Janus. The Private Accounts' fees generally are computed on the basis of the market value of the assets managed at the end of the preceding month and generally are paid in arrears on a monthly basis.

The Janus Advised Funds and the Janus Sub-Advised Funds generally bear the expenses associated with the operation of each fund and the issuance and redemption of its securities, except that advertising, promotional, and sales expenses of the Janus Advised Funds are assumed by Janus. In particular, the expenses for the Janus Advised Funds and the Janus Sub-Advised Funds include but are not limited to investment advisory fees; shareowner servicing fees and expenses; transfer agent fees and expenses; custodian fees and expenses; legal and auditing fees; expenses of preparing, printing, and mailing prospectuses and shareowner reports distributed to existing shareowners; registration fees and expenses; proxy and annual meeting expenses (if any); and outside

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directors' fees and expenses. Certain of these services are furnished to the Janus Advised Funds by Janus Service. The investment advisory agreements with the Janus Advised Funds provide that the Janus Advised Funds reimburse Janus for expenses incurred by Janus in providing certain services to the Janus Advised Funds. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 15 to the Stilwell consolidated financial statements.

JANUS DISTRIBUTION SERVICES AND THIRD PARTY DISTRIBUTION

Pursuant to a distribution agreement, Janus Distributors acts as principal underwriter for and distributes the Janus Advised Funds. Janus expends substantial resources in media advertising and direct mail communications to its existing and potential Janus Advised Funds' shareowners and in providing a staff and telecommunications equipment to respond to inquiries via toll-free telephone lines. Such expenses, particularly advertising, are expected to continue to increase.

Janus Distributors acts pursuant to distribution agreements that must be approved and renewed annually by the Trustees or by vote of a majority of the outstanding securities of the Janus Investment Fund or, with respect to the retirement shares class of the Janus Aspen Series, the Janus Aspen Series, and, in any case, by vote of a majority of the Trustees who are not "interested persons" (as that term is defined in the 1940 Act) of the Janus Advised Funds. The distribution agreements are subject to termination by each fund or Janus Distributors (or, with respect to the retirement shares class of the Janus Aspen Series, by an individual portfolio) on 60 days' written notice and terminate automatically in the event of their "assignment" (as defined in the 1940 Act). The Distribution is not expected to result in a change of control of Janus and therefore under the applicable rules of the SEC would not constitute such an assignment. Janus Investment Fund does not compensate Janus Distributors for its services under the distribution agreement, but Janus Distributors may be reimbursed by Janus for certain expenses in distributing shares.

Many of the Janus funds are available through mutual fund supermarkets and other third party distribution channels. Such distribution channels provide an alternative to the direct sales approach utilized by Janus with most of its funds. All shareowner accounting and servicing is handled by the mutual fund supermarket or third party sponsor and Janus pays a fee equal to a percentage of the assets under management acquired through such distribution channels to the appropriate sponsor for these services. As of December 31, 1998 and 1999, approximately 30% and 33%, respectively, of total Janus assets under management were generated through these third party distribution channels.

JANUS ADMINISTRATIVE AND SHAREOWNER SERVICES

Pursuant to transfer agency agreements with each of the Janus Advised Funds, Janus Service performs accounting, recordkeeping and shareowner services for the funds and their shareowners. Each fund pays Janus Service fees for these services. Complete information on the services provided to and all fees payable by the Janus Advised Funds is contained in the prospectus for each of the funds, copies of which are available from Janus. The accounting services provided include maintaining all shareowner accounts; mailing shareowner reports and prospectuses; withholding taxes on nonresident

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alien and foreign corporation accounts; backup withholding for pension and deferred income; preparing and mailing checks for disbursement of income dividends and capital gains distributions; preparing and filing various U.S. Treasury Department forms (such as Form 1099-DIV and B) for all shareowners; preparing and mailing confirmation forms to shareowners and dealers with respect to all purchases and redemptions of shares and other transactions in shareowner accounts for which confirmations are required; recording reinvestments of dividends and distributions in shares; and, as necessary, preparing shareowner meeting lists; mailing proxies; and receiving and tabulating proxies.

Shareowner servicing functions include maintenance of a staff to respond to all telephone inquiries from existing shareowners. Janus Service has purchased or leased sophisticated telecommunications systems to handle inquiries from existing shareowners. "Intelligent" workstation applications, document imaging, an automated work distributor and an automated call management system are used by customer service and back office personnel. Additionally, Janus Service offers investors access to their accounts, with the ability to perform certain transactions, using touch tone telephones or personal computers. These services are supported through a distributed automated voice response system and an interactive Internet web site called www.janus.com.

In addition, Janus Service provides all administrative and operational support for the Janus Advised Funds, including accounting, tax reporting, compliance, institutional sales, in-house legal, marketing, public relations, and federal and blue sky registration and reporting.

The transfer agency agreements with each of the Janus Advised Funds must be approved and renewed annually by the Trustees of the Janus Advised Funds or by an affirmative vote of a majority of the outstanding voting securities of each of the Janus Advised Funds and in either case by vote of a majority of the Boards of Trustees who are not "interested persons" (as defined in the 1940 Act) of any such party. Amendments to the agreements of the Janus Advised Funds generally must be approved by a majority of the Trustees of the affected fund. Each agreement may only be assigned with the prior written consent of the other party and either party may terminate the agreement without penalty after written notice of at least 60 days.

From time to time, Janus Service contracts with DST to provide fund accounting and shareowner recordkeeping services to the Janus funds. In addition, DST Securities, Inc., a wholly-owned subsidiary of DST, is designated as an introductory broker on certain portfolio transactions.

JANUS PORTFOLIO MANAGEMENT AND RESEARCH

Janus' investment philosophy generally embraces a belief that the earnings growth of individual companies ultimately determines the valuation of their stock. For this reason, Janus' proprietary analysis is geared to understanding the earnings potential of the companies in which it invests. Janus believes that intensive research, focusing on the fundamental factors affecting the business prospects of companies, can uncover growth opportunities.

Janus portfolios are constructed one security at a time rather than in response to preset regional, country, economic sector, or industry diversification guidelines. Security selection is based on the earnings

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growth outlook for individual companies, wherever they may exist, with all other factors being a residual of the investment process. Likewise, cash position is a function of the ability to find attractive investment opportunities at reasonable valuations. Cash may occasionally build during periods of high equity valuations when otherwise appealing investments appear to be expensive relative to their growth prospects.

Emphasizing the proprietary work of Janus' own analysts, most research is performed in-house. Securities analysts follow a large universe of stocks, reviewing earnings reports, corporate and industry developments, trading activity, research reports and other data. For a smaller universe of companies, very close and continuing scrutiny is applied, including direct contacts with corporate management, analysis of contracts with competitors, customers and suppliers, frequent on-site visitation of facilities, media coverage, and other qualitative factors. Hundreds of individual companies are visited each year, and many more visit Janus' offices in Denver and London. Particularly close attention is paid to a company's stock on occasions when earnings estimates differ significantly from the rest of the investment community.

Janus does not employ a committee system of portfolio management. Subject to general oversight by the senior officer of the investment management group, each portfolio manager has autonomy in security selection and is able to implement portfolio decisions immediately with the goal of providing timeliness in trade execution.

Janus predominantly focuses on common stocks of two types of companies - those experiencing or expected to experience above-average unit growth relative to their peer group or the economy generally; and those realizing or expected to realize positive change as a result of catalysts such as new product development, an improved regulatory environment, changing demographics or strong management team. Restructurings, acquisitions or divestitures are also significant factors in analyzing a company's potential growth.

BERGER LLC

Berger is an investment adviser registered with the SEC and serves as an investment adviser to the Berger Growth Fund (formerly the Berger One Hundred Fund), the Berger Growth and Income Fund, the Berger Investment Portfolio Trust (comprising the Berger Small Company Growth Fund, the Berger New Generation Fund, the Berger Balanced Fund, the Berger Select Fund, the Berger Mid Cap Growth Fund, the Berger Mid Cap Value Fund and the Berger Information Technology Fund (offering investor and institutional share classes)), the Berger Omni Investment Trust (comprising the Berger Small Cap Value Fund (offering investor and institutional share classes)) the Berger Worldwide Portfolios Trust (comprising the Berger International Portfolio which serves as a master portfolio for the Berger International Fund, the International Equity Fund and the Berger International CORE Fund, all series of the Berger Worldwide Funds Trust) and the Berger Institutional Products Trust (comprising the Berger IPT- Growth Fund, Berger IPT-Growth and Income Fund, Berger IPT-Small Company Growth Fund, Berger IPT-New Generation Fund and Berger IPT-International Fund), all open end management investment companies (collectively, the "Berger Advised Funds"). Berger also serves as investment adviser to certain registered mutual funds and separate accounts (the "Berger Sub-Advised Funds and Private Accounts"). Berger owns 80% of B/B Isle in a

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joint venture with Bay Isle Financial Corporation. B/B Isle serves as investment adviser to the B/B Isle Separate Accounts. The Berger Advised Funds and Berger Sub-Advised Funds and Private Accounts are collectively referred to as the "Berger Funds." The Berger Advised Funds, Berger Sub-Advised Funds and Private Accounts, and B/B Isle Separate Accounts are collectively referred to as the "Berger Complex." As of March 31, 2000, the Berger Complex had total assets under management of $8.2 billion. Of this amount, Berger managed $7.4 billion in the Berger Advised Funds and $0.7 billion in the Berger Sub-Advised Funds and Private Accounts; and B/B Isle managed approximately $0.1 billion in the B/B Isle Separate Accounts. As of March 31, 2000, funds included in the Berger Complex had more than 258,000 shareowner accounts. For the five-year period ended March 31, 2000, assets under management in the Berger Complex increased by 173%. See "Business-Stilwell's Principal Subsidiaries and Equity Investments- Berger LLC."

Berger was incorporated on April 23, 1973 as Robert Fleming Services Corp. On May 22, 1973, Robert Fleming Services Corp. changed its name to Fleming Berger Associates, Inc. On February 23, 1975 the name was changed to Berger Associates, Inc. In 1974, Berger's predecessors began managing the Berger One Hundred Fund (renamed the Berger Growth Fund in 2000) and the Berger One Hundred and One Fund (renamed the Berger Growth and Income Fund in 1996). KCSI acquired a minority interest in Berger in 1992, which interest KCSI increased to over 80% in 1994, and then to 100% in 1997. During 1996, Berger entered into a joint venture agreement with Bank of Ireland Asset Management (US) Limited ("BIAM"), forming BBOI to develop and market a series of international and global mutual funds. In January 2000, BIAM and Berger agreed to dissolve BBOI, and in May 2000, the international fund shareholders, as well as international private accounts, agreed to new advisory and sub-advisory agreements with Berger and BIAM. In late 1998, Berger entered into a joint venture arrangement with Bay Isle Financial Corporation, forming B/B Isle to manage separate accounts, primarily large cap value accounts. The Berger Complex currently maintains eleven retail mutual fund products and eight institutional mutual fund products. On September 30, 1999, Berger Associates, Inc. assigned and transferred its operating assets and business to Berger LLC, and then changed its name to Stilwell Management, Inc. ("SMI"). SMI owns 100% of the preferred limited liability company interests and approximately 86% of the regular limited liability company interests of Berger LLC. The remaining 14% of regular limited liability company interests was issued to key SMI and Berger LLC employees, resulting in a noncash compensation charge. SMI also holds the 32% equity investment in DST.

Berger Distributors LLC, a wholly-owned subsidiary of Berger LLC ("Berger Distributors"), which converted from a Colorado corporation to a Colorado limited liability company on September 30, 1999 serves as distributor of the Berger Advised Funds and is a limited registered broker-dealer.

The following table sets forth (in millions) beginning assets, the changes during each period and ending assets for the Berger Advised Funds and the Berger Sub-Advised Funds and Private Accounts (including the B/B Isle Separate Accounts).

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	Year Ended December 31,					Three Months Ended March 31,	
	1995	1996	1997	1998	1999	1999	2000
Berger Advised Funds:							
Beginning assets	$2,870.6	$3,134.1	$3,311.3	$3,306.2	$3,483.8	$3,483.8	$6,024.0
Net sales (redemptions)	(340.3)	(188.7)	(472.8)	(227.0)	498.2	(163.0)	572.1
Appreciation	603.8	365.9	467.7	404.6	2,042.0	116.1	885.2
Ending assets	3,134.1	3,311.3	3,306.2	3,483.8	6,024.0	3,436.9	7,481.3
Berger Sub-Advised Funds and Private Accounts:							
Beginning assets	118.9	188.0	342.2	487.4	200.3	200.3	541.4
Net sales (redemptions)	53.6	119.1	31.0	(444.4)	101.4	(0.1)	112.0
Appreciation	15.5	35.1	114.2	157.3	239.7	15.7	106.3
Ending assets	188.0	342.2	487.4	200.3	541.4	215.9	759.7
Total assets under management	$3,322.1	$3,653.5	$3,793.6	$3,684.1	$6,565.4	$3,652.8	$8,241.0

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BERGER INVESTMENT MANAGEMENT

Berger provides investment advisory services to the Berger Funds. Such investment advisory services for both retail and institutional funds are provided pursuant to investment advisory agreements which have been approved by, and the continuation of which is approved on an annual basis by, each of the Board of Directors or Trustees of the Berger Advised Funds or by an affirmative vote of a majority of the outstanding voting securities of each of the Berger Advised Funds and in either case by vote of a majority of the Board of Directors or Trustees who are not "interested persons" (as that term is defined in the 1940 Act) of the Berger Advised Funds or Berger. The investment advisory agreements generally provide that Berger manage the investment and reinvestment of assets of the Berger Advised Funds in conformity with their investment objectives and restrictions. Amendments to such investment advisory agreements generally must by approved by a majority of the shareowners of the affected fund and a majority of the Trustees or Board of Directors of the affected fund, including the Trustees or Directors who are not "interested persons" (as defined in the 1940 Act) of that fund or Berger. The investment advisory agreements with the Berger Advised Funds are generally terminable without penalty by either party with written notice. Each agreement automatically terminates in the event of its "assignment" (as defined in the 1940 Act). The Distribution is not expected to result in a change of control of Berger and therefore under the applicable rules of the SEC would not constitute such an assignment.

Berger derives revenue primarily from investment advisory services provided to the Berger Advised Funds. For the year ended December 31, 1999, Berger derived approximately $28.6 million in revenue from investment advisory services provided to the Berger Advised Funds, representing approximately 72% of total revenue of Berger. Berger's revenues from investment advisory fees for each of the Berger Advised Funds are negotiated separately with each fund. The investment advisory fees for these funds vary depending on the type of fund. They generally range from .70% to .90% depending on the type of fund. Berger from time to time may agree to waive all or a portion of its investment advisory fees and/or assume all or a portion of the operating expenses of a Berger Advised Fund for competitive reasons. Additional information on the services provided to and all fees payable by the Berger Advised Funds is contained in the prospectus for each of the funds, copies of which are available from Berger. The management fees for the Berger Sub-Advised Funds and Private Accounts, and B/B Isle Separate Accounts vary depending upon the type of fund or account and, in some circumstances, size of assets managed, with fee rates above specified asset levels being reduced.

Berger generally pays most expenses incurred in connection with Berger's provision of investment management and advisory services to the Berger Advised Funds. All charges and expenses other than those specifically assumed by Berger are paid by the Berger Advised Funds. Such expenses include, but are not limited to, brokerage commissions, custodian and transfer agency fees, legal and accounting expenses, administrative expenses, interest charges and the expenses of printing and distributing reports to shareowners.

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BERGER ADMINISTRATIVE SERVICES

Under a separate administrative services agreement with respect to each of the Berger Advised Funds, Berger performs certain administrative and recordkeeping services not otherwise performed by the Berger Advised Fund's custodian and recordkeeper, including the supervision of the Berger Advised Funds' vendors and the preparation of financial statements and reports to be filed with the SEC and state regulatory authorities. Each Berger Fund pays Berger fees for these services in addition to the investment advisory fees paid under the investment advisory agreements. The administrative services fees may be changed by each Berger Fund's Board of Directors or Trustees without shareowner approval.

Amendments to the agreements of the Berger Advised Funds generally must be approved by a majority of the Trustees or Board of Directors of the affected fund. Each agreement may only be assigned with the prior written consent of the other party and either party may terminate the agreement without penalty after written notice.

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BERGER DISTRIBUTION SERVICES AND THIRD PARTY DISTRIBUTION

Berger Distributors, as the distributor of the Berger Advised Funds, is the principal underwriter of all the shares of such funds. Berger Distributors is registered with the NASD and the SEC as a limited registered broker-dealer. Berger Distributors acts as the agent of the Berger Advised Funds in connection with the sale of each fund's shares in all states in which the shares are eligible for sale and in which Berger Distributors is qualified as a broker- dealer. Berger Distributors continuously offers shares of the Berger Advised Funds and solicits orders to purchase shares at net asset value. In its capacity as distributor, Berger Distributors utilizes Berger to perform such distribution services. Berger Distributors supervises Berger in this capacity.

Berger Distributors acts pursuant to a distribution agreement that must be approved and renewed annually by the Board of Directors or Trustees or by vote of a majority of the outstanding securities of the Berger Advised Funds and in either case by vote of a majority of the Board of Directors or Trustees who are not "interested persons" (as defined in the 1940 Act) of the Berger Advised Funds, or Berger Distributors. The distribution agreement is subject to termination by each fund or Berger Distributors on written notice and terminates automatically in the event of its "assignment" (as defined in the 1940 Act). The Distribution is not expected to result in a change of control of Berger and therefore under the applicable rules of the SEC would not constitute such an assignment. Berger Distributors is not compensated for its services under the distribution agreement, but is reimbursed by Berger for its costs in distributing shares.

Since 1992, Berger has participated in arrangements with broker-dealers, recordkeepers and administrators to provide sub-accounting and/or other services to investors purchasing shares of the funds in the Berger Complex through investment programs, such as no-transaction fee programs and mutual fund supermarkets. Many of the Berger funds are available through mutual fund supermarkets and other third party distribution channels. Such distribution channels provide an alternative to the direct sales approach utilized by Berger with most of its funds. All shareowner accounting and servicing is handled by the mutual fund supermarket or third party sponsor and Berger pays a fee equal to a percentage of the assets under management acquired through such distribution channels to the appropriate sponsor for these services. As of December 31, 1998 and 1999, approximately 28% of total Berger assets under management were generated through these third party distribution channels.

BERGER MARKETING SERVICES

Marketing within Berger is balanced between institutional and retail distribution opportunities. Retail marketing, which traces back to the inception of Berger, is focused on serving and cross-selling to existing fund shareowners. Institutional marketing, an effort that began in late 1995, pursues opportunities with pension, profit-sharing and high net worth investors through relationships with consulting, advisory and brokerage firms, insurance companies and banks. Institutional assets now comprise one-third of Berger's assets under management.

The Berger Advised Funds are sold as no-load funds and distributed primarily through direct marketing and third party intermediaries, such as broker-dealers, and retirement plan administrators. Certain of the Berger Advised Funds sold in retail markets have approved distribution plans ("12b-1

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Plans") pursuant to Rule 12b-1 under the 1940 Act. The 12b-1 Plans provide that Berger shall engage in activities that are intended to result in sales of the shares of the Berger Funds. Such activities include advertising, marketing and promotion, printing and distributing prospectuses and sales literature and support services. In addition, Berger and certain mutual funds for whom it serves as an administrator have entered into agreements with certain broker- dealers or other organizations (such as recordkeepers and administrators) to provide subtransfer agency, recordkeeping, shareowner communications, subaccounting and/or other services to investors who have purchased shares of the Berger Funds through investment programs or pension plans established or serviced by such organizations. As a result, Berger or a Fund (if approved by its Board of Directors or Trustees) may pay fees to such companies for their services. The agreements pursuant to which such services are performed are generally terminable upon 90 days written notice. However, fees under such agreements are generally continual despite such termination so long as the contracted services are provided to those shareowners who purchased shares under the program. Complete information on the services provided to and the fees payable by the Berger Advised Funds is contained in the prospectus for each of the funds, copies of which are available from Berger. The 12b-1 Plans must be approved and renewed on an annual basis by each of the Board of Directors or Trustees of the Berger Funds and by an affirmative vote of those members of the Board of Directors or Trustees who are not "interested persons" (as defined in the 1940 Act) of the Berger Funds, as the case may be, and have no direct or indirect financial interest in the operations of the 12b-1 Plans or any related agreements. Amendments to such agreements generally must be approved by a majority of the shareowners of the affected Fund and a majority of the Board of Directors or Trustees of the affected Fund who are not "interested person" (as defined in the 1940 Act) and have no direct or indirect financial interest in the operations of the 12b-1 Plans or any related agreements. Each 12b-1 Plan may be terminated by a vote of a majority of the Board of Directors or Trustees of the Fund or a majority of the Fund's outstanding voting securities.

Berger maintains a sales staff funded by Berger to market directly to new institutional investors and to serve current investors in the institutional funds. Sales of the institutional funds are made directly or through banks and other financial institutions. In addition, certain banks and financial institutions invest in institutional funds through financial intermediaries such as broker-dealers. Berger does not have marketing responsibility for Berger Sub-Advised Funds and Private Accounts. Berger also has no marketing responsibility for B/B Isle Separate Accounts.

BERGER SHAREOWNER SERVICES

The Berger Advised Funds have agreements with a trust company to provide accounting, recordkeeping and pricing services and custody services. The Berger Advised Funds also have engaged DST to provide transfer agency, dividend disbursing and certain shareowner services.

As recordkeeping and pricing agent, the trust company calculates the daily net asset value of each of the Berger Advised Funds and performs certain accounting and recordkeeping functions required by the Berger Advised Funds. The trust company, as custodian, and its subcustodians have custody and provide for the safekeeping of the securities and cash of the Berger Advised Funds, and receive and remit the income thereon as directed by the management of the Berger Advised Funds. DST maintains all shareowner accounts

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of record; assists in mailing all reports, proxies and other information to the shareowners of the Berger Advised Funds; calculates the amount of, and delivers to the shareowners of the Berger Advised Funds, proceeds representing all dividends and distributions; and performs other related services.

In addition to these services, investors have access to their accounts with the ability to perform certain transactions using personal computers. These services are supported through an Internet site called www.bergerfunds.com. At this site, investors may also obtain account information and learn general history and information regarding Berger, the Berger Funds.

BERGER PORTFOLIO MANAGEMENT AND RESEARCH

Berger's principal method of securities evaluation is based on growth-style investing, using a "bottom-up" fundamental research and valuation analysis undertaken by its internal staff of full-time research analysts, supplemented by research undertaken by Berger's portfolio managers. Berger's predominantly growth-style approach toward equity investing requires the companies in which Berger invests to have high relative earnings per share growth potential, to participate in large and growing markets, to have a strong management team, to have strong overall financial characteristics, and to have above average expected total returns. Analysts and portfolio managers of Berger often meet personally with the management of the companies in which Berger invests. The main sources of information Berger uses include financial publications and on- line services, inspections of activities (including company visits and interviews), research materials prepared in-house and by others, corporate rating services, SEC filings and company press releases. Berger holds frequent investment strategy meetings in which portfolio managers and research analysts discuss investment strategy.

Berger international investment products focus on long-term capital appreciation pursued by investing in a portfolio consisting primarily of common stocks of well-established foreign companies. The investment manager for these funds identifies economic and business themes that are believed to provide a favorable framework for selecting stocks and selects individual companies best positioned to take advantage of opportunities presented by these themes. The investment manager generally looks for companies with securities that are fundamentally undervalued relative to their long-term prospective earnings growth rates, their historic valuation levels and their competitors. In addition, the investment manager searches for companies with business operations predominantly in well-regulated and more stable foreign markets and companies with substantial size and liquidity, strong balance sheets, proven management and diversified earnings.

Certain of the Berger Advised Funds emphasize value-style investing. These investment products focus on capital appreciation. In pursuit of that goal, these funds primarily invest in companies that are out of favor with markets or otherwise believed to be undervalued. The investment managers of these funds generally look for companies with low prices relative to their assets, earnings and cash flows or companies with competitive advantages because of quality products and services, strong balance sheets and exceptional management. The B/B Isle Separate Accounts also emphasize value-style investing. This product focuses on companies with strong fundamentals and management that are at discounts to their estimated fair value and are expected to outperform their peers.

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NELSON MONEY MANAGERS PLC

Founded in Chester, England as a general brokerage firm in 1970, Nelson began specializing in the provision of investment advice and planning in 1980. In 1988, a separate asset management division was incorporated and regulatory approval was obtained to carry on the investment management business. At the same time, Nelson began an expansion program and since that time has opened regional offices in Durham, Bath, York, London and Lichfield in England and Stirling in Scotland. In April 1998, KCSI purchased an 80% equity interest in Nelson.

Nelson provides investment advice and investment management services in the United Kingdom, primarily to individuals who are retired or contemplating retirement. In order to reach these clients, Nelson has traditionally performed financial planning seminars for employees of companies in the United Kingdom. At these seminars, Nelson's investment advisers outline the range of investment strategies and instruments available to individual investors. At a subsequent meeting, Nelson's investment advisers discuss the advantages and disadvantages of these strategies and instruments and recommendations are made in writing. More recently, Nelson has also been offering services directly to the public via advertisements in the media. At March 31, 2000, Nelson employed more than 40 investment advisers and managed approximately $1.4 billion ((Pound)866 million) in assets. At March 31, 2000, Nelson managed assets for more than 15,000 individuals. For the five-year period ended March 31, 2000, Nelson's total assets under management increased by approximately 130 percent. See "Business- Stilwell's Principal Subsidiaries and Equity Investments-Nelson Money Managers Plc."

For individuals interested in Nelson's services, Nelson assigns a specific investment adviser to have a one-on-one consultation. The investment adviser works with each client individually to conduct an analysis of the client's investment objectives and then recommends the construction of a portfolio to meet those objectives. These recommendations are contained in a personal investment report for the client which discusses and outlines the client's investment portfolio. Recommendations for the design and ongoing maintenance of the portfolio structure are the responsibility of the investment adviser. The selection and management of the instruments which constitute the portfolio are the responsibility of Nelson's investment management team. Taking into account the client's attitude towards risk, Nelson's investment managers utilize a "top down" investment methodology in structuring investment portfolios, beginning with an analysis of macro-economic and capital market conditions. Nelson's investment managers undertake quantitative analyses, including asset/liability analyses, yield curve analyses and asset allocation modeling to examine these areas. Using this information, Nelson's investment managers construct an investment portfolio that adheres to each client's objectives as well as Nelson's investment strategy.

Nelson, through continued investment in technology, has developed proprietary systems delivering economies of scale to provide a broad range of investment instruments used by Nelson's investment managers to construct a balanced investment portfolio. Nelson's investment managers invest in fixed interest securities, international and domestic securities, sterling deposits, sterling commercial paper, floating rate notes, certificates of deposit and tax- free and fixed income corporate bonds. Nelson also invests

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directly in equities, unit trusts and investment trusts with characteristics ranging from conservative to aggressive.

After establishment of a client's portfolio, Nelson provides several services aimed at establishing a long-term relationship with each client. Each investment adviser meets periodically with each client to discuss reinvestment of maturing investments as they arise and to ensure that the balance of deposits, bonds and equities in each investor's portfolio continues to meet the investor's investment strategy. Nelson also maintains a staff to respond to inquiries from clients. In addition, Nelson distributes a personal investment portfolio report to each investor every six months which details his or her current portfolio investments and outlines all transactions that have taken place in the prior six months together with a commentary from the investment management team. Furthermore, Nelson distributes investment and budget newsletters to investors. Finally, Nelson regularly holds investment road shows throughout the United Kingdom so that clients can meet Nelson's directors, investment managers and staff.

For providing investment advice, Nelson charges an initial fee calculated as a percentage of capital invested into each individual investment portfolio. Nelson also charges annual fees for the ongoing management and administration of each investment portfolio. These fees are based on the type of investments and amount of assets contained in each investor's portfolio. The fee schedules typically provide lower incremental fees for assets under management above certain levels.

Nelson maintains an internal investment research staff which provides several sources of information for making investment decisions. In addition, Nelson utilizes research provided by London's leading investment houses, certain credit rating agencies, Moody's Investor Service and Standard and Poor's. Nelson holds frequent investment strategy meetings with senior management, portfolio managers and research analysts to discuss investment strategy.

DST SYSTEMS, INC.

DST, together with its subsidiaries and joint ventures, provides information processing, printing and mailing and computer software services and products to mutual funds, investment managers, communications industries and other service industries. DST has organized its business units into three operating segments: Financial Services, Customer Management and Output Solutions.

DST FINANCIAL SERVICES

DST's financial services segment serves primarily mutual funds, investment managers, insurance companies, banks and other financial services organizations. DST's proprietary software systems include shareowner accounting and recordkeeping systems offered to the U.S. mutual fund industry; shareowner accounting and recordkeeping systems offered to non-U.S. mutual funds and unit trusts; a securities transfer system offered primarily to corporate trustees and securities transfer agents; portfolio accounting and investment management systems offered to U.S. and international fund accountants and investment managers; image-based work management system offered primarily to mutual funds, insurance companies and other financial services organizations; and securities exchange and broker order systems

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offered to brokers and companies involved in the exchange of equity, bond and derivative securities primarily outside the U.S. DST was a pioneer in the development of on-line automated recordkeeping and accounting for U.S. mutual fund shareowner accounts. As discussed above, DST provides full-service shareowner accounting and recordkeeping to Berger. In addition, DST provides remote services to Janus, primarily shareowner recordkeeping and other shareowner services.

DST CUSTOMER MANAGEMENT

DST's Customer Management segment provides sophisticated customer management processing and computer software services and products to the video/broadband, direct broadcast satellite, wireless and Internet-protocol telephony, Internet and utilities markets worldwide. Its proprietary software systems enables clients to manage customer relationship functions, including new account set-up, order processing, customer support, management reporting and marketing analysis.

DST OUTPUT SOLUTIONS

DST's Output Solutions segment provides bill and statement processing services and solutions, including electronic presentment and generation of customized statements. Output processing services and solutions are provided to customers of DST's other segments as well as to other industries.

DST INVESTMENTS

DST also held significant investments in equity securities with a market value of approximately $1.3 billion at December 31, 1999, including shares of Computer Sciences Corporation and State Street Corporation

DST common stock is listed on the New York Stock Exchange and the Chicago Stock Exchange under the symbol "DST."

PROPERTIES

In the opinion of management, the various facilities, office space and other properties owned by and/or leased by Stilwell are adequate for existing operating needs.

Janus leases from non-affiliates approximately 455,400 square feet of office space in three facilities for investment, administrative, marketing, information technology, and shareowner processing operations, and approximately 52,700 square feet for mail processing and storage requirements. These corporate offices and mail processing facilities are located in Denver, Colorado. In September 1998, Janus opened an investor service and data center in Austin, Texas and currently leases approximately 170,200 square feet at the facility. Janus also leases 4,200 square feet of office space in Westport, Connecticut for development of the Janus World Funds and 2,500 square feet of office space in London, England for securities research and trading. An additional 67,000 square feet of office space was occupied as of March 31, 2000.

Berger leases approximately 29,800 square feet of office space in Denver, Colorado for its administrative and corporate functions.

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Nelson leases 10,300 square feet of office space in Chester, England, the location of its corporate headquarters, investment operations and one of its marketing offices. During 1998, Nelson acquired additional office space adjacent to its Chester location to accommodate expansion efforts. Also, Nelson leases or owns six branch marketing offices totaling approximately 13,800 square feet in the following locations in the United Kingdom: London, Lichfield, Bath, York, Durham and Stirling.

STILWELL HOLDING COMPANY

The Stilwell holding company leases approximately 12,500 square feet of office space in Kansas City, Missouri from a non-affiliate for its corporate functions.

EMPLOYEES

As of December 31, 1999, Janus had approximately 2,500 employees, Berger had approximately 75 employees, Nelson had approximately 200 employees and Stilwell Financial Inc. had 17 employees. None of the employees of Stilwell are represented by a labor union.

STILWELL BUSINESS STRATEGY

Stilwell believes that it has established a strong platform to support future growth in revenues, deriving its strength in large part from the experience and capabilities of Stilwell's subsidiaries and equity investments as full service providers of asset management and related financial services. The strength of Stilwell's subsidiaries and equity investments is based on core investment professionals, solid investment performance results, sophisticated distribution systems, quality customer service, talented support and service staff and product expertise and systems. In addition, Stilwell believes that it will benefit from the brand name equity associated with the names JANUS, BERGER, NELSON and DST. Opportunities for growth for Stilwell are expected to come, principally through its subsidiaries and equity investments, from new and existing clients, strategic acquisitions and alliances and strengthening the brand name and brand image of Stilwell's subsidiaries and equity investments.

MAINTAIN AND ENHANCE EXISTING CLIENT RELATIONSHIPS. As one of its primary business objectives, Stilwell intends to maintain and enhance existing client relationships by continuing to provide a high level of quality service to existing clients through strong support and service staff, excellent customer service and product expertise and systems.

GENERATE GROWTH FROM NEW AND EXISTING CLIENTS. Stilwell will pursue growth from new clients through on-going sales and marketing efforts. Additionally, Stilwell will seek to increase its share of existing clients' managed assets.

To encourage growth, Stilwell intends to continue compensation programs with equity incentives for key management employees of its principal subsidiaries to provide incentives through ownership of stock in the enterprises in which they are employed. Stilwell seeks to facilitate the acquisition of such ownership through such compensation programs and by making such programs competitive with, if not superior to, compensation programs of other financial services companies.

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PURSUE STRATEGIC ACQUISITIONS AND ALLIANCES. Stilwell plans to regularly evaluate strategic acquisitions, joint ventures and alliances and pursue those that appear appropriate as a means of expanding the range of its product offerings and distribution, as well as for increasing its sales and marketing capabilities.

STRENGTHEN BRAND NAME AND BRAND IMAGE. Stilwell intends to continue developing several independent financial services businesses with autonomous management and separate brand names. Stilwell believes it has a strong starting position for this strategy, based on its existing ownership of Janus, Berger and Nelson, as well as its equity investment in DST. Management of each of Stilwell's affiliates has general autonomy over its respective day-to-day operations, allowing each business to develop a separate public identity, satisfy legal requirements regarding separation of investment decisions and maintain compliance with certain minority stockholder agreements. Consistent with the prior philosophy of KCSI, Stilwell expects to encourage autonomy by its subsidiaries in the operation of their businesses. Stilwell has agreed that the management of Janus will continue to operate the business of Janus of providing investment advice and management services, on the basis provided in the Janus Stock Purchase Agreement. Stilwell has agreed that Mr. Bailey will continue to establish and implement policy with respect to the investment advisory and portfolio management activity of Janus, and to select a majority of the directors of Janus, pursuant to the Janus Board Selection Rights. See Stilwell Financial Inc., "Stilwell Business Strategy" and "Business - Stilwell Business Strategy."

COMPETITION

Stilwell is subject to substantial and growing competition in all aspects of its business. Such competition could reduce the demand for Stilwell's products and services and could have a material adverse effect on Stilwell's business, financial condition, results of operations and business prospects. Janus and Berger compete with hundreds of other mutual fund management distribution and service companies that distribute their fund shares through a variety of methods including affiliated and unaffiliated sales forces, broker- dealers, and direct sales to the public. Nelson competes with other money managers in obtaining new client business. DST competes with third party providers, in-house systems and broker-dealers for the provision of processing services. In addition, Stilwell's subsidiaries and equity investments compete with brokerage and investment banking firms, insurance companies, banks, and other financial institutions in all aspects of its business. Although no one company or group of companies dominates the financial services industry, many are larger, better known and have greater resources than Stilwell. Stilwell believes that competition in the mutual fund industry will increase as a result of increased flexibility afforded to banks and other financial institutions to sponsor mutual funds and distribute mutual fund shares, and as a result of consolidation and acquisition activity within the industry. In addition, the mutual fund industry, in general, faces significant competition as the number of mutual funds continues to increase, marketing and distribution channels become more creative and complex, and investors place greater emphasis on published fund recommendations and investment category rankings. Barriers to entry to the investment management business are relatively few, and management of Stilwell anticipates Janus, Berger and Nelson will face a growing number of competitors. Competition for Janus and Berger is based on the methods of distribution of fund shares, the ability to meet the changing needs of investors, the ability to achieve superior investment management performance,

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the type and quality of shareowner services, and the success of marketing efforts. Competition for Nelson is based on the ability to achieve reasonable investment management returns, the quality of investor services and the success of marketing efforts. DST's ability to compete is based on the quality of service and features offered, including the ability to handle rapidly changing transaction volumes, commitment to hardware capacity and software development and price.

While Stilwell's subsidiaries and equity investments have implemented programs to improve performance in all of these areas, Stilwell's subsidiaries and equity investments may not be able to compete successfully against current and future competitors. In addition, competitive pressures faced by Stilwell's subsidiaries and equity investments may materially and adversely affect Stilwell's business, financial condition, results of operations and business prospects.

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REGULATION

Virtually all aspects of Stilwell's business are subject to various laws and regulations. Applicable laws include the 1940 Act, the Advisers Act, the Securities Act, the Exchange Act, ERISA and various state securities and related laws (including laws in the United Kingdom). Applicable regulations include, but are not limited to, in the United States, the rules and regulations of the SEC, the NASD and other securities exchanges and the DOL, and generally in the United Kingdom, IMRO, PIA and FSA. These laws and regulations generally grant regulatory agencies and bodies broad administrative powers, including in some cases the power to limit or restrict Stilwell from operating its businesses in the event it fails to comply with such laws and regulations. Due to the extensive regulations and laws to which Stilwell is subject, management of Stilwell is required to devote substantial time and effort to legal and regulatory compliance issues. Violations of such laws or regulations could subject Stilwell and/or its employees to disciplinary proceedings or civil or criminal liability, including revocation of licenses, censures, fines or temporary suspension or permanent bar from the conduct of their business. Stilwell believes that it is in substantial compliance with all material laws and regulations.

Janus and Berger are registered with the SEC as investment advisers under the Advisers Act and with the appropriate authorities in each of the states in which registration is required. Each of the funds of Janus and Berger is registered with the SEC under the 1940 Act. Nelson is regulated by IMRO, PIA and FSA and Janus International is regulated by IMRO. Various regulations also cover certain investment strategies that may be used by Janus, Berger and Nelson for hedging purposes. To the extent that Janus and Berger purchase futures contracts, Janus and Berger may be subject to the commodities and futures regulations of the Commodity Futures Trading Commission. Under the rules and regulations of the SEC promulgated pursuant to the federal securities laws, Stilwell is subject to periodic examination by the SEC. Stilwell is also subject to periodic examination by the NASD.

LEGAL MATTERS

From time to time Stilwell is involved in various legal actions arising in the normal course of business. While the ultimate outcome of the various legal proceedings involving Stilwell cannot be predicted with certainty, it is the opinion of management (after consultation with legal counsel) that the litigation reserves of Stilwell are adequate and that legal actions involving Stilwell and ultimate resolution of these matters currently are not material to Stilwell's consolidated financial position, results of operations or cash flows.

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MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

Set forth below is certain information concerning the individuals who are the directors and executive officers of Stilwell. Stilwell's Board of Directors is comprised of four directors, as indicated in the table below, and is divided into three classes. The initial term of the first class of directors ("Class I Directors") will expire at the 2001 annual meeting of stockholders, the initial term of the second class of directors ("Class II Directors") will expire at the conclusion of the 2002 annual meeting of stockholders and the initial term of the third class of directors ("Class III Directors") will expire at the conclusion of the 2003 annual meeting of stockholders. Commencing with the 2001 annual meeting of stockholders, directors elected to succeed the initial directors whose terms expire will be elected to serve a three-year term of office. Officers serve at the discretion of Stilwell's Board of Directors.

NAME	AGE	POSITION AND OFFICES
Landon H. Rowland	63	Director, Chairman of the Board, President and Chief Executive Officer
Joseph D. Monello	55	Vice President and Chief Operating Officer
Danny R. Carpenter	54	Vice President and Secretary
Anthony P. McCarthy	53	Vice President - Finance
Morton I. Sosland	74	Director
James E. Barnes	65	Director
Paul F. Balser	58	Director
Gwen E. Royle	39	Vice President - Legal
Douglas E. Nickerson	34	Vice President and Controller

LANDON H. ROWLAND (Class III Director) has been a director of KCSI since 1983. He has been President of KCSI since July 1983, Chief Executive Officer of KCSI since January 1987 and Chairman of KCSI's Board of Directors since May 1997. Mr. Rowland is also a director of Janus, SMI, Nelson, Transportacion Maritima Mexicana, S.A. de C.V. and Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V.

JOSEPH D. MONELLO has continuously served as Vice President and Chief Financial Officer of KCSI since March 1994. Mr. Monello is also a director of SMI and Nelson.

DANNY R. CARPENTER has continuously served as Vice President-Finance of KCSI since November 1996, and served as Vice President-Finance and Tax of KCSI from May 1995 to November 1996, and as Vice President-Tax of KCSI from June

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1993 to May 1995. Prior to June 1993, he was a member in the law firm of Watson & Marshall, L.C., Kansas City, Missouri. Mr. Carpenter is also a director of SMI and Nelson.

ANTHONY P. MCCARTHY has continuously served as Vice President and Treasurer of KCSI since May 1996. He was Treasurer of KCSI from December 1989 to May 1996.

MORTON I. SOSLAND (Class I Director) has been a director of KCSI since 1976. He has been Chairman of the Sosland Companies, Inc. (the "Sosland Companies"), Kansas City, Missouri, since January 1993 and was President from July 1968 through December 1992. He has also served as Chairman of Sosland Publishing Company, Kansas City, Missouri, since 1984. The Sosland Companies are publishers and venture capital investors. Mr. Sosland is also a director of H&R Block, Inc., Kansas City, Missouri.

JAMES E. BARNES (Class III Director) has been a director of KCSI since 1986. Prior to retirement, Mr. Barnes was Chairman of the Board of Directors, President and Chief Executive Officer of MAPCO Inc., Tulsa, Oklahoma. He was Chairman of the Board of Directors and Chief Executive Officer from December 1991 to September 1995 and Chairman of the Board of Directors, President and Chief Executive Officer from May 1986 to December 1991. MAPCO processes, transports, stores, purchases and sells petroleum and natural gas liquid products. Mr. Barnes is also a director of BOK Financial Corporation, Tulsa, Oklahoma; SBC Communications Inc., San Antonio, Texas; and Parker Drilling Co., Tulsa, Oklahoma.

PAUL F. BALSER (Class II Director) has been a director of KCSI since 1990. He has been a Managing Partner of Generation Partners, L.P., New York, New York, since August 1995. Generation Partners is an investment firm specializing in privately negotiated equity and venture capital investments. He was a Partner of Centre Partners, L.P., New York, New York, from September 1986 through July 1995, which also specialized in privately negotiated equity and venture capital investments. Mr. Balser is also a director of the Carbide/Graphite Group, Inc., Pittsburgh, Pennsylvania, and Scientific Games, Inc., Atlanta, Georgia, as well as a number of private companies.

GWEN E. ROYLE has continuously served as Senior Assistant Vice President and Tax Counsel of KCSI since November 1996. She was Tax Counsel of KCSI from July 1995 to November 1996. She was a member in the law firm Slagle, Bernard & Gorman, P.C. from 1991 to July 1995.

DOUGLAS E. NICKERSON has continuously served as Assistant Comptroller of KCSI since September 1997, and served as Manager of Financial Reporting of KCSI from October 1995 to September 1997. From January 1995 to October 1995, Mr. Nickerson was financial reporting manager of Ferrellgas Partners, L.P. Ferrellgas Partners, L.P. is engaged in the sale, distribution, marketing and trading of propane and other natural gas liquids.

There are no arrangements or understandings between the directors or executive officers and any other person pursuant to which the director or executive officer was or is to be selected as a director or officer, except with respect to the executive officers who have employment agreements with Stilwell. None of the above directors or officers are related to one another by family.

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COMPOSITION OF STILWELL'S BOARD OF DIRECTORS

Stilwell's Board of Directors will consist of not fewer than 3 nor more than 18 directors with the number of directors fixed exclusively from time to time by a majority of Stilwell's entire Board of Directors. Stilwell's Board of Directors is divided into three classes. The initial term of the first class expires at the conclusion of the 2001 annual meeting of stockholders, the initial term of the second class expires at the conclusion of the 2002 annual meeting of stockholders and the initial term of the third class expires at the conclusion of the 2003 annual meeting of stockholders. Commencing with the 2001 annual meeting of stockholders, directors elected to succeed the initial directors whose terms expire will be elected to serve a three-year term of office. Directors hold office until the next annual meeting of stockholders at which their terms expire and until their successors are duly elected and qualified. As a result, approximately one-third of Stilwell's Board of Directors will be elected each year. Officers are elected by Stilwell's Board of Directors and serve until their successors are duly elected or appointed and qualified or until they shall die, resign or be removed. See "Description of Capital Stock- Certain Antitakeover Effects."

COMMITTEES OF STILWELL'S BOARD OF DIRECTORS

Stilwell's Board of Directors has established an Executive Committee (which also nominates individuals to serve as directors of Stilwell), an Audit Committee and a Compensation Committee. Commencing with the 2001 annual meeting of stockholders, the members of the committees will be elected at the annual meeting of Stilwell's Board of Directors. Pursuant to the Bylaws of Stilwell, Stilwell's Board of Directors may also establish other committees from time to time in its discretion.

EXECUTIVE COMMITTEE. The Executive Committee consists of directors elected by Stilwell's Board of Directors to serve one-year terms. When Stilwell's Board of Directors is not in session, the Executive Committee has all powers and rights necessary to exercise the full authority of Stilwell's Board of Directors in the management of the business and affairs of Stilwell, except as provided in the DGCL, the Certificate or the Bylaws of Stilwell. The Executive Committee has full power to act as the Nominating Committee which, when acting as such, has the power and duty to make recommendations to Stilwell's Board of Directors as to suitable nominees for election to Stilwell's Board of Directors by the stockholders or by the remaining members of Stilwell's Board of Directors, to fill newly created directorships and to fill any vacancies which shall occur. When acting as the Nominating Committee, it has the power to meet with and consider suggestions from such other members of Stilwell's Board of Directors, stockholders, members of management, consultants and other persons, firms or corporations as they deem necessary or advisable to assist them in making such recommendations. The members of the Executive Committee are James E. Barnes, Morton I. Sosland and Landon H. Rowland.

AUDIT COMMITTEE. The Audit Committee consists of outside directors elected by Stilwell's Board of Directors to serve staggered three-year terms. The Audit Committee meets with and considers suggestions from members of management and members of Stilwell's internal audit staff, as well as Stilwell's independent accountants, concerning the financial operations of Stilwell. The Audit Committee also has the power to review audited financial statements of Stilwell and consider and recommend the employment of, and

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approve the fee arrangement with, independent accountants for both audit functions and for advisory and other consulting services. The members of the Audit Committee are Paul F. Balser, James E. Barnes and Morton I. Sosland.

COMPENSATION COMMITTEE. The Compensation Committee consists of outside directors elected by Stilwell's Board of Directors to serve one-year terms. The Compensation Committee has the power: to authorize and determine all salaries for the officers and supervisory employees of Stilwell Financial Inc.; to administer the incentive compensation plans of Stilwell Financial Inc. in accordance with the powers and authority granted in such plans; to determine any incentive allowances to be made to officers and staff of Stilwell Financial Inc.; to administer all stock option plans, stock purchase plans and other equity ownership, compensation, retirement and benefit plans of Stilwell Financial Inc.; to approve the performance-based compensation of individuals pursuant to Code Section 162(m); and to administer all other matters relating to the compensation or benefits of Stilwell Financial Inc. The members of the Compensation Committee are Paul F. Balser, James E. Barnes and Morton I. Sosland.

COMPENSATION OF STILWELL'S DIRECTORS

Directors who are employees of Stilwell do not receive any fees or other compensation for service on Stilwell's Board of Directors or its committees. Members of Stilwell's Board of Directors who do not receive compensation as officers or employees of Stilwell receive a fee of $4,000 for each meeting of Stilwell's Board of Directors attended, a fee of $2,000 for attendance at any committee meeting, and a fee of $2,000 or $1,000 for participation in any telephonic Board of Directors or committee meeting, respectively. In addition, all members of Stilwell's Board of Directors are reimbursed for reasonable travel expenses in connection with attending Board of Directors and committee meetings. The chairman of a committee receives an additional $500 for each committee meeting attended. Directors will also receive a discretionary grant of options to purchase shares of Stilwell Common Stock on an annual basis immediately following each annual meeting of Stilwell's stockholders. To date, the Board of Directors of Stilwell has not taken any action with respect to such discretionary grants of options.

EXECUTIVE COMPENSATION

Although Stilwell has entered into employment agreements with certain of Stilwell's executive officers effective as of the Distribution Date, to date, no compensation has been paid pursuant to such agreements and the executive officers have received compensation pursuant to their existing employment arrangements with KCSI. The information under this heading therefore summarizes compensation paid by KCSI to the individual that is Stilwell's Chief Executive Officer and individuals who, based upon employment and compensation paid by KCSI during the fiscal year ended December 31, 1999, are the four individuals initially expected to be the most highly compensated executive officers of Stilwell. As a result, the compensation described below does not reflect the compensation such executive officers will receive following the Distribution. See "Management-Employment Agreements With the Named Executive Officers." The principal positions listed below are those that will be held by the executive officers in Stilwell following the Distribution.

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SUMMARY COMPENSATION TABLE*

Name and Principal		Annual Compensation		Other Annual Compensation	Long Term Compensation Awards: Securities Underlying Options/	All Other Compensation
Director; Chairman of the Board, President and Chief Executive Officer	1998	750,000	---	53,877	6,138	26,632
	1997	750,000	---	57,900	---	114,801
Chairman of the Board, President and Chief Executive Officer of Janus	1998	900,000	833,000	---	---	109,000
	1997	900,000	675,000	---	---	75,667
Vice President and Chief Operating Officer	1998	250,008	---	---	65,000	43,754
	1997	250,008	---	---	---	62,640
Vice President and Secretary	1998	190,008	---	---	31,481	16,000
	1997	190,008	---	---	---	43,751
Vice President - Finance	1998	110,004	---	---	10,000	11,052
	1997	110,004	---	---	---	11,394

*Reflects compensation paid by KCSI.

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Other Annual Compensation for Mr. Rowland includes premiums on disability insurance policy of $46,067. All other compensation for Mr. Rowland for 1999 is comprised of: (i) contributions to his account under the Stilwell ESOP of $6,400; (ii) interest on deferred directors' fees of $13,049; (iii) a contribution to his account under KCSI's 401(k) plan of $4,800; (iv) a contribution to his account under KCSI's profit sharing plan of $4,800; (v) premiums on group term life insurance of $4,941; and (vi) an amount paid out to him pursuant to the KCSI Executive Plan of $71,500. As of December 31, 1999, Mr. Rowland held no shares of restricted stock.

The bonus for Mr. Bailey for 1999 was under a performance based incentive compensation plan approved by stockholders in 1997. All other compensation for Mr. Bailey for 1999 is comprised of: (i) directors' fees in the amount of $31,000 and $65,333, paid to Mr. Bailey in his capacity as director of Janus Capital Corporation, Janus Investment Fund and the Janus Aspen Series, respectively; (ii) a contribution to his account under the Stilwell ESOP of $6,400; (iii) a contribution to his account under KCSI's 401(k) plan of $4,800;
(iv) a contribution to his account under Janus' profit sharing plan of $4,800; and (v) premiums on group term life insurance of $8,795 paid by Janus Capital Corporation. As of December 31, 1999, Mr. Bailey held no shares of restricted stock.

All other compensation for Mr. Monello for 1999 is comprised of: (i) a contribution to his account under the Stilwell ESOP of $6,400; (ii) a contribution to his account under KCSI's 401(k) plan of $4,800; (iii) a contribution to his account under KCSI's profit sharing plan of $4,800; (iv) premiums on group term life insurance of $1,917; and (v) an amount paid out to him under the KCSI Executive Plan of $27,754. As of December 31, 1999, Mr. Monello held no shares of restricted stock.

All other compensation for Mr. Carpenter for 1999 is comprised of: (i) a contribution to his account under the Stilwell ESOP of $6,400; (ii) a contribution to his account under KCSI's 401(k) plan of $4,800; (iii) a contribution to his account under KCSI's profit sharing plan of $4,800; and (iv) premiums on group term life insurance of $1,815. As of December 31, 1999, Mr. Carpenter held no shares of restricted stock.

All other compensation for Mr. McCarthy for 1999 is comprised of: (i) a contribution to his account under the Stilwell ESOP of $6,400; (ii) a contribution to his account under KCSI's 401(k) plan of $4,800; (iii) a contribution to his account under KCSI's profit sharing plan of $4,800; and (iv) premiums on group term life insurance of $963. As of December 31, 1999, Mr. McCarthy held no shares of restricted stock.

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All option award information relates to options to purchase shares of KCSI Common Stock. In connection with the Distribution, all Options will remain outstanding with an adjusted exercise price and the holders of the Options will be granted New Stilwell Options. As a result, the value of the options to purchase Stilwell Common Stock will depend on the future value of Stilwell Common Stock. See "Relationship Between KCSI and Stilwell After the Distribution-Employee Benefits" and "Management-Other Compensatory Plans and Arrangements."

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1999 OPTION/SAR GRANTS IN LAST FISCAL YEAR

	Individual Grants				Grant Date Value
(a)	(b)	(c)	(d)	(e)	(f)
	Number of Securities Underlying Options/SARs	% of Total Options/SARs Granted to Employees in	Exercise or Base Price	Expiration Date	Grant Date Present Value
Landon H. Rowland	0	N/A	N/A	N/A	N/A
Joseph D. Monello	0	N/A	N/A	N/A	N/A
Anthony P. McCarthy	0	N/A	N/A	N/A	N/A

* Less than one percent of the total options granted.

The options were granted under the 1991 Plan. These options were granted on January 26, 1999 and became exercisable upon January 26, 2000. LSAR's were granted in tandem with these options. All of the LSAR's are automatically exercised upon a change in control that is not approved by the incumbent board of KCSI (as such terms are defined in the 1991 Plan). All the options expire at the end of ten years, subject to earlier termination as provided in the individual's option agreement. The options are subject to voluntary tax withholding rights.

The options were granted under the 1991 Plan in connection with KCSI's Executive Plan. These options were granted on January 26, 1999 and were immediately exercisable. LSAR's were granted in tandem with these options. All of the LSAR's are automatically exercised upon a change in control that is not approved by the incumbent board of KCSI (as such terms are defined in the 1991 Plan). All the options expire at the end of ten years, subject to earlier termination as provided in the individual's option agreement. The options are subject to voluntary tax withholding rights.

Total options granted to eligible employees in 1999 were 490,716.

Average of the high and low prices of the Common Stock on the date of grant as reported on the NYSE.

Valuation determined using Black-Scholes' option pricing model with the following assumptions: market price of stock is equal to the exercise price of options; stock volatility (based on 3-year monthly data) of 42.20%; annualized risk-free interest rate of 4.6710%; option term (in years) 3; and stock's dividend yield of 0.36%.

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1999 AGGREGATE OPTION EXERCISES AND YEAR-END OPTION VALUES

The following table sets forth information with respect to the aggregate option exercises during 1999 by the executive officers and the number and value of options held by such officers as of December 31, 1999 (the last trading day of the year).

(a)	(b)	(c)	(d)	(e)
	Shares Acquired on	Value	Number of Securities Underlying Unexercised Options/SARs at FY-End (#)	Value of Unexercised In-the-Money Options/SARs at FY-End ($)
Landon H. Rowland	0	N/A	2,769,138/0	182,179,057/0
Thomas H. Bailey	0	N/A	0/100	0/2,831
Joseph D. Monello	0	N/A	330,000/65,000	18,773,136/ 1,950,000
Danny R. Carpenter	0	N/A	263,461/30,000	15,060,840/ 900,000
Anthony P. McCarthy	0	N/A	74,250/ 10,000	2,515,424/ 54,375

The dollar value in columns (c) and (e) is calculated by determining the difference between the fair market value of the securities underlying the options and the exercise price of the options on the date of exercise or December 31, 1999 (the last trading day of 1999), respectively, times the number of options exercised or held at year end.

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EMPLOYMENT AGREEMENTS WITH THE NAMED EXECUTIVE OFFICERS

Certain executive officers of Stilwell have entered into employment agreements with Stilwell that are effective as of the Distribution Date. The Compensation Committee of the Board of Directors of Janus, with the aid of an independent compensation consultant, sets Mr. Bailey's base salary and recommends incentive compensation. Stilwell's Compensation Committee also approves such incentive compensation.

MR. ROWLAND. Stilwell entered into an employment agreement dated June 12, 2000 with Mr. Rowland effective as of the Distribution Date, which provides for Mr. Rowland's employment as Chairman of the Board, President and Chief Executive Officer of Stilwell.

The employment agreement provides that Mr. Rowland is to serve at the pleasure of Stilwell's Board of Directors and does not contain a fixed term of employment. Pursuant to the employment agreement, Mr. Rowland will receive a fixed annual base salary of $825,000, which is not to be increased prior to January 1, 2003 and is not to be reduced except by mutual agreement of Stilwell and Mr. Rowland or except as part of a general salary reduction program applicable to all officers of Stilwell. Mr. Rowland is not entitled to participate in any Stilwell incentive compensation plan during 2000, 2001 and 2002, but continues to participate in other benefit plans or programs of Stilwell generally available to executive employees and is provided with certain disability insurance coverage and life insurance payable to beneficiaries designated by him. Under the employment agreement the value of Mr. Rowland's annual compensation is fixed at $the lower of 175% of his annual base salary or $1,000,000 for purposes of cash compensation-based benefit plans.

In conjunction with entering into the employment agreement with Stilwell and in lieu of participation in any incentive compensation plan for the period indicated, Mr. Rowland received a grant of KCSI performance stock options for 215,000 shares and a grant of KCSI standard stock options for 16,100 shares. Subject to continued employment, the performance stock options will become exercisable in three equal installments if the price of the KCSI stock increases above the price at the time of grant ($70.7813) to certain target levels, computed on the basis of 50% growth in the KCSI stock price for the first installment and 20% compounded growth in such stock price above the first installment target for the second and third installments. The standard stock options for Mr. Rowland will become exercisable one year after the date of grant, subject to continued employment. At the time of the Distribution, Stilwell options will be substituted for all such KCSI options in their entirety and the target stock price levels for the performance options will be adjusted to Stilwell stock prices.

The employment agreement provides for twenty-four (24) months of severance pay at an annual rate equal to Mr. Rowland's base salary and for certain health and life insurance benefits in the event of the termination of his employment without cause, other than in connection with a change in control of Stilwell (as defined in the employment agreement), unless such benefits are provided by another employer. In the year in which termination occurs, Mr. Rowland will remain eligible to receive benefits under the Stilwell Incentive Compensation Plan, if any, and the Stilwell Executive Plan. After termination, Mr. Rowland shall not be entitled to accrue or

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receive any benefits under any other employee benefit plan, except he will be entitled to participate in the Stilwell Employee Stock Ownership Plan and the Stilwell 401(k) Plan in the year of termination if he meets the requirements for participation in such termination year.

As part of the employment agreement, Mr. Rowland has agreed not to use or disclose any Stilwell trade secret (as defined in the employment agreement) after any termination of his employment and not to engage in, or manage, a business in competition with any business conducted by Stilwell or its subsidiaries, in any country or jurisdiction in which Stilwell or any of its subsidiaries conduct business, for a period of three years following Mr. Rowland's resignation or termination of his employment for cause or due to his disability.

During the period of his employment under the employment agreement, Mr. Rowland has agreed to retain ownership in himself or members of his immediate family of at least a majority of the number of shares of (i) Stilwell Common Stock received in the Distribution and (ii) Stilwell Common Stock acquired upon exercise of Stilwell stock options (other than shares transferred to Stilwell or sold to pay the purchase price upon the exercise of stock options or to pay or satisfy tax obligations resulting from such exercise).

If there is a change in control of Stilwell or its Significant Subsidiaries (as defined in the employment agreement) during the term of the employment agreement, Mr. Rowland's employment, executive capacity, salary and benefits would be continued for a three-year period at levels in effect on the Control Change Date (as defined in the employment agreement) at a rate not less than twelve times the highest monthly base salary paid or payable to him in the twelve months prior to any change in control. During such three-year period, Mr. Rowland would also be eligible to participate in all benefit plans generally made available to executives of his level or to the employees of Stilwell generally, would be eligible to participate in any Stilwell incentive compensation plan, and would be entitled to immediately exercise all outstanding stock options and receive a lump-sum cash payment equal to the fair market value of all non-vested options. If the amounts payable during this three-year period are discretionary, the benefits continued shall not be less than the average annual amount for the three years prior to the change in control and incentive compensation shall not be less than 75% of the maximum amount which could have been paid to Mr. Rowland under the terms of the incentive compensation plan. With respect to unfunded employer obligations under the benefit plans, Mr. Rowland would be entitled to a discounted cash payment of amounts to which he is entitled. Mr. Rowland's employment may be terminated after the Control Change Date, but where it is other than For Cause (as defined in the employment agreement) he would be entitled to payment of his base salary through termination plus a discounted cash severance payment equal to 175% of three times his annual base salary and continuation or payment of benefits for a three-year period at levels in effect on the Control Change Date. Mr. Rowland also is permitted to resign employment after a change in control upon Good Reason (as defined in the employment agreement) and advance written notice, and to receive the same payments and benefits as if his employment had been terminated by Stilwell. Mr. Rowland's employment agreement also provides for payments to him necessary to relieve him of certain adverse federal income tax consequences if amounts received under the employment agreement involve "parachute payments" under Code Section 4999.

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MESSRS. MONELLO, CARPENTER AND MCCARTHY. Stilwell has entered into employment agreements dated June 12, 2000 with Messrs. Monello, Carpenter and McCarthy effective as of the Distribution Date. These employment agreements provide, respectively, for Mr. Monello's employment as Executive Vice President and Chief Operating Officer of Stilwell, Mr. Carpenter's employment as Vice President and Secretary of Stilwell and Mr. McCarthy's employment as Vice President-Finance and Treasurer of Stilwell. The employment agreements are subject to termination under certain circumstances.

Pursuant to their employment agreements, Messrs. Monello, Carpenter and McCarthy will receive as compensation for their services an annual base salary at the rate of $660,000, $400,000 and $200,000, respectively. Such salary shall not be increased prior to January 1, 2003 and is not to be reduced except as agreed to by the parties or as part of a general salary reduction by Stilwell applicable to all officers of Stilwell. Under the employment agreements, Mr. Monello, Mr. Carpenter and Mr. McCarthy are not entitled to participate in any Stilwell incentive compensation plan during 2000, 2001 and 2002, but will receive cash bonuses of $250,000, $400,000 and $150,000, respectively within ten days after the Distribution Date and all are eligible to participate in other benefit plans or programs generally made available to executive employees of Stilwell. The employment agreements provide that the value of Messrs. Monello's, Carpenter's and McCarthy's annual compensation for purposes of cash compensation based benefit plans is fixed at the lower of 175% of their annual base salaries or $1,000,000.

In conjunction with entering into the employment agreements with Stilwell and in lieu of participation in any incentive compensation plans for the period indicated (other than the cash bonuses described in the preceding paragraph), Messrs. Monello, Carpenter and McCarthy received a grant of KCSI performance stock options for 150,000, 80,000 and 30,000 shares, respectively, and Mr. Monello received a grant of KCSI standard stock options for 7,500 shares. Subject to continued employment, the performance stock options will become exercisable in three equal installments if the price of the KCSI stock increases above the price at the time of grant ($70.7813) to certain target levels, computed on the basis of 50% growth in the KCSI stock price, for the first installment and 20% compounded annual growth in such stock price above the first target price for the second and third installments. The standard stock options for Mr. Monello will become exercisable one year after the date of grant, subject to continued employment. At the time of the Distribution, Stilwell options will be substituted for all such KCSI options in their entirety and the target stock price levels for the performance options will be adjusted to Stilwell stock price.

In the event of termination without cause by Stilwell, Messrs. Monello and Carpenter would be entitled to 24 months and Mr. McCarthy 12 months of severance pay at an annual rate equal to their base salary and for reimbursement for the costs of continuing or obtaining comparable health and life insurance benefits unless such benefits are provided by another employer. In the year in which termination occurs, Messrs. Monello, Carpenter and McCarthy will remain eligible to receive benefits under the Stilwell Incentive Compensation Plan, if any, and the Stilwell Executive Plan. After termination, the officers shall not be entitled to accrue or receive benefits under any other employee benefit plan, except the officers will be entitled to participate in the Stilwell Employee Stock Ownership Plan and the Stilwell 401(k) Plan in the year of termination if such officers meet the requirements for participation in such termination year.

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As part of their employment agreements, Messrs. Monello, Carpenter and McCarthy have agreed not to use or disclose any Stilwell trade secret (as defined in the employment agreements) after any termination of their employment and shall, immediately upon termination of employment, return to Stilwell or its subsidiaries or affiliates any trade secrets in their possession which exist in tangible form.

During the period of employment under their employment agreements, Messrs. Monello, Carpenter and McCarthy each has agreed to retain ownership in himself or members of his immediate family of at least a majority of the number of shares of (i) Stilwell Common Stock received in the Distribution and (ii) Stilwell Common Stock acquired upon exercise of Stilwell stock options (other than shares transferred to Stilwell or sold to pay the purchase price upon the exercise of stock options or to pay or satisfy tax obligations resulting from such exercise.)

If there is a change in control of Stilwell or its Significant Subsidiaries (as defined in the employment agreements) during the term of the employment agreements, the officers' employment, executive capacity, salary and benefits would be continued for a three-year period at levels in effect on the Control Change Date (as that term is defined in the employment agreements). During the three-year period, salary is to be paid at a rate not less than twelve times the highest monthly base salary paid or payable to the officers by Stilwell in the twelve months immediately prior to any change in control. During the three-year period, the officers also would be eligible to participate in all benefit plans generally made available to executives of their level or to the employees of Stilwell generally, would be eligible to participate in any Stilwell incentive compensation plan and would be entitled to immediately exercise all outstanding stock options and receive a lump-sum cash payment equal to the fair market value of all non-vested options. If the amounts payable during this three-year period are discretionary, the benefits continued shall not be less than the average annual amount for the three years prior to the change in control and incentive compensation shall not be less than 75% of the maximum amount which could have been paid to the officers under the terms of the incentive compensation plan. With respect to unfunded employer obligations under benefit plans, the officers would be entitled to a discounted cash payment of amounts to which they are entitled. The officers' employment may be terminated after the Control Change Date, but where it is other than For Cause (as defined in the employment agreements) they would be entitled to payment of their base salary through termination plus Messrs. Monello, Carpenter and McCarthy would receive a discounted cash severance payment equal to 175% for Mr. Monello and Mr. Carpenter of three times their annual base salaries, and for Mr. McCarthy 175% of two times his annual base salary, continuation of payment of benefits for a three-year period at the Control Change Date and certain health, prescription and dental benefits for the remainder of their lives unless such benefits are otherwise provided by a subsequent employer. In addition, the officers receive continuation or payment of benefits for a three-year period at levels in effect on the Control Change Date. The officers also are permitted to resign employment after a change in control upon Good Reason (as that term is defined in the employment agreements) and advance written notice, and to receive the same payments and benefits as if their employment had been terminated. The employment agreements also provide for payments to such officers necessary to relieve them of certain adverse federal income tax consequences if amounts received under the agreements involve "parachute payments" under Code Section

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4999.

MR. BAILEY. Mr. Bailey has the right under the Janus Stock Purchase Agreement to require KCSI to purchase his shares of stock of Janus at a per share price equal to fifteen times the net after-tax earnings per share of Janus for the year ended immediately prior to the date of notice, or, a price per share equal to fifteen times the after-tax earnings per share of Janus for the year ended December 31, 1987, whichever is greater. Under that agreement, Mr. Bailey is also entitled, upon a termination of his employment within one year of a defined change of ownership of KCSI, to receive a payment equal to his prior year's current and deferred compensation.

INDEMNIFICATION AGREEMENTS

Stilwell entered into indemnification agreements with its officers and directors effective as of the Distribution Date (the "Stilwell Indemnification Agreements"). Such agreements are intended to supplement Stilwell's officers' and directors' liability insurance and to provide the officers and directors with specific contractual assurance that the protection provided by Stilwell's Certificate will continue to be available regardless of, among other things, an amendment to the Certificate or a change in management or control of Stilwell. The Stilwell Indemnification Agreements provide for prompt indemnification to the fullest extent permitted by law and for the prompt advancement of expenses, including attorney's fees and all other costs and expenses incurred in connection with any action, suit or proceeding in which the director or officer is a witness or other participant, or to which the director or officer is a party, by reason (in whole or in part) of service in certain capacities. The Stilwell Indemnification Agreements provide a mechanism to seek court relief if indemnification or expense advances are denied or not received within the periods provided in the Stilwell Indemnification Agreements. Indemnification and advancement of expenses are also provided with respect to a court proceeding initiated for a determination of rights under the Stilwell Indemnification Agreements or of certain other matters. Stilwell has entered into such indemnification agreements with all current directors and officers of Stilwell.

OTHER COMPENSATORY PLANS AND ARRANGEMENTS

STILWELL STOCK PURCHASE PLAN. The main provisions of the Stilwell Stock Purchase Plan are substantially similar to the KCSI Purchase Plan: eligible employees may purchase during certain periods Stilwell Common Stock at 85% of the average market price on either the exercise date or the grant date, whichever is lower, but in no event at less than the par value of the shares. Eligible Stilwell employees may elect to have up to a board-determined maximum percentage of annualized base pay applied to purchase Stilwell Common Stock, and the purchase price will be collected via employee payroll deductions. With certain exceptions, all employees of Stilwell or any eligible Stilwell affiliates who work at least 20 hours per week for five months of the year will be eligible to participate in the Stilwell Stock Purchase Plan. The right to participate in the Stilwell Stock Purchase Plan will terminate immediately upon the date the participant ceases employment with Stilwell or any eligible Stilwell affiliate except in certain circumstances.

STILWELL EXECUTIVE PLAN. The Stilwell Executive Plan is a non-qualified plan for participants who are certain officers of Stilwell and is designed to provide benefits in addition to the annual contributions

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permitted under the Stilwell qualified retirement plans.

The annual benefit provided on behalf of each participant in the Stilwell Executive Plan equals the amount which would have been contributed to the Stilwell qualified retirement plans for such participant based on the participant's compensation under the Stilwell qualified retirement plans without regard to statutory contribution limitations or eligibility requirements, less the amount participants were entitled to receive under such plans (assuming, with respect to the 401(k) Portion, that the participant was entitled to receive the maximum matching contribution). Each participant may irrevocably elect in advance to receive the annual benefit available under the Stilwell Executive Plan either in cash or through a grant of non-qualified stock options to purchase shares of Stilwell Common Stock (using a Black-Scholes valuation model which values the stock options at 125 percent of the annual cash benefit). For purposes of the Stilwell Executive Plan, compensation includes base compensation plus cash incentive compensation; certain participants have agreed that their compensation is a fixed amount or a certain percentage of their annual base salaries, pursuant to their employment agreements.

After the Distribution, those Stilwell employees in the KCSI Executive Plan will no longer be eligible to participate in the KCSI Executive Plan, but their KCSI compensation for the year including the Distribution will be credited under the Stilwell Executive Plan.

STILWELL STOCK OPTION PLAN. The Stilwell Stock Option Plan provides for the grant, at the discretion of Stilwell's Board of Directors or of a committee appointed by Stilwell's Board of Directors (in either case, the "Committee") of various types of equity incentive awards, including options (incentive and non- statutory), restricted shares, bonus shares, SARS (freestanding and tandem) and LSARs (including, in each case, dividend equivalents), performance units and performance shares. Awards may be made to any employee director or consultant of Stilwell or of any Stilwell subsidiary. A maximum of 30,000,000 shares of Stilwell Common Stock may be issued under the Stilwell Stock Option Plan (subject to adjustment in the event of stock splits, recapitalizations, reorganizations or similar events), approximately 16,000,000 of which shares will be subject to New Stilwell Options. The Committee administers the Stilwell Stock Option Plan and has broad discretionary powers to designate grantees, determine the number and type of awards, prescribe the terms and conditions of each award and to modify the terms and conditions of individual awards. The Committee's discretionary powers extend to awards granted to outside directors as well as to employees and consultants.

The Stilwell Stock Option Plan will govern the New Stilwell Options as well as Stilwell stock options and other incentive awards granted pursuant to the Stilwell Stock Option Plan in connection with and after the Distribution. As part of the Distribution, KCSI and Stilwell plan to substitute options for Options held by KCSI and Stilwell employees, former KCSI employees and KCSI directors (including former directors) to provide for the equitable adjustment of the Options as allowed by the KCSI Stock Option Plan. Specifically, as part of the Distribution, all Options will remain outstanding with an adjusted exercise price as New KCSI Options, and holders of the Options will receive New Stilwell Options.

The exercise prices of the Substituted Options will be a prorated amount of the exercise price for the related Options based on the ratio of the

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trading price of Stilwell Common Stock to the total of the trading prices of both KCSI Common Stock (excluding Stilwell) and Stilwell Common Stock. For this purpose, the trading prices will be the closing prices of the stocks on the New York Stock Exchange on the Distribution Date. The other terms of the Substituted Options will be the same as for the Options.

The New Stilwell Options will be granted in the same proportion as the distribution of Stilwell Common Stock in the Distribution; i.e., two New Stilwell Options for each Option held. New KCSI Options and New Stilwell Options which will be substituted for Options which were subject to time vesting (under the KCSI Stock Option Plan, vesting means the Options become exercisable; therefore, Options which time vest are Options which become exercisable after the passage of a specified period of time) will vest at the time the Options for which they were substituted would have vested.

The substitution of New KCSI Options and New Stilwell Options for Options is provided for in the Intercompany Agreement under which (1) the New KCSI Options and New Stilwell Options will be established with the exercise prices determined as described above based on an allocation of the exercise price of the Options; and (2) KCSI and Stilwell assume the obligation to issue shares of their Common Stock upon the exercise of the New KCSI Options and the New Stilwell Options, respectively.

STILWELL 401(k) PLAN (WITH PROFIT SHARING PORTION). The 401(k) Portion is a qualified voluntary self-directed employee contribution plan, and the Profit Sharing Portion is a qualified, non-contributory defined contribution plan. New employees of Stilwell and of Stilwell affiliates which participate in the Stilwell 401(k) Plan, other than certain excluded employees as defined in the Stilwell 401(k) Plan ("Eligible Employees"), may elect to participate in the
401(k) Portion on the first plan entry date on or after the commencement of their employment. Under the 401(k) Portion, Eligible Employees may defer up to 10% of their eligible compensation (as defined in the 401(k) Portion) through payroll deduction, up to certain limits prescribed by the Code. Stilwell will contribute matching contributions to each participant's account, up to 3% of the employee's eligible compensation, again subject to certain Code-prescribed limits. Participants in the 401(k) Portion may choose to invest their 401(k) Portion accounts in any one or more of 13 diversified investment options. A participant is always fully vested in his or her contributions to the 401(k) Portion.

As of the Distribution, the Trustee will transfer the accounts of the Stilwell participants who will participate in the 401(k) Portion to the 401(k) Portion. The trustee for the Stilwell 401(k) Plan will accept the transferred accounts from the KCSI 401(k) Plan, and participants' elections under the KCSI 401(k) Plan will remain in effect under the 401(k) Portion until changed by the Stilwell participants.

With respect to the Profit Sharing Portion, the Trustee will divide the KCSI Profit Sharing Plan as of the Distribution and will transfer the accounts of Stilwell Financial Inc. participants to the Profit Sharing Portion in a plan-to- plan transfer of assets. An investment manager will manage the participant accounts in the Profit Sharing Portion.

With respect to the employer contributions made to the Stilwell 401(k) Plan, participants vest at the rate of 25% at three years of service, 50% at four years of service and 100% at five years of service. The Stilwell 401(k) Plan will treat all service credited with respect to an employee under the

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KCSI 401(k) Plan, for the 401(k) Portion, and the KCSI Profit Sharing Plan, for the Profit Sharing Portion, prior to the Distribution as service with Stilwell. A participant's interest in employer contributions also becomes fully vested at retirement, death, disability or a change in control of Stilwell. Distributions under the Stilwell 401(k) Plan will be made in connection with a participant's death, disability, retirement or other termination of employment. A participant has the right to elect whether payment of his or her benefits will be in a lump sum, in installments, or in a combination thereof.

Stilwell's Board of Directors has appointed a trustee to hold the assets of the Stilwell 401(k) Plan in a trust fund. The Stilwell Compensation Committee will appoint a Stilwell 401(k) Plan Advisory Committee (the "Advisory Committee") to administer the Stilwell 401(k) Plan. Stilwell's Board of Directors and Stilwell's Compensation Committee may amend the Stilwell 401(k) Plan, although any amendment may not adversely affect any person's accrued benefits under the Stilwell 401(k) Plan.

STILWELL ESOP. New employees of Stilwell and of Stilwell affiliates which participate in the Stilwell ESOP (other than excluded employees as defined in the Stilwell ESOP), will be eligible to participate in the Stilwell ESOP on the first plan entry date on or after the commencement of their employment. The Stilwell ESOP does not permit participant contributions or rollover contributions.

The KCSI ESOP and the Stilwell ESOP will participate in the Distribution. Immediately after the Distribution, participants in the Stilwell ESOP will have two shares of Stilwell Common Stock for each one share of KCSI Common Stock in their accounts.

To allow Stilwell participants to retain the KCSI Common Stock in their respective Stilwell ESOP accounts, Stilwell participants will have an election with respect to the portion of each Stilwell participant's account allocated to KCSI Common Stock to keep the KCSI Common Stock in their accounts or to have the trustee for the Stilwell ESOP sell the KCSI Common Stock in their accounts and reinvest the proceeds in either Stilwell Common Stock or in a guaranteed investment contract fund. The election may be a partial election; however, once a participant elects to have the KCSI Common Stock held in his or her ESOP account sold, the participant may not reinvest in KCSI Common Stock, nor may a participant elect to sell any of the Stilwell Common Stock in his or her account to invest in the guaranteed investment contract fund. For any participant who does not affirmatively elect to retain the KCSI Common Stock in his or her account, the trustee for the Stilwell ESOP will sell the KCSI Common Stock from his or her account and will reinvest the proceeds in Stilwell Common Stock.

Stilwell's Compensation Committee will appoint an advisory committee (the "Stilwell ESOP Advisory Committee") to administer the Stilwell ESOP. Stilwell's Board of Directors and Stilwell's Compensation Committee may amend the Stilwell ESOP, although any amendment may not adversely affect any person's accrued benefits under the Stilwell ESOP. A participant's interest in Stilwell contributions is 100% vested upon five years of service, with no vesting prior to that time, but becomes fully vested at retirement, death, disability or a change in control of Stilwell.

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PRINCIPAL STOCKHOLDERS AND STOCK OWNED BENEFICIALLY BY STILWELL'S DIRECTORS AND CERTAIN EXECUTIVE OFFICERS

The table below sets forth beneficial ownership of Stilwell Common Stock as if the Distribution had occurred on April 28, 2000, based upon beneficial ownership of KCSI's Common Stock as of April 28, 2000 by: (i) beneficial owners of more than 5% of the outstanding Stilwell Common Stock that have publicly disclosed their ownership of KCSI Common Stock; (ii) the members of Stilwell's Board of Directors and certain executive officers; and (iii) all Stilwell officers and directors as a group. The table includes shares of Stilwell Common Stock that would be deemed beneficially owned by each such person in connection with the treatment of the Options in the Distribution. See "Relationship Between KCSI and Stilwell After the Distribution--Employee Benefits" and "Management--Other Compensatory Plans and Arrangements." No officer or director of Stilwell Financial Inc. owns any equity securities of any subsidiary of Stilwell. Beneficial ownership is generally either the sole or shared power to vote or dispose of the shares. Neither KCSI nor Stilwell is aware of any arrangement which would at a subsequent date result in a change in control of Stilwell.

Name	Common Stock (1)	Percent of Outstanding (1)
Amvescap, Plc and certain affiliates	18,329,200(2)	8.23%
The TCW Group, Inc. and certain affiliates	17,989,988(3)	8.07%
American Express Company and certain affiliates	13,717,904(4)	6.16%
Paul F. Balser Director	132,000(1)(5)	*
Thomas H. Bailey Chairman of the Board, President and Chief Executive Officer of Janus	58,936(5)	*
James E. Barnes Director	186,000(1)(6)	*
Danny R. Carpenter Vice President and Secretary	642,632(1)(5)	*
Anthony P. McCarthy Vice President - Finance	416,676(1)(5)	*
Joseph D. Monello Vice President and Chief Operating Officer	914,204(1)(5)	*

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Landon H. Rowland Chairman of the Board, President and Chief Executive Officer	6,946,344(1)(5)	3.04%
Morton I. Sosland Director	323,022(1)(6)	*
All Directors and Executive Officers as a Group (10 Persons)	9,736,196	4.37%

* Less than 1% of the outstanding shares.

(1) Percentage ownership is based on the number of shares outstanding as of April 28, 2000 plus any Additional Shares (as defined below). The holders may disclaim beneficial ownership of shares included under certain circumstances. Except as noted, the holders have sole voting and dispositive power over the shares. Under applicable law, shares that may be acquired upon the exercise of options or other convertible securities that are exercisable on the Record Date or will become exercisable within 60 days of that date (the "Additional Shares") are considered beneficially owned. The Additional Shares included in the amounts shown above are as follows: Mr. Balser, 132,000; Mr. Barnes, 168,000; Mr. Carpenter, 589,636; Mr. McCarthy, 168,500; Mr. Monello, 790,000; Mr. Rowland 5,465,290; Mr. Sosland, 12,000; and all directors and executive officers as a group, 7,433,670. Certain directors and executive officers disclaim beneficial ownership of 104,800 of these shares.

(2) Based upon information in Schedule 13G filed February 4, 2000, the address for Amvescap, Plc is 11 Devonshire Square, London EC2M 4YR, England. The reporting persons expressly declared that the filing of the information on Schedule 13G shall not be construed as an admission that they are the beneficial owners of any securities covered by such statement.

(2) Based upon information in Schedule 13G filed February 14, 2000. The address for The TCW Group, Inc. is 865 South Figueroa Street, Los Angeles, California 90017. The reporting persons expressly declared that the filing of the information on Schedule 13G shall not be construed as an admission that they are the beneficial owners of any securities covered by such statement.

(3) Based upon information in Schedule 13G filed February 8, 2000. The address for American Express Company is American Express Tower, 200 Vesey Street, New York, New York 10285. The reporting persons expressly declared that the filing of the information on Schedule 13G shall not be construed as an admission that they are the beneficial owners of any securities covered by such statement.

(5) Under applicable law, shares that are held indirectly are also considered beneficially owned. Such shares included in the amounts shown above are as follows: Mr. Bailey owns 44,008 shares through the Stilwell ESOP; Mr. Carpenter owns 17,262 shares through the Stilwell ESOP and 5,672 shares held in a revocable trust of which he is the trustee; Mr. McCarthy owns 54,636 and 7,866 shares through the Stilwell ESOP and KCSI's Profit

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Sharing Plan, respectively. Mr. Monello owns 68,926 shares through the Stilwell ESOP; Mr. Rowland owns 123,690 and 960 shares through the Stilwell ESOP and KCSI's Profit Sharing Plan, respectively; and all directors and executive officers as a group own indirectly 653,894 shares.

(6) Directors and Executive Officers may also be deemed to own beneficially shares held in other capacities as follows: Mr. Barnes, 18,000 shares held jointly with his wife; Mr. Carpenter, 30,064 shares held by his wife in a revocable trust of which she is the trustee; and Mr. Sosland, 9,600 shares held in trust over which he has sole voting and dispositive power as trustee, 24,000 shares held by his wife, and 176,000 shares over which he has shared voting and/or dispositive power but as to which beneficial ownership is disclaimed, which shares are held as follows: 72,000 shares held by certain companies of which he is a director, 92,000 shares held as co-trustee of certain testamentary trusts, and 12,000 shares in a charitable foundation of which he is a director.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

KCSI will have a transitional relationship with Stilwell as a result of the Intercompany Agreement, the Tax Disaffiliation Agreement and certain other agreements and relationships. In addition, Mr. Landon Rowland, who serves as Chairman of the Board of Directors of Stilwell, will serve as Chairman of the Board of Directors of KCSI for a transitional period. Mr. Rowland will have no executive position with KCSI. It is expected that he will be the only director common to the boards of both KCSI and Stilwell, and KCSI and Stilwell will have no common employees. Except as contemplated by such agreements or as otherwise described in this Information Statement, KCSI and Stilwell are not expected to have any other material relationships with each other. See "Relationship Between KCSI and Stilwell After the Distribution."

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DESCRIPTION OF CAPITAL STOCK

The Certificate provides that the authorized capital stock of Stilwell consists of 1,010,000,000 shares, of which 1,000,000,000 shares is Common Stock and 10,000,000 shares is preferred stock. The following summary of the terms and provisions of Stilwell's capital stock does not purport to be complete and is qualified in its entirety by reference to the Certificate and the Bylaws, copies of which are included as exhibits to the Registration Statement on Form 10 of which this Information Statement is a part, and applicable law.

COMMON STOCK

Following the Distribution, and based upon the ownership of KCSI Common Stock on March 31, 2000, it is anticipated that there will be approximately 222,800,000 shares of Stilwell Common Stock, par value $.01 per share, issued and outstanding, held of record by approximately 6,000 stockholders. The holders of Stilwell Common Stock are entitled to one vote for each share on all matters submitted to a vote of stockholders and may not cumulate votes for the election of directors. Accordingly, the owners of a majority of the shares of Stilwell Common Stock outstanding has the power to elect all of Stilwell's Board of Directors. Each share of Stilwell Common Stock outstanding is entitled to participate equally in any distribution of net assets made to the stockholders in liquidation, dissolution or winding up of Stilwell and is entitled to participate equally in dividends as and when declared by Stilwell's Board of Directors. There are no redemption, sinking fund, conversion or preemptive rights with respect to the shares of Stilwell Common Stock. All shares of Stilwell Common Stock have equal rights and preferences. The rights, preferences and privileges of the holders of Stilwell Common Stock are subject to and may be adversely affected by the rights of holders of shares of any series of preferred stock that Stilwell may designate and issue in the future.

PREFERRED STOCK

Stilwell is authorized to issue 10,000,000 shares of preferred stock, par value $1.00 per share (the "Stilwell Preferred Stock"). The Certificate authorizes Stilwell's Board of Directors, subject to certain limitations prescribed by law, to establish one or more series of Stilwell Preferred Stock, and by filing a certificate pursuant to the DGCL ("Certificate of Designation"), to establish from time to time the number of shares to be included in each such series, and to fix or alter from time to time the designations, powers, preferences and rights of the shares of each such series and any qualifications, limitations or restrictions thereof, including without limitation the dividend rights, dividend rates, conversion rights, voting rights, liquidation preferences and the number of shares constituting any series or designation of such series. Stilwell believes that the ability of Stilwell's Board of Directors to issue one or more series of Stilwell Preferred Stock provides Stilwell with flexibility in structuring possible future financings and acquisitions, and in meeting other corporate needs which might arise. The authorized shares of Stilwell Preferred Stock, as well as shares of Stilwell Common Stock, are available for issuance without further action by Stilwell's stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which Stilwell's securities may be listed or traded, or pursuant to the terms of any Certificate of Designation. If the approval of Stilwell's stockholders is not required for the issuance of shares of Stilwell Preferred Stock or Stilwell

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Common Stock, Stilwell's Board of Directors may determine not to seek stockholder approval.

Stilwell's Board of Directors could issue a series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a change in control of Stilwell. Stilwell's Board of Directors will make any determination to issue such shares based on its judgment as to the best interests of Stilwell and its stockholders. Stilwell's Board of Directors, in so acting, could issue Stilwell Preferred Stock having terms that could discourage an acquisition attempt through which an acquiror may be able to change the composition of Stilwell's Board of Directors, including a tender offer or other transaction that some, or a majority, of Stilwell's stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then-current market price of such stock.

CERTAIN ANTITAKEOVER EFFECTS

Stockholders' rights and related matters are governed by the DGCL, the Certificate and the Bylaws. Certain provisions of Stilwell's Certificate, Bylaws, Rights Plan and Delaware statutory law described in this section may delay or make more difficult acquisitions or changes in control of Stilwell. Such provisions may also adversely affect prevailing market prices for Stilwell Common Stock, although such transactions might be considered desirable by Stilwell's stockholders. Stilwell believes that such provisions are necessary to enable Stilwell to develop its business in a manner that will foster its long-term growth without disruption caused by the threat of a takeover not deemed by Stilwell's Board of Directors to be in the best interests of Stilwell and its stockholders. See "Risk Factors-Antitakeover Provisions: Provisions of Stilwell's Governing Documents, its Rights Plan and Restrictions Relating to the Tax Ruling could Delay or Prevent a Change in Control of Stilwell, Thereby Entrenching Current Management and Possibly Depressing the Market Price of Stilwell Common Stock."

BOARD OF DIRECTORS. The Certificate provides that the number of directors of Stilwell will be fixed from time to time exclusively by a majority of the entire Board of Directors of Stilwell, but cannot be fewer than three nor more than eighteen. Stilwell's Board of Directors, other than those who may be elected by the holders of Stilwell Preferred Stock, is divided into three classes, as nearly equal in number as possible, with one class to be elected for a term expiring at the annual meeting of stockholders to be held in 2001, another class to be elected for a term expiring at the annual meeting of stockholders to be held in 2002, and another class to be elected for a term expiring at the annual meeting of stockholders to be held in 2003. Commencing with the 2000 annual meeting of stockholders, successors to Stilwell's Board of Directors whose terms expire at the annual meeting will be elected for a three-year term, with each director to hold office until a successor has been duly elected and qualified. As a result, approximately one-third of Stilwell's Board of Directors will be elected each year.

The Certificate and Bylaws provide that, except as otherwise provided for or fixed by or pursuant to a Certificate of Designation, newly created directorships resulting from any increase in the authorized number of directors and any vacancies on Stilwell's Board of Directors resulting from death, resignation, retirement, removal or other cause will be filled by the affirmative vote of a majority of the remaining directors then in office, even

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though less than a quorum of Stilwell's Board of Directors. Any director elected in accordance with the provisions described in the preceding sentence will hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred, and until his or her successor is duly elected and qualified, or until his or her earlier resignation or removal. No decrease in the number of directors constituting Stilwell's Board of Directors shortens the term of any incumbent director. Subject to the rights of holders of Stilwell Preferred Stock, any director may be removed from office only for cause by the affirmative vote of the holders of the majority of the then-outstanding shares of the capital stock of Stilwell entitled to vote generally in the election of directors; provided, however, that on and after the day that someone becomes an Interested Stockholder (as defined in the Certificate), a director may be removed from office for cause only by the affirmative vote of the holders of at least 70% of the Voting Stock (as defined herein).

These provisions would preclude a third party from removing incumbent directors without cause and simultaneously gaining control of the Stilwell's Board of Directors by filling the vacancies created by removal with its own nominees. In addition, such provisions would preclude a third party from enlarging Stilwell's Board of Directors and filling new directorships with its own nominees. Under the classified board provisions described above, it would take at least two elections of directors for any individual or group to gain control of Stilwell's Board of Directors. Accordingly, these provisions could discourage a third party from initiating a proxy contest, making a tender offer or otherwise attempting to gain control of Stilwell.

NO STOCKHOLDER ACTION BY UNANIMOUS WRITTEN CONSENT; LIMITATIONS ON CALL OF SPECIAL MEETINGS. The Certificate and Bylaws provide that any action required or permitted to be taken by the stockholders of Stilwell must be effected only at a duly called annual or special meeting of such stockholders and may not be effected by any consent in writing by such holders in lieu of a meeting. Except as otherwise required by law, special meetings of stockholders of Stilwell for any purpose or purposes may be called only by the Chairman of the Board of Directors, the Chief Executive Officer or the President of Stilwell pursuant to a resolution approved by a majority of the entire Board of Directors of Stilwell. These provisions may have the effect of delaying consideration of a stockholder proposal until the next annual meeting unless a special meeting is called by Stilwell's Chairman of the Board of Directors, Chief Executive Officer or President.

ADVANCE NOTICE REQUIREMENTS FOR STOCKHOLDER PROPOSALS AND DIRECTOR NOMINATIONS. The Bylaws establish an advance notice procedure for the nomination of candidates for election as directors by stockholders entitled to vote for the election of directors as well as for other stockholder proposals to be considered at annual meetings of stockholders. Notice must be received by Stilwell, if more than 30 days' notice is given to stockholders, not later than the close of business on the 15th day following the day on which notice of the date of the annual meeting was mailed or public disclosure was made, whichever first occurs, and if less than 30 days' notice is given to stockholders, then not later than the close of business on the 5th day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the meeting was made, whichever first occurs. Such notice must contain certain specified information concerning the persons to be nominated or the matters to be brought before the meeting, in addition to information concerning the stockholder submitting the proposal. The chairperson of the meeting has the power to determine whether business is

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properly brought before the meeting.

By requiring advance notice of nominations by stockholders, the foregoing procedures will afford Stilwell's Board of Directors an opportunity to consider the qualifications of the proposed nominees and, to the extent deemed necessary or desirable by Stilwell's Board of Directors, to inform stockholders about such qualifications. By requiring advance notice of other proposed business, such procedures will provide Stilwell's Board of Directors with an opportunity to inform stockholders of business proposed to be conducted at such meetings and the Board of Directors' recommendations with respect to such business, so that stockholders can better decide whether to attend such a meeting or to grant a proxy regarding such business.

The above-described procedures may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if the proper procedures are not followed, and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal, without regard to whether consideration of such nominees or proposals might be harmful or beneficial to Stilwell and its stockholders.

AMENDMENTS; BUSINESS COMBINATIONS. Stilwell, in its Certificate, reserves the right to amend, alter, change or repeal any provisions contained in the Certificate in the manner prescribed by the DGCL, and all rights conferred upon stockholders are granted subject to this reservation; provided, however, that the affirmative vote of the holders of at least 70% of the Voting Stock, voting together as a single class, shall be required to amend, alter, change or repeal certain provisions of the Certificate and that on and after the day that someone becomes an Interested Stockholder the affirmative vote of the holders of at least 70% of the Voting Stock is required to amend, alter, change or repeal certain other provisions of the Certificate. See "DIFFERENCES IN RIGHTS OF STOCKHOLDERS ARISING FROM DIFFERENCES BETWEEN THE CERTIFICATES AND BYLAWS OF STILWELL AND KCSI." The Certificate further provides that provisions of the Bylaws (including the stockholder notice procedure) may be adopted, amended or repealed by Stilwell's entire Board of Directors or Stilwell's stockholders; provided, however, that on and after the day that someone becomes an Interested Stockholder, the affirmative vote of the holders of at least 70% of the Voting Stock is required to adopt, amend or repeal, by stockholder action, any provisions of the Bylaws. In addition, the affirmative vote of at least 70% of the Voting Stock, voting together as a single class, is required to enter into certain business combinations (defined broadly to include mergers, consolidations, certain sales or other dispositions of assets, and certain transactions that would increase certain interested stockholders' percentage ownership of stock in Stilwell) with an Interested Stockholder or its affiliates.

EXPANDED CONSIDERATIONS BY STILWELL'S BOARD OF DIRECTORS WHEN EVALUATING CERTAIN TRANSACTIONS. The Certificate provides that Stilwell's Board of Directors, when evaluating a tender offer, exchange offer, merger, consolidation or offer to purchase all, or substantially all, of the properties and assets of Stilwell made by another party, may consider expanded factors, including, without limitation, certain social and economic effects on Stilwell's present and future customers and employees and those of its subsidiaries, including the impact on investment companies advised or managed by any of Stilwell's subsidiaries, the social and economic effect on the communities in which Stilwell is located or operated, the ability of Stilwell

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to fulfill its corporate objectives, and the consideration being offered in relation to the current market price of Stilwell's outstanding shares of capital stock, in relation to the current value of Stilwell in a freely negotiated transaction and in relation to Stilwell's Board of Director's estimate of the future value of Stilwell (including the unrealized value of its properties and assets) as an independent going concern.

DELAWARE BUSINESS COMBINATION STATUTE. Section 203 of the DGCL prohibits certain transactions between a Delaware corporation and an "interested stockholder," which is defined as a person who, together with any affiliates and/or associates of such person, beneficially owns, directly or indirectly, 15% or more of the outstanding voting stock of a Delaware corporation. This provision prohibits certain business combinations (defined broadly to include mergers, consolidations, sales or other dispositions of assets having an aggregate value of 10% or more of the consolidated assets of the corporation, and certain transactions that would increase the interested stockholders' percentage ownership of stock in the corporation) between an interested stockholder and a corporation for a period of three years after the date the interested stockholder acquired its stock and became an interested stockholder, unless: (i) the business combination is approved by the corporation's board of directors prior to the date the interested stockholder acquired shares; (ii) the interested stockholder acquired at least 85% of the voting stock of the corporation in the transaction in which it became an interested stockholder; or
(iii) the business combination is approved by a majority of the board of directors and by the affirmative vote of two-thirds of the outstanding voting stock owned by disinterested stockholders at an annual or special meeting. A Delaware corporation, pursuant to a provision in its certificate of incorporation or bylaws, may elect not to be governed by Section 203 of the DGCL.

Under certain circumstances, Section 203 of the DGCL makes it more difficult for a person who could be an "interested stockholder" to effect various business combinations with a corporation for a three-year period, although the stockholders may elect to exclude a corporation from the restrictions imposed thereunder. The Certificate does not exclude Stilwell from the restrictions imposed under Section 203 of the DGCL and, as a result, Stilwell is subject to its provisions upon consummation of the Distribution. It is anticipated that the provisions of Section 203 of the DGCL may encourage companies interested in acquiring Stilwell to negotiate in advance with Stilwell's Board of Directors, since the stockholder approval requirement would be avoided if a majority of the directors then in office approves, prior to the date on which a stockholder becomes an interested stockholder, either the business combination or the transaction which results in the stockholder becoming an interested stockholder. Such provisions may also have the effect of preventing changes in the management of Stilwell. It is possible that such provisions could make it more difficult to accomplish transactions which stockholders may otherwise deem to be in their best interest.

LIMITATION ON LIABILITY. The Certificate also provides for expanded indemnification of Stilwell's Board of Directors and officers of Stilwell and limits the liability of directors of Stilwell. Pursuant to those provisions, Stilwell shall indemnify each officer, director, employee, agent, trustee, committee member or representative of Stilwell, or any officer, director, employee, agent, trustee, committee member or representative of any other company or other entity who was serving at the request of Stilwell, to the fullest extent permitted under the DGCL against all expenses, liability and loss reasonably incurred by such Indemnitee in any legal proceeding to which

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such indemnitee is made or is threatened to be made a party by reason of such indemnitee acting in such capacity. Such right to indemnification includes the right to advancement of expenses incurred by such person prior to final disposition of the proceeding, provided that if the DGCL requires, such indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee) shall provide Stilwell with an undertaking to repay all amounts so advanced if it shall ultimately be determined by final judicial decision that such person is not entitled to be indemnified for such expenses. The Certificate gives such indemnitee the right to bring suit against Stilwell if such advancement of expenses is not paid by Stilwell within the period set forth in the Certificate. The Certificate provides that a director of Stilwell shall not be personally liable to Stilwell or its stockholders for monetary damages for breach of fiduciary duty as a director except for liability: (i) for any breach of the director's duty of loyalty to Stilwell or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under Section 174 of the DGCL; or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended to further eliminate or limit the personal liability of directors, the Certificate provides that the liability of a director of Stilwell shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

STOCKHOLDERS' RIGHTS PLAN. Stilwell entered into the Rights Plan with UMB Bank, N.A., as rights agent as of June 14, 2000. In connection with the Rights Plan, Stilwell's Board of Directors declared a dividend of one right ("Right") for each outstanding share of Stilwell Common Stock as of the close of business on June 14, 2000 (the "Rights Record Date"). Shares of Stilwell Common Stock issued in the Distribution (assuming no triggering event) automatically receive these Rights upon issuance. The Rights are not exercisable or transferable separately from the shares of Stilwell Common Stock until the earlier of: (1) ten days following a public announcement that a person or group has acquired or obtained the right to acquire beneficial ownership of 15% or more of the outstanding shares of Stilwell Common Stock; or (ii) ten days following the commencement or announcement of an intention to make a tender or exchange offer that would result in an acquiring person or group beneficially owning 15% or more of the outstanding shares of Stilwell Common Stock (an "Acquiring Person"), unless Stilwell's Board of Directors sets a later date in either event (the earlier of (i) or (ii) being the "Rights Distribution Date"). Under the Rights Plan, Stilwell's Board of Directors has the option to redeem the Rights at a nominal cost or prevent the Rights from being triggered by designating certain offers for all the outstanding Stilwell Common Stock as a Permitted Offer (as defined in the Rights Plan). No supplement or amendment may be made to the Rights Plan which changes the Redemption Price, the Final Expiration Date, the Purchase Price (as those terms are defined in the Rights Plan) or the number of 1/1,000ths of a share of Preferred Stock for which a Right is exercisable. Subject to the foregoing, prior to the Rights Distribution Date, Stilwell may amend or supplement the Rights Plan without the consent of any of the holders of the Rights. Following the Rights Distribution Date, the Rights Plan may be amended to cure any ambiguity, to correct or supplement any provision that is defective or inconsistent with any other provision of the Rights Plan, or to change or supplement any provision so long as such amendment or supplement does not adversely affect the holders of the Rights (other than an acquiring person or group). The Rights expire ten years after the Rights Record Date unless earlier redeemed by Stilwell.

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The Rights, when exercisable, entitle their holders (other than those held by an Acquiring Person) to purchase 1/1,000 of a share of Series A Stilwell Preferred Stock (subject to adjustment) or, in certain instances, other securities of Stilwell, including Stilwell Common Stock, having a market value equal to twice the exercise price of the Right. In certain circumstances, if Stilwell is involved in a merger or consolidation and is not the surviving entity or disposes of more than 50 percent of its assets or earnings power, the Rights also entitle their holders (other than an acquiring person or group) to purchase the highest priority voting shares in the surviving entity or its affiliates having a market value of two times the exercise price of the Rights. See "Description of Capital Stock-Stilwell Preferred Stock."

The Rights Plan is intended to encourage a potential acquiring person or group to negotiate directly with Stilwell's Board of Directors, but may have certain antitakeover effects. The Rights Plan could significantly dilute the interests in Stilwell of an Acquiring Person. The Rights Plan may therefore have the effect of delaying, deterring or preventing a change in control of Stilwell.

TRANSFER AGENT

The transfer agent and registrar of the Stilwell Common Stock is UMB Bank, N.A.

ADDITIONAL INFORMATION

Stilwell has filed with the SEC a Registration Statement on Form 10 (the "Registration Statement", including any amendments or supplements thereto) under the Exchange Act with respect to the shares of Stilwell Common Stock being received by the holders of KCSI Common Stock in the Distribution. This Information Statement does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto, to which reference is hereby made. Statements made in this Information Statement as to the contents of any contract, agreement or other document referred to herein are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to such exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference.

This Registration Statement and the exhibits thereto filed by Stilwell with the SEC may be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as at the regional offices of the SEC at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and 7 World Trade Center, Suite 1300, 13th Floor, New York, New York 10048. Copies of such information can be obtained by mail from the Public Reference Branch of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, upon payment of fees prescribed by the SEC. The SEC also maintains a website at http://www.sec.gov that contains reports, proxy and information statements, Registration Statements and other information that has been or will be filed by Stilwell.

After the Distribution, Stilwell will be required to comply with the reporting requirements of the Exchange Act and to file with the SEC reports, proxy statements and other information as required by the Exchange Act.

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Additionally, Stilwell will be required to provide annual reports containing audited financial statements to its stockholders in connection with its annual meetings of stockholders. After the Distribution, these reports, proxy statements and other information will be available to be inspected and copied at the public reference facilities of the SEC or obtained by mail or over the Internet from the SEC, as described above. Stilwell has received approval, subject to official notice of issuance, to have the Stilwell Common Stock listed on the New York Stock Exchange under the symbol "SV." When the Stilwell Common Stock commences trading on the New York Stock Exchange, such reports, proxy statements and other information will be available for inspection at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

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All schedules are omitted because they are not applicable, insignificant or the required information is presented in the consolidated financial statements or notes thereto.

The consolidated financial statements and related notes of DST Systems, Inc. (an approximately 32% owned affiliate of Stilwell accounted for under the equity method), together with the Report of Independent Accountants, for the years ended December 31, 1997, 1998 and 1999, which are included in the DST Systems, Inc. Annual Report on Form 10-K for the year ended December 31, 1999 (Commission File No. 1-14036) are incorporated by reference in this Information Statement.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Stockholder of Stilwell Financial, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in stockholder's equity present fairly, in all material respects, the financial position of Stilwell Financial, Inc. (a wholly-owned subsidiary of Kansas City Southern Industries, Inc.) and its subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

Kansas City, Missouri
March 16, 2000

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STILWELL FINANCIAL, INC.
(A WHOLLY-OWNED SUBSIDIARY OF KANSAS CITY SOUTHERN INDUSTRIES, INC.)
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN MILLIONS)

	December 31,		March 31,
	1998	1999	2000
(unaudited)			
ASSETS			
Current assets:			
Cash and cash equivalents	$138.5	$ 324.1	$ 350.7
Accounts receivable	76.6	155.7	223.5
Investments in advised funds	32.2	23.9	33.0
Other current assets	12.0	21.3	42.1
Total current assets	259.3	525.0	649.3
Investments held for operating purposes	379.2	474.1	498.4
Property and equipment, net	37.4	70.4	94.3
Intangibles and other assets, net	147.0	162.0	190.7
Total assets	$822.9	$1,231.5	$1,432.7
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current liabilities:			
Accounts and wages payable	$ 21.7	$ 43.0	$ 75.9
Accrued compensation and benefits	40.0	80.9	80.6
Federal income taxes payable to Parent	3.6	22.3	68.8
Deferred income taxes-current	--	0.4	16.2
Other accrued liabilities	5.8	15.9	24.8
Total current liabilities	71.1	162.5	266.3
Other liabilities:			
Long-term debt - Parent	16.6	--	--
Deferred income taxes	118.4	151.8	166.0
Other liabilities	42.3	45.3	44.5
Total liabilities	248.4	359.6	476.8
Commitments and contingencies (Notes 9, 10, 12, 13, 15)			
Minority interest in consolidated subsidiaries	34.3	57.3	66.9

STOCKHOLDER'S EQUITY

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Net investment by Parent	106.8	106.8
Retained earnings	358.5	598.9
Accumulated other comprehensive income	74.9	108.9
Total stockholder's equity	540.2	814.6
Total liabilities and stockholder's equity	$822.9	$1,231.5

The accompanying notes are an integral part of these financial statements.

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STILWELL FINANCIAL, INC.
(A WHOLLY-OWNED SUBSIDIARY OF KANSAS CITY SOUTHERN INDUSTRIES, INC.)
CONSOLIDATED STATEMENTS OF INCOME
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	For the year ended December 31,			For the Three Months Ended March 31,	
	1997	1998	1999	1999	2000
				(unaudited)	
REVENUES:					
Investment management fees	$389.3	$545.1	$ 992.8	$191.1	$449.9
Shareowner servicing fees	81.1	108.9	191.4	36.9	83.6
Other	14.7	16.8	28.1	5.3	11.6
Total	485.1	670.8	1,212.3	233.3	545.1
OPERATING EXPENSES:					
Compensation	118.0	167.8	316.5	59.8	124.9
Marketing and promotion	34.2	50.8	71.5	16.3	28.8
Alliance and third party administrator fees	38.4	64.0	143.0	24.3	72.3
Depreciation and amortization	13.1	16.8	35.4	6.8	15.6
Other	82.2	90.8	127.6	28.9	58.6
Total	285.9	390.2	694.0	136.1	300.2
OPERATING INCOME	199.2	280.6	518.3	97.2	244.9
Equity in earnings of unconsolidated affiliates	24.9	25.8	46.7	11.2	18.8
Interest expense - Parent	(10.4)	(6.5)	(5.9)	(1.0)	(0.7)
Interest expense - third parties					(1.9)
Gain on litigation settlement					44.2
Gain on sale of Janus common stock					15.1
Reduction in ownership of DST Systems, Inc.		(29.7)			
Other, net	16.2	19.1	27.4	4.9	9.9
Pretax income	229.9	289.3	586.5	112.3	330.3
Income tax provision	87.0	103.7	216.1	40.1	114.3
Minority interest in consolidated earnings	24.9	33.4	57.3	11.2	27.3
NET INCOME	$118.0	$152.2	$ 313.1	$ 61.0	$188.7

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PER SHARE DATA

(Notes 1 and 2):					
Weighted Average Common shares outstanding	1,000	1,000	1,000	1,000	1,000
Basic Earnings per share	$118,000	$152,200	$313,100	$ 61,000	$188,700
Diluted Earnings per share	117,400	149,900	308,300	60,200	186,400
Pro Forma Per Share Data (Unaudited) (Notes 2 and 3):					
Common shares outstanding (in thousands)			222,799	222,799	222,799
Basic Earnings per share			$ 1.38	$ 0.27	$ 0.85
Diluted Common shares outstanding (in thousands)			230,760	230,760	230,760
Diluted Earnings per share			$ 1.31	$ 0.26	$ 0.81

The accompanying notes are an integral part of these financial statements.

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STILWELL FINANCIAL, INC.
(A WHOLLY-OWNED SUBSIDIARY OF KANSAS CITY SOUTHERN INDUSTRIES, INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN MILLIONS)

	For the year ended December 31,			For the Three Months Ended March 31,	
	1997	1998	1999	1999	2000
				(unaudited)	
CASH FLOWS PROVIDED BY (USED FOR):					
OPERATING ACTIVITIES:					
Net income	$ 118.0	$ 152.2	$ 313.1	$ 61.0	$ 188.7
Adjustments to net income:					
Depreciation and amortization	13.1	16.8	35.4	6.8	15.6
Deferred income taxes	(4.4)	(12.4)	11.8	7.9	27.5
Minority interest in consolidated earnings	24.9	33.4	57.3	11.2	27.3
Equity in undistributed earnings of unconsolidated affiliates	(24.7)	(24.7)	(46.4)	(11.1)	(18.8)
Gain on sale of Janus Common stock					(15.1)
Asset impairment charges	15.7				
Gain on sale of equity investment		(8.8)			
Reduction in ownership of DST Systems, Inc.		29.7			
Employee deferred compensation	8.7	3.8	5.2	(3.6)	1.0
Changes in working capital items:					
Accounts receivable	(15.0)	(21.3)	(79.1)	(22.5)	(67.8)
Other current assets	(3.3)	(5.3)	(1.0)	(2.1)	(5.6)
Accounts payable and accrued compensation and benefits payable	13.4	12.8	61.6	5.4	46.8
Federal income taxes payable and other accrued liabilities	0.7	1.5	28.9	41.4	43.8
Changes in other assets	(0.3)	(1.5)	2.2	2.3	(8.6)
Deferred commissions			(29.5)	(8.1)	(44.7)
Other, net	0.3	(1.7)	0.9	0.6	(0.7)
Net operating	147.1	174.5	360.4	89.2	189.4

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INVESTING ACTIVITIES:					
Property acquisitions	(5.8)	(35.0)	(50.5)	(7.7)	(31.5)
Investments in and loans with affiliates	(12.0)	(24.3)	(17.5)	(1.4)	(1.8)
Sale of investments in advised funds	5.5	0.3	19.0		11.8
Purchase of investments in advised funds	(6.9)	(2.5)	(2.4)		(18.6)
Other, net	4.1	11.1	4.0	1.8	1.4
Net investing	(15.1)	(50.4)	(47.4)	(7.3)	(38.7)
FINANCING ACTIVITIES:					
Change in long-term debt - Parent	(33.2)	(67.5)	(16.6)	(16.6)	
Repayment of long-term debt - third parties	(0.3)	(6.6)			(125.0)
Amounts treated as transfers from (dividends to) Parent, net	(40.5)	12.4	(72.7)	(36.8)	7.6
Distributions to minority interest	(12.9)	(32.8)	(37.8)	(19.5)	(7.0)
Other, net	(4.2)	(0.8)	(0.3)	(2.3)	0.3
Net financing	(91.1)	(95.3)	(127.4)	(75.2)	(124.1)
CASH AND CASH EQUIVALENTS:					
Net increase	40.9	28.8	185.6	6.7	26.6
At beginning of year	68.8	109.7	138.5	138.5	324.1
At end of year	$109.7	$138.5	$ 324.1	$145.2	$ 350.7

The accompanying notes are an integral part of these financial statements.

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STILWELL FINANCIAL, INC.
(A WHOLLY-OWNED SUBSIDIARY OF KANSAS CITY SOUTHERN INDUSTRIES, INC.)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
(DOLLARS IN MILLIONS)

	Net investment by Parent	Retained earnings	Accumulated other comprehensive income	Total stockholder's equity
BALANCE AT DECEMBER 31, 1996	$ 81.1	$ 128.8	$ 24.9	$ 234.8
Comprehensive income:				
Net income		118.0		
Net unrealized gain on investments			25.9	
COMPREHENSIVE INCOME				143.9
Dividends to Parent, net		(40.5)		(40.5)
Non-cash contribution from Parent: additional investment in Berger Associates, Inc. (Note 5)	10.1			10.1
BALANCE AT DECEMBER 31, 1997	91.2	206.3	50.8	348.3
Comprehensive income:				
Net income		152.2		
Net unrealized gain on investments			24.3	
Less: Reclassification adjustment for gains included in net income			(0.2)	
COMPREHENSIVE INCOME				176.3
Transfers from Parent, net	12.4			12.4
Non-cash contribution from Parent: acquisition of Nelson Money Managers Plc (Note 5)	3.2			3.2
BALANCE AT DECEMBER 31, 1998	106.8	358.5	74.9	540.2
Comprehensive income:				
Net income		313.1		
Net unrealized gain on investments			39.3	
Less: reclassification adjustment for gains included in net income			(4.4)	

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Foreign currency translation adjustment			(0.9)	
COMPREHENSIVE INCOME				347.1
Dividends to Parent, net		(72.7)		(72.7)
BALANCE AT December 31, 1999	106.8	598.9	108.9	814.6
Comprehensive income:				
Net income (unaudited)		188.7		
Net unrealized gain on investments (unaudited)			5.0	
Less: reclassification adjustment for gains included in net income (unaudited)			(1.3)	
Foreign currency translation adjustment (unaudited)			(0.6)	
COMPREHENSIVE INCOME (unaudited)				191.8
Dividends to Parent, Net (unaudited)		(117.4)		(117.4)
BALANCE at March 31, 2000 (unaudited)	$ 106.8	$ 670.2	$ 112.0	$ 889.0

The accompanying notes are an integral part of these financial statements.

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NOTE 1 - DESCRIPTION OF THE BUSINESS

FORMATION OF STILWELL FINANCIAL, INC. Kansas City Southern Industries, Inc. ("KCSI"; "Parent") is a holding company that has owned and managed, through its direct and indirect subsidiaries, two principal business segments: rail transportation and financial services. The primary entities comprising the financial services segment as of December 31, 1999 were: Janus Capital Corporation ("Janus"), an approximate 82% owned subsidiary (approximately 81.5% as of March 31, 2000); Stilwell Management Inc. ("SMI"), formerly Berger Associates, Inc. ("BAI"), a wholly-owned subsidiary as of December 31, 1999; Berger LLC ("Berger"), of which SMI owns 100% of Berger preferred limited liability interest and approximately 86% of Berger regular limited liability interests; Nelson Money Managers Plc ("Nelson"), an 80% owned subsidiary; DST Systems, Inc. ("DST"), an equity investment in which SMI holds an approximate 32% interest; and various other subsidiaries and equity investments (the "Miscellaneous Corporations"). Janus is the principal business comprising the financial services segment of KCSI, representing 97% of assets under management at December 31, 1999 and 95% of revenues and 91% of the net income for the year ended December 31, 1999. The businesses which comprise the financial services segment offer a variety of asset management and related financial services to registered investment companies, retail investors, institutions and individuals.

On January 23, 1998, KCSI formed Stilwell Financial, Inc. ("Stilwell") as a wholly-owned holding company for the group of businesses and investments that comprise the financial services segment of KCSI. Unless otherwise stated or the context otherwise requires, references in these financial statements to Stilwell include Stilwell's direct and indirect subsidiaries and equity investments. KCSI transferred to Stilwell KCSI's ownership interest in Janus, Berger, Nelson, DST and the Miscellaneous Corporations and certain other financial services-related assets and Stilwell assumed all of KCSI's liabilities associated with the assets transferred effective July 1, 1999 ("Contribution"). For financial statement purposes, Stilwell accounted for these transactions at historical cost.

On July 9, 1999, KCSI received a tax ruling from the Internal Revenue Service ("IRS") which states that for United States federal income tax purposes the planned separation of Stilwell from KCSI through a pro-rata distribution of Stilwell common stock to KCSI stockholders (the "Distribution") qualifies as a tax-free distribution under Section 355 of the Internal Revenue Code of 1986, as amended. Additionally in February 2000, the Company received a favorable supplementary tax ruling from the IRS which states that the assumption of $125 million of KCSI indebtedness by Stilwell (in connection with KCSI's January 2000 recapitalization) would have no effect on the previously issued tax ruling.

On September 30, 1999, BAI assigned and transferred its operating assets and business to Berger, a limited liability company. In addition, BAI changed its name to SMI. The remaining 14% of Berger regular limited

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liability company interests was issued to key SMI and Berger employees, resulting in a noncash compensation charge.

Within these consolidated financial statements and accompanying notes, historical transactions and events involving KCSI's financial services segment are discussed as if Stilwell were the entity involved in the transaction or event, unless otherwise indicated. In addition, intercompany transactions between Stilwell and KCSI during the periods covered herein are reflected as dividends to or transfers from KCSI (see Note 2).

Stilwell has 10,000, $.001 par value, Common shares authorized and 1,000 shares issued and outstanding.

NATURE OF OPERATIONS. Stilwell's principal operations are the management of its investments in financial services companies. A summary of Stilwell's principal operations/investments is as follows:

JANUS CAPITAL CORPORATION AND BERGER LLC. Janus and Berger provide investment management, advisory, distribution and transfer agent services primarily to U.S. based mutual funds, pension plans, and other institutional and private account investors. Janus also offers mutual fund products to international markets through the Janus World Funds plc ("Janus World Funds").

The revenues and operating income of Janus and Berger are driven primarily by growth in assets under management, and a decline in the U.S. and/or international stock and/or bond markets or an increase in the rate of return of alternative investments could negatively impact results. In addition, the mutual fund industry, in general, faces significant competition as the number of mutual funds continues to increase, marketing and distribution channels become more creative and complex, and investors place greater emphasis on published fund recommendations and investment category rankings.

NELSON MONEY MANAGERS PLC. Nelson, operating in the United Kingdom, provides investment advice and investment management services primarily to individuals who are retired or are contemplating retirement.

Nelson's revenues are earned based on an initial fee calculated as a percentage of capital invested into each individual investment portfolio, as well as from an annual fee based on the level of assets under management for the ongoing management and administration of each investment portfolio. Declines in international stock markets or fluctuations of the relative price of the British pound versus the U.S. dollar could negatively affect the amount of earnings reported for Nelson in the consolidated financial statements.

DST SYSTEMS, INC. DST, together with its subsidiaries and joint ventures, offers information processing and software services and products through three operating segments: financial services, customer management and output solutions. Additionally, DST holds certain investments in equity securities, financial interests and real estate holdings. DST operates throughout the United States, with operations in Kansas City, Missouri, Northern California and various locations on the East Coast, among others, as well as internationally in Canada, Europe, Africa and the Pacific Rim. DST has a single class of common stock which is publicly traded on the New York Stock Exchange and the Chicago Stock Exchange.

Prior to November 1995, Stilwell owned all of the stock of DST. In November 1995, a public offering reduced Stilwell's ownership interest in DST

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to approximately 41%. In December 1998, a wholly-owned subsidiary of DST merged with USCS International, Inc. ("USCS"). The merger, which was accounted for by DST as a pooling of interests, reduced Stilwell's ownership of DST to approximately 32%. Stilwell reports DST as an equity investment in the consolidated financial statements. See Note 4.

The earnings of DST are dependent in part upon the further growth of mutual fund and other industries, DST's ability to continue to adapt its technology to meet clients' needs and demands for the latest technology and various other factors including, but not limited to, reliance on processing facilities; future international sales; continued equity in earnings from joint ventures; and competition from other third party providers of similar services and products as well as from in-house providers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

BASIS OF PRESENTATION. The accompanying financial statements are presented using the accrual basis of accounting. The financial position, results of operations and cash flows of Stilwell reflect the combined accounts of those entities, assets and liabilities which were contributed to Stilwell by KCSI (as described above).

The financial statements include all majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

The accompanying financial statements were prepared by attributing the historical data for the financial services segment of KCSI to Stilwell utilizing accounting policies consistent with those applied to the preparation of KCSI's historical financial statements. Since the financial services business was operated as part of KCSI during the periods presented, such financial information may not necessarily reflect the results of operations or financial position of Stilwell or what the results of operations would have been if Stilwell had been a separate, independent company during those periods.

USE OF ESTIMATES. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION. Investment management fees are recognized as services are provided. These revenues are generally determined in accordance with contracts between Stilwell's subsidiaries and their customers based upon a percentage of assets under management. Shareowner servicing fees and other revenues are recognized as contractual obligations are fulfilled or as services are provided.

CASH EQUIVALENTS. Short-term liquid investments with an initial maturity of generally three months or less, including investments in money market mutual funds that are managed by Janus, are considered cash equivalents. Janus' investments in its money market funds are generally used to fund operations and pay dividends. Pursuant to contractual agreements between KCSI and certain Janus minority stockholders, Janus has distributed at least 90% of its net income to its stockholders each year.

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INVESTMENTS. The equity method of accounting is used for all entities in which Stilwell has significant influence but not more than a 50% voting interest; the cost method of accounting is generally used for non-marketable investments of less than 20%. Investments classified as "available for sale" pursuant to Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities" ("FAS 115"), are reported at fair value, with unrealized gains and losses excluded from earnings and reported, net of deferred income taxes, in accumulated other comprehensive income. Investments classified as "trading" securities are reported at fair value, with unrealized gains and losses included in earnings.

Investments in advised funds are comprised of shares of certain mutual funds advised by Janus and Berger. Realized gains and losses are determined using the first-in, first-out method.

PROPERTY AND EQUIPMENT. Property and equipment are stated at cost. Maintenance and repairs are expensed as incurred. Improvements are capitalized. Depreciation and amortization are recorded using straight line and accelerated methods over the estimated useful life of the related assets (or the lease term if shorter), generally three to seven years for furniture, fixtures and equipment and three to twenty-one years for buildings and leasehold improvements.

Stilwell adopted Statement of Financial Standards No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("FAS 121"), effective January 1, 1996. This statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill, as well as for long-lived assets and certain identifiable intangibles which are to be disposed of. If events or changes in circumstances of a long-lived asset indicate that the carrying amount of an asset may not be recoverable, Stilwell must estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest) is lower than the carrying amount of the asset, an impairment loss must be recognized to the extent that the carrying amount of the asset exceeds its fair value. In accordance with FAS 121, Stilwell periodically evaluates the recoverability of its long-lived assets. The adoption of FAS 121 did not have a material effect on Stilwell's financial position or results of operations.

SOFTWARE DEVELOPMENT AND MAINTENANCE. Purchased software is recorded at cost and amortized over the estimated economic life.

In 1998, Stilwell adopted the guidance outlined in American Institute of Certified Public Accountant's Statement of Position 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). SOP 98-1 requires that computer software costs incurred in the preliminary project stage, as well as training and maintenance costs, be expensed as incurred. This guidance also requires that direct and indirect costs associated with the application development stage of internal use software be capitalized until such time that the software is substantially complete and ready for its intended use. Capitalized costs are to be amortized on a straight line basis over the useful life of the software. The adoption of this guidance did not have a material impact on Stilwell consolidated subsidiaries; however, see Note 4 regarding impact on DST.

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MARKETING. Stilwell expenses all marketing and promotion costs as incurred. Direct response advertising for which future economic benefits are probable and specifically attributable to the advertising is not material. Berger has marketing agreements with various related mutual funds pursuant to Rule 12b-1 under the Investment Company Act of 1940 ("12b-1 Plan") pursuant to which certain 12b-1 fees are collected. Under these agreements, which are approved or renewed on an annual basis by the boards of directors of the respective mutual funds, Berger must engage in activities that are intended to result in sales of the shares in the funds. Any fees not spent must be returned to the funds. See Note 14.

DEFERRED COMMISSIONS. Commissions paid to financial intermediaries on sales of certain Janus World Funds shares ("B shares") are recorded as deferred commissions in the accompanying consolidated financial statements. These deferred commissions are amortized using the sum-of-the-years digits methodology over four years, or when the B shares are redeemed, if earlier. Early withdrawal charges received by Janus from redemption of the B shares within four years of purchase reduce the unamortized deferred commissions balance. Payments of deferred commissions during 1999 and during the three months ended March 31, 1999 and 2000 were $29.5, $8.1 and $44.7 million, respectively, and associated amortization expense for the year and quarters then ended totaled $8.1, $0.9 and $6.2 million, respectively. Payment of deferred commissions and associated amortization expense were not material to Stilwell's 1998 results of operation, financial position or cash flows.

INCOME TAXES. Stilwell currently joins with KCSI and other members of the KCSI affiliated group in filing a consolidated federal income tax return. The consolidated federal income tax is allocated to Stilwell as if Stilwell filed a separate consolidated federal income tax return, assuming the utilization of tax-planning strategies consistent with those utilized by KCSI. Following the Distribution, Stilwell will no longer be a member of the KCSI affiliated group and, as a result, will discontinue filing a consolidated federal income tax return with KCSI. (See Note 10 with respect to a Tax Disaffiliation Agreement between KCSI and Stilwell.)

Deferred income tax assets and liabilities are determined based on the differences between the financial statement and income tax bases of assets and liabilities as measured by the enacted income tax rates which will be in effect when these differences reverse. Deferred income tax expense is generally the result of changes in the deferred tax assets and liabilities.

INTANGIBLE ASSETS. Intangible assets principally represent the excess of cost over the fair value of net underlying assets of acquired companies using purchase accounting and are amortized over periods ranging from 15 to 40 years using the straight-line method. Stilwell periodically reviews the recoverability of intangible assets by comparing the carrying value of the associated intangible assets to their fair value. The determination of possible impairment is primarily measured by reference to various valuation techniques commonly used in the investment management industry. See Note 7 regarding the impairment of goodwill associated with the Berger investment as of December 31, 1997.

CHANGES OF INTEREST IN SUBSIDIARIES AND EQUITY INVESTEES. A change of Stilwell's interest in a subsidiary or equity investee resulting from a subsidiary's or equity investee's issuance of its stock is recorded as a gain or loss in Stilwell's statement of income in the period that the change of interest occurs. If an issuance of stock by the subsidiary or affiliate is

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from treasury shares on which gains have been previously recognized, however, Stilwell will record the gains directly to its equity and not include the gain in net income. A change of interest in a subsidiary or equity investee resulting from a subsidiary's or equity investee's purchase of its stock increases Stilwell's ownership percentage of the subsidiary. Stilwell records this type of transaction under the purchase method of accounting, whereby any excess of fair market value over the net tangible and identifiable intangible assets is recorded as goodwill. Gains recorded by Stilwell (included in the Other, net component in the Statement of Income) for the year ended December 31, 1999 totaled $6.2 million. Gains during the year ended December 31, 1997 were not material. See Note 4 regarding reduction in amount of DST in 1998. Stilwell recorded approximately $1.2 million in gains during the three months ended March 31, 2000. In addition to these gains, see Note 16 regarding the sale by Stilwell of 192,408 shares of Janus common stock during first quarter 2000.

FAIR VALUE OF FINANCIAL INSTRUMENTS. Statement of Financial Accounting Standards No. 107 "Disclosures About Fair Value of Financial Instruments" ("FAS 107") requires an entity to disclose the fair value of its financial instruments. Stilwell's financial instruments include cash and cash equivalents, investments in advised funds, accounts receivable and payable and long-term debt.

The carrying value of Stilwell's cash equivalents and accounts receivable and payable approximate their fair values due to their short-term nature. The carrying value of Stilwell's investments designated as "available for sale" and "trading" equals their fair value which is based upon quoted prices in active markets. Stilwell estimates the fair value of long-term debt based upon borrowing rates available at the reporting date for indebtedness with similar terms and average maturities.

STOCK-BASED COMPENSATION. Stilwell accounts for stock options granted to employees and non-employee directors using the intrinsic value method as prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). In October 1995, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"), which permits companies to use either the APB 25 intrinsic value method or the fair value method as prescribed by FAS 123. Stilwell uses the APB 25 method and discloses pro forma net income in the notes to the financial statements, as if it had adopted the FAS 123 fair value method for grants after December 31, 1994. See Note 12 for pro forma disclosure assuming that Stilwell would have had higher compensation cost as a result of accounting for existing KCSI stock options held by Stilwell employees under FAS 123.

CORPORATE ALLOCATIONS. Prior to the Contribution, KCSI provided certain managerial, treasury, accounting, tax and legal services to Stilwell. Additionally, certain other expenses were incurred by KCSI on behalf of Stilwell (e.g., amortization of identifiable intangible assets and goodwill) prior to the Contribution. An allocation of the estimated cost of these services and expenses has been reflected in the accompanying financial statements based on management's best estimate of financial services-related assets and liabilities, capital structure and liquidity. In the opinion of management, the costs and expenses allocated to Stilwell for these services provided by KCSI are reasonable. These costs and expenses aggregated $18.6, $20.9 and $20.1 million in 1997, 1998 and 1999, respectively, and $6.2 and $8.4 million for the three months ended March 31, 1999 and 2000, respectively.

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INTERCOMPANY AGREEMENT WITH KCSI. Stilwell has entered into an Intercompany Agreement with KCSI for the purpose of governing certain of the ongoing relationships during a transitional period after the Distribution and providing for an orderly transition of Stilwell to a separate company. The Intercompany Agreement generally provides for certain indemnification rights, insurance matters, access to records and information, certain transitional support services and other matters relating to the Distribution. This agreement is not expected to have a material impact on Stilwell's future results of operation, financial position or cash flows.

INTERCOMPANY TRANSACTIONS WITH KCSI. Intercompany transactions between Stilwell and KCSI are reflected as dividends to or transfers from KCSI within the consolidated financial statements. Amounts treated as net dividends are recorded as a reduction to Retained Earnings and amounts treated as net transfers from KCSI are recorded as an increase to the Net investment by Parent component included in the Consolidated Balance Sheets. Generally, increases in the Net Investment by Parent component result from the timing of cash requirements throughout each year, primarily with respect to investing activities. Amounts treated as net dividends to KCSI generally reflect the transfer to KCSI of dividends received by Stilwell from subsidiaries, to the extent such amounts were not required for investing, financing or operating needs.

EARNINGS PER SHARE. In February 1997, the FASB issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("FAS 128"). FAS 128 specifies the computation, presentation and disclosure requirements for earnings per share ("EPS") and requires the computation of EPS under two methods: "basic" and "diluted." Basic EPS is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS is computed giving effect to all dilutive potential common shares that were outstanding during the period. Stilwell currently does not have any potentially dilutive securities that would affect the denominator in the dilutive computation. The only adjustments that could affect the numerator of Stilwell's diluted EPS computation include potentially dilutive securities at Janus, Berger, Nelson and DST. These adjustments totaled approximately $0.6, $2.3 and $4.8 million for the years ended December 31, 1997, 1998 and 1999, respectively, and $0.8 and $2.3 million for the three months ended March 31, 1999 and 2000, respectively. See Note 3 for computation of pro forma EPS (unaudited) disclosures in the accompanying financial statements to provide a basis for comparison to future earnings per share. See Note 12 with regard to current KCSI stock options which are expected to convert to Stilwell stock options upon completion of the Distribution.

INTERIM FINANCIAL INFORMATION (UNAUDITED). The interim consolidated financial statements and related disclosures as of March 31, 2000 and for the three months ended March 31, 1999 and 2000 are unaudited. These unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with Rule 10-01 of the SEC's Regulation S-X. Accordingly, they do not include all of the information and explanatory notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all of the adjustments (consisting of normal interim closing procedures) necessary to present fairly the financial position of Stilwell as of March 31, 2000 and its results of operations and cash flows for the three

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months ended March 31, 1999 and 2000. The results of operations and cash flows for the three months ended March 31, 2000 are not necessarily indicative of the results that can be expected for the entire fiscal year ending December 31, 2000.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 130. In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("FAS 130"). FAS 130 establishes standards for reporting and disclosure of comprehensive income and its components in the financial statements (the change in net assets of a business enterprise during a period from transactions and other events and circumstances from non-owner sources including all changes in equity other than those resulting from investments by and distributions to owners). The principal items comprising other comprehensive income are the effects of DST's investments which are classified as "available for sale," as defined by FAS 115. The unrealized gain related to these investments increased $42.6, $39.5 and $63.8 million ($25.9, $24.3 and $39.3 million, net of deferred income taxes) for the years ended December 31, 1997, 1998 and 1999, respectively. The unrealized gain increased $8.0 million ($5.0 million net of deferred income taxes) during the three months ended March 31, 2000. The items affecting comprehensive income were not material during the three months ended March 31, 1999. Stilwell adopted the provisions of FAS 130 effective January 1, 1998 and has retroactively reclassified the accompanying financial statements for comparative purposes.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 131. In 1998, Stilwell adopted the provisions of Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information" ("FAS 131"). FAS 131 establishes standards for the manner in which public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to stockholders. FAS 131 also establishes standards for related disclosures about products and services, geographic areas and major customers. Management believes that Stilwell operates in only one reportable segment and in only one reportable geographic area. The adoption of FAS 131 did not have a significant impact on Stilwell's financial statements.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 133. In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"), which establishes accounting standards for derivative instruments, the derivative portion of certain other contracts that have similar characteristics and for hedging activities. In June 1999, the FASB issued an amendment to FAS 133 changing the effective date of FAS 133 to fiscal quarters of fiscal years beginning after June 15, 2000. Stilwell does not generally enter into transactions covered by this statement. Stilwell does not expect that adoption of FAS 133 will have a significant impact on Stilwell's financial statements.

EMERGING ISSUES TASK FORCE ISSUE NO. 96-16. In Issue No. 96-16, the Emerging Issues Task Force ("EITF") of the FASB reached a consensus that substantive "participating" minority rights which provide a minority stockholder with the right to effectively control significant decisions in the ordinary course of an investee's business could impact whether the majority stockholder should consolidate the investee. Management has evaluated the rights of the minority stockholders of its consolidated subsidiaries and concluded that application of EITF 96-16 did not affect Stilwell's consolidated

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financial statements.

NOTE 3 - PRO FORMA EARNINGS PER SHARE (UNAUDITED)

Stilwell intends to issue additional shares of Stilwell common stock to KCSI pursuant to a stock split to be effected in the form of a stock dividend prior to the Distribution to provide a sufficient number of shares for the Distribution. In addition, the par value of the Stilwell common stock will be changed to $0.01.

Additionally, on January 11, 2000, KCSI arranged a new $200 million 364-day senior unsecured Competitive Advance/Revolving Credit Facility ("New Credit Facility"). KCSI borrowed $125 million under this facility and used the proceeds to retire other debt obligations. Stilwell has assumed the New Credit Facility, including the $125 million borrowed thereunder, thereby reducing its stockholder's equity. See Note 16. Accordingly, for purposes of calculating pro forma earnings per share for the three months ended March 31, 1999 and year ended December 31, 1999, net income was reduced by the estimated after-tax effect of interest expense assuming $125 million of indebtedness (at an interest rate of 6.5%) was outstanding as of January 1, 1999.

To provide a basis for comparison to future earnings per share, pro forma computations of basic and diluted EPS for the year ended December 31, 1999 and for three months ended March 31, 1999 and 2000 are included for informational purposes.

The number of basic shares used for pro forma purposes was derived based upon an assumed issuance of two shares of Stilwell common stock for every one share of KCSI common stock. The number of shares of KCSI common stock used in the computation was 111,399,354, based upon the total number of outstanding shares of KCSI common stock as of March 31, 2000, resulting in a pro forma 222,798,708 shares of Stilwell common stock.

The number of dilutive shares used in the pro forma computation was derived based upon the total number of KCSI stock options assumed to be exercised in connection with the determination of the dilutive number of weighted average shares of KCSI common stock as of March 31, 2000. These options to purchase KCSI common stock (3,980,504) were multiplied by two to derive the options to purchase shares of Stilwell common stock that are assumed to be exercised (7,961,008).

The number of basic and diluted shares derived in the computations described above represent the denominator in the earnings per share calculations required under FAS 128. As discussed in Note 2, for purposes of deriving diluted EPS, adjustments to the numerator have also been factored into the computation.

NOTE 4 - INVESTMENT IN DST SYSTEMS, INC.

DST MERGER. On December 21, 1998, DST and USCS announced the completion of the merger of USCS with a wholly-owned DST subsidiary. Under the terms of the merger, USCS became a wholly-owned subsidiary of DST. The merger, accounted for as a pooling of interests by DST, expands DST's presence in the output solutions and customer management software and services industries. DST issued approximately 13.8 million shares of its common stock in the

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transaction, reducing Stilwell's ownership interest from 41% to approximately 32%. Stilwell recorded a one-time pretax non-cash charge of approximately $36.0 million ($23.2 million after-tax), reflecting Stilwell's reduced ownership of DST and Stilwell's proportionate share of DST and USCS costs incurred in the fourth quarter related to the merger. Stilwell accounts for its investment in DST under the equity method.

SUMMARIZED FINANCIAL INFORMATION. Stilwell's investment in DST, together with certain condensed DST financial information, is summarized as follows. Note that for the year ended December 31, 1997, information regarding DST's financial condition and operating results has been restated to combine the historical results of DST and USCS as a result of their merger in December 1998. Additionally, Stilwell's equity in DST net assets was computed for 1997 and 1998 using Stilwell's ownership percentage as of December 31, 1998. Stilwell's percentage ownership of DST, carrying value of the DST investment and the DST fair market value were not restated and represent Stilwell's historical information.

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	December 31,			March 31,
	1997	1998	1999	2000
Percentage ownership	41%	32%	32%	32%
Carrying value	$ 345.3	$ 376.0	$ 470.2	$ 485.5
Equity in DST net assets	300.1	376.0	470.2	485.5
Fair market value (a)	865.0	1,156.7	1,547.7	1,316.7
FINANCIAL CONDITION:				
Current assets	$ 345.3	$ 375.8	$ 464.5	$ 452.1
Non-current assets	1,203.2	1,521.2	1,861.8	1,906.4
Total assets	$1,548.5	$1,897.0	$2,326.3	$2,358.5
Current liabilities	$ 212.0	$ 268.6	$ 285.8	$ 259.2
Non-current liabilities	405.6	462.2	576.9	597.0
Stockholders' equity	930.9	1,166.2	1,463.6	1,502.3
Total liabilities and stockholders' equity	$1,548.5	$1,897.0	$2,326.3	$2,358.5

	For the year ended December 31,			For the Three Months Ended March 31,	
	1997	1998(b)	1999(c)	1999	2000(d)
OPERATING RESULTS:					
Revenues	$ 950.0	$1,096.1	$1,203.3	$ 298.4	$ 340.4
Costs and expenses	823.1	976.6	1,003.6	248.5	276.7
Net income	79.4	71.6	138.1	33.6	56.2

(a) Based upon DST's closing price on the New York Stock Exchange.

(b) Net income includes $19.4 million, after tax, of DST/USCS fourth quarter merger-related charges.

(c) Effective January 1, 1999, DST adopted SOP 98-1. DST's net income for the year ended December 31, 1999 was increased by $15.4 million as a result.

(d) Net income includes two non-recurring items: 1) a gain on litigation settlement with a former equity affiliate and 2) gains on the sale of marketable securities.

NOTE 5 - OTHER ACQUISITIONS, DISPOSITIONS AND SIGNIFICANT TRANSACTIONS

BAI. During 1992, Stilwell acquired an 18% interest in BAI for $1.2 million. On October 14, 1994, pursuant to a Stock Purchase Agreement ("BAI SPA"), Stilwell increased its ownership of BAI to approximately 80%. In connection with this increase in ownership (which was accounted for as a

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purchase), Stilwell made payments of $47.5 million in cash (resulting in the recording of $44.0 million of intangible assets which are being amortized over 15 years) and agreed to make additional purchase price payments covering a period ending no later than October 1999. Stilwell made an additional purchase price payment of $3.1 million in 1997. Stilwell made no payments under the BAI SPA during 1998. Pursuant to the BAI SPA, Stilwell made additional purchase price payments of $3.0 million during third quarter 1999. No additional payments will be made thereafter. These goodwill amounts are being amortized over 15 years.

As a result of various transactions during 1997, Stilwell increased its ownership in BAI to 100%. In January and December 1997, BAI purchased, for treasury, the common stock of minority stockholders. In December 1997, Stilwell also acquired additional BAI shares from a minority stockholder through the issuance of 330,000 shares of KCSI common stock valued at $10.1 million. The shares of KCSI common stock are reflected as a contribution from KCSI to Stilwell in the accompanying financial statements. These transactions resulted in approximately $17.8 million of goodwill, which is being amortized over 15 years. However, see discussion of impairment of a portion of this goodwill in Note 7. In connection with these transactions, BAI also granted options to acquire shares of its common stock to certain of its employees. All of the outstanding options were cancelled upon formation of Berger (See Note 1).

NELSON MONEY MANAGERS PLC. On April 20, 1998, Stilwell completed the acquisition of 80% of Nelson, an investment adviser and manager based in the United Kingdom. Nelson provides investment advice and investment management services primarily to individuals who are retired or contemplating retirement. Nelson managed approximately (Pound) 844 million ($1.3 billion) in assets as of December 31, 1999. The acquisition, which was accounted for as a purchase, was completed using a combination of cash, KCSI common stock and notes payable. The total purchase price was approximately $33 million. The KCSI common stock issued in the transaction has been reflected as a contribution from KCSI to Stilwell in the accompanying financial statements.

The purchase price was in excess of the fair market value of the net tangible and identifiable intangible assets received and this excess was recorded as goodwill to be amortized over a period of 20 years. If the acquisition of Nelson had been completed January 1, 1998, inclusion of Nelson's results on a pro forma basis would not have been material to Stilwell's consolidated results of operations for the year ended December 31, 1998.

NOTE 6 - SUPPLEMENTAL CASH FLOW DISCLOSURES

Cash paid (to KCSI) for income taxes and interest is summarized as follows (in millions):

	For the year ended December 31,			For the Three Months Ended March 31,	
	1997	1998	1999	1999	2000
Interest	$ 13.7	$ 7.9	$ 1.5	$ 0.6	$ 1.9
Income taxes	64.5	83.1	142.9	6.1	22.4

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As discussed in Note 5 during second quarter 1998, in connection with Stilwell's acquisition of Nelson, KCSI issued approximately 67,000 shares of KCSI common stock (valued at $3.2 million) to certain of the sellers of the shares of Nelson. The use of these shares by Stilwell is reflected as a capital contribution from KCSI to Stilwell in the accompanying consolidated financial statements. Also, notes payable of $4.9 million were recorded as part of the purchase price, payable by March 31, 2005, bearing interest at seven percent.

NOTE 7 - OTHER BALANCE SHEET CAPTIONS

ACCOUNTS RECEIVABLE. Stilwell's accounts receivable balances do not include any allowance for doubtful accounts nor has any bad debt expense been recorded for the years ended 1997 through 1999. The majority of the balances are amounts due from the investment companies for which Stilwell subsidiaries act as investment adviser or sub-adviser (see Note 14).

OTHER CURRENT ASSETS. Other current assets are comprised of the following (in millions):

	December 31,	
	1998	1999
Deferred commissions - current	$ 0.7	$10.2
Deferred income taxes	2.1	0.4
Other	9.2	10.7
Total	$12.0	$21.3

INVESTMENTS IN ADVISED FUNDS. Investments in advised funds are summarized as follows (in millions):

	December 31,	
	1998	1999
AVAILABLE FOR SALE:		
Cost basis	$23.9	$22.2
Gross unrealized gains	5.4	2.0
Gross unrealized losses	--	(0.3)
	29.3	23.9
TRADING:		
Cost basis	3.2	--
Gross unrealized losses	(0.3)	--
	2.9	--
Total	$32.2	$23.9

Gross realized gains (losses) were not material to Stilwell's consolidated results of operations for the years ended 1997 and 1998. Gross realized

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gains totaled $5.3 million for the year ended December 31, 1999 and $2.1 million for the three months ended March 31, 2000.

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PROPERTY AND EQUIPMENT, NET. Property and equipment are summarized as follows (in millions):

	December 31,	
	1998	1999
Furniture, fixtures and equipment	$ 59.2	$ 89.1
Buildings and leasehold improvements	10.5	26.6
Subtotal	69.7	115.7
Less accumulated depreciation and amortization	(32.3)	(45.3)
Net property and equipment	$ 37.4	$ 70.4

INTANGIBLES AND OTHER ASSETS. Intangibles and other assets are summarized as follows (in millions):

	December 31,	
	1998	1999
Goodwill	$ 93.1	$110.1
Identifiable intangible assets	59.0	59.0
Accumulated amortization	(22.9)	(32.6)
Net	129.2	136.5
Deferred Commissions	1.3	13.2
Employee loans	11.6	7.7
Other assets, net	4.9	4.6
Total	$147.0	$162.0

Identifiable intangible assets include, among others, investment advisory relationships and shareowner lists, as well as existing distribution arrangements.

In connection with a review of its intangible and other assets, Stilwell determined as of December 31, 1997 that the carrying value of the investment in Berger, including associated identifiable intangible assets and goodwill, exceeded its fair value (measured by reference to various valuation techniques commonly used in the investment management industry) as a result of below-peer performance and growth of the core Berger funds. Accordingly, Stilwell recorded an impairment loss of $12.7 million, which is reflected as an other operating expense in the accompanying financial statements. Additionally, a $3.0 million allowance was recorded for a non-core investment reflecting recoverability issues.

Amortization expense related to identifiable intangible assets, goodwill and other assets aggregated $8.1, $8.8 and $17.8 million in 1997, 1998 and 1999, respectively, and $3.3 and $8.6 million for the three months ended March 31, 1999 and 2000, respectively.

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OTHER LIABILITIES. Other liabilities are summarized as follows (in millions):

	December 31,	
	1998	1999
Deferred compensation (See Note 12)	$ 20.5	$ 22.7
Other	21.8	22.6
Total	$ 42.3	$ 45.3

NOTE 8 - LONG-TERM DEBT - PARENT

Stilwell had $16.6 million of outstanding long-term indebtedness to KCSI at December 31, 1998, which was repaid during first quarter 1999. This amount represents indebtedness of Stilwell based upon the underlying assets associated with the financial services businesses of KCSI. The indebtedness generally represents borrowings in connection with KCSI's common stock repurchase program, Stilwell acquisitions and operations of Stilwell Financial, Inc. Interest expense related to the indebtedness was determined using the average level of Stilwell debt under a reasonably blended KCSI interest rate, approximately seven percent. Based on the nature of the borrowings (i.e. a variable line of credit between Stilwell and KCSI), the carrying value of the debt approximates its fair value.

NOTE 9 - LONG-TERM DEBT - THIRD PARTIES

All third party indebtedness had been paid in full as of December 31, 1998. Subsequent to Stilwell's acquisition of Nelson in April 1998, Nelson repaid approximately $6.6 million in outstanding indebtedness.

In May 1998, KCSI established a $100 million 364-day senior unsecured competitive advance/revolving credit facility (the "Credit Facility") that was assumed by Stilwell effective July 1, 1999 for its use upon separation of KCSI's two business segments. On May 14, 1999, KCSI renewed the Credit Facility. The Credit Facility contains interest rates below prime and terms which can be fixed up to the expiration date. Stilwell paid approximately $0.5 million in facility and arrangement fees for the year ended December 31, 1999. At December 31, 1999, the full $100 million was available under the Credit Facility.

On January 11, 2000 KCSI arranged a new $200 million 364-day senior unsecured competitive Advance/Revolving Credit Facility ("New Credit Facility"). KCSI borrowed $125 million under this facility and used the proceeds to retire other debt obligations. Stilwell has assumed the New Credit Facility, including the $125 million borrowed thereunder, thereby reducing its stockholder's equity. Upon such assumption, KCSI was released from all obligations, and Stilwell became the sole obligor, under the New Credit Facility. Stilwell may assign and delegate all or a portion of its rights and obligations under the New Credit Facility to one or more of its domestic subsidiaries. Stilwell repaid the $125 million in first quarter 2000.

Two borrowing options are available under the New Credit Facility: a competitive advance option, which is uncommitted, and a committed revolving

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credit option. Interest on the competitive advance option is based on rates obtained from bids as selected by Stilwell in accordance with the lender's standard competitive auction procedures. Interest on the revolving credit option accrued based on the type of loan (e.g., Eurodollar, Swingline, etc.), with rates computed using LIBOR plus 0.35% per annum or, alternatively, the highest of the prime rate, the Federal Funds Effective Rate plus 0.005% or the Base Certificate of Deposit Rate plus 1%.

Stilwell, as a continuation of its practice of providing credit facilities to its subsidiaries, has provided an intercompany credit facility to Janus for use by Janus for general corporate purposes, effectively reducing the amount of the credit facilities available for Stilwell's other purposes.

The credit facilities contain a number of covenants, including various financial covenants. With respect to the Credit Facility, Stilwell was in compliance with these various provisions, including the financial covenants, as of December 31, 1998 and 1999 and as of March 31, 2000. Because of certain financial covenants contained in the credit facilities, however, maximum utilization of Stilwell's lines of credit may be restricted. See Note 16.

NOTE 10 - INCOME TAXES

Stilwell's provision for income taxes is summarized as follows (in millions):

	December 31,		
	1997	1998	1999
CURRENT:			
Federal	$ 79.2	$ 100.2	$ 182.6
State and local	12.2	15.9	21.7
Total current	91.4	116.1	204.3
DEFERRED:			
Federal	(3.8)	(10.0)	9.3
State and local	(0.6)	(2.4)	2.5
Total deferred	(4.4)	(12.4)	11.8
Total income tax expense	$ 87.0	$ 103.7	$ 216.1

Stilwell's deferred income tax liabilities (assets) are summarized as follows (in millions):

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	December 31,	
	1998	1999
INCOME TAX LIABILITIES:		
Unconsolidated affiliates	$ 138.7	$ 171.1
Deferred commissions	--	12.2
Other	7.0	--
Gross deferred tax liabilities	145.7	183.3

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INCOME TAX ASSETS:

Book reserves	(7.3)	(8.1)
Deferred compensation	(14.7)	(18.7)
Vacation	(1.7)	(0.9)
Deferred revenue	(3.5)	(1.8)
Other	(2.2)	(2.4)
Gross deferred tax assets	(29.4)	(31.9)
Net deferred income tax liabilities	$ 116.3	$ 151.4

Based upon Stilwell's history of operating income and its expectation for the future, management has determined that operating income of Stilwell will, more likely than not, be sufficient to recognize fully the gross deferred tax assets set forth above.

Stilwell's effective income tax rate differs from the statutory federal income tax rate as follows (in millions):

	December 31,		
	1997	1998	1999
Statutory U.S. federal rate	$ 80.5	$ 101.3	$ 205.3
State and local income taxes	11.6	13.5	24.2
Non-deductible goodwill	6.5	2.3	2.5
Equity in earnings of unconsolidated affiliates	(6.8)	(6.8)	(12.4)
Other	(4.8)	(6.6)	(3.5)
Total income tax expense	$ 87.0	$ 103.7	$ 216.1
Effective tax rate	37.8%	35.8%	36.8%

In connection with the initial public offering of DST in fourth quarter 1995, Stilwell began providing deferred income taxes for unremitted earnings of qualifying U.S. unconsolidated affiliates net of the 80% dividends received deduction provided for under current tax law. As of December 31, 1999, the cumulative amount of unremitted earnings qualifying for this deduction aggregated $165.8 million. These amounts would become taxable to Stilwell if distributed by the affiliates as dividends, in which case Stilwell would be entitled to the dividends received deduction for 80% of the dividends; alternatively, these earnings could be realized by the sale of the affiliates' stock, which would give rise to tax at federal capital gains rate and state ordinary income tax rates, to the extent the stock sales proceeds exceeded Stilwell's income tax basis. Deferred income taxes provided on unremitted earnings of unconsolidated affiliates aggregated $9.7 and $13.3 million as of December 31, 1998 and 1999, respectively.

The IRS has completed examinations of KCSI's consolidated federal income tax returns for the years 1990-1992 and has proposed certain tax

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assessments for these years. For years prior to 1988, the statute of limitations has closed, and for 1988-1989, all issues raised by the IRS examinations have been resolved, except for one refund claim related to DST. In addition, other

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taxing authorities have also completed examinations principally through 1992, and have proposed additional tax assessments for which Stilwell believes it has adequate reserves accrued.

In as much as most of these asserted tax deficiencies represent temporary differences, subsequent payments of taxes are not expected to require additional charges to income tax expense. In addition, accruals have been made for interest (net of the related income tax benefit) for estimated settlement of the proposed tax assessments. Thus, management believes that final settlement of these matters will not have a material adverse effect on Stilwell's consolidated results of operations, cash flows or financial position.

As described in Notes 1 and 2, Stilwell will no longer join with KCSI in filing a consolidated federal income tax return after the Distribution. As a result, Stilwell's ability to reduce income taxes currently payable after the Distribution will be determined primarily on the basis of the taxable income and income taxes paid by Stilwell in its separate consolidated return. Stilwell has entered into a Tax Disaffiliation Agreement with KCSI which establishes, among other things, the procedures, rights and indemnities between the two entities with respect to historical tax items. This agreement is not expected to have a material impact on Stilwell's future results of operations, financial position or cash flows.

NOTE 11 - EMPLOYEE BENEFIT PLANS

Substantially all full-time employees of Stilwell participate in the Stilwell Employee Stock Ownership Plan (the "ESOP") and KCSI's qualified 401(k) plan (the "KCSI 401(k) Plan"). Employees of Stilwell Financial, Inc. participate in KCSI's qualified profit sharing plan (the "KCSI Profit Sharing Plan"). Janus and Berger employees participate in the qualified profit sharing plans sponsored by each of those companies.

Contributions to the ESOP and KCSI Profit Sharing Plan are made at the discretion of the KCSI Board of Directors in amounts not to exceed the maximum allowable for income tax purposes. Stilwell matches a maximum of 3% of employee compensation deferrals in the KSCI 401(k) Plan, subject to a maximum allowable for income tax purposes. Contributions to the Janus and Berger profit sharing plans are made at the discretion of the respective boards of directors in amounts not to exceed the maximum allowable for income tax purposes.

Expense related to the Stilwell participants in the qualified plans aggregated $4.6, $5.7 and $8.1 million in 1997, 1998 and 1999, respectively.

NOTE 12 - STOCK PLANS

PRO FORMA DISCLOSURE. Under FAS 123, companies must either record compensation expense based on the estimated grant date fair value of stock options granted or disclose the impact on net income as if they had adopted the fair value method (for grants subsequent to December 31, 1994). If Stilwell had measured compensation cost for the KCSI stock options granted to its employees and shares subscribed by its employees under the KCSI employee stock purchase plan, as well as the Janus and Berger stock-based compensation plans discussed below, under the fair value based method prescribed by FAS 123, net income and earnings per share would have been as follows:

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	Year Ended December 31,		
	1997	1998	1999
Net income (in millions)			
As reported	$ 118.0	$ 152.2	$ 313.1
Pro forma	117.0	149.0	310.1
Earnings per Basic share:			
As reported	$ 118,000	$ 152,200	$ 313,100
Pro forma	117,000	149,000	310,100
Earnings per Diluted share:			
As reported	$ 117,400	$ 149,900	$ 308,300
Pro forma	116,400	146,700	305,300

For the years presented in these financial statements, there are no outstanding stock options for Stilwell common stock. However, at the time of the Distribution, in order to provide for the equitable adjustment of existing KCSI stock options ("Options"), KCSI and Stilwell intend to substitute two separately exercisable options - New KCSI Options and New Stilwell Options (collectively, the "Substituted Options") - for the Options held by KCSI and Stilwell employees, former KCSI employees and KCSI directors (including former directors). Upon issuance of these Substituted Options, Stilwell will have potentially dilutive securities for purposes of the diluted EPS computation.

KCSI STOCK OPTION PLANS. The table below summarizes KCSI outstanding options held by Stilwell employees as of December 31, 1997, 1998 and 1999, and changes during the years then ended. These options generally vest over periods ranging from one to three years with a maximum exercise term of ten years. The number of options and activity related thereto for the years ended December 31, 1997 through 1999 are not necessarily indicative of the number of options and associated activity in the future.

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	1997		1998		1999	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at January 1	5,645,310	$ 8.87	4,794,527	$ 8.84	4,768,226	$ 11.33
Granted	46,452	16.80	445,364	35.98	356,142	49.40
Exercised	(882,187)	9.30	(467,257)	9.17	(378,708)	12.28
Expired/Canceled	(15,048)	15.62	(4,408)	27.33	(52,600)	43.70
Outstanding at December 31	4,794,527	$ 8.84	4,768,226	$ 11.33	4,693,060	$ 13.78
Exercisable	4,227,212	$ 7.87	4,172,257	$ 8.52	4,183,660	$ 9.64
Weighted Average Fair Value of Options granted during the year	$4.18		$10.42		$16.53	

The following table summarizes the information about KCSI stock options held by Stilwell employees that were outstanding at December 31, 1999:

	OUTSTANDING			EXERCISABLE	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$2 to $10	2,544,815	1.9 years	$ 4.72	2,544,815	$ 4.72

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$10 to $15	184,605	5.2	12.62	184,605	12.62
$15 to $20	1,243,468	6.3	15.95	1,243,468	15.95
$20 to $64	720,172	9.4	42.36	210,772	29.22
$2 to $64	4,693,060	4.4	$ 13.78	4,183,660	$ 9.64

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The fair value of KCSI stock options granted by KCSI to Stilwell employees used to compute pro forma net income disclosures was estimated on the date of grant using the Black-Scholes option-pricing model based on the following weighted average assumptions used by KCSI:

	1997	1998	1999
Dividend yield	.62% to .82%	.34% to .56%	.25% to .36%
Expected volatility	24% to 30%	30% to 42%	42% to 43%
Risk-free interest rate	6.20% to 6.44%	4.74% to 5.64%	4.67% to 5.75%
Expected life	3 years	3 to 5 years	3 years

KCSI ESPP. KCSI periodically sponsors an employee stock purchase plan ("ESPP") under which substantially all full-time employees of Stilwell were granted the right to subscribe to KCSI common stock at a per share price equal to the lesser of 85% of the KCSI stock price on the date of grant or the date that such shares are purchased. The weighted average per share fair value of the stock purchase rights granted to Stilwell employees under the Eleventh Offering of the ESPP was $10.76 in 1999. KCSI did not sponsor an ESPP grant for 1998.

The fair value of ESPP purchase rights granted to Stilwell employees used to compute pro forma net income disclosures were estimated on the date of grant using the Black-Scholes option-pricing model based on the following weighted average assumptions used by KCSI:

	1998
Dividend yield	0.95%
Expected volatility	42%
Risk-free interest rate	4.63%
Term	1 year

JANUS RESTRICTED STOCK. During 1998, Janus granted 125,900 restricted shares of Janus' common stock to certain Janus employees pursuant to a restricted stock agreement ("Stock Agreement"). The restricted stock was recorded at fair market value (approximately $28.9 million) at the time of grant as a separate component of Janus' stockholders' equity. The restricted stock vests at the end of 10 years. The Stock Agreement also includes an accelerated vesting provision whereby the vesting rate will be accelerated to 20% of the shares in any one year if certain specific investment performance goals are met (to be effective on January 1st of the following year). Janus records compensation expense based on the applicable vesting rate, which was 20% in 1998 and 1999 based on attainment of investment performance goals. The impact of subsequent Janus amortization charges will be reduced by gain recognition at Stilwell Financial, Inc., reflecting Stilwell's reduced ownership of Janus upon vesting by the restricted stockholders.

During 1999, Janus granted 33,000 shares of Janus common stock to certain Janus employees pursuant to the Stock Agreement. The restricted stock was recorded at fair market value (approximately $10.8 million) at the time of grant as a separate component of Janus' stockholders' equity. Similar to the 1998 grant, the Stock Agreement includes an accelerated vesting provision whereby the vesting rate will be accelerated to 20% of the shares in any one year if certain specific investment performance goals are met (to be effective

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on January 1st of the following year). Janus records compensation expense based on the applicable vesting rate, currently at 20% based on attainment of investment performance goals.

The shares made available for the restricted stock grant were obtained through the purchase of 35,000 shares of Janus stock from an existing minority owner. In connection with this transaction, Stilwell Financial, Inc. recorded approximately $9.5 million of goodwill, which is being amortized over a period of 15 years.

Because this 1999 issuance was from Janus' treasury shares on which previous gains have been recognized, the Company will record any gain upon vesting directly to stockholder's equity. See Note 2.

In first quarter 2000, Janus issued additional restricted stock. See Note 16.

JANUS STOCK OPTION PLAN. During 1997, Janus adopted a stock option plan to make available shares of Janus common stock for the grant of awards to Janus employees. Awards under the plan were granted with an exercise price equal to the fair value of the underlying common stock on the grant date, vested immediately and were exercisable during an annual 30 day exercise period. The options expired after 30 months.

A summary of stock option activity under the Janus stock option plan is as follows:

	1997	1998	1999
Janus Options outstanding at January 1	--	22,100	8,100
Granted	37,700		
Exercised	(15,300)	(13,800)	(8,000)
Expired/Canceled	(300)	(200)	(100)
Janus Options outstanding at December 31	22,100	8,100	--

Janus options may affect Stilwell's dilutive EPS computation (through a reduced ownership percentage of Janus by Stilwell) if the average fair value of the Janus stock exceeds the option price.

BAI STOCK OPTION PLAN. During 1997, BAI adopted a stock option plan which makes available shares of BAI common stock for the grant of awards to BAI employees. Awards under the plan were granted with an exercise price equal to the fair value of the underlying common stock on the grant date, vested generally over periods ranging up to 10 years, and were exercisable for a period of 10 years. Certain grants under the BAI stock option plan also included accelerated vesting provisions based upon pre-established BAI performance criteria. BAI options would have affected Stilwell's dilutive EPS computation (through a reduced ownership percentage of BAI by Stilwell) if the average fair value of the BAI stock exceeded the option price.

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A summary of stock option activity under the BAI stock option plan is as follows:

	1997	1998
BAI Options outstanding at January 1	--	192,210
Granted	192,210	9,500
Expired/Canceled	--	(69,660)
BAI Options outstanding at December 31	192,210	132,050
Exercisable at December 31	127,450	89,290

In connection with the formation of Berger, all options were cancelled. See Note 1.

JANUS STOCK PURCHASES. In connection with a 1995 Janus minority group restructuring transaction, Janus made 274,300 shares of its common stock available for purchase by certain key Janus employees. These key employees purchased the Janus shares at fair value and paid for these shares with a combination of cash (20%) and full recourse loans (80%) from Stilwell which bear interest at 8.25% and mature in equal annual installments over 10 years.

In 1997, Janus made available an additional 56,400 shares of its common stock that had been reacquired from current and former employees for purchase by certain key employees. 47,300 shares were purchased at fair value and paid for through a combination of cash (10%) and full recourse loans (90%) from a third party lending institution. The remaining 9,100 shares were purchased by other employees at fair value for cash.

In connection with each of these Janus stock purchases, Janus entered into incentive compensation agreements with the key employees under which each employee would have the opportunity to earn bonuses (based upon pre-established Janus performance measures) equal to the debt service requirements of the loans referred to above. As of December 31, 1999, the employees participating in the 1995 stock purchases had earned 100% of the potential bonus which will be paid out over the remaining maturities of the notes. As of December 31, 1999, the employees participating in the 1997 stock purchases had earned over 99% of the potential bonus. Compensation expense related to these two bonus plans aggregated $13.2, $2.7 and $7.0 million in 1997, 1998 and 1999, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

OPERATING LEASES. Stilwell rents office space and equipment under the terms of various operating lease agreements. As of December 31, 1999, future minimum rental commitments under non-cancelable operating leases aggregated (in millions):

2000	$15.9
2001	16.0
2002	15.6
2003	13.3
2004	7.0

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Thereafter	17.0
Total	$84.8

Rent expense aggregated $12.6, $17.5 and $17.4 million in 1997, 1998 and 1999, respectively.

Stilwell is committed for future telecommunications and data service with minimum payments of $2.5, $1.7 and $0.5 million in 2000, 2001 and 2002, respectively.

MINORITY PURCHASE AGREEMENTS. A stock purchase agreement with Thomas H. Bailey ("Mr. Bailey"), Janus' Chairman, President and Chief Executive Officer, and another Janus stockholder (the "Janus Stock Purchase Agreement") and certain restriction agreements with other Janus minority stockholders contain, among other provisions, mandatory put rights whereby under certain circumstances, KCSI would be required to purchase the minority interests of such Janus minority stockholders at a fair market value purchase price equal to fifteen times the net after-tax earnings over the period indicated in the relevant agreement, or in some circumstances as determined by an independent appraisal. Under the Stock Purchase Agreement, termination of Mr. Bailey's employment could require a purchase and sale of the Janus common stock held by him. If other minority holders terminated their employment, some or all of their shares also could be subject to mandatory purchase and sale obligations. Certain other minority holders who continue their employment also could exercise puts. If all of the mandatory purchase and sale provisions and all the puts under such Janus minority stockholder agreements were implemented, KCSI would have been required to pay approximately $833 million as of March 31, 2000, compared to $789, $447 and $337 million at December 31, 1999, 1998 and 1997, respectively. In the future these amounts may be higher or lower depending on Janus' earnings, fair market value and the timing of the exercise. Payment for the purchase of the respective minority interests is to be made under the Janus Stock Purchase Agreement within 120 days after receiving notification of exercise of the put rights. Under the restriction agreements with certain other Janus minority stockholders, payment for the purchase of the respective minority interests is to be made 30 days after the later to occur of (i) receiving notification of exercise of the put rights or (ii) determination of the purchase price through the independent appraisal process.

The Janus Stock Purchase Agreement and certain stock purchase agreements and restriction agreements with other minority stockholders also contain provisions whereby upon the occurrence of a Change in Ownership (as defined in such agreements) of KCSI, KCSI may be required to purchase such holders' Janus stock or, as to the stockholders that are parties to the Janus Stock Purchase Agreement, at such holders' option, to sell its stock of Janus to such minority stockholders. The fair market value price for such purchase or sale would be equal to fifteen times the net after-tax earnings over the period indicated in the relevant agreement, in some circumstances as determined by Janus' Stock Option Committee or as determined by an independent appraisal. If KCSI had been required to purchase the holders' Janus common stock after a Change in Ownership as of March 31, 2000, the purchase price would have been approximately $1.14 billion (see additional information in Note 15).

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KCSI would account for any such purchase as the acquisition of a minority interest under Accounting Principles Board Opinion No. 16, Business Combinations.

As of March 31, 2000, Stilwell had $200 million in credit facilities available, owned securities with a market value in excess of $1.3 billion and had cash balances at the Stilwell holding company level in excess of $147.5 million. To the extent that available credit facilities, existing cash balances and proceeds from the liquidation of Stilwell's investment in DST were insufficient to fund its purchase obligations, Stilwell had access to the capital markets and, with respect to the Janus Stock Purchase Agreement, had 120 days to raise additional sums.

LITIGATION. From time to time Stilwell is involved in various legal actions arising in the normal course of business. While the outcome of the various legal proceedings involving Stilwell cannot be predicted with certainty, it is the opinion of management (after consultation with legal counsel) that the litigation reserves of Stilwell are adequate and that legal actions involving Stilwell and ultimate resolution of these matters will not be material to Stilwell's consolidated financial position, results of operations or cash flows.

NOTE 14 - RELATED PARTY TRANSACTIONS

Stilwell and its subsidiaries incurred fees to DST for various shareowner and portfolio accounting and recordkeeping services in the amount of $5.3, $5.5 and $7.3 million in 1997, 1998 and 1999, respectively.

Janus and Berger earn fees from the various registered investment companies for which they act as investment adviser. Accounts receivable include amounts due from these investment companies. Additionally, Janus earned $7.1 and $8.9 million in 1997 and 1998, respectively, from sub-advisory fees from IDEX Management, Inc. ("IDEX"), formerly a 50% joint venture prior to the disposition of IDEX in second quarter 1998. Janus recognized an $8.8 million pretax gain in connection with this disposition. Also, Berger receives fees under l2b-1 plans from various registered investment companies for which it acts as adviser (See Note 2).

The table below summarizes this related party activity as of and for the years ended December 31 (in millions):

Plan	Investment management and shareowner servicing fees	Accounts receivable from registered investment companies	Berger 12b-1 fees earned
1997	$ 403.0	$ 41.6	$7.6
1998	558.4	59.1	6.9
1999	1,024.7	129.3	8.6

Stilwell's retained earnings include equity in the unremitted earnings of its unconsolidated affiliates of $99.5, $112.5 and $154.3 million as of December 31, 1997, 1998 and 1999, respectively.

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Certain officers and directors of Janus and Berger are also officers, directors and/or trustees for the various registered investment companies for which Janus and Berger act as investment adviser.

NOTE 15 - CONTROL

SUBSIDIARIES AND AFFILIATES. In connection with its 1984 acquisition of an 80% interest in Janus, KCSI entered into the Janus Stock Purchase Agreement which, as amended, provides that so long as Mr. Bailey is a holder of at least 5% of the common stock of Janus and continues to be employed as President or Chairman of the Board of Janus (or, if he does not serve as President, James P. Craig, III serves as President and Chief Executive Officer or Co-Chief Executive Officer with Mr. Bailey), Mr. Bailey shall continue to establish and implement policy with respect to the investment advisory and portfolio management activity of Janus. The agreement also provides that, in furtherance of such objective, so long as both the ownership threshold and officer status conditions described above are satisfied, KCSI will vote its shares of Janus common stock to elect directors of Janus, at least the majority of whom are selected by Mr. Bailey, subject to KCSI's approval, which approval may not be unreasonably withheld. The agreement further provides that any change in management philosophy, style or approach with respect to investment advisory and portfolio management policies of Janus shall be mutually agreed upon by KCSI and Mr. Bailey.

KCSI does not believe Mr. Bailey's rights under the Janus Stock Purchase Agreement are "substantive," within the meaning of EITF 96-16, because KCSI can terminate those rights at any time, by removing Mr. Bailey as an officer of Janus. KCSI also believes that the removal of Mr. Bailey would not result in significant harm to KCSI based on the factors discussed below. Colorado law provides that removal of an officer of a Colorado corporation may be done directly by its stockholders if the corporation's bylaws so provide. While Janus' bylaws contain no such provision currently, KCSI has the ability to cause Janus to amend its bylaws to include such a provision. Under Colorado law, KCSI could take such action at an annual meeting of stockholders or make a demand for a special meeting of stockholders. Janus is required to hold a special stockholders' meeting upon demand from a holder of more than 10% of its common stock and to give notice of the meeting to all stockholders. If notice of the meeting is not given within 30 days of such a demand, the District Court is empowered to summarily order the holding of the meeting. As the holder of more than 80% of the common stock of Janus, KCSI has the requisite votes to compel a meeting and to obtain approval of the required actions at such a meeting.

KCSI has concluded, supported by an opinion of legal counsel, that it could carry out the above steps to remove Mr. Bailey without breaching the Janus Stock Purchase Agreement and that if Mr. Bailey were to challenge his removal by instituting litigation, his sole remedy would be for damages and not injunctive relief and that KCSI would likely prevail in that litigation.

Although KCSI has the ability to remove Mr. Bailey, it has no present plan or intention to do so, as he is one of the persons regarded as most responsible for the success of Janus. The consequences of any removal of Mr. Bailey would depend upon the timing and circumstances of such removal. Mr. Bailey could be required to sell, and KCSI could be required to purchase, his Janus common stock, unless he were terminated for cause. Certain other Janus minority stockholders would also be able, and, if they terminated employment, required, to sell to KCSI their shares of Janus common stock. The amounts

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that KCSI would be required to pay in the event of such purchase and sale transactions could be material. See Note 13. Such removal would have also resulted in acceleration of the vesting of a portion of the shares of restricted Janus common stock held by other minority stockholders, having an approximate aggregate value of $16.3 million as of December 31, 1999.

There may also be other consequences of removal that cannot be presently identified or quantified. For example, Mr. Bailey's removal could result in the loss of other valuable employees or clients of Janus. The likelihood of occurrence and the effects of any such employee or client departures cannot be predicted and may depend on the reasons for and circumstances of Mr. Bailey's removal. However, KCSI believes that Janus would be able in such a situation to retain or attract talented employees because: (i) of Janus' prominence; (ii) Janus' compensation scale is at the upper end of its peer group; (iii) some or all of Mr. Bailey's repurchased Janus stock could be then available for sale or grants to other employees; and (iv) many key Janus employees must continue to be employed at Janus to become vested in currently unvested restricted stock valued in the aggregate (after considering additional vesting that would occur upon the termination of Mr. Bailey) at approximately $36 million as of December 31, 1999. In addition, notwithstanding any removal of Mr. Bailey, KCSI would expect to continue its practice of encouraging autonomy by its subsidiaries and their boards of directors so that management of Janus will continue to have responsibility for Janus' day-to-day operations and investment advisory and portfolio management policies and, because it would continue that autonomy, KCSI would expect many current Janus employees to remain with Janus.

With respect to clients, Janus' investment advisory contracts with its clients are terminable upon 60 days' notice and in the event of a change in control of Janus. Because of his rights under the Janus Stock Purchase Agreement, Mr. Bailey's departure, whether by removal, resignation or death, might be regarded as such a change in control. However, in view of Janus' investment record, KCSI has concluded it is reasonable to expect that in such an event most of Janus' clients would renew their investment advisory contracts. This conclusion is reached because (i) Janus relies on a team approach to investment management and development of investment expertise, (ii) Mr. Bailey has not served as a portfolio manager for any Janus fund for several years,
(iii) a succession plan exists under which Mr. James P. Craig, III would succeed Mr. Bailey, and (iv) Janus should be able to continue to attract talented portfolio managers. It is reasonable to expect that Janus' clients' reaction will depend on the circumstances, including, for example, how much of the Janus team remains in place and what investment advisory alternatives are available.

The Janus Stock Purchase Agreement and other agreements provide for rights of first refusal on the part of Janus minority stockholders, Janus and KCSI, with respect to certain sales of Janus stock. These agreements also require KCSI to purchase the shares of Janus minority stockholders in certain circumstances. In addition, in the event of a Change in Ownership of KCSI, as defined in the Janus Stock Purchase Agreement, KCSI may be required to sell its stock of Janus to the stockholders who are parties to such agreement or to purchase such holders' Janus stock. In the event Mr. Bailey were terminated for any reason within one year following a Change in Ownership, he would be entitled to a severance payment, amounting, at December 31, 1999, to approximately $2 million. Purchase and sale transactions under these agreements are to be made based upon a multiple of the net earnings of Janus or other fair market value determinations, as defined therein. See Note 13.

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Generally, any change in control of Janus or Berger would constitute an "assignment" under the 1940 Act. The Distribution is not expected to result in a change of control of Janus or Berger and therefore under the applicable rules of the Securities and Exchange Commission would not constitute such an assignment. However, a material reduction in the ownership of Janus common stock by Mr. Bailey may result in an assignment by virtue of certain provisions in an agreement with him. The Boards of Trustees or Directors of the Janus Advised Funds ("Trustees") generally may terminate the investment advisory agreements upon written notice for any reason, including if they believe the Distribution may adversely affect the funds.

EMPLOYEES. Stilwell Financial, Inc. and certain subsidiaries have entered into agreements with employees whereby, upon defined circumstances constituting a change in control of Stilwell or the subsidiary, certain stock options or similar equity instruments become exercisable, certain benefit entitlements are automatically funded and such employees are entitled to specified cash payments upon termination of employment.

DEBT. The Credit Facility provides for default in the event of a specified change in control of Stilwell or certain subsidiaries of Stilwell.

NOTE 16 - SUBSEQUENT EVENTS

NEW CREDIT FACILITY. KCSI has arranged a new $200 million 364-day senior unsecured competitive Advance/Revolving Credit Facility ("New Credit Facility"). KCSI borrowed $125 million under this facility and used the proceeds to retire other debt obligations. Stilwell has assumed the New Credit Facility, including the $125 million borrowed thereunder, thereby reducing its stockholders' equity. Upon such assumption, KCSI was released from all obligations, and Stilwell became the sole obligor, under the New Credit Facility. Stilwell may assign and delegate all or a portion of its rights and obligations under the New Credit Facility to one or more of its domestic subsidiaries. Stilwell repaid the $125 million in March 2000.

Two borrowing options are available under the New Credit Facility: a competitive advance option, which is uncommitted, and a committed revolving credit option. Interest on the competitive advance option is based on rates obtained from bids as selected by Stilwell in accordance with the lender's standard competitive auction procedures. Interest on the revolving credit option accrues based on the type of loan (e.g., Eurodollar, Swingline, etc.), with rates computed using LIBOR plus 0.35% per annum or, alternatively, the highest of the prime rate, the Federal Funds Effective Rate plus 0.005%, the Base Certificate of Deposit Rate plus 1%.

The New Credit Facility includes a facility fee of 0.15% per annum and a utilization fee of 0.125% on the amount of outstanding loans under the New Credit Facility for each day on which the aggregate utilization of the New Credit Facility exceeds 33% of the aggregate commitments of the various lenders. Additionally, the New Credit Facility contains, among other provisions, various financial covenants, which could restrict maximum utilization of the New Credit Facility.

Additionally, management elected to not renew the May 14, 1999 364-Day Credit Facility upon its expiration on May 13, 2000.

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STILWELL SALE OF JANUS STOCK AND JANUS ISSUANCE OF RESTRICTED STOCK. In the first quarter of 2000, Stilwell sold to Janus, for treasury, 192,408 shares of Janus common stock and such shares will be available for awards under Janus' recently adopted Long Term Incentive Plan. Janus has agreed that for so long as it has available shares of Janus common stock for grant under that plan, it will not award phantom stock, stock appreciation rights or similar rights. The sale of those shares resulted in an after-tax gain of approximately $15.1 million and reduced Stilwell's ownership to approximately 81.5%.

Subsequent to the repurchase of these shares from Stilwell, Janus granted 35,670 restricted shares of its common stock to certain Janus employees pursuant to a restricted stock agreement. The grant will be accounted for similarly to previous restricted stock transactions for Janus. See Note 12. This issuance reduced Stilwell's ownership percentage to slightly below 81.5%.

After this first quarter 2000 issuance, more than 168,000 shares of Janus common stock remain in treasury for use in connection with Janus' Long Term Incentive Plan. Upon issuance of all of these shares in future years, Stilwell's ownership interest in Janus will be 80.1%.

LITIGATION SETTLEMENT. In January 2000, Stilwell received approximately $44.2 million in connection with the settlement of a legal dispute related to a former equity investment. The settlement agreement resolves all outstanding issues related to this former equity investment. In the first quarter of 2000, Stilwell recognized an after-tax gain of approximately $27.3 million as a result of this settlement.

JANUS DIVIDEND PAYMENTS. Subsequent to December 31, 1999, Janus' Board of Directors declared and Janus paid approximately $100 million in dividends, of which approximately $17.9 million was paid to minority stockholders.

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EXHIBIT 99.2

[Duff & Phelps, LLC Letterhead]

June 14, 2000

CONFIDENTIAL

Board of Directors
Kansas City Southern Industries, Inc.
114 West 11th Street
Kansas City, MO 64105-1804

Dear Board of Directors:

You have retained Duff & Phelps, LLC as independent financial and investment analysts to provide an opinion as to the solvency and capitalization of Kansas City Southern Industries, Inc. ("KCSI" or the "Company") following the spin-off of Stilwell Financial, Inc. ("the Spin-off").

Certain terms used herein are defined in Appendix A to this letter and, for the purposes of this letter, shall only have the meanings set forth in Appendix A.

The Company has requested us to determine whether, as of and after the Spin-off:

1) The fair salable value of the Company's assets exceeds the stated value of the Company's liabilities, including all contingent liabilities identified to us by the Company;

2) The Company will not have an unreasonably small amount of capital for the operation of the businesses in which it is engaged;

3) The Company will be able to pay its stated liabilities, including identified contingent liabilities, as they mature; and

4) The fair salable value of the Company's assets exceeds the stated value of the Company's liabilities, including all contingent liabilities identified to us by the Company, by an amount greater than the sum of the aggregate par value of its issued capital stock and all amounts allocated to capital by the Board of Directors.

In the course of our assignment, we held discussions with the senior management of KCSI and The Kansas City Southern Railway Company at their offices in Kansas City, Missouri and via telephone regarding the history, current operations, and probable future outlook of KCSI after giving effect to the Spin-off. We toured the Company's rail yard in Shreveport, Louisiana. Our

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analysis is based on audited consolidated financial information and unaudited segment information on SEC Form 10K for the fiscal years ended December 31, 1995 to 1999; unaudited consolidated and segment financial information on SEC Form 10Q for the periods ended March 31, 1999 and 2000; a pro forma estimated balance sheet prepared by management as of April 30, 2000 giving effect to the Spin-off; a schedule of identified contingent liabilities giving effect to the Spin-off; and other internal management documents provided to us, including financial projections. We have assumed that there has been no material adverse change in the assets, financial condition, business, or prospects of KCSI (after the Spin- off) since the date of the most recent financial statements made available to us. We also reviewed the terms of the agreements relating to the Spin-off.

Our analysis included a review of the financial projections provided by the Company, supplemented by discussions with management and such other procedures as we deemed appropriate regarding the reasonableness and completeness of the Company's underlying assumptions. In addition, we developed our own financial projections based on the Company's financial projections. Our analysis also included statements by management as to their plans and intentions, our investigation and understanding of the business, and such other information as we deemed appropriate. We compared the Company's post-Spin-off capital structure and cash flow generating ability with those of companies engaged in comparable lines of business.

As part of our analysis, we inquired of senior management and of the officials of the Company having principal responsibility for financial reporting and accounting matters whether they were aware of any events (including the Spin- off), conditions, or prospects that might cause the Company to: 1) incur additional obligations that would cause the fair salable value of its assets to be less than the stated value of its liabilities, including all identified contingent liabilities; 2) engage in a business for which the Company would have an unreasonably small amount of capital; 3) be unable to pay its stated liabilities, including identified contingent liabilities, as they mature; or 4) incur additional obligations that would cause the fair salable value of its assets to exceed the stated value of its liabilities, including all identified contingent liabilities, by an amount less than the aggregate par value of its issued capital stock.

Industry information and data on comparable companies used as background for our analysis and valuation were obtained from regularly published sources. We did not independently verify the information obtained from Company management including certain assumptions used in developing our financial projections nor that obtained from published sources.

Based on all factors we regard as relevant and assuming the accuracy and completeness of the information provided to us and assuming the substantial continuity of current economic, competitive, and financial conditions, it is our opinion that after giving effect to the consummation of the Spin-off: 1) the fair salable value of the Company's assets exceeds the stated value of the Company's liabilities, including all contingent liabilities identified to us by the Company; 2) the Company will not have an unreasonably small amount of capital for the operation of the business in which it is engaged; 3) the Company will be able to pay its stated liabilities, including identified contingent liabilities, as they mature; and 4) the fair salable value of the Company's assets exceeds the stated value of the Company's liabilities, including all contingent liabilities identified to us by the Company, by an amount greater than the sum of the aggregate par value of its issued capital stock and all amounts allocated to capital by the Board of Directors.

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This letter is confidential and intended to be seen and relied on only by Kansas City Southern Industries, Inc. and its stockholders, except that Duff & Phelps consents to its inclusion in any filing by Kansas City Southern Industries, Inc. and Stilwell Financial, Inc. with the Securities Exchange Commission, the New York Stock Exchange, or any other regulatory agency in connection with the Spin-off.

Respectfully submitted,

/s/ Duff & Phelps, LLC

DUFF & PHELPS, LLC

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APPENDIX A

DEFINITIONS OF TERMS USED IN THIS LETTER

"Fair salable value" of the Company's assets means the aggregate amount (without deduction for costs of sale or taxes, if any) of money that could be expected to be realized, as of the valuation date, from an interested purchaser aware of all relevant information, by a seller, equally informed, who is interested in disposing of the entire operation as a going concern, presuming the business will be continued in its present form and character within an approximate one
(1) year time frame. This definition does not contemplate a distress sale.

"Stated value of the Company's liabilities, including all contingent liabilities" means solely the stated amount of liabilities as represented in the Company's post-Spin-off, pro forma estimated balance sheet as of April 30, 2000, and contingent liabilities as identified to us and valued by officers of the Company without any independent verification by us.

"Not have an unreasonably small amount of capital for the operation of the businesses in which it is engaged" and "able to pay its stated liabilities, including identified contingent liabilities, as they mature" mean that the Company will be able to generate enough cash from either operations, asset dispositions, or refinancing to meet its stated obligations and those contingent liabilities identified to us by management.

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Exhibit 99.4

May 25, 2000

Stilwell Financial, Inc.
114 West 11th Street
Kansas City, Missouri 64105

Ladies and Gentlemen:

You have asked for our opinion as to various matters including whether your company, Stilwell Financial, Inc., a Delaware corporation ("Stilwell"), controls Janus Capital Corporation, a Colorado corporation ("Janus"), under Colorado law notwithstanding certain rights Thomas H. Bailey may have to designate a majority of the members of the Board of Directors under the Stock Purchase Agreement described below.

FACTS

The following are the primary relevant facts upon which this opinion is based:

1. Stilwell owns approximately 81.5% of the outstanding common stock of Janus.

2. Effective as of April 13, 1984, Stilwell's parent entered into a Stock Purchase Agreement with Mr. Bailey and others related to the purchase of Janus common stock which agreement contained in Paragraph 11.01 thereof a provision requiring Stilwell's parent to vote its Janus shares to elect a majority of directors of Janus designated by Mr. Bailey under certain specified conditions ("board selection rights").

3. Stilwell became a party to the Stock Purchase Agreement and was assigned the rights and obligations of its parent as a result of an amendment to the Stock Purchase Agreement dated November 19, 1999 (the"Amendment"). The Amendment was effective November 19, 1999, although the assignment to Stilwell will not become effective until the time of the spinoff of Stilwell to the shareholders of its parent.

4. The Amendment purports to amend and restate the provisions of Paragraph 11.01 to read as follows:

11.01 The parties hereto have AGREED that the present management of JCC shall continue to operate the business of JCC, including the business of JMC prior to the merger of JMC into JCC, of providing investment advice and management services to Janus Fund, as hereinafter provided. So long as Thomas H. Bailey is a holder of at least 5% of the shares of JCC and continues to be employed as President or Chairman of the Board of JCC and if Thomas H. Bailey does not serve as President of JCC, James P. Craig, III serves as President and Chief Executive Officer (or Co-Chief Executive Officer with Thomas H. Bailey) of JCC, (i) Thomas H. Bailey shall continue to establish and implement policy with

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respect to the investment advisory and portfolio management activity of JCC, (ii) without Thomas H. Bailey's consent, Stilwell shall not cause JCC to implement, or impose on the management of JCC any policies, conditions or restrictions regarding the policy referred to in (i) other than those which were in place at November 15, 1983, and
(iii) any changes in management philosophy, style or approach influencing the management of JCC with respect to the policy referred to in (i) shall be mutually agreed to by Thomas H. Bailey and by Stilwell. In furtherance of this objective, so long as Thomas H. Bailey is a holder of at least 5% of the shares of JCC and continues to be employed as President or Chairman of the Board of JCC and if Thomas H. Bailey does not serve as President of JCC, James P. Craig, III serves as President and Chief Executive Officer (or Co-Chief Executive Officer with Thomas H. Bailey) of JCC, Stilwell agrees to vote its JCC Shares to elect directors of JCC, at least a majority of whom shall be selected by Thomas H. Bailey, subject to Stilwell's approval, which approval shall not be unreasonably withheld. Each of the preceding provisions set forth in this paragraph is expressly conditioned, however, upon such management and Thomas H. Bailey continuing to perform their respective duties with reasonable care and in a manner which is consistent with past practice and not contrary to the best interests of JCC.

ISSUES CONSIDERED

You have asked us to consider the following issues in connection with the formulation of our opinion as to whether Stilwell controls Janus notwithstanding the rights Mr. Bailey may have under Paragraph 11.01 of the Amendment.

1. Did Mr. Bailey's board selection rights under Paragraph 11.01 of the Stock Purchase Agreement expire on April 13, 1994, and, if so, did Mr. Bailey regain those rights upon execution and delivery of the Amendment by the parties thereto?

2. Can the officer status of Thomas H. Bailey as the President and Chairman of Janus be terminated so as to effectively terminate his rights to select a majority of the directors of Janus?

3. Would termination of the officer status of Mr. Bailey be a breach of the Stock Purchase Agreement?

4. If the termination of the officer status of Mr. Bailey were a breach of the Stock Purchase Agreement, would Mr. Bailey have a right, through injunctive or other equitable relief, to be reinstated as an officer of Janus or to enforce his board selection rights?

5. If Mr. Bailey's removal as an officer were threatened, would he be able to obtain temporary injunctive relief to prevent such removal or to enforce his board selection rights?

In addition, you have asked whether support is found in Colorado case law for each of the conclusions reached in our opinion and we are including the citation of the relevant Colorado cases in support of each of our conclusions.

CONCLUSIONS

Based upon the information, and subject to the qualifications and limitations, set forth herein, having due regard for such legal considerations as we deem relevant and our review of the documents

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described herein, we are of the opinion that Stilwell controls Janus notwithstanding any board selection rights Mr. Bailey may have. This opinion is based, as more fully discussed below, upon

a. the fact that Stilwell has the right to reasonably reject Mr. Bailey's board selections,

b. the fact that the Amendment clearly specifies that Mr. Bailey has these board selection rights only so long as he is President or Chairman of Janus,

c. our opinion that the officer status of Mr. Bailey, and, therefore his board selection rights, could be terminated by Stilwell, if it chose to do so, without breaching the Stock Purchase Agreement or Amendment, and

d. our opinion, that, even if the termination of the officer status of Mr. Bailey were a breach of the Stock Purchase Agreement, Mr. Bailey would not have a right to be reinstated as an officer, and therefore have his board selection rights reinstated, through injunctive or other equitable relief.

In addition, we believe that a Colorado court would not give Mr. Bailey temporary injunctive relief to stop his removal as an officer if such removal were threatened or to enforce his board selection rights conditioned as they are on his continuation as an officer of Janus and that the amendments prior to April 13, 1994 to the Stock Purchase Agreement did not extend the 1994 expiration date of the voting provisions under C.R.S. 1973, Section 7-4-117(6). It is our opinion that the voting provisions of Paragraph 11.01 expired and were not enforceable after April 13, 1994, until perhaps November 19, 1999, when the Amendment was effective. We are unable to express an opinion as to whether Mr. Bailey regained his board selection rights in November 19, 1999, as a result of the Amendment for the reasons set forth below, but we note that our inability to express an opinion as to this specific issue does not affect our conclusions as to the other matters covered by this opinion.

DISCUSSION

Under the general rule Stilwell controls Janus due to its ownership of 81.5% of the Janus' Common Stock

Under Section 7-101-401 of the Colorado Business Corporation Act (the "Colorado Act"), "control" is defined as "the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting shares, by contract, or otherwise."
Section 7-108-101 of the Colorado Act provides that, unless otherwise indicated in the articles of incorporation, "all corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation managed under the direction of, the board of directors or such other persons as the articles of incorporation provide shall have the authority and perform the duties of a board of directors." Article VII, Section 1 of Janus' articles of incorporation provides that "the business and affairs of the corporation shall be managed by a board of directors . . ." Article III, Section 1 of the Janus bylaws provides that "the property and business of the corporation shall be controlled and managed by a board of directors, . . ." Based on the foregoing, Janus is controlled by its Board of Directors. The question then becomes, does Stilwell control the Board of Directors of Janus?

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The Directors of Janus are to be elected at each annual meeting of shareholders. See Section 7-108-103 of the Colorado Act; Article VII, Section 1
of Janus' articles of incorporation and Article II, Section 1 of Janus' bylaws.
Section 7-102-102 of the Colorado Act provides that cumulative voting in the election of directors is mandatory unless the corporation provides otherwise in its articles of incorporation. Article VIII of the Janus articles of incorporation prohibits cumulative voting in the election of directors. Article II, Section 11 of the Janus bylaws provides that directors shall be elected by a plurality of the votes cast by shareholders entitled to vote for directors.
Section 7-107-202 of the Colorado Act and Section 9 of Article II of Janus' bylaws provide that each outstanding share shall be entitled to one vote upon each matter submitted to a vote of shareholders. Therefore, absent any other limitations, Stilwell, as the holder of approximately 81.5% of the voting power of Janus, would clearly control the election of the Board of Directors of Janus. The question then becomes whether Stilwell has transferred to Mr. Bailey the right to control the Board of Directors of Janus, and, therefore, control of Janus.

Mr. Bailey's board selection rights under the original Stock Purchase Agreement
expired on April 13, 1994

The original Stock Purchase Agreement had provisions pursuant to which Stilwell's parent agreed to vote its shares to elect a majority of directors of Janus designated by Mr. Bailey under certain specified conditions. and thus

under Colorado law at least this portion of the Stock Purchase Agreement constituted a voting agreement. At the time this agreement was entered into and until July 1, 1994, Colorado corporate law provided that

An agreement between two or more shareholders, if in writing and signed by the parties thereto, may provide that in exercising any voting rights the shares held by them shall be voted as provided by the agreement, as the parties may agree, or as determined in accordance with a procedure agreed upon by them. No such agreement shall be effective for a term of more than ten years, but at any time within two years prior to the time of expiration of such agreement, the parties may extend its duration for as many additional periods, each not to exceed ten years, as they may desire. See

C.R.S. 1973, Section 7-4-117(6).

It is our understanding that the voting provisions of the Stock Purchase Agreement were not extended in accordance with the above referenced provisions and that no amendment extending the term of these provisions was entered into during the two year period preceding the expiration of the statutory term as provided in the statute./1/ Therefore the voting agreement provisions of the original agreement terminated as a matter of Colorado law on its tenth anniversary, April 13, 1994. See Grossman v. Sherman, 599 P.2d 909, 911 (Colo. 1979) (holding that a contract for a term of one year expired when plaintiff completed his agreed year of employment and no new agreement was reached by the parties prior to expiration); McDonald's Corp. v. Rocky Mountain McDonald's, Inc., 590 P.2d 519, 521 (Colo. App. 1979) (finding that
/1/ The first four amendments to the Stock Purchase Agreement were dated January 4, 1985; March 18, 1988; January 1, 1991, and February 5, 1992, respectively. None of these amendments dealt with the voting agreement or purported to extend its duration.

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where a contract provides for a manner in which termination can be effected, those provisions must ordinarily be enforced as written).

The status of the Amendment does not affect our opinion that Stilwell controls **Janus**

As of November 19, 1999, an Assignment and Assumption Agreement and Fifth Amendment to Stock Purchase Agreement (the "Amendment") was entered into by the parties including Stilwell which purported to amend and restate the original voting agreement provision to replace it with the provision quoted above.

We are unable to express an opinion as to whether a Colorado court would treat this purported amendment and restatement of an expired voting agreement as a new voting agreement or as a nullity since the provisions that it was purporting to amend had already expired as a matter of law. Our inability to express an opinion is due to the fact that a court's inquiry could center upon facts which we cannot know; in particular, the intent of the parties other than Stilwell upon entering into the amendment of the voting provisions. We also cannot predict how a court would deal with each party's respective intent as impacted by the knowledge and intent of the other party.

If a court were to hold that the voting provisions of the Amendment were null and void, then Mr. Bailey lost his voting rights by operation of law in 1994, and neither KCSI nor Stilwell have been bound to vote for any of Mr. Bailey's nominees since April 13, 1994. If this were the outcome, then our opinion regarding whether Stilwell controls Janus would not be needed as Mr. Bailey would have no board selection rights and Stilwell would unquestionably control Janus .

The alternative to finding that the Amendment was null and void as to the voting agreement provisions is that the Amendment is valid as a new voting agreement. For purposes of the remainder of this opinion we will assume that the voting provisions of Paragraph 11.01 as amended and restated by the Amendment are currently in effect. It is important to note, however, that our opinion that Stilwell controls Janus would not be changed if the provisions of Paragraph 11.01 of the Amendment were found to be enforceable against Stilwell. In other words, regardless of what a court might find with respect to the validity of the Amendment, our opinion is that Stilwell controls Janus.

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Mr. Bailey's board selection rights are significantly qualified and conditioned on the continued employment of Mr. Bailey as President or Chairman

Under Colorado law, contracts are to be construed in accordance with the intent of the parties thereto. See USI Properties East, Inc. v. Simpson, 938 **P.2d 168 (Colo. 1997); Cache Nat'l Bank v. Lusher, 882 P.2d 952 (Colo. 1994).** The language of Paragraph 11.01 of the Stock Purchase Agreement ("Paragraph 11.01") regarding Stilwell's support of Mr. Bailey's director selections clearly indicates that the parties intended that Mr. Bailey's board selection rights were for the limited purpose of assuring that he could control policy regarding investment by Janus of its advisory clients' assets as long as he was President or Chairman. If the selection of directors by Mr. Bailey were to further some other objective, or if the conditions of Paragraph 11.01, as set forth above, were not met, Stilwell would not be obligated under that agreement to consent to, or vote for, such directors. Therefore, reasonably Stilwell could refuse to approve director selections who did not agree with Stilwell on matters other than policy with respect to investment advisory and portfolio management. If the parties' intent had been to give Mr. Bailey control over other aspects of Janus, presumably they would not have required Stilwell's approval for his director selections and would not have needed to state, as they did, that Stilwell's obligation to support his nominees was to further the objective of preserving his control over the investment policy of Janus.

In fact, another provision of the Stock Purchase Agreement, contained in Paragraph 12.01, reflects the parties' intention that Stilwell control the Board of Directors of Janus (except with respect to investment policy) because, under that provision Stilwell is obligated to cause Janus to pay dividends. The declaration and payment of dividends is, of course, a board function.

The language of Paragraph 11.01 clearly conditions Mr. Bailey's board selection rights on his continuing employment as Chairman or President and his continuing as a 5% or greater shareholder.

Stilwell has the power to terminate Mr. Bailey's employment as President and Chairman and thus terminate his board selection rights

Stilwell could terminate Mr. Bailey's employment as President and Chairman and thus terminate his board selection rights through shareholder action. Stilwell also retains the power to unilaterally terminate Mr. Bailey's board selection rights under the Stock Purchase Agreement by terminating Mr. Bailey's status as an officer of Janus. Under the Stock Purchase Agreement, if Mr. Bailey were no longer President or Chairman, his board selection rights would end. (If he were to cease only to be President and Mr. Craig were President, those rights would continue, unless Mr. Bailey also were to cease to be Chairman.) The Janus Bylaws contain no reference to a Chairman, but authorize the Board of Directors to designate officers in addition to a president. On December 14, 1999, Mr. Bailey was elected by the Board to the offices of President, Chairman and Chief Executive Officer as part of a slate of officers of Janus. Under the circumstances, we believe his position as Chairman is that of an officer. To remove Mr. Bailey, Stilwell could request the Board of Directors of Janus to take that action or Stilwell could take direct action to remove him. Stilwell has the power to amend the bylaws of Janus to allow removal of Mr. Bailey, or any other Janus officer, by shareholder action without Board action. Section 7-108-303(4) of the Colorado Act provides "The bylaws or the board of directors may make provisions for the removal of officers by other officers or by the shareholders." While the bylaws of Janus do not currently provide for a removal of officers by shareholders, the bylaws could be amended by shareholder action to include such a provision.

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Section 7-110-201(2) of the Colorado Act provides "The shareholders may amend the bylaws even though the bylaws may also be amended by the board of directors." Such action could be taken at a meeting or by unanimous written consent of shareholders. See Section 7-107-104 of the Colorado Act. Section 7-
107-102 of the Colorado Act requires a corporation to hold a special meeting of shareholders if it receives written demand for the meeting, stating the purpose(s) for which it is to be held from holders of shares representing at least 10% of all the votes entitled to be cast on any issue proposed to be considered at the meeting. The Board of Directors may fix a record date for such a meeting not more than 70 days preceding the date of the meeting and if it does not, the record date is to be the twentieth day preceding the meeting. See
Section 7-107-107 and Article II, Section 4 of the Janus bylaws. Section 7-107- 105 of the Colorado Act and Article II, Section 3 of the Janus bylaws require notice of the special meeting to be given to shareholders no fewer than 10 nor more than 60 days' before the date of the meeting. If a corporation does not give notice of the special meeting within 30 days after the date the last of the demands necessary to require the calling of the meeting was received by the corporation, on application of any person who participated in a demand for a special meeting, the holding of the meeting may be summarily ordered by the district court of the county in Colorado where the corporation's principal office is located. See Section 7-107-103 of the Colorado Act.

Of importance, the power of shareholders to remove officers has existed under Colorado law at all times since the Amendment was entered into. See Section 7-108-303(4) of the Colorado Act. If a Colorado court were to find that the Amendment constituted a new agreement, rather than a nullity, a court would presume that the parties were aware of the power of shareholders to remove officers. See Keelan v. Van Waters & Rogers, Inc., 820 P.2d 1145, 1148 (Colo. App. 1991)(statutory law which pertains to the terms of a contract is considered part of that contract). Therefore, the parties would have taken action to modify or waive this right if it had been the intent of the parties to insure that Mr. Bailey could not be removed as an officer by shareholder action. See Ziegler
v. Hendrickson, 528 P.2d 400, 403 (Colo. App. 1974)(waiver of contract terms occurs when party is entitled to assert particular right, knows the right exists, and intentionally relinquishes such right).

More important, even assuming the original agreement remained in effect, we believe that Stilwell would be able to avail itself of the shareholder removal provisions. When the Colorado Corporate Act was enacted effective July 1, 1994,
Section 7-117-101 was included to set forth the applicability of the Act to existing corporations. Section 7-117-101(2) states that Articles 101 to 117 of the Act applied to all existing corporations. While Section 7-117-101 does contain exceptions to certain provisions of the Act for corporations existing prior to July 1, 1994, no exception was included as to the provisions of Section 7-108-303(4). Therefore, the general rule of Section 7-117-101(2) applies and
Section 7-108-303(4) applies to corporations existing prior to July 1, 1994. Therefore, we do not believe there is a basis upon which a Colorado court could find that the shareholder removal provisions were not available to Stilwell.

Stilwell could terminate Mr. Bailey's employment as President and Chairman
and thus terminate his board selection rights through Board action. The power to remove directors is further evidence of control of the Board and provides Stilwell an alternative means to terminate Mr. Bailey's employment as President and Chairman and thus to terminate his board selection rights. Under Colorado law, shareholders have the right to remove any or all of the directors of a Colorado corporation with or without cause at any time, unless the articles of incorporation provide otherwise. See Section 7-108-108. Janus' articles do not
prohibit removal of directors by shareholders. Upon any removal of Janus directors by Stilwell, the remaining directors

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would have the power to terminate Mr. Bailey's employment and this would terminate his board selection rights under the Stock Purchase Agreement. The Board would have to take any such action by unanimous consent or at a meeting held in compliance with Colorado law, including satisfying quorum requirements.

Section 7-108-205 of the Colorado Act provides that, unless a greater number is required by the bylaws, a quorum of a board of directors consists of (1) a majority of the number of directors fixed if the corporation has a fixed board size, or (2) a majority of the number of directors fixed (or, if no number is fixed, of the number in office immediately before the meeting begins) if a range for the size of the board is established pursuant to Section 7-108-103(2).

Section 7-108-103(2) provides that the bylaws may establish a range for the size of the board of directors by fixing a minimum and maximum number of directors. Janus has a fixed number of directors (6) under Article III, Section 1 of its bylaws. Article III, Section 6 of Janus' bylaws provides that a majority of the full board of directors shall constitute a quorum. However, if after any removal by Stilwell there were not enough directors remaining to meet these quorum requirements, Stilwell has the unilateral right to amend Janus' bylaws so that a smaller number of directors, or even one director, would meet the quorum requirements and could exercise the full powers of the Board of Directors. See Section 7-110-201 of the Colorado Act. Accordingly, Stilwell could effect the termination of Mr. Bailey's employment and thus effect the termination of his board selection rights through Board action as well as shareholder action.

Neither the Stock Purchase Agreement nor the Amendment contain provisions assuring Mr. Bailey employment or a position as an officer, therefore, he could be removed as an officer without breaching either agreement

It is our understanding that Mr. Bailey has no employment agreement. Further, nothing in the Stock Purchase Agreement or Amendment assures him of continued employment. The language of Paragraph 11.01 in fact implies that Mr. Bailey's employment could be terminated because it says it continues his rights only so long as he "... continues to be employed ..."

Removal of Mr. Bailey by Stilwell would not be inconsistent with Stilwell's obligation to vote for his nominees to the Janus Board (selected with Stilwell's consent), because it is clear from the language of the Stock Purchase Agreement that the purpose for this obligation was to assure Mr. Bailey that, as long as he continued to be affiliated with Janus as an officer, Stilwell would support his director nominees (to the extent noted above). This support was assured in the Stock Purchase Agreement so Mr. Bailey would not be forced by Stilwell to change his policies regarding management of the assets of Janus' investment advisory clients. If Mr. Bailey were to cease to be so affiliated, the need for such protection would end and Stilwell no longer would have any limitation under the Stock Purchase Agreement on its ability to elect or remove directors of Janus. Therefore, in our opinion, the removal of Mr. Bailey as President and Chairman of Janus would terminate his director selection rights, and would not breach the Stock Purchase Agreement. If Mr. Bailey were to challenge his removal by instituting litigation, based solely upon the facts set forth herein and our review of the documents described herein, we believe that Stilwell would prevail in that litigation.

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Even if Mr. Bailey's removal were a breach of the Stock Purchase Agreement or the Amendment, he would not be entitled to reinstatement through equitable relief

It is also our opinion that even if the removal of Mr. Bailey were found by a Colorado court to be a breach of the Stock Purchase Agreement, we believe that, as a matter of Colorado corporate law, Mr. Bailey would not be entitled to reinstatement through injunctive or other equitable relief. The power of removal of officers granted to directors and shareholders by statute is absolute. See Section 7-108-303(4) of the Colorado Act. Officers of a corporation, as a matter of corporate law, serve at the pleasure of the directors and shareholders. While there are no cases in Colorado dealing with the shareholders' power to remove officers, the statute is unambiguous. Moreover, guidance as to this matter is contained in the Official Comments to the Model Business Corporation Act Annotated relating to Section 8.43 regarding removal of officers and Section 8.44 regarding contract rights of officers, (Colorado courts have looked to the Model Business Corporation Act when Colorado law was lacking. See Bowers **Building Company v. Altura Glass Co., 694 P.2d 876 (Colo. 1984)). The Official** Comment to Section 8.43 reads in pertinent part:

In part because of the unlimited power of removal, . . ., a board of directors may grant an officer an employment contract that extends beyond the term of the board of directors. This type of contract is binding on the corporation even if the articles of incorporation or bylaws provide that officers are appointed for terms shorter than the period of the employment contract. If the later board refuses to reappoint that person as an officer, he has the right to sue for damages but not for specific performance of his employment contract. (Emphasis added.)

While the comment to the Model Act refers to Board removal, there is no reason why shareholder removal would be treated differently. Presumably the reason the comment refers to only board removal is that there is no provision for shareholder removal under the Model Act. The reasons behind the comment are no different for shareholder removal than for board removal. The point is that under corporate law, the rights of the Board and shareholders are superior to the rights of officers who serve at the pleasure of the Board and shareholders.

Mr. Bailey has been given certain rights to select directors of Janus only so long as he is employed as Chairman or President. As noted above, he has no contract with respect to such employment. To reinstate him as Chairman or President or to reinstate his Paragraph 11.01 rights following his removal, the Colorado courts would have to violate their rule as set forth by the Colorado Supreme Court in Bellow v. Fico Insurance Company, 878 P.2d 672 (1994). In that case, the court held

"Specific performance can only be accomplished according to the terms of the party's contract. The court may not make a contract for the party and then order it to be specifically performed."

Thus, even if Colorado corporate law did not provide, as we believe it does, that a removed officer has no right to reinstatement through injunctive relief or other equitable remedy, we believe that reinstatement would not be an available remedy to Mr. Bailey under Colorado contract law.

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We do not believe that Mr. Bailey could obtain a temporary injunction to stop his removal if it were threatened

In addition, we do not believe that a temporary injunction would be an available remedy for Mr. Bailey to stop his removal as Chairman and President if such removal were threatened. The granting of a preliminary injunction is an extraordinary remedy, and is considered the exception rather than the rule. See **Sportsmen's Wildlife Defense Fund v. Western Slope Environmental Resource** Council, 949 F. Supp. 1510, 1522 (D. Colo. 1996). Therefore, the right to relief must be clear and unequivocal. Id. A party seeking injunctive relief

must establish each of the following four factors: (1) a substantial likelihood of success on the merits; (2) that the movant will suffer irreparable injury unless the injunction issues; (3) that the threatened injury to the movant substantially outweighs whatever damages the proposed injunction may cause the opposing party; and (4) that the injunction would not be adverse to the public interest. See Libertarian Party of Colorado v. Buckley, 938 F. Supp. 687, 690 (D. Colo. 1996). We believe it is very unlikely that Mr. Bailey will be able to establish all four of these factors. First, as discussed herein we are of the opinion that Mr. Bailey would not succeed on the merits. Therefore, we do not believe he could satisfy factor 1 which requires that he be able to establish a "substantial" likelihood that he would succeed on the merits. Second, the courts have also found that the removal of management of a corporation did not constitute irreparable harm to the members so removed because they could later be reinstated if they succeeded on the merits. See **Crown Resource Corp. v. Gold Capital Corp., 650 F. Supp. 985, 988 (D. Colo.** 1987)(denying motion for preliminary injunction brought by incumbent management of corporation to hold election results in abeyance because incumbent management could not demonstrate element of irreparable harm). Therefore, Mr. Bailey would have great difficulty satisfying factor 2.

We do not believe that Mr. Bailey could obtain any equitable relief to enforce his board selection rights if he was removed as an officer

For the reason discussed throughout this opinion; i.e., that those rights are contingent upon several conditions including his continued employment as President or Chairman of Janus, we do not believe that a Colorado court would issue any sort of equitable relief to enforce Mr. Bailey's board selection rights if he was removed as Chairman and President. To do so would be to rewrite the Amendment to take away the conditions precedent to Mr. Bailey's having the board selection rights, and, as noted above, Colorado courts will not rewrite and then enforce a contract. Accordingly, while Colorado law does allow for the specific enforcement of voting agreements/2/, a voting agreement would be enforced only as written, and the voting agreement no longer exists if Mr. Bailey is not employed as President or Chairman of Janus. It is our opinion that a Colorado court would not enforce those voting rights once the conditions precedent to those rights were no longer satisfied.

/2/ See Colo. Rev. Stat. Section 7-107-302.

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Finally, with respect to Janus' obtaining a temporary injunction, given that Janus is not a party to the Stock Purchase Agreement nor to the Amendment, Janus has no right under the Amendment to have Mr. Bailey serve as an officer.

QUALIFICATIONS AND LIMITATIONS

Our opinions as herein expressed are subject to the following qualifications and limitations:

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(a) We express no opinion as to the laws of any jurisdiction other than Colorado;

(b) Our opinion is limited to the specific issues expressly set forth herein and no other opinion may be inferred or implied beyond the matters expressly stated in this letter;

(c) Our opinion is rendered on the date hereof and we have no continuing obligation hereunder to inform you of changes of law or fact subsequent to the date hereof or facts of which we have become aware after the date hereof; and

This opinion is for your benefit for the purpose of a determination by you and your accountants as to the appropriateness of filing consolidated financial statements for KCSI, Stilwell and Janus and may not be furnished to, or relied upon by, any other person or entity without the express written consent of the undersigned, except that we hereby consent to your furnishing a copy of this opinion to your accountants, PricewaterhouseCoopers, and to their reliance hereon and to the filing of our opinion with the Securities and Exchange Commission as an exhibit to the 1999 Form 10-K of Kansas City Southern Industries, Inc. and the Form 10 Registration Statement of Stilwell.

Very truly yours,

ROTHGERBER JOHNSON & LYONS LLP

/s/ Rothgerber Johnson & Lyons LLP

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End of Filing

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