

KANSAS CITY SOUTHERN INDUSTRIES, INC.
114 WEST ELEVENTH STREET
KANSAS CITY, MISSOURI 64105-1804

July 17, 2000

Dear Kansas City Southern Industries, Inc. Shareholders:

On July 12, 2000 Kansas City Southern Industries, Inc. (KCSI) distributed to KCSI common stockholders of record on June 28, 2000 (the Record Date) two shares of the common stock of Stilwell Financial Inc. (Stilwell) for every one share of KCSI common stock owned on the Record Date. Immediately after the distribution, but also on July 12, 2000, KCSI effectuated a reverse stock split on a one share for two shares basis. If a fractional share results from the reverse split of the KCSI common stock, you will receive cash in lieu of such fractional share.

KCSI has received a ruling from the Internal Revenue Service (IRS) that states that its shareholders will incur no U.S. federal income tax liability upon the receipt of the distribution of the stock of Stilwell. **However, the IRS requires that all shareholders who receive a distribution pursuant to a nontaxable corporate separation attach an information statement containing details of the distribution to their U.S. federal income tax returns for the tax period including the Distribution Date.** To assist you in complying with this requirement, we are enclosing a shareholder statement that may be completed by you and attached to your U.S. federal income tax return for the period including the Distribution Date. You simply need to indicate the number of shares of Stilwell stock you received in the distribution and sign where indicated.

The IRS also requires that all shareholders who receive a distribution pursuant to a nontaxable corporate separation must allocate the cost basis of their existing KCSI stock between the KCSI stock and the Stilwell stock owned immediately after the distribution in proportion to their respective market values determined on the Distribution Date. Based upon the market values on the Distribution Date, your cost basis for each share of your KCSI stock should be reduced to 3.1438% of its former amount and the remaining 96.8562% of your former basis becomes the cost basis for the two shares of Stilwell stock you received (or 48.4281% of your cost basis for each Stilwell share). The following example illustrates how this allocation of your cost basis is determined.

Suppose you purchased shares of KCSI in 1998 at a cost of \$50 each. Upon receipt of your Stilwell shares, your basis in each KCSI share would be reduced to \$1.57 (3.1438% of \$50). The basis in each Stilwell share you received would be \$24.21 (48.4281% of \$50). Due to the reverse split of KCSI common stock occurring just after the spin-off, the \$1.57 basis in each KCSI share will double to \$3.14.

This information should provide you with a general guideline as to the tax effects of the distribution. We encourage you to consult with your tax advisor with respect to the particular tax consequences for your situation.

Sincerely,



Landon H. Rowland
Chairman of the Board