
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **October 28, 2011**

DST SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

1-14036

(Commission File Number)

43-1581814

(I.R.S. Employer Identification No.)

333 West 11th Street, Kansas City, Missouri

(Address of principal executive offices)

64105

(Zip Code)

(816) 435-1000

Registrant's telephone number, including area code

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 1.01 Entry into a Material Definitive Agreement

DST Systems, Inc. (“DST”) has entered into an unsecured term loan agreement, dated as of October 28, 2011 (the “Loan Agreement”) with Bank of America, N.A. (“Lender”), as the sole lender. Capitalized terms not otherwise defined in this Form 8-K have the meanings given to them in the Loan Agreement.

The Loan Agreement provides for an unsecured term loan in the principal amount of \$125,000,000 (the “Loan”). The Loan Agreement requires that proceeds of the Loan be used by DST to consummate DST’s acquisition of ALPS Holdings, Inc. The ALPS acquisition was described in a Form 8-K filed by DST on July 21, 2011. The ALPS acquisition was consummated on October 31, 2011.

The interest rate under the Loan Agreement is a fluctuating rate based on (i) the Eurodollar Rate (LIBOR) plus an applicable margin or (ii) the Base Rate (defined as the highest of the Lender’s prime rate, the Federal Funds Rate plus 0.5%, and a daily rate equal to one-month LIBOR plus 1.0%) plus an applicable margin. A default rate equal to 2% above the applicable interest rate is applicable in the event of an Event of Default. A default rate equal to 2% above the Base Rate may also apply in certain other circumstances as further described in the Loan Agreement.

The Loan has a maturity date of September 13, 2013, unless (a) the Bank of the West Real Estate Loan is no longer outstanding at such time or (b) the stated maturity date of the Bank of the West Real Estate Loan has been extended to a date later than October 28, 2013, in which case the maturity date under the Loan Agreement is October 28, 2013. The Bank of the West Real Estate Loan was described in a Form 8-K filed by DST on September 22, 2008.

Subject to the provisions in the Loan Agreement, DST may voluntarily prepay the Loan in whole or in part without premium or penalty, subject to reimbursement of Lender’s breakage and redeployment costs in the case of prepayment of Eurodollar (LIBOR) borrowings. If any Event of Default occurs and is continuing, all amounts payable under the Loan Agreement may be declared immediately due and payable. The Loan Agreement requires that the Loan be prepaid to the extent DST receives net cash proceeds of any additional indebtedness incurred after the date of the Loan Agreement above a stated threshold amount, with the exception of indebtedness incurred to replace and refinance the Bank of the West Real Estate Loan and subject to certain other exceptions as described in the Loan Agreement. Amounts prepaid may not be reborrowed.

The Loan Agreement contains representations, warranties, financial covenants, and other affirmative and negative covenants, all of which are customary for transactions of this type, as well as certain customary events of default and cross-default provisions, most of which are incorporated into the Loan Agreement by reference to an unsecured credit agreement entered into by DST (as the Borrower) with a syndicate of financial institutions including the Lender (the “Syndicated Credit Agreement”) which provides for certain extensions of credit described therein in a maximum aggregate principal amount of \$630,000,000 and which was described in and attached to a Form 8-K filed by DST on April 20, 2010, and with respect to an amendment thereto a Form 8-K was filed by DST on July 6, 2011 (collectively the “Syndicated Credit Agreement 8K’s”).

Bank of America, N.A. is a lender to the Company under the Syndicated Credit Agreement and it or its affiliates have provided and continue to provide commercial banking, investment banking and other services to DST and its affiliates, for which they receive customary fees and commissions.

This summary does not purport to be complete and is qualified in its entirety by reference to the Syndicated Credit Agreement, the Syndicated Credit Agreement 8K's, and the Loan Agreement attached hereto as Exhibit 10.1, each of which is incorporated herein by reference.

ITEM 2.01. Completion of Acquisition or Disposition of Assets.

On October 31, 2011 (the "Closing Date"), DST completed its acquisition of ALPS Holdings, Inc., a Delaware corporation ("ALPS"), pursuant to the terms of the merger agreement (the "Merger Agreement") among DST, ALPS, Kettle Holdings, Inc., a newly formed Delaware corporation and wholly owned subsidiary of DST ("Merger Sub"), and LM ALPS SR LLC, as representative on behalf of ALPS's stockholders and participating optionholders. As of the Closing Date, Merger Sub merged with and into ALPS with ALPS surviving a wholly owned subsidiary of DST. DST paid the stockholder and optionholders of ALPS approximately \$250 million in cash, subject to adjustment.

References to the terms of the Merger Agreement are qualified in their entirety by reference to the full text of the Merger Agreement, which was included in DST's Current Report on Form 8-K filed on July 21, 2011 and is incorporated herein by reference.

ITEM 2.02 Results of Operations and Financial Condition.

See attached as Exhibit 99.1 to this Form 8-K a News Release dated November 2, 2011 concerning the announcement of financial results for the quarter ended September 30, 2011.

The information in this Item 2.02, and Exhibit 99.1 to this Current Report on Form 8-K, shall not be deemed "filed" for the purposes of or otherwise subject to the liabilities under Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Unless expressly incorporated into a filing of DST under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act made after the date hereof, the information contained in this Item 2.02 and Exhibit 99.1 hereto shall not be incorporated by reference into any filing of DST, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

ITEM 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

As discussed under Item 1.01, DST has entered into the Loan Agreement. Please see the discussion in Item 1.01, which is incorporated into this Item 2.03 by reference.

ITEM 8.01 Other Events.

See attached as Exhibit 99.2 to this Form 8-K a News Release dated November 2, 2011 concerning the review of the Company's business plan, assets and investment portfolio conducted by the Company's Board of Directors.

Certain material presented in this Form 8-K includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, (i) all statements, other than statements of historical fact, included in this press release that address activities, events or developments that we expect or anticipate will or may occur in the future or that depend on future events, or (ii) statements about our future business plans and strategy and other statements that describe the Company's outlook, objectives, plans, intentions or goals, and any discussion of future operating or financial performance. Whenever used, words such as "may," "will," "would," "should," "potential," "strategy," "anticipates," "estimates," "expects," "project," "predict," "intends," "plans," "believes," "targets" and other terms of similar meaning are intended to identify such forward-looking statements. Forward-looking statements are uncertain and to some extent unpredictable, and involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such forward-looking statements. Factors that could cause results to differ materially from those anticipated include, but are not limited to, the risk factors and cautionary statements included in the Company's periodic and current reports (Forms 10-K, 10-Q and 8-K) filed from time to time with the Securities and Exchange Commission. All such factors should be considered in evaluating any forward-looking statements. The Company undertakes no obligation to update any forward-looking statements in this press release to reflect new information, future events or otherwise.

ITEM 9.01 Financial Statements and Exhibits

(d). Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
2.1	Merger Agreement, dated as of July 19, 2011, by and among DST Systems, Inc., Kettle Holdings, Inc., ALPS Holdings, Inc. and LM ALPS SR LLC, on behalf of the Company Stockholders and Participating Optionholders, filed as an exhibit to the Registrant's Current Report on Form 8-K on July 21, 2011 and is incorporated herein by reference.
10.1	Term Letter Loan Agreement, dated as of October 28, 2011, between DST Systems, Inc. and Bank of America, N.A.
99.1	News Release dated November 2, 2011
99.2	News Release dated November 2, 2011

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized on this 2nd day of November, 2011.

DST SYSTEMS, INC.

By: /s/ Kenneth V. Hager
Name: Kenneth V. Hager
Title: Vice President, Chief Financial
Officer and Treasurer

October 28, 2011
DST SYSTEMS, INC.
333 W. 11th Street, Suite 500
Kansas City, Missouri 64105
Attention: Kenneth V. Hager
Vice President, Chief Financial Officer and Treasurer

Re: \$125,000,000 Term Loan Facility

Ladies and Gentlemen:

BANK OF AMERICA, N.A. (the "Lender") is pleased to make available to DST Systems, Inc., a Delaware corporation (the "Borrower"), a term loan credit facility on the terms and subject to the conditions set forth below. Terms not defined herein have the meanings assigned to them in Exhibit A hereto.

1. **The Facility.**

- (a) **The Term Loan.** Subject to the terms and conditions set forth herein, the Lender agrees to make available a term loan to the Borrower in an aggregate principal amount of ONE HUNDRED TWENTY-FIVE MILLION DOLLARS (\$125,000,000) (the "Term Loan") which is due and payable on the Maturity Date. The Term Loan may consist of Base Rate Loans and/or Eurodollar Rate Loans, as further provided herein. Amounts repaid on the Term Loan may not be reborrowed.
 - (b) **Borrowings, Conversions, Continuations.** The Borrower may request that the Term Loan be (i) made as or converted to Base Rate Loans by irrevocable notice to be received by the Lender not later than 11:00 a.m. (Charlotte, North Carolina time) on the Business Day of the borrowing or conversion, or (ii) made or continued as, or converted to, Eurodollar Rate Loans by irrevocable notice executed by a Responsible Officer of the Borrower to be received by the Lender not later than 11:00 a.m. (Charlotte, North Carolina time) three Business Days prior to the Business Day of the borrowing, continuation or conversion. If the Borrower fails to give a notice of conversion or continuation prior to the end of any Interest Period in respect of any Eurodollar Rate Loan, or if an Event of Default exists and the Lender so requests, the Borrower shall be deemed to have requested that such Loan be converted to a Base Rate Loan on the last day of the applicable Interest Period. If the Borrower requests that a Loan be continued as or converted to a Eurodollar Rate Loan, but fails to specify an Interest Period with respect thereto, the Borrower shall be deemed to have selected an Interest Period of one month. Notices pursuant to this Section 1(b) may be given by telephone if promptly confirmed in writing. The initial Term Loan made on the Effective Date may be a Eurodollar Rate Loan so long as the Borrower provides a funding indemnity letter in form and substance reasonably satisfactory to the Lender
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(along with a completed notice of borrowing duly executed by the Borrower) at least three Business Days prior to the Effective Date.

Each Eurodollar Rate Loan and each Base Rate Loan shall be in a minimum aggregate principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof (or the remaining amount of the Term Loan). There shall be no more than one Interest Period in effect at any time.

- (c) **Interest.** At the option of the Borrower, the Loans shall bear interest at a rate per annum equal to (i) the Eurodollar Rate plus the Eurodollar Rate Margin or (ii) the Base Rate plus the Base Rate Margin. Interest on Base Rate Loans when the Base Rate is determined by the Lender's "prime rate" shall be calculated on the basis of a year of 365 or 366 days and actual days elapsed. All other interest hereunder shall be calculated on the basis of a year of 360 days and actual days elapsed.

The Borrower promises to pay interest (i) for each Eurodollar Rate Loan (A) on the last day of the applicable Interest Period, and, if the Interest Period is longer than three months, on the respective dates that fall every three months after the beginning of the Interest Period, and (B) on the date of any conversion of such Loan to a Base Rate Loan; (ii) for Base Rate Loans, on the last Business Day of each calendar quarter; and (iii) for all Loans, on the Maturity Date. If the time for any payment is extended by operation of law or otherwise, interest shall continue to accrue for such extended period.

After the date any principal amount of any Loan is due and payable (whether on the Maturity Date, upon acceleration or otherwise), or after any other monetary obligation hereunder shall have become due and payable (in each case without regard to any applicable grace periods), the Borrower shall pay, but only to the extent permitted by law, interest (after as well as before judgment) on such amounts at a rate per annum equal to the Base Rate plus 2%. Furthermore, (A) while any Event of Default pursuant to Section 5(a) exists, the Borrower shall pay interest on the principal amount of the Loans at a rate per annum equal to the otherwise applicable interest rate plus 2% and (B) while any other Event of Default exists, upon the request of the Lender, the Borrower shall pay interest on the principal amount of the Loans at a rate per annum equal to the otherwise applicable interest rate plus 2%. Accrued and unpaid interest on past due amounts shall be payable on demand.

In no case shall interest hereunder exceed the amount that the Lender may charge or collect under applicable law.

- (d) **Evidence of Loans.** The Loans and all payments thereon shall be evidenced by the Lender's loan accounts and records; provided, however, that upon the request of the Lender, the Loans may be evidenced by a promissory note in a form reasonably satisfactory to the Lender in addition to such loan accounts and records. Such loan accounts, records and promissory note shall be conclusive absent manifest error of the amount of the Loans and payments thereon. Any failure to record any Loan or payment thereon or any error in doing so shall not
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limit or otherwise affect the obligation of the Borrower to pay any amount owing with respect to the Loans.

- (e) **Repayment.** The Borrower promises to pay the balance of the Term Loan then outstanding on the Maturity Date. All payments to be made by the Borrower shall be made to the Lender in full without condition or deduction for any counterclaim, defense, recoupment or setoff. The Borrower shall make all payments required hereunder not later than 2:00 p.m. (Charlotte, North Carolina time) on the date of payment in same day funds in Dollars at the office of the Lender at Bank of America, N.A., 2001 Clayton Rd., Bldg. B, CA4-702-02-25, Concord, CA 94520-2405, Attn: G.K. Lapitan, Telephone: 925-675-8205 or such other address as the Lender may from time to time designate in writing.
- (f) **Prepayments.**
- (i) Voluntary. The Borrower may voluntarily prepay the Loans in accordance with and subject to the provisions of Section 2.05(a) of the Incorporated Agreement. Amounts prepaid may not be reborrowed.
- (ii) Mandatory. (x) Immediately upon receipt by the Borrower or any of its Subsidiaries of Net Cash Proceeds from the incurrence of additional Indebtedness (excluding any borrowings under revolving credit facilities in effect as of the date hereof up to the maximum commitment of such facilities in effect as of the date hereof) in an aggregate amount in excess of \$25,000,000 over the term of this Agreement (the "Trigger Amount") (excluding (A) Indebtedness under the Incorporated Agreement, (B) purchase money Indebtedness and capital lease financings incurred in the ordinary course of business, (C) Indebtedness incurred to replace and refinance the Bank of the West Real Estate Loan in accordance with the provisions of Section 4(b) and (D) Indebtedness incurred to replace and refinance any of the existing Indebtedness set forth on Schedule 1 attached hereto which by its terms as of the date hereof has a stated maturity prior to October 28, 2013 or which by its terms is payable on demand and such demand is made by the lender thereof prior to October 28, 2013), the Borrower shall prepay the Loans in an aggregate amount equal to 100% of such Net Cash Proceeds of such additional Indebtedness actually received by the Borrower or its Subsidiaries that are in excess of the Trigger Amount. (y) In addition, the Borrower shall immediately prepay the Loans in full if the ALPS Acquisition has not been consummated in accordance with the ALPS Merger Agreement on or prior to November 4, 2011.

Any prepayment of a Eurodollar Rate Loan hereunder shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05 of the Incorporated Agreement (as incorporated pursuant to Section 6(a) hereof).

- (g) **Application of Facility.** The proceeds of Term Loan established hereby shall be used by the Borrower and its Subsidiaries solely to consummate the ALPS Acquisition.

2. **Conditions Precedent to Closing.**

As a condition precedent to the extension of credit hereunder, the Lender must receive the following from the Borrower in form satisfactory to the Lender:

- (i) this Agreement duly executed and delivered on behalf of the Borrower;
 - (ii) there shall not have occurred a material adverse change since December 31, 2010 in the business, assets, liabilities (actual or contingent), operations or financial condition of the Borrower and its Subsidiaries taken as a whole;
 - (iii) copies of the Organization Documents of the Borrower certified to be true and complete as of a recent date by the appropriate Governmental Authority of the state or other jurisdiction of its incorporation or organization, where applicable, and certified by a secretary or assistant secretary of the Borrower to be true and correct as of the Effective Date;
 - (iv) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of the Borrower as the Lender may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which the Borrower is a party;
 - (iv) such documents and certifications as the Lender may reasonably require to evidence that the Borrower is duly organized or formed, and is validly existing, in good standing and qualified to engage in business in (A) the jurisdiction of its incorporation or organization and (B) each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect;
 - (vi) no Default or Event of Default shall have occurred and be continuing;
 - (vii) (a) a legal opinion of Skadden, Arps, Slate, Meagher & Flom LLP, special New York counsel for the Borrower and (b) a legal opinion of Randall D. Young, general counsel for the Borrower, in each case dated as of the Effective Date;
 - (viii) a certificate executed by a Responsible Officer of the Borrower as of the Effective Date regarding the Solvency of the Borrower;
 - (ix) a certificate or certificates executed by a Responsible Officer of the Borrower as of the Effective Date, stating that (A) the conditions specified
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in Section 2 have been satisfied, (B) the Borrower is in compliance with all existing material financial obligations and (C) all governmental, shareholder and third party consents and approvals, if any, with respect to the Loan Documents and the transactions contemplated thereby have been obtained (and attaching copies thereof); and

- (x) all Attorney Costs of the Lender to the extent invoiced prior to or on the Effective Date, plus such additional amounts of Attorney Costs as shall constitute its reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Borrower and the Lender), shall have been paid.
- (xi) a notice of borrowing executed by the Borrower and delivered to the Lender; and
- (xii) each representation and warranty set forth in Section 3 below shall be true and correct in all material respects as if made on the date of such borrowing (except to the extent such representations and warranties expressly relate to an earlier date in which case such representations and warranties shall be true and correct in all material respects as of such earlier date).

3. **Representations and Warranties.** The Borrower hereby represents and warrants that the Term Loan established hereby shall be used by the Borrower and its Subsidiaries solely in connection with the ALPS Acquisition. The Borrower hereby further agrees that the representations and warranties contained in Article V of the Incorporated Agreement (the “Incorporated Representations”) are hereby incorporated by reference and shall be as binding on the Borrower as if fully set forth herein. Notwithstanding the above, with respect to the Incorporated Provisions, (i) the representations and warranties contained in subsections (a) and (b) of Section 5.05 of the Incorporated Agreement shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01 of the Incorporated Agreement and (ii) the references to the “Closing Date” in Sections 5.03, 5.05(c), 5.22 and 5.23 of the Incorporated Agreement shall be deemed to refer to the Effective Date.

4. **Covenants.**

- (a) So long as principal of and interest on any Loan or any other amount payable hereunder or under any other Loan Document remains unpaid or unsatisfied, the Borrower hereby agrees that the covenants and agreements applicable to it contained in Article VI (Affirmative Covenants) (except for the covenant contained in Section 6.11 of the Incorporated Agreement) and Article VII (Negative Covenants) of the Incorporated Agreement including, for purposes of this Section 4 each Additional Incorporated Agreement Covenant (collectively, the “Incorporated Covenants”), are hereby (or, in the case of each Additional Incorporated Agreement Covenant, shall, upon its effectiveness, be) incorporated by reference and shall be as binding on the Borrower as if fully set forth herein.
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Any financial statements, certificates or other documents received by the Lender under the Incorporated Agreement shall be deemed delivered hereunder.

- (b) In addition to the Incorporated Covenants, so long as principal of and interest on any Loan or other amount payable hereunder or under any other Loan Document remains unpaid or unsatisfied, the Borrower and its Subsidiaries shall not (i) make any voluntary prepayments of the Bank of the West Real Estate Loan (other than in connection with a refinancing thereof by Bank of the West or one or more lenders in which the Bank of the West Real Estate Loan is paid in full and such refinancing indebtedness has a stated maturity date beyond October 28, 2013) and (ii) make any cash payments on or in connection with the exercise by the Borrower of its right, per the terms of Section 7 of the Series C Debentures, to redeem for cash all or part of the Series C Debentures. For the avoidance of doubt, payments that are required under the Bank of the West Real Estate Credit Agreement (for reasons other than a default thereunder) in connection with the sale or conveyance of portions of the real estate described therein or in connection with the receipt of condemnation or casualty insurance proceeds shall not be considered “voluntary” prepayments as referred to above in clause (i) hereof.
- (c) The Borrower shall provide to the Lender, within two Business Days of the consummation of the ALPS Acquisition, a certificate executed by a Responsible Officer of the Borrower dated as of the closing date of the ALPS Acquisition, in form and substance reasonably satisfactory to the Lender, certifying that the ALPS Acquisition is permitted pursuant to Section 7.02(i) of the Incorporated Agreement.
- (d) The Borrower shall, on or before the date it is required to deliver the Compliance Certificate pursuant to Section 6.02(b) of the Incorporated Agreement as incorporated pursuant to Section 4(a), deliver to the Lender a detailed calculation of any additional Indebtedness required by the terms of Section 1(f)(ii) hereof to be applied toward the calculation of the Trigger Amount as of the end of such fiscal period then ended.

5. **Events of Default.** The following are “Events of Default.”

- (a) The Borrower fails to pay any principal of the Term Loan as and on the date when due; or
 - (b) The Borrower fails to pay (i) any interest on any Loan, or any portion thereof, or (ii) any other fee or amount payable to the Lender under any Loan Document, or any portion thereof, and such default shall continue unremedied for three (3) Business Days after the earlier of a Responsible Officer becoming aware of such default or written notice thereof has been given to the Borrower by the Lender; or
 - (c) The Borrower fails to comply with any covenant or agreement incorporated herein by reference pursuant to Section 4 above, subject to any applicable grace period and/or notice requirement set forth in Article VIII of the Incorporated Agreement (it being understood and agreed that any such notice requirement shall
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be met by the Lender's giving the applicable notice to the Borrower hereunder); or

- (d) The Borrower fails to perform or observe any term, covenant or agreement contained in Sections 4(b), (c) or (d) hereof; or
- (e) Any representation or warranty in any Loan Document or in any certificate, agreement, instrument or other document made or delivered by the Borrower pursuant to or in connection with any Loan Document proves to have been incorrect or misleading in any material respect when made or deemed made; or
- (f) Any "Event of Default" specified in Section 8.01 of the Incorporated Agreement (including for purposes of this Section 5(f) each Additional Incorporated Agreement Event of Default) (the "Incorporated Events of Default") occurs and is continuing, without giving effect to any subsequently waiver or amendment thereof pursuant to the Incorporated Agreement, it being agreed that each such "Event of Default" shall survive any termination, cancellation, discharge or replacement of the Incorporated Agreement.

Upon the occurrence of an Event of Default, the Lender may, upon written notice to the Borrower, declare all sums outstanding hereunder, including all interest thereon, to be immediately due and payable, whereupon the same shall become and be immediately due and payable, without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character, all of which are hereby expressly waived; provided, however, that upon the occurrence of any event specified in Sections 8.01(f) and (g) of the Incorporated Agreement, the Term Loan shall automatically terminate, and all sums outstanding hereunder, including all interest thereon, shall become and be immediately due and payable, without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character, all of which are hereby expressly waived.

6. **Other Provisions Relating to the Term Loan; Miscellaneous.**

- (a) The parties hereto hereby agree that the provisions set forth in Sections 1.02, 1.03, 1.04, 1.05 and 2.05(a), Article III (other than Section 3.06), Section 8.03 and Article X (other than Sections 10.01, 10.06, 10.13 and 10.14) of the Incorporated Agreement (the "Additional Incorporated Provisions") are incorporated by reference (with such adjustments or modifications as necessary to maintain the substance of the provisions contained therein) and shall be binding on the parties hereto as if set forth fully herein. The incorporation by reference to the Incorporated Agreement of the Incorporated Representations, the Incorporated Covenants, the Incorporated Events of Default, the Additional Incorporated Provisions and the Incorporated Definitions shall survive the termination of the Incorporated Agreement. The Incorporated Representations, the Incorporated Covenants, the Incorporated Events of Default, the Additional Incorporated Provisions and the Incorporated Definitions (including all exhibits, schedules and defined terms referred to therein) are hereby incorporated herein by reference as if set forth in full herein with appropriate substitutions, including the following
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(with such adjustments or modifications as necessary to maintain the substance of the provisions contained therein): (a) all references to **“this Credit Agreement”** shall be deemed to be references to this Agreement; (b) all references to **“the Administrative Agent”, “the Lenders” and “the Required Lenders”** shall be deemed to be references to the Lender; (c) all references to **“Default”** and **“Event of Default”** shall be deemed to be references to a Default and an Event of Default, respectively; (d) all references to **“the Loans”** shall be deemed to be references to the Term Loan; (e) all references to **“Committed Loans”** shall be deemed to be references to the Term Loan; (f) all references to **“Eurodollar Rate Loan”** shall be deemed to be references to Eurodollar Rate Loan as defined herein; and (g) all references as to **“Loan Document”** or **“Loan Documents”** or any similar reference shall be deemed refer to this Agreement as well as the other Loan Documents.

- (b) No amendment or waiver of any provision of this Agreement (including any provision of the Incorporated Agreement incorporated herein by reference pursuant to Section 4 above and any waiver of Section 5(e) or Section 5(f) above) or of any other Loan Document and no consent by the Lender to any departure therefrom by the Borrower shall be effective unless such amendment, waiver or consent shall be in writing and signed by a duly authorized officer of the Lender, and any such amendment, waiver or consent shall then be effective only for the period and on the conditions and for the specific instance specified in such writing. No failure or delay by the Lender in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other rights, power or privilege.
 - (c) This Agreement shall inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign its rights and obligations hereunder. The Lender may at any time (i) assign all or any part of its rights and obligations hereunder to any other Person with the prior written consent of the Borrower, such consent not to be unreasonably withheld, provided that no such consent shall be required if the assignment is to an affiliate of the Lender or if a Default exists, and (ii) grant to any other Person participating interests in all or part of its rights and obligations hereunder without notice to the Borrower. The Borrower agrees to execute any documents reasonably requested by the Lender in connection with any such assignment. All information provided by or on behalf of the Borrower to the Lender or its affiliates may be furnished by the Lender to its affiliates and to any actual or proposed assignee or participant.
 - (d) **GOVERNING LAW.** THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.
 - (e) **SUBMISSION TO JURISDICTION.** EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE
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SOUTHERN DISTRICT OF SUCH STATE, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

- (f) WAIVER OF VENUE. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (c) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.
 - (g) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02 OF THE INCORPORATED AGREEMENT. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.
 - (h) The Lender hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Lender to identify the Borrower in accordance with the Act. The Borrower shall, promptly following a request by the Lender, provide all documentation and other information that the Lender requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Act.
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- (i) **THIS AGREEMENT AND THE OTHER LOAN DOCUMENT REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**
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Please indicate your acceptance of the Term Loan on the foregoing terms and conditions by returning an executed copy of this Agreement to the undersigned not later than October 28, 2011.

BANK OF AMERICA, N.A.

By: /s/ Aileen Supeña

Name: Aileen Supeña

Title: Director

DST Systems, Inc.
Letter Loan Agreement

Accepted and Agreed to as of the date first written above:

BORROWER:

DST SYSTEMS, INC.

By: /s/ Kenneth V. Hager

Name: Kenneth V. Hager

Title: Vice President, Chief Financial Officer
And Treasurer

DST Systems, Inc.
Letter Loan Agreement

DEFINITIONS

The parties hereto hereby agree that all capitalized terms not otherwise defined herein shall have the respective meanings assigned to such terms in the Incorporated Agreement, as in effect as of the date hereof (the “Incorporated Definitions”) and such Incorporated Definitions are hereby incorporated by reference and shall be as binding on the parties as if set forth fully herein.

Additional Incorporated Agreement Covenant:	A covenant or agreement that is added to Article VI (Affirmative Covenants) or VII (Negative Covenants) of the Incorporated Agreement after the date hereof, as such covenant or agreement may be amended, supplemented or modified from time to time in any amendment, supplement or modification of the Incorporated Agreement.
Additional Incorporated Agreement Event of Default:	An “Event of Default” that is added to Article VIII of the Incorporated Agreement after the date hereof, as such “Event of Default” may be amended, supplemented or modified from time to time in any amendment, supplement or modification of the Incorporated Agreement.
ALPS Acquisition:	The Acquisition of ALPS Holdings by the Borrower on terms and conditions and pursuant to the Merger Agreement dated July 19, 2011 (the “ <u>ALPS Merger Agreement</u> ”) disclosed in the Borrower’s July 21, 2011 Form 8-K filing.
ALPS Holdings:	ALPS Holdings, Inc., a Delaware corporation.
Agreement:	This letter agreement, as amended, restated, extended, supplemented or otherwise modified in writing from time to time.
Bank of the West Real Estate Credit Agreement:	That certain Credit Agreement dated as of September 16, 2008 among DST Realty, Inc., Westside Industrial Park, L.L.C., DST Realty of California, Inc., DST Realty Connecticut, Inc., the various financial institutions from time to time party thereto and Bank of the West, as administrative agent, as may be further amended, supplemented or modified from time to time.
Bank of the West Real Estate Loan:	Loans in the original principal amount of \$115,000,000 made pursuant to the Bank of the West Real Estate Credit Agreement.
Base Rate Loan:	A Loan bearing interest based on the Base Rate.
Base Rate Margin:	The greater of (x) 0.25% and (y) the Applicable Rate for Base Rate Loans under the Incorporated Agreement at such time less 50 bps.
Default:	Any event that, with the giving of any notice, the passage of time, or both, would be an Event of Default.
Effective Time:	October 28, 2011

Eurodollar Rate Loan:	A Loan that bears interest at a rate based on clause (a) of the definition of “Eurodollar Rate.”
Eurodollar Rate Margin:	The greater of (x) 1.25% and (y) the Applicable Rate for Eurodollar Rate Loans under the Incorporated Agreement at such time less 50 bps.
Event of Default:	Has the meaning set forth in <u>Section 5</u> .
Incorporated Agreement:	The Credit Agreement, dated as of April 16, 2010 among the Borrower, the Lender, as agent, and various financial institutions, including the Lender, as amended by that certain First Amendment to Credit Agreement dated as of August 9, 2010, that certain Second Amendment to Credit Agreement dated as of June 30, 2011 and as may be further amended, supplemented or modified from time to time.
Loans or Loan:	Shall mean the Base Rate Loans and/or the Eurodollar Rate Loans comprising the term loan made hereunder.
Loan Documents:	This Agreement and the promissory note (if requested by the Lender) delivered in connection with this Agreement.
Maturity Date:	The earliest to occur of (i) October 28, 2013 and (ii) the Springing Maturity Date.
Net Cash Proceeds:	The aggregate cash proceeds received by the Borrower or any of its Subsidiaries in respect of any issuance of Indebtedness referred to in <u>Section 1(f)(x)</u> , net of (a) direct costs incurred in connection therewith (including, without limitation, legal, accounting and investment banking fees, and sales commissions) and (b) taxes paid or payable as a result thereof.
Springing Maturity Date:	September 13, 2013; <u>provided</u> that, there shall be no Springing Maturity Date if (a) the Bank of the West Real Estate Loan is no longer outstanding at such time or (b) the stated maturity date of the Bank of the West Real Estate Loan has been extended to a date later than October 28, 2013.

NEWS RELEASE

DST Systems, Inc.

333 West 11th Street
Kansas City, MO
64105-1594

NYSE Symbol: DST

C2011-18

DST Contacts:

Kenneth V. Hager (816) 435-8603
Vice President and Chief Financial Officer

Media:

Matthew Sherman / Nicholas Lamplough
Joele Frank, Wilkinson Brimmer Katcher
(212) 355-4449

Investors:

Art Crozier / Jennifer Shotwell / Larry Miller
Innisfree M&A Incorporated
(212) 750-5833*FOR IMMEDIATE RELEASE — November 2, 2011***DST SYSTEMS, INC. ANNOUNCES THIRD QUARTER 2011
FINANCIAL RESULTS AND CLOSING OF ALPS ACQUISITION**

KANSAS CITY, MO (November 2, 2011) — DST Systems, Inc. (NYSE: DST) reported consolidated net income attributable to DST (“DST Earnings”) of \$35.3 million (\$0.76 per diluted share) for the third quarter 2011 compared to \$54.3 million (\$1.16 per diluted share) for the third quarter 2010. DST Earnings for the nine months ended September 30, 2011 were \$143.9 million (\$3.07 per diluted share) compared to \$225.2 million (\$4.74 per diluted share) for the nine months ended September 30, 2010.

Taking into account certain non-GAAP adjustments explained herein, consolidated DST Earnings were \$41.6 million (\$0.90 per diluted share) for third quarter 2011 compared to \$48.4 million (\$1.03 per diluted share) for third quarter 2010, and \$141.7 million (\$3.02 per diluted share) for the nine months ended September 30, 2011 compared to \$159.8 million (\$3.36 per diluted share) for the nine months ended September 30, 2010.

The diluted EPS impact of non-GAAP adjustments for third quarter 2011 is summarized as follows:

Reported GAAP diluted EPS	\$	0.76
Business development expenses (professional fees)		0.01
Business advisory expenses		0.01
Net unrealized and realized losses on investments		0.06
Net loss on repurchase of convertible debentures		0.01
Employee termination expenses at BFDS		0.05
Adjusted Non-GAAP diluted EPS	<u>\$</u>	<u>0.90</u>

Third quarter 2011 financial highlights, taking into account non-GAAP adjustments, were as follows:

- Consolidated operating revenues (excluding out-of-pocket reimbursements) increased \$29.8 million or 7.4% to \$433.1 million as compared to third quarter 2010. Financial Services operating revenues decreased \$4.3 million or 1.5% resulting primarily from lower shareowner

processing revenues which were partially offset by higher DST Global Solutions professional services revenues. Output Solutions operating revenues increased \$33.1 million or 26.7% reflecting the positive impact of Innovative Output Solutions Limited's ("IOS") acquisition of dsicmm Group Limited ("dsicmm") in July 2010, DST's acquisition of Newkirk Products, Inc. ("Newkirk") in May 2011 and IOS's acquisition of Lateral Group Limited ("Lateral") in August 2011.

- Income from operations decreased \$5.7 million or 8.3% compared to third quarter 2010.
 - Financial Services income from operations decreased \$4.9 million or 7.4% during the quarter to \$61.1 million from lower operating revenues and higher costs associated with the development of new business initiatives, which were offset by a decrease of \$9.1 million in deferred compensation costs (the effect of which is offset in other income).
 - Output Solutions income from operations increased \$100,000 during the quarter to \$1.9 million as increases in the North America operations were substantially offset by decreases in the United Kingdom operations.
 - Investments and Other income from operations decreased \$800,000 during the quarter to \$1.7 million from recognition of charges related to the vacating of a leased office facility.
- Equity in earnings of unconsolidated affiliates decreased \$4.6 million as declines in earnings at Boston Financial Data Services ("BFDS"), International Financial Data Services ("IFDS") and other unconsolidated affiliates were incurred.
- Other income decreased \$8.0 million over the prior year quarter primarily from unrealized depreciation on trading securities (offsetting the reduction in deferred compensation expense in the Financial Services Segment).
- The Company's income tax rate was 29.4% for third quarter 2011 as compared to 35.2% in third quarter 2010. Income taxes during third quarter 2011 included an income tax benefit of approximately \$2.5 million, or \$0.05 per diluted share, associated with increased utilization of foreign credits.

Share-related and debt activity during third quarter 2011 was as follows:

- On September 20, 2011, DST's Board of Directors declared a cash dividend of \$0.35 per share payable on November 4, 2011 to shareholders of record as of the close of business on October 14, 2011.
- The Company had 44.2 million shares of common stock outstanding at September 30, 2011. During third quarter 2011, the Company repurchased 2.4 million shares of DST common stock for \$107.0 million or approximately \$45.15 per share. An additional 130,000 shares of DST common stock were repurchased in late September 2011, which settled in early October 2011 for \$5.9 million or \$45.45 per share. After completion of these purchases, the Company had approximately 50,000 shares remaining under its existing share repurchase authorization.
- As noted in a separate announcement today, DST's Board of Directors increased its share repurchase authorization by 2.0 million shares. This additional share repurchase authorization

will become effective January 1, 2012 and expire on December 31, 2013. When the new repurchase authorization is combined with remaining shares from the existing authorization, the Company will have approximately 2,050,000 shares available to repurchase. The Company expects to return capital to shareholders through additional share repurchases where excess cash is not needed to pay down debt or other obligations or to grow the Company's business organically or through acquisitions or strategic partnerships.

- Average diluted shares outstanding for third quarter 2011 were 46.4 million shares, a decrease of 800,000 shares, or 1.7%, from second quarter 2011 and a decrease of 500,000 shares, or 1.1% from third quarter 2010.
- Total stock options, restricted stock and restricted stock units ("equity units") outstanding at September 30, 2011 were 4.4 million, of which 3.5 million were stock options, 100,000 were restricted stock and 800,000 were restricted stock units. Equity units decreased 100,000 units or 2.2% from June 30, 2011 and 2.0 million units or 31.3% from September 30, 2010. The decrease in equity units from June 30, 2011 and September 30, 2010 results from the exercise and expiration of stock options, partially offset by new restricted stock unit grants. Approximately 10% of the outstanding stock options at September 30, 2011 are scheduled to expire during the fourth quarter 2011. The Company anticipates a minimal increase in shares outstanding during fourth quarter from the exercise of these options.
- During third quarter 2011, the Company repurchased \$3.5 million of aggregate principal of the Series C senior convertible debentures for \$3.8 million, resulting in a pretax loss of approximately \$300,000. At September 30, 2011, the Company had approximately \$86.5 million of Series C debentures outstanding.
- At September 30, 2011, the Company's total debt outstanding was \$1,274.7 million, an increase of \$110.6 million as compared to June 30, 2011, from the funding of previously announced acquisitions and the repurchase of DST common stock.

Business development activities

DST continued to make acquisitions in 2011 as part of its strategy to increase product capabilities and expand its presence in markets it currently serves and in adjacent markets.

During the third quarter 2011, DST completed the following acquisitions:

On August 5, 2011, DST's IOS subsidiary completed the acquisition of the outstanding stock of Lateral, a U.K. company engaged in integrated, data driven, multi-channel marketing. The acquisition of Lateral complements the existing IOS business in terms of services offered and business outlook. In addition, this acquisition allows IOS to extend and develop its service/product offerings by further integrating communications through print, data and e-solutions and by providing additional solutions such as data insight and online marketing to the IOS client base. IOS paid \$41.7 million to acquire Lateral, which has approximately 440 employees and recorded \$80.0 million of revenues during the year ended December 31, 2010.

On July 1, 2011, DST completed the acquisition of the assets of IntelliSource Healthcare Solutions ("IntelliSource"), whose principal product is CareConnect which provides an automated care management system. The addition of the IntelliSource suite of solutions broadens DST Health

Solutions' (medical claims processing) product offering for integrated care management. IntelliSource is a wholly-owned subsidiary of DST Health Solutions and will be included in the Financial Services Segment.

ALPS Acquisition

On October 31, 2011, DST completed the previously announced acquisition of ALPS Holdings, Inc. ("ALPS"), a provider of a comprehensive suite of asset servicing and asset gathering solutions to open-end mutual funds, closed-end funds ("CEFs"), exchange-traded funds ("ETFs") and alternative investment funds.

ALPS' solutions fall into two major areas: asset servicing and asset gathering. Asset servicing clients include:

- Open-end mutual funds
- Exchange traded funds
- Closed-end mutual funds
- Hedge funds

ALPS' fund servicing platform offers:

- Fund administration
- Tax administration
- Fund accounting
- Transfer agency
- Legal and compliance
- Creative services
- Medallion distribution
- Hedge fund administration

ALPS' asset gathering solutions include:

- Marketing and wholesaling services
- Closed-end fund IPO launch platform providing product sales, road show and marketing support

ALPS has approximately 340 employees and recorded \$65.4 million of revenues for the nine months ended September 30, 2011. ALPS has demonstrated a strong track record of growth. Revenue growth for the year ended September 30, 2011 was 24.4%. DST expects the addition of ALPS to be accretive to earnings before taking into account anticipated synergies from the transaction. The Company now estimates that ALPS will contribute approximately \$0.22 per share in 2012 on a GAAP basis, prior to synergies and costs associated with the transaction, compared to DST's prior estimate of \$0.06 per share. The increase is the result of an updated estimate of the amortization of ALPS intangible assets. Excluding the net income effect of non-cash charges, DST projects ALPS to contribute approximately \$0.31 per share in 2012.

Amortization expense recorded in third quarter 2011 from intangible assets (principally customer relationship assets and proprietary software) acquired in connection with 2011 business combinations was approximately \$1.0 million comprised of \$400,000 in Financial Services and \$600,000 in Output Solutions. Amortization expense for fourth quarter 2011 from the full year 2011 acquisitions, including ALPS, is projected to be \$2.2 million (\$1.4 million in Financial Services and \$800,000 in Output

Solutions). For 2012, amortization expense from the full year 2011 acquisitions is projected to be \$11.0 million (\$8.0 million in Financial Services and \$3.0 million in Output Solutions).

Use of Non-GAAP Financial Information

In addition to reporting operating income, pretax income, net income attributable to DST Systems, Inc. and earnings per share on a GAAP basis, DST has also made certain non-GAAP adjustments which are described in the attached schedule titled "Description of Non-GAAP Adjustments" and are reconciled to the corresponding GAAP measures in the attached financial schedules titled "Reconciliation of Reported Results to Income Adjusted for Certain Non-GAAP Items" that accompany this earnings release. In making these non-GAAP adjustments, the Company takes into account the impact of items that are not necessarily ongoing in nature, that do not have a high level of predictability associated with them or that are non-operational in nature. Generally, these items include net gains on dispositions of business units, net gains (losses) associated with securities and other investments, restructuring and impairment costs and other similar items. Management believes the exclusion of these items provides a useful basis for evaluating underlying business unit performance, but should not be considered in isolation and is not in accordance with, or a substitute for, evaluating business unit performance utilizing GAAP financial information.

Management uses non-GAAP measures in its budgeting and forecasting processes and to further analyze its financial trends and "operational run-rate," as well as making financial comparisons to prior periods presented on a similar basis. The Company believes that providing such adjusted results allows investors and other users of DST's financial statements to better understand DST's comparative operating performance for the periods presented.

The Company has also presented certain information about its real estate holdings and related financial results on a "funds from operations" ("FFO") basis, which is defined as net income plus depreciation and amortization, including a pro-rata portion of depreciation and amortization of unconsolidated affiliates. The National Association of Real Estate Investment Trusts developed FFO as a non-GAAP financial measure of performance of an equity REIT. FFO is a widely used measure of the operating performance of real-estate companies and is typically provided by REITs as a supplemental measure to U.S. generally accepted accounting principles net income available to common shareholders and earnings per share. FFO does not represent cash flows from operations as defined by GAAP and is not indicative that cash flows are adequate to fund all cash needs for the Company's real estate operations and is not to be considered an alternative to net income or any other GAAP measure as a measurement of the results of our operations or our cash flows or liquidity as defined by GAAP. It should also be noted that the Company is not a REIT, and that not all REITs calculate FFO the way the Company has, so comparisons with REITs should be made with care. Management has provided this non-GAAP measure because it believes it will allow investors and other users of DST's financial statements to better understand the operating performance of DST's real estate holdings.

DST's management uses each of these non-GAAP financial measures in its own evaluation of the Company's performance, particularly when comparing performance to past periods. DST's non-GAAP measures may differ from similar measures by other companies, even if similar terms are used to identify such measures. Although DST's management believes non-GAAP measures are useful in evaluating the performance of its business, DST acknowledges that items excluded from such measures may have a material impact on the Company's income from operations, pretax income, net income and earnings per share calculated in accordance with GAAP. Therefore, management typically uses

non-GAAP measures in conjunction with GAAP results. Investors and users of our financial information should also consider the above factors when evaluating DST's results.

DST defines Operating EBITDA as income from operations before depreciation and amortization. This supplemental non-GAAP liquidity measure is provided in addition to, but not as a substitute for, cash flow from operations. As a measure of liquidity, the Company believes Operating EBITDA is useful as an indicator of its ability to generate cash flow. Operating EBITDA, as calculated by the Company, may not be consistent with computation of Operating EBITDA by other companies. The Company believes a useful measure of the Output Solutions and Investments and Other Segments contribution to DST's results is to focus on cash flow and DST's management believes Operating EBITDA is useful for this purpose. A reconciliation of Output Solutions Segment and Investments and Other Segment income from operations to Operating EBITDA is included in schedules that accompany this earnings release. The non-GAAP adjustments to these reconciliations are described in the attached schedule titled "Description of Non-GAAP Adjustments".

Detailed Review of Financial Results

The following discussion of financial results takes into account the non-GAAP adjustments described in the section entitled "Use of Non-GAAP Financial Information" and detailed in the attached schedule titled "Description of Non-GAAP Adjustments."

Segment Results

Financial Services Segment

Operating revenues for the Financial Services Segment (excluding out-of-pocket reimbursements) for third quarter 2011 decreased \$4.3 million or 1.5% to \$277.0 million as compared to third quarter 2010, resulting from lower mutual fund shareowner processing and DST HealthCare (composed of Argus Health Systems and DST Health Solutions) revenues, which were partially offset by increased software license revenues and professional services revenues at DST Global Solutions.

Lower levels of registered accounts processed during third quarter 2011 contributed to the decline, which was partially offset by increased distribution support services and subaccounting revenues. Registered accounts decreased 8.4 million accounts from June 30, 2011 and 16.2 million accounts from September 30, 2010, including the previously announced deconversion of a full-service mutual fund client comprising approximately 1.1 million registered accounts in July 2011. DST HealthCare operating revenues decreased principally from lower volumes of claims processing. DST Global Solutions (investment management) operating revenues during third quarter 2011 increased from higher professional services, software license, maintenance and support revenues and \$3.4 million from changes in foreign currency exchange rates.

Financial Services Segment software license fee revenues are derived principally from DST Global Solutions, DST Health Solutions and AWD. Operating revenues include approximately \$12.8 million of software license fee revenues for third quarter 2011, an increase of \$3.3 million or 34.5% over the same period in 2010 reflecting higher investment management and AWD software license fee revenues. A portion of the increase in AWD software license revenues during the quarter is from sales of AWD 10, the newest version of the AWD business process management platform, enhanced with new, intuitive interfaces, streamlined process design functionality, real-time monitoring, powerful customer communication tools and multiple new features designed to improve operational efficiency, quality and

customer satisfaction. While license fee revenues are not a significant percentage of DST's operating revenues, they can significantly impact earnings in the period in which they are recognized. Revenues and operating results from individual license sales depend heavily on the timing, size and nature of the contract.

Financial Services costs and expenses for third quarter 2011, excluding reimbursable operating costs, increased \$1.2 million or 0.6% during third quarter 2011 to \$197.0 million. Market declines resulted in reduced deferred compensation costs of \$9.1 million. Absent deferred compensation, costs and expenses increased \$10.3 million in third quarter 2011. Cost increases were the result of higher foreign currency exchange effects which increased costs by approximately \$3.2 million, start-up costs from DST Insurance Solutions, LLC ("DSTIS") operations, increased investments in DST Retirement Solutions ("DSTRS"), DST Brokerage Solutions ("DSTBS") and compensation costs related to 2011 business acquisitions and new service offerings.

Business development and start-up costs for the insurance, brokerage and retirement businesses during the quarter were \$8.5 million, or \$0.12 per diluted share, and DST expects fourth quarter 2011 expense associated with these areas to be \$0.13 per diluted share. The Company anticipates that it will recognize \$0.60 - \$0.65 per diluted share of business development and start-up expenses for these businesses in 2012.

For the full year 2011, DSTRS projects approximately \$45 million in operating revenues based on current defined contribution participant levels. After the conversion of the current committed backlog, DSTRS estimates it will have approximately \$65 million of annual operating revenues in 2013. As the retirement business develops, DST believes the margins will be comparable to its current mutual fund operations.

Financial Services depreciation and amortization decreased \$600,000 in third quarter 2011. The decrease in depreciation and amortization is attributable to the Company's use of accelerated depreciation methods, partially offset by intangible asset amortization expense associated with the 2011 Financial Services Segment acquisitions of \$400,000.

Financial Services Segment income from operations for third quarter 2011 totaled \$61.1 million as compared to \$66.0 million in third quarter 2010, a decrease of \$4.9 million or 7.4%, primarily from lower operating revenues and higher costs associated with new business initiatives, partially offset by lower deferred compensation costs. Operating margin for third quarter 2011 was 22.1% as compared to 23.5% for third quarter 2010.

Financial Services Segment Account Statistics:

Mutual Fund Shareowner Processing - The following table summarizes changes in registered accounts and subaccounts serviced during the three and nine months ended September 30, 2011 (in millions):

	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
Registered Accounts		
Beginning balance	95.2	99.4
New client conversions		0.1
Subaccounting conversions to DST platforms	(0.3)	(1.0)
Subaccounting conversions to non-DST platforms	(6.2)	(11.2)
Conversions to non-DST platforms	(1.1)	(1.4)
Organic growth (decline)	(0.8)	0.9
Ending balance	<u>86.8</u>	<u>86.8</u>
Subaccounts		
Beginning balance	16.6	14.3
Conversions from non-DST registered platforms	0.1	0.8
Conversions from DST's registered accounts	0.3	1.0
Conversions to non-DST platforms	(2.7)	(3.3)
Organic growth	0.1	1.6
Ending balance	<u>14.4</u>	<u>14.4</u>
Total accounts	<u><u>101.2</u></u>	<u><u>101.2</u></u>

Total shareowner accounts serviced at September 30, 2011 decreased by 10.6 million accounts or 9.5% from June 30, 2011 to 101.2 million accounts. Registered accounts decreased 8.4 million or 8.8% from June 30, 2011. 6.5 million registered accounts converted to subaccounting platforms during third quarter 2011, of which 300,000 converted to DST's platform. Also, a full-service mutual fund client with 1.1 million accounts converted to a non-DST platform in third quarter 2011, as previously disclosed. Subaccounts decreased 2.2 million or 13.3% from June 30, 2011. As previously disclosed, a client affiliated with Bank of New York Mellon Corporation ("BNYM") converted 2.7 million subaccounts to BNYM's in-house platform.

Tax-advantaged accounts were 42.4 million at September 30, 2011, a decrease of 800,000 accounts from June 30, 2011 attributable to the full-service client loss mentioned above, certain open accounts held for subsequent investment being purged from the system and organic declines. Tax-advantaged accounts represent 48.8% of total registered accounts serviced at September 30, 2011, an increase as compared to June 30, 2011 of 3.4%.

During third quarter 2011, the Company received a new client commitment for approximately 100,000 registered accounts which are expected to convert by mid-2012. As previously announced, the Company was advised by two of its existing clients that they intend to convert approximately 900,000 new registered accounts to DST's platforms, of which 600,000 are expected to convert by the end of 2011 with the remainder in early 2012.

As previously announced, the Company was informed by two clients affiliated with the BNYM, a competitor of DST, that they intend to convert to BNYM's in-house platform by mid-2012. These two clients comprise approximately 8.4 million subaccounts and 800,000 registered accounts. Of these, 2.7 million subaccounts converted in September 2011 and the remainder are expected to convert in 2012.

The actual number of registered accounts and subaccounts estimated to convert to and from various DST platforms, as well as the timing of those events, is dependent upon a number of factors. Actual results could differ from the Company's estimates.

Defined Contribution Participants - The following table summarizes changes in defined contribution participants serviced during the three and nine months ended September 30, 2011 (in millions):

	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
Defined Contribution Participants		
Beginning balance	4.3	4.5
Organic growth (decline)	0.1	(0.1)
Ending balance	<u>4.4</u>	<u>4.4</u>

Defined contribution ("DC") participants were 4.4 million at September 30, 2011, an increase of 100,000 participants or 2.3% from June 30, 2011 and an increase of 500,000 participants or 12.8% from September 30, 2010. The increase in participants during third quarter 2011 represents growth from existing clients. The increase from third quarter 2010 represents growth from existing clients and conversions of new participants in late 2010, partially offset by the annual removal of prior year terminated participants. The Company has previously reported new client commitments that will convert approximately 1.3 million new participants from 2012 through 2013. New participant conversions of approximately 600,000 are expected to occur in the first half of 2012 with the remainder in 2013.

DST Healthcare - Pharmacy claims paid during third quarter 2011 were 89.1 million, a decrease of 4.9 million claims or 5.2% from the prior year quarter associated with client losses and lower volumes processed. Covered lives using DST's medical claim processing platforms were 22.6 million at September 30, 2011, an increase of 100,000 covered lives or 0.4% from June 30, 2011 and a decrease of 400,000 covered lives or 1.7% from September 30, 2010.

AWD - Active AWD users at September 30, 2011 were 203,600 essentially unchanged from June 30, 2011.

Output Solutions Segment

As a result of the dsicmm and Lateral acquisitions by IOS (formerly DST International Output), DST will provide information about both the North America and United Kingdom operating businesses.

The North America business is substantially a provider of print and electronic delivery services for client bills and statements related to transaction events. The acquisitions of Newkirk and Capital Fulfillment Group expand the North America business to include participant enrollment and compliance

communications related to retirement, insurance, mutual funds and healthcare plans. The business also provides significant cross sell opportunities and leverage in both DST's retirement and insurance solutions businesses.

The United Kingdom business is oriented to data driven marketing communications and direct mail campaigns with transaction printing accounting for less than 20% of revenues.

The following table presents the financial results of the Output Solutions Segment for third quarter 2011 and 2010 (in millions):

	Three Months Ended September 30,					
	2011			2010		
	Operating Revenue	Operating Income (Loss)	Operating EBITDA	Operating Revenue	Operating Income (Loss)	Operating EBITDA
North America	\$ 108.3	\$ 8.9	\$ 17.5	\$ 94.5	\$ 5.0	\$ 15.0
United Kingdom	48.9	(7.0)	(2.8)	29.6	(3.2)	(1.0)
Output Solutions Segment	<u>\$ 157.2</u>	<u>\$ 1.9</u>	<u>\$ 14.7</u>	<u>\$ 124.1</u>	<u>\$ 1.8</u>	<u>\$ 14.0</u>

The increase in Output Solutions Segment operating revenues (excluding out-of-pocket reimbursements) for third quarter 2011 of \$33.1 million or 26.7% is attributable to higher revenues from a full quarter of operating revenues from the IOS acquisition of dsicmm in July 2010, the Newkirk acquisition in May 2011 and IOS's acquisition of Lateral in August 2011. Out-of-pocket reimbursements increased \$6.8 million or 4.7% in third quarter 2011 to \$150.1 million, mostly attributable to the acquisition of Newkirk and the IOS acquisition of Lateral.

The following table summarizes changes in images produced and packages mailed for the Output Solutions Segment during the third quarter 2011 and 2010 (in millions):

	Three Months Ended September 30,	
	2011	2010
Images		
North America	2,272.6	2,306.8
United Kingdom*	530.1	211.1
Output Solutions Segment	<u>2,802.7</u>	<u>2,517.9</u>
Packages		
North America	503.8	500.3
United Kingdom*	187.7	39.1
Output Solutions Segment	<u>691.5</u>	<u>539.4</u>

* Excludes operating volume information for dsicmm in 2010

Output's North America operating revenues increased \$13.8 million or 14.6% in third quarter 2011 to \$108.3 million principally from the Newkirk acquisition, higher fulfillment service revenues, higher postal processing service revenues and foreign currency exchange impacts in Canada which increased operating revenues by approximately \$700,000. North America images produced during third quarter 2011 were 2.3 billion, which is essentially unchanged as compared to third quarter 2010. North America items mailed during third quarter 2011 were 503.8 million, an increase of 3.5 million items mailed or 0.7% as compared to the same period in 2010. The increase in items mailed was primarily the result of the acquisitions of Newkirk, a small fulfillment business in September 2010 and new client volumes, which were partially offset by lower volumes from existing clients. North America income from operations was \$8.9 million during third quarter 2011, an increase of \$3.9 million or 78.0% from third quarter 2010, reflecting improvements in operating efficiencies and lower compensation costs from lower staffing levels. Included in the quarter's income from operations was approximately \$300,000 of intangible asset amortization expense principally associated with the Newkirk acquisition. North America Operating EBITDA was \$17.5 million, an increase of \$2.5 million or 16.7% from third quarter 2010. North America operating margin was 8.2% for third quarter 2011 as compared to 5.3% in third quarter 2010.

Output's United Kingdom operating revenues increased \$19.3 million or 65.2% in third quarter 2011 to \$48.9 million principally from the Lateral acquisition in August 2011 and an additional month of dsicmm revenue from that acquisition which was completed on July 31, 2010. United Kingdom images produced and items mailed during third quarter 2011 were 530.1 million and 187.7 million, respectively. United Kingdom had a loss from operations of \$7.0 million during third quarter 2011, an increase of \$3.8 million from third quarter 2010. Included in the quarter's loss was approximately \$1.0 million of intangible asset amortization expense associated with the Lateral and dsicmm acquisitions, an increase of \$600,000 as compared to third quarter 2010 from an additional month of dsicmm and from Lateral. Lower than expected revenues, consolidation of facilities and reductions in the workforce to achieve synergies and efficiency contributed to the quarter's loss. United Kingdom Operating EBITDA was negative \$2.8 million, a decrease of \$1.8 million from third quarter 2010.

Investments and Other Segment

Investments and Other Segment operating revenues decreased \$300,000 or 2.1% to \$14.3 million for third quarter 2011 as compared to third quarter 2010 primarily due to lower rental activities. Income from operations decreased \$800,000 to \$1.7 million primarily from recognition of \$600,000 of charges related to vacating a leased office facility and from lower operating revenues.

Review of DST's U.S. Real Estate Holdings

DST is a 100% owner of approximately 3.3 million square feet of real estate facilities in the U.S. of which 1.9 million square feet are occupied by DST and related affiliates, and approximately 1.4 million square feet of facilities are occupied by third parties. Through joint ventures, DST has an interest in approximately 2.9 million square feet of U.S. commercial real estate facilities of which 500,000 square feet are occupied by DST and related affiliates and 2.4 million square feet are occupied by third parties, including a 1.1 million square foot facility developed for and occupied by the Internal Revenue Service under a long term lease arrangement. An additional 1.1 million square feet of joint venture property is a 1,000 room convention hotel. The joint venture properties are principally located in Kansas City.

DST considers its data centers to be specialized operational assets and does not consider them to be real estate assets. Therefore, its data centers are not included in its real estate operations.

From a GAAP net income perspective, the real estate holdings generated no diluted EPS for the quarter and \$0.04 per share in diluted EPS for the nine months ended September 30, 2011. In addition, the real estate operations had \$4.2 million and \$14.0 million of Operating EBITDA (defined as operating income plus depreciation and amortization) for the three and nine months ended September 30, 2011, respectively.

DST also evaluates its real estate holdings on a “funds from operations” (“FFO”) basis, which is defined as net income plus depreciation and amortization, including a pro-rata portion of depreciation and amortization of unconsolidated affiliates. Using this methodology, for the three and nine months ended September 30, 2011, DST’s real estate holdings had \$4.6 million and \$14.9 million, or \$0.10 and \$0.32 per diluted share, of FFO, respectively.

At September 30, 2011, consolidated real estate related debt was \$112.8 million. DST’s pro-rata share of debt associated with joint venture real estate at September 30, 2011 was \$199.1 million, substantially all of which is non-recourse debt.

The following table sets forth the estimated total year-end real estate related debt comprised of consolidated debt plus DST’s pro-rata portion of joint venture debt for 2011-2015 (in millions):

<u>Year</u>	<u>Amount</u>
2011	\$ 305.5
2012	290.2
2013	269.1*
2014	252.6*
2015	237.3*

* The Company’s syndicated real estate credit agreement, which had \$106.1 million outstanding as of September 30, 2011, matures on September 16, 2013. The Company intends to refinance this loan when it matures. The table assumes the Company refinances this loan in 2013 on terms consistent with existing terms in the existing syndicated real estate credit agreement.

Other Financial Results

Equity in earnings (losses) of unconsolidated affiliates

The following table summarizes the Company's equity in earnings (losses) of unconsolidated affiliates (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
BFDS	\$ 2.7	\$ 4.0	\$ 9.0	\$ 11.7
IFDS	3.4	4.6	13.0	15.1
Other	(1.8)	0.3	(2.1)	0.2
	<u>\$ 4.3</u>	<u>\$ 8.9</u>	<u>\$ 19.9</u>	<u>\$ 27.0</u>

DST's equity in BFDS earnings for third quarter 2011 was \$2.7 million, a decrease of \$1.3 million as compared to third quarter 2010. The decrease in BFDS earnings resulted primarily from lower revenues associated with reduced levels of accounts serviced resulting from subaccounting conversions. Average daily client cash balances invested by BFDS were \$1.1 billion during third quarter 2011 compared to \$919 million during third quarter 2010 from higher levels of transaction activity. Average interest rates earned on the balances decreased from 0.19% in third quarter 2010 to 0.09% in third quarter 2011, a level which is not sufficient to cover banking and transaction fees. BFDS executed a workforce reduction in third quarter 2011. The reduction in force represented approximately 8% of the BFDS workforce and should result in compensation savings in the future. Severance expenses associated with the workforce reduction have been treated as a non-GAAP item.

DST's equity in IFDS earnings for third quarter 2011 decreased \$1.2 million as compared to third quarter 2010 from lower earnings at both IFDS Ireland and IFDS U.K. IFDS Ireland incurred a loss during third quarter 2011 as its insurance processing subsidiary continues to make investments in the business to support projected growth. The decrease in IFDS U.K. earnings was from higher client conversion costs, including a one-time payment for a software license extension in order to facilitate a client conversion, which decreased DST's share of IFDS U.K. earnings by approximately \$700,000, and higher costs associated with new business development initiatives which were partially offset by higher revenues from new clients. Shareowner accounts serviced by IFDS U.K. were 8.0 million at September 30, 2011, an increase of 400,000 accounts from June 30, 2011 and an increase of 1.0 million accounts from September 30, 2010. IFDS U.K. is in the process of converting two new clients with approximately 800,000 accounts by December 31, 2012. Shareowner accounts serviced by IFDS Canada were 10.2 million at September 30, 2011, a decrease of 500,000 accounts from both June 30, 2011 and September 30, 2010. IFDS Canada is in the process of converting a new client which is expected to increase shareowner accounts serviced by approximately 1.7 million accounts in 2012.

DST's equity in other unconsolidated affiliates for third quarter 2011 decreased \$2.1 million as compared to third quarter 2010.

Other income, net

Other income, net during third quarter 2011 decreased \$8.0 million over third quarter 2010 to \$300,000. The decrease in other income is attributable to unrealized depreciation on trading securities (the effect

of which is offset as a decrease in costs and expenses in the Financial Services Segment), partially offset by higher dividend income. The higher dividend income is attributable to State Street Corporation increasing its dividend to \$0.18 per common share beginning in first quarter 2011 from \$0.01 per common share in 2010.

Interest expense

Interest expense was \$10.9 million for third quarter 2011, a decrease of \$1.2 million from third quarter 2010. The decrease is attributable to lower interest rates on the Company's revolving credit agreements and accounts receivable securitization program which were amended in second quarter 2011, partially offset by higher weighted average interest rates from the Company's privately placed senior notes issued in August 2010, from higher debt amounts outstanding at IOS associated with the issuance of new debt and from the assumption of debt in connection with the acquisition of Lateral.

Income taxes

The Company's tax rate was 29.4% for third quarter 2011, a decrease of 5.8% from third quarter 2010, principally from increased utilization of foreign tax credits. Excluding the effect of discrete period items, the Company expects its tax rate to be approximately 33.6% for the remainder of 2011, but this rate will likely vary depending on the timing of estimated 2011 sources of taxable income (e.g. domestic consolidated, international, and/or joint venture).

* * * * *

Safe Harbor Statement

Certain material presented in the press release includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, (i) all statements, other than statements of historical fact, included in this press release that address activities, events or developments that we expect or anticipate will or may occur in the future or that depend on future events, or (ii) statements about our future business plans and strategy and other statements that describe the Company's outlook, objectives, plans, intentions or goals, and any discussion of future operating or financial performance. Whenever used, words such as "may," "will," "would," "should," "potential," "strategy," "anticipates," "estimates," "expects," "project," "predict," "intends," "plans," "believes," "targets" and other terms of similar meaning are intended to identify such forward-looking statements. Forward-looking statements are uncertain and to some extent unpredictable, and involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such forward-looking statements. Factors that could cause results to differ materially from those anticipated include, but are not limited to, the risk factors and cautionary statements included in the Company's periodic and current reports (Forms 10-K, 10-Q and 8-K) filed from time to time with the Securities and Exchange Commission. All such factors should be considered in evaluating any forward-looking statements. The Company undertakes no obligation to update any forward-looking statements in this press release to reflect new information, future events or otherwise.

DST SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Operating revenues	\$ 433.1	\$ 413.7	\$ 1,286.7	\$ 1,288.7
Out-of-pocket reimbursements	158.3	153.5	478.6	459.1
Total revenues	591.4	567.2	1,765.3	1,747.8
Costs and expenses	496.5	459.3	1,466.4	1,363.4
Depreciation and amortization	33.7	33.5	95.1	99.4
Income from operations	61.2	74.4	203.8	285.0
Interest expense	(10.9)	(12.1)	(34.6)	(33.7)
Other income (expense), net	(4.5)	9.4	27.3	67.8
Equity in earnings of unconsolidated affiliates	1.7	8.9	17.3	27.0
Income before income taxes and non-controlling interest	47.5	80.6	213.8	346.1
Income taxes	14.0	26.4	72.8	121.0
Net income	33.5	54.2	141.0	225.1
Net loss attributable to non-controlling interest	1.8	0.1	2.9	0.1
Net income attributable to DST Systems, Inc.	\$ 35.3	\$ 54.3	\$ 143.9	\$ 225.2
Average common shares outstanding	45.8	46.6	46.2	47.2
Average diluted shares outstanding	46.4	46.9	46.9	47.5
Basic earnings per share	\$ 0.77	\$ 1.17	\$ 3.11	\$ 4.77
Diluted earnings per share	\$ 0.76	\$ 1.16	\$ 3.07	\$ 4.74

DST SYSTEMS, INC.
STATEMENT OF REVENUES BY SEGMENT
(In millions)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues				
Financial Services				
Operating	\$ 277.0	\$ 290.4	\$ 842.3	\$ 864.0
OOP reimbursements	9.5	11.5	30.3	35.2
	<u>\$ 286.5</u>	<u>\$ 301.9</u>	<u>\$ 872.6</u>	<u>\$ 899.2</u>
Output Solutions				
Operating	\$ 157.2	\$ 125.4	\$ 447.8	\$ 429.5
OOP reimbursements	150.1	143.3	451.2	428.0
	<u>\$ 307.3</u>	<u>\$ 268.7</u>	<u>\$ 899.0</u>	<u>\$ 857.5</u>
Investments and Other				
Operating	\$ 14.3	\$ 14.6	\$ 42.1	\$ 44.0
OOP reimbursements	0.1	0.1	1.5	0.3
	<u>\$ 14.4</u>	<u>\$ 14.7</u>	<u>\$ 43.6</u>	<u>\$ 44.3</u>
Eliminations				
Operating	\$ (15.4)	\$ (16.7)	\$ (45.5)	\$ (48.8)
OOP reimbursements	(1.4)	(1.4)	(4.4)	(4.4)
	<u>\$ (16.8)</u>	<u>\$ (18.1)</u>	<u>\$ (49.9)</u>	<u>\$ (53.2)</u>
Total Revenues				
Operating	\$ 433.1	\$ 413.7	\$ 1,286.7	\$ 1,288.7
OOP reimbursements	158.3	153.5	478.6	459.1
	<u>\$ 591.4</u>	<u>\$ 567.2</u>	<u>\$ 1,765.3</u>	<u>\$ 1,747.8</u>

DST SYSTEMS, INC.
STATEMENT OF INCOME FROM OPERATIONS BY SEGMENT
(In millions)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Income (loss) from operations				
Financial Services	\$ 59.6	\$ 72.8	\$ 186.7	\$ 202.6
Output Solutions	1.9	1.0	16.3	79.6*
Investments and Other	1.7	2.5	6.7	8.6
Elimination Adjustments	(2.0)	(1.9)	(5.9)	(5.8)
	<u>\$ 61.2</u>	<u>\$ 74.4</u>	<u>\$ 203.8</u>	<u>\$ 285.0</u>

* The Output Solutions Segment 2010 results include a significant contract termination payment.

DST SYSTEMS, INC.
OTHER SELECTED FINANCIAL INFORMATION
(In millions)
(Unaudited)

	September 30, 2011	December 31, 2010
	Selected Balance Sheet Information	
Cash and cash equivalents	\$ 90	\$ 140
Debt	1,275	1,209
	Nine Months Ended September 30,	
	2011	2010
Capital Expenditures, by Segment		
Financial Services	\$ 48	\$ 40
Output Solutions	16	14
Investments and Other	8	9

DST Systems, Inc.
Description of Non-GAAP Adjustments

In addition to reporting operating income, pretax income, net income attributable to DST Systems, Inc. and earnings per share on a GAAP basis, DST has also made certain non-GAAP adjustments that are described below and are reconciled to the corresponding GAAP measures in the attached financial schedules titled "Reconciliation of Reported Results to Income Adjusted for Certain Non-GAAP Items" that accompany this earnings release. DST's use of non-GAAP adjustments is further described in the section entitled "Use of Non-GAAP Financial Information."

The following items, which occurred during the quarter ended September 30, 2011, have been treated as non-GAAP adjustments:

- Business development expenses (legal, accounting and other professional fees) associated with business acquisitions described in the "business development activities" section above, included in costs and expenses, in the amount of \$700,000. The income tax benefit associated with these expenses was approximately \$300,000. Primarily in connection with the expected completion of the ALPS transaction mentioned above, the Company expects to incur additional business development expenses during the remainder of 2011.
- Business advisory expenses associated with an action by the DST Board of Directors to retain independent advisors to assist the Board with its ongoing review of DST's business plan, assets and investment portfolio, included in costs and expenses, in the amount of \$800,000. The income tax benefit associated with these expenses was approximately \$300,000. The Company expects these services to continue for the next several quarters.
- Other net loss, in the amount of \$4.5 million, associated with gains (losses) related to securities and other investments, which were included in other income (expense), net. The income tax benefit associated with this net loss was approximately \$1.6 million. The \$4.5 million of net losses on securities and other investments for third quarter 2011 was comprised of net losses on private equity funds and other investments of \$2.7 million and other than temporary impairments on available-for-sale securities of \$2.2 million, partially offset by net realized gains from sales of available-for-sale securities of \$400,000.
- Net loss, in the amount of \$300,000, associated with the repurchase of senior convertible debentures, which was included in other income (expense), net. The income tax benefit associated with this net loss was approximately \$100,000.
- Employee termination expenses at an unconsolidated affiliate, BFDS, associated with a reduction in workforce, included in equity in earnings of unconsolidated affiliates in the amount of \$2.6 million. The income tax benefit associated with these expenses was approximately \$300,000.

In addition to the items that occurred in the quarter ended September 30, 2011 as described above, the following items, which occurred during the six months ended June 30, 2011, have been previously reported as non-GAAP adjustments:

- Contract termination payment, net of certain costs, resulting from the termination of a Financial Services subaccounting client, in the amount of \$2.0 million. The net contract termination gain

was comprised of operating revenues of \$3.5 million, partially offset by certain costs of \$1.5 million that were included in cost and expenses. The aggregate income tax expense associated with this net contract termination gain was approximately \$800,000.

- Employee termination expenses of \$5.4 million associated with reductions in workforce in the Financial Services Segment (\$1.3 million) and the Output Solutions Segment (\$4.1 million), which were included in costs and expenses. The aggregate income tax benefit associated with these costs was approximately \$2.1 million.
- Business development expenses (legal, accounting and other professional fees) associated with 2011 business acquisitions, included in costs and expenses, in the amount of \$1.2 million (\$1.0 million in Financial Services and \$200,000 in Output Solutions). The income tax benefit associated with these expenses was approximately \$500,000.
- Other net gain, in the amount of \$19.4 million, associated with gains (losses) related to securities and other investments, which were included in other income (expense), net. The income tax expense associated with this net gain was approximately \$7.5 million. The \$19.4 million of net gain on securities and other investments for the six months ended June 30, 2011 was comprised of net realized gains from sales of available-for-sale securities of \$18.4 million and net gains on private equity funds and other investments of \$1.1 million, partially offset by other than temporary impairments on available-for-sale securities of \$100,000.
- Net loss, in the amount of \$900,000, associated with the repurchase of senior convertible debentures, which was included in other income (expense), net. The income tax benefit associated with this net loss was approximately \$300,000.

The following items, which occurred during the quarter ended September 30, 2010, have been treated as non-GAAP adjustments:

- Contract termination payment net of certain other costs resulting from the termination of a Financial Services subaccounting client, in the amount of \$7.5 million. The net contract termination gain was comprised of operating revenues of \$9.1 million, partially offset by certain other costs of \$1.6 million that were included in costs and expenses. The aggregate income tax expense associated with this net contract termination gain was approximately \$2.9 million.
- Contract termination payment resulting from the termination of an Output Solutions client, in the amount of \$1.3 million, included in operating revenues. The aggregate income tax expense associated with this contract termination gain was approximately \$500,000.
- Employee termination expenses of \$2.8 million associated with reductions in workforce in the Financial Services Segment (\$700,000) and the Output Solutions Segment (\$2.1 million), which were included in costs and expenses. The aggregate income tax benefit associated with these costs was approximately \$1.1 million.
- Other net gain, in the amount of \$2.2 million, associated with gains (losses) related to securities and other investments, which were included in other income, net. The income tax expense associated with this net gain was approximately \$900,000. The \$2.2 million of net gain on securities and other investments for third quarter 2010 was comprised of net realized gains from sales of available-for-sale securities of \$1.2 million and net gains on private equity funds and

other investments of \$1.3 million, partially offset by other than temporary impairments on available-for-sale securities of \$300,000.

- Net loss, in the amount of \$1.1 million, associated with the repurchases of Series C senior convertible debentures, which was included in other income (expense). The income tax benefit associated with this net loss was approximately \$400,000.
- An income tax benefit of approximately \$2.3 million related to the release of a valuation allowance previously established on deferred income tax assets of DST Output Limited (U.K.) resulting from the acquisition of dsicmm Group. Innovative Output Solutions Limited (“IOS”) was the beneficiary of this income tax benefit, and accordingly DST’s share of the benefit was 70.5% or \$1.6 million. The remaining portion of the income tax benefit (29.5% or \$700,000) was attributed to the non-controlling interest.

In addition to the items that occurred in the quarter ended September 30, 2010 as described above, the following items, which occurred during the six months ended June 30, 2010, have been previously reported as non-GAAP adjustments:

- Contract termination payment, net of employee termination expenses and asset impairment charges resulting from the termination of an Output Solutions telecommunications client, in the amount of \$58.4 million. The net contract termination gain was comprised of operating revenues of \$63.0 million, partially offset by employee termination expenses of \$1.5 million that were included in costs and expenses and asset impairment charges of \$3.1 million which are included in depreciation and amortization expense. The aggregate income tax expense associated with this net contract termination gain was approximately \$22.8 million.
- Employee termination expenses of \$14.6 million associated with reductions in workforce in the Financial Services Segment (\$11.4 million) and the Output Solutions Segment (\$3.2 million), which were included in costs and expenses. The aggregate income tax benefit associated with these costs was approximately \$5.8 million.
- Other net gain, in the amount of \$41.5 million, associated with gains (losses) related to securities and other investments, which were included in other income, net. The income tax expense associated with this net gain was approximately \$16.1 million. The \$41.5 million of net gain on securities and other investments for the six months ended June 30, 2010 was comprised of net realized gains from sales of available-for-sale securities of \$40.6 million and net gains on private equity funds and other investments of \$1.3 million, partially offset by other than temporary impairments on available-for-sale securities of \$400,000.
- Dividend from a private equity investment of \$8.3 million, which was included in other income, net. The income tax expense associated with this dividend was approximately \$1.0 million.
- Net gain, in the amount of \$100,000, associated with the repurchase of senior convertible debentures, which was included in other income, net. The income tax expense associated with this net gain was insignificant.

DST SYSTEMS, INC.
RECONCILIATION OF REPORTED RESULTS TO INCOME ADJUSTED FOR CERTAIN NON-GAAP ITEMS
Three Months Ended September 30,
(Unaudited - in millions, except per share amounts)

	2011				
	Operating Income	Pretax Income	Net Income	DST Earnings*	Diluted EPS
Reported GAAP income	\$ 61.2	\$ 47.5	\$ 33.5	\$ 35.3	\$ 0.76
Adjusted to remove:					
<i>Included in operating income:</i>					
Business development expenses - Financial Services	0.7	0.7	0.4	0.4	0.01
Business advisory expenses - Financial Services	0.8	0.8	0.5	0.5	0.01
<i>Included in non-operating income:</i>					
Net loss on securities and other investments		4.5	2.9	2.9	0.06
Net loss on repurchase of convertible debentures		0.3	0.2	0.2	0.01
Employee termination expenses at unconsolidated affiliate		2.6	2.3	2.3	0.05
Adjusted Non-GAAP income	<u>\$ 62.7</u>	<u>\$ 56.4</u>	<u>\$ 39.8</u>	<u>\$ 41.6</u>	<u>\$ 0.90</u>

	2010				
	Operating Income	Pretax Income	Net Income	DST Earnings*	Diluted EPS
Reported GAAP income	\$ 74.4	\$ 80.6	\$ 54.2	\$ 54.3	\$ 1.16
Adjusted to remove:					
<i>Included in operating income:</i>					
Contract termination payment, net - Financial Services	(7.5)	(7.5)	(4.6)	(4.6)	(0.10)
Contract termination payment, net - Output Solutions	(1.3)	(1.3)	(0.8)	(0.8)	(0.02)
Employee termination expenses - Financial Services	0.7	0.7	0.4	0.4	0.01
Employee termination expenses - Output Solutions	2.1	2.1	1.3	1.3	0.03
<i>Included in non-operating income:</i>					
Net gain on securities and other investments		(2.2)	(1.3)	(1.3)	(0.03)
Net loss on repurchase of convertible debentures		1.1	0.7	0.7	0.02
Release of international income tax valuation allowance			(2.3)	(1.6)	(0.04)
Adjusted Non-GAAP income	<u>\$ 68.4</u>	<u>\$ 73.5</u>	<u>\$ 47.6</u>	<u>\$ 48.4</u>	<u>\$ 1.03</u>

Note: See the Description of Non-GAAP Adjustments section for a description of each of the above adjustments and see the Use of Non-GAAP Financial Information section for management's reasons for providing non-GAAP financial information.

* DST Earnings has been defined as "Net income attributable to DST Systems, Inc." (taking into account the net loss attributable to non-controlling interest).

DST SYSTEMS, INC.
RECONCILIATION OF REPORTED RESULTS TO INCOME ADJUSTED FOR CERTAIN NON-GAAP ITEMS
Nine Months Ended September 30,
(Unaudited - in millions, except per share amounts)

	2011				
	Operating Income	Pretax Income	Net Income	DST Earnings*	Diluted EPS
Reported GAAP income	\$ 203.8	\$ 213.8	\$ 141.0	\$ 143.9	\$ 3.07
Adjusted to remove:					
<i>Included in operating income:</i>					
Contract termination payment, net - Financial Services	(2.0)	(2.0)	(1.2)	(1.2)	(0.03)
Employee termination expenses - Financial Services	1.3	1.3	0.8	0.8	0.02
Employee termination expenses - Output Solutions	4.1	4.1	2.5	2.5	0.05
Business development expenses - Financial Services	1.7	1.7	1.0	1.0	0.02
Business development expenses - Output Solutions	0.2	0.2	0.1	0.1	
Business advisory expenses - Financial Services	0.8	0.8	0.5	0.5	0.01
<i>Included in non-operating income:</i>					
Net gain on securities and other investments		(14.9)	(9.0)	(9.0)	(0.19)
Net loss on repurchase of convertible debentures		1.2	0.8	0.8	0.02
Employee termination expenses at unconsolidated affiliate		2.6	2.3	2.3	0.05
Adjusted Non-GAAP income	<u>\$ 209.9</u>	<u>\$ 208.8</u>	<u>\$ 138.8</u>	<u>\$ 141.7</u>	<u>\$ 3.02</u>
	2010				
	Operating Income	Pretax Income	Net Income	DST Earnings*	Diluted EPS
Reported GAAP income	\$ 285.0	\$ 346.1	\$ 225.1	\$ 225.2	\$ 4.74
Adjusted to remove:					
<i>Included in operating income:</i>					
Contract termination payment, net - Financial Services	(7.5)	(7.5)	(4.6)	(4.6)	(0.10)
Contract termination payment, net - Output Solutions	(59.7)	(59.7)	(36.4)	(36.4)	(0.76)
Employee termination expenses - Financial Services	12.1	12.1	7.3	7.3	0.15
Employee termination expenses - Output Solutions	5.3	5.3	3.2	3.2	0.07
<i>Included in non-operating income:</i>					
Net gain on securities and other investments		(43.7)	(26.7)	(26.7)	(0.56)
Dividend from a private equity investment		(8.3)	(7.3)	(7.3)	(0.15)
Net loss on repurchase of convertible debentures		1.0	0.7	0.7	0.01
Release of international income tax valuation allowance			(2.3)	(1.6)	(0.04)
Adjusted Non-GAAP income	<u>\$ 235.2</u>	<u>\$ 245.3</u>	<u>\$ 159.0</u>	<u>\$ 159.8</u>	<u>\$ 3.36</u>

Note: See the Description of Non-GAAP Adjustments section for a description of each of the above adjustments and see the Use of Non-GAAP Financial Information section for management's reasons for providing non-GAAP financial information.

* DST Earnings has been defined as "Net income attributable to DST Systems, Inc." (taking into account the net loss attributable to non-controlling interest).

DST SYSTEMS, INC.
RECONCILIATION OF INCOME FROM OPERATIONS TO EBITDA
OUTPUT SOLUTIONS SEGMENT
(Unaudited - in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Reported GAAP income from operations	\$ 1.9	\$ 1.0	\$ 16.3	\$ 79.6
Adjusted to remove:				
Depreciation and amortization	<u>12.8</u>	<u>12.2</u>	<u>34.4</u>	<u>35.2</u>
Operating EBITDA, before non-GAAP items	14.7	13.2	50.7	114.8
Adjusted to remove:				
Contract termination payment, net of expenses		(1.3)		(62.8)
Employee termination expenses		2.1	4.1	5.3
Business development expenses			<u>0.2</u>	
Adjusted operating EBITDA, after non-GAAP items	<u>\$ 14.7</u>	<u>\$ 14.0</u>	<u>\$ 55.0</u>	<u>\$ 57.3</u>

Note: See the Description of Non-GAAP Adjustments section for a description of each of the above adjustments and see the Use of Non-GAAP Financial Information section for management's reasons for providing non-GAAP financial information.

DST SYSTEMS, INC.
RECONCILIATION OF INCOME FROM OPERATIONS TO EBITDA
INVESTMENTS AND OTHER SEGMENT - U.S. REAL ESTATE OPERATIONS
(Unaudited - in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Reported GAAP income from operations	\$ 1.7	\$ 2.5	\$ 6.7	\$ 8.6
Adjusted to remove:				
GAAP income (loss) from non U.S. real estate operations	(0.2)	0.1	(0.7)	0.8
U.S. Real Estate Operations GAAP income from operations	1.9	2.4	7.4	7.8
Adjusted to remove:				
Depreciation and amortization	2.3	2.2	6.6	6.5
Operating EBITDA	<u>\$ 4.2</u>	<u>\$ 4.6</u>	<u>\$ 14.0</u>	<u>\$ 14.3</u>

Note: See the Description of Non-GAAP Adjustments section for a description of each of the above adjustments and see the Use of Non-GAAP Financial Information section for management's reasons for providing non-GAAP financial information.

DST SYSTEMS, INC.
RECONCILIATION OF EARNINGS BEFORE INTEREST AND INCOME TAXES
TO FUNDS FROM OPERATIONS (“FFO”) AND DILUTED EPS
INVESTMENTS AND OTHER SEGMENT - U.S. REAL ESTATE OPERATIONS
(Unaudited - in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Reported GAAP earnings (loss) before interest and income taxes	\$ (1.3)	\$ 20.1	\$ 31.8	\$ 77.6
Adjusted to remove:				
GAAP earnings (loss) from non U.S. real estate operations	(3.2)	17.4	24.3	68.7
Reported U.S. Real Estate Operations GAAP earnings (loss) before interest and income taxes	1.9	2.7	7.5	8.9
Less: interest expense	(1.7)	(1.7)	(4.7)	(5.1)
Less: income taxes on earnings (loss) above	(0.1)	(0.4)	(1.1)	(1.5)
Reported U.S. Real Estate Operations Net Income	<u>\$ 0.1</u>	<u>\$ 0.6</u>	<u>\$ 1.7</u>	<u>\$ 2.3</u>
Reported U.S. Real Estate Operations Diluted EPS	<u>\$</u>	<u>\$ 0.01</u>	<u>\$ 0.04</u>	<u>\$ 0.05</u>
Reported U.S. Real Estate Operations Net Income	\$ 0.1	\$ 0.6	\$ 1.7	\$ 2.3
Adjusted to remove:				
Depreciation and amortization	2.3	2.2	6.6	6.5
Pro-rata portion of depreciation and amortization of unconsolidated affiliates	2.2	2.3	6.6	6.9
U.S. Real Estate Funds From Operations	<u>\$ 4.6</u>	<u>\$ 5.1</u>	<u>\$ 14.9</u>	<u>\$ 15.7</u>
U.S. Real Estate Funds From Operations Diluted EPS	<u>\$ 0.10</u>	<u>\$ 0.11</u>	<u>\$ 0.32</u>	<u>\$ 0.33</u>

Note: Use of Non-GAAP Financial Information section for management’s reasons for providing non-GAAP financial information.

NEWS RELEASE

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DST Systems, Inc.
333 West 11th Street
Kansas City, MO 64105-1594
NYSE Symbol: DST

DST Contacts:
Kenneth V. Hager (816) 435-8603
Vice President and Chief Financial Officer

Media:
Matthew Sherman / Nicholas Lamplough
Joele Frank, Wilkinson Brimmer Katcher
(212) 355-4449

Investors:
Art Crozier / Jennifer Shotwell / Larry Miller
Innisfree M&A Incorporated
(212) 750-5833

FOR IMMEDIATE RELEASE – November 2, 2011

DST SYSTEMS BOARD OF DIRECTORS UNANIMOUSLY REAFFIRMS COMMITMENT TO BUSINESS PLAN AND STRATEGY

Board Authorizes Additional 2 Million Share Repurchase Program

KANSAS CITY, MO (November 2, 2011) — DST Systems, Inc. (NYSE: DST) today announced that following a comprehensive review of the Company's business plan, assets and investment portfolio, its Board of Directors has unanimously determined that continuing to execute on the Company's business plan and strategy is in the best interests of DST and its shareholders.

DST's growth strategy is to leverage its technology-differentiated solutions to support its customers' information management, business process and customer relationship needs. The Board is confident that the Company's focus on five key industry verticals of asset management, brokerage, retirement, insurance and healthcare, as well as the development and delivery of customer communications through both print and electronic media will enhance shareholder value. The Company is committed to driving future growth by continuing to increase scale, efficiencies and competitiveness, as well as expanding its product and service offerings.

DST will continue to explore synergistic acquisitions, strategic partnerships and additional investments in areas that enhance the Company's existing technology offerings and create new solutions that meet customers' needs. Most recently, the Company completed its \$250 million acquisition of ALPS Holdings, Inc., which broadens the range of products and services DST offers to the investment management and brokerage industries, including a suite of asset-servicing and asset-gathering solutions. The acquisition of ALPS will be accretive to DST's reported and cash earnings per share in 2012.

Through its ongoing review, DST's Board identified strategic opportunities to further strengthen its business, adjust its capital structure and create value for shareholders. These opportunities include, among others:

- Monetizing certain of the Company's non-operating assets and investments, subject to market timing, pricing and tax efficiency considerations;

- Enhancing the outlook and performance of certain business units through additional investments and strategic partnerships;
- Returning capital to shareholders through additional share repurchases where excess cash from operations and monetization proceeds are not needed to pay down debt or other obligations or to generate greater returns by growing the Company's business organically or through acquisitions or strategic partnerships; and
- Improving the transparency and frequency of communications with the Company's shareholders and analysts, including providing additional information regarding the Company's unconsolidated affiliates and passive investments, such as its real estate assets.

DST has a long and successful history of returning capital to shareholders through significant share repurchases and a semi-annual cash dividend, which was instituted in 2010. Since January 1, 2005, DST has repurchased approximately 46.2 million shares, representing approximately 51.1% of the total shares outstanding, for total consideration of approximately \$2.7 billion. During the third quarter of 2011 and through October 31, 2011, the Company repurchased 2.5 million shares for an aggregate consideration of \$112.9 million.

Continuing this strategy, DST's Board has authorized an additional share repurchase program of 2 million shares of its common stock. The new share repurchase program will become effective on January 1, 2012 and expire on December 31, 2013. Stock repurchases may be made from time-to-time pursuant to this program, in the open market or through privately negotiated transactions or other means, at management's discretion, depending on market conditions and other factors, in accordance with Securities and Exchange Commission requirements.

BofA Merrill Lynch and Skadden, Arps, Slate, Meagher & Flom LLP are serving as independent financial and legal advisors, respectively, to DST's Board of Directors. Stinson Morrison Hecker LLP is acting as legal advisor to the Company.

The Company will discuss this announcement further on its third quarter 2011 financial results conference call to be held today at 7:30 A.M. Central Time. As previously announced, the dial-in number for domestic callers is (888) 802-8577 and for international callers is (404) 665-9928. Callers should reference the access code of 19375257 or DST's Third Quarter Earnings Release. Interested parties may also listen to the conference call via a live webcast from the DST Systems, Inc. website (www.dstsystems.com).

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Safe Harbor Statement

Certain material presented in the press release includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, (i) all statements, other than statements of historical fact, included in this press release that address activities, events or developments that we expect or anticipate will or may occur in the future or that

depend on future events, or (ii) statements about our future business plans and strategy and other statements that describe the Company's outlook, objectives, plans, intentions or goals, and any discussion of future operating or financial performance. Whenever used, words such as "may," "will," "would," "should," "potential," "strategy," "anticipates," "estimates," "expects," "project," "predict," "intends," "plans," "believes," "targets" and other terms of similar meaning are intended to identify such forward-looking statements. Forward-looking statements are uncertain and to some extent unpredictable, and involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such forward-looking statements. Factors that could cause results to differ materially from those anticipated include, but are not limited to, the risk factors and cautionary statements included in the Company's periodic and current reports (Forms 10-K, 10-Q and 8-K) filed from time to time with the Securities and Exchange Commission. All such factors should be considered in evaluating any forward-looking statements. The Company undertakes no obligation to update any forward-looking statements in this press release to reflect new information, future events or otherwise.