

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): **March 2, 2005**

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
(IRS 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.):

- 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

Amendment of Stock Option and Performance Award Plan

On March 2, 2005, the Board of Directors (the "Board") of DST Systems, Inc. ("DST" or the "Company") approved an amendment and restatement of DST's 1995 Stock Option and Performance Award Plan (the "1995 Plan") to update the definition of "Change in Control" for awards with grant dates on or after November 10, 2004. The 1995 Stock Option and Performance Award Plan, Amended and Restated as of 3/2/05 (the "Amended 1995 Plan") amends the Change in Control definition with respect to such awards to provide that a Change in Control will occur (i) if Incumbent Directors (as defined in Amended 1995 Plan) cease for any reason to constitute at least seventy-five percent (75%) of the directors of the Company then serving, (ii) if any person becomes the beneficial owner of 20% or more of DST's outstanding voting securities, with certain exceptions, (iii) in the event of certain Reorganization Transactions (as defined in the Amended 1995 Plan), or (iv) in the event the Company's stockholders approve a plan of complete liquidation of the Company, other than in connection with a Reorganization Transaction.

The above description of the amended provisions in the Amended 1995 Plan is qualified in its entirety by reference to the terms of the Amended 1995 Plan attached hereto as Exhibit 10.1.

Amendment of Executive Incentive Plan

In connection with the amendment to the 1995 Plan, on March 2, 2005, the Compensation Committee of the DST Board (the "Compensation Committee") approved an amendment and restatement of DST's Executive Incentive Plan, which plan was adopted pursuant to, and as an implementation of, the 1995 Plan. The Executive Incentive Plan (Amended and Restated as of March 2, 2005) (the "Amended Executive Plan") includes amended change in control provisions and amended provisions to allow Deferred Cash as an additional type of incentive compensation that could be awarded. The change in control provisions have been amended to (i) in effect, use the definition of "Change in Control" in the Amended 1995 Plan (as set forth in that plan for grants on or after November 10, 2004) for grants under the Amended Executive Plan of Restricted Stock, Options and Deferred Cash (each defined in the Amended Executive Plan) on or after March 2, 2005, and (ii) to include a provision regarding the effect of a Change in Control on Deferred Cash grants.

The above description of the amended provisions in the Amended Executive Plan is qualified in its entirety by reference to the terms of the Amended Executive Plan attached hereto as Exhibit 10.2.

Amendment to Restricted Share Award Agreement

In connection with the amendment to the change in control provisions in the 1995 Plan, on March 2, 2005, the Compensation Committee approved a First Amendment to Restricted Shares Award Agreement (the "Amendment") with respect to certain officers, including Thomas A. McDonnell, the President and Chief Executive Officer, and certain of the other four most highly compensated officers in 2004, including Thomas A. McCullough, Executive Vice President and Chief Operating Officer, Steven J. Towle, President and Chief Executive Officer of DST Output, LLC, and J. Michael Winn, Group Chief Executive of DST International Group Services Limited. The Amendment amends the provisions regarding the lapsing of restrictions in the event of a change in control with respect to the shares of restricted stock granted to such officers on November 10, 2004. The Compensation Committee's grant of such restricted shares was reported on the Company's Form 8-K filed on October 29, 2004, and the form of Restricted Share Award Agreement was filed as an exhibit to that Form 8-K. The First Amendment to Restricted Shares Award Agreement provides for the restrictions on the restricted shares to lapse pro rata

upon a change in control of DST, followed by full lapsing on the earlier of (a) January 31, 2010, or (b) the date within three years after the change in control date that the officer is terminated without cause or resigns for good reason.

The above description of the Amendment is qualified in its entirety by reference to the terms of the Amendment attached hereto as Exhibit 10.3.

Amendment to Rights Agreement

On March 2, 2005, the DST Board approved an amendment to the Rights Agreement dated as of October 6, 1995, as amended, to delete the exclusion of Janus Capital Group Inc. from the definition of an “Acquiring Person” in such agreement. DST entered into the Fourth Amendment to Rights Agreement, dated as of March 2, 2005, with EquiServe Trust Company, N.A., the Rights Agent, which amends the definition of “Acquiring Person” to delete such exclusion.

The above description of the Amendment is qualified in its entirety by reference to the terms of the Amendment attached hereto as Exhibit 10.4.

ITEM 9.01 Financial Statements and Exhibits

(c). Exhibits.

Exhibit Number	Description
10.1	1995 Stock Option and Performance Award Plan, Amended and Restated as of 3/2/05
10.2	Executive Incentive Plan (Amended and Restated as of March 2, 2005)
10.3	Form of First Amendment to Restricted Shares Award Agreement
10.4	Fourth Amendment to Rights Agreement

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 4th day of March, 2005.

DST SYSTEMS, INC.

By: /s/ Randall D. Young
Name: Randall D. Young
Title: Vice President and General Counsel

**DST SYSTEMS, INC.
1995 STOCK OPTION AND PERFORMANCE AWARD PLAN,
AMENDED AND RESTATED AS OF 3/2/05**

Section 1. Purpose.

The purposes of the DST Systems, Inc. 1995 Stock Option and Performance Award Plan (the "Plan") are to generate an increased incentive for Employees of the Company to contribute to the Company's future success, to secure for the Company and its stockholders the benefits inherent in equity ownership by Employees of the Company and to enhance the ability of the Company and its Affiliates to attract and retain exceptionally qualified Employees upon whom, in large measure, the sustained progress, growth and profitability of the Company depend. By encouraging Employees of the Company and its Affiliates to acquire a proprietary interest in the Company's growth and performance, the Company intends to more closely align the interests of the Company's Employees, management and stockholders and motivate Employees to enhance the value of the Company for the benefit of all stockholders.

Section 2. Definitions.

As used in the Plan, the following terms shall have the meanings set forth below:

- (a) "Affiliate" means (i) any Person that directly, or through one (1) or more intermediaries, controls, or is controlled by, or is under common control with, the Company, (ii) any entity in which the Company has an equity interest of at least fifty percent (50%), and (iii) any entity in which the Company has any other significant equity interest, as determined by the Committee.
- (b) "Award" means any Option, Stock Appreciation Right, Limited Right, Performance Share, Performance Unit, Restricted Stock, Shares, Dividend Equivalent, or any other right, interest, or option relating to Shares granted pursuant to the provisions of the Plan.
- (c) "Award Agreement" means any written agreement, contract, or other instrument or document evidencing any Award granted hereunder and signed by both the Company and the Participant or by both the Company and an Outside Director.
- (d) "Board" means the Board of Directors of the Company.
- (e) "Code" means the Internal Revenue Code of 1986, as amended from time to time.
- (f) "Committee" means the Compensation Committee of the Board, or such other committee designated by the Board, authorized to administer the Plan under Section 3 hereof. The Committee shall consist of not less than two (2) directors, each of whom is a non-employee director within the meaning of Rule 16b-3 and an outside director within the meaning of Code Section 162(m). Until the date of

completion of the Public Offering, the KCSI Compensation and Organization Committee shall serve as the Committee authorized to administer this Plan.

- (g) “Company” means DST Systems, Inc., a Delaware corporation.
- (h) “Dividend Equivalent” means any right granted pursuant to Section 13(f) hereof.
- (i) “Employee” means any employee of the Company or of any Affiliate regularly employed for more than twenty (20) hours per week and more than five (5) months per year.
- (j) “Exchange Act” means the Securities and Exchange Act of 1934, as amended, or any successors thereto, and the rules and regulations promulgated thereunder, all as shall be amended from time to time.
- (k) “Fair Market Value” means, with respect to any property, the market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.
- (l) “Incentive Stock Option” means an Option granted under Section 6 hereof that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.
- (m) “KCSI” means Kansas City Southern Industries, Inc., a Delaware corporation
- (n) “Limited Right” means any right granted to a Participant pursuant to Section 7(b) hereof.
- (o) “Non-Qualified Stock Option” means an Option granted under Section 6 hereof that is not intended to be an Incentive Stock Option, and an Option granted to an Outside Director pursuant to Section 9 hereof.
- (p) “Option” means an Incentive Stock Option or Non-Qualified Stock Option.
- (q) “Outside Director” means a member of the Board who is not an Employee of the Company or of any Affiliate.
- (r) “Participant” means an Employee or Outside Director who is selected to receive an Award under the Plan.
- (s) “Performance Award” means any Award of Performance Shares or Performance Units pursuant to Section 8 hereof.
- (t) “Performance Period” means that period established by the Committee at the time any Performance Award is granted or at any time thereafter during which any performance goals specified by the Committee with respect to such Award are to be measured.

- (u) “Performance Share” means any grant pursuant to Section 8 hereof of a unit valued by reference to a designated number of Shares.
- (v) “Performance Unit” means any grant pursuant to Section 8 hereof of (i) a bonus consisting of cash or other property the amount or value of which, and/or the entitlement to which, is conditioned upon the attainment of any performance goals specified by the Committee, or (ii) a unit valued by reference to a designated amount of property other than Shares.
- (w) “Person” means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, or government or political subdivision thereof.
- (x) “Public Offering” means a public offering of Shares of the Company which results in a reduction of KCSI’s ownership of Shares to less than eighty percent (80%).
- (y) “Rule 16b-3” means Rule 16b-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or any successor rule or regulation thereto.
- (z) “Shares” means shares of the common stock of the Company, one cent (\$.01) par value.
- (aa) “Stock Appreciation Right” means any right granted to a Participant pursuant to Section 7(a) hereof.
- (ab) “Stockholders Meeting” means the annual meeting of stockholders of the Company in each year.
- (ac) “Restricted Stock” means any Share issued with the restriction that the holder may not sell, transfer, pledge, or assign such Share and with such other restrictions as the Committee, in its sole discretion, may impose (including, without limitation, any restriction on the right to vote such Share, and the right to receive any cash dividends), which restrictions may lapse separately or in combination upon such conditions and at such time or times, in installments or otherwise, as the Committee may deem appropriate, and which restriction shall provide that the Shares subject to such restriction shall be forfeited if the restriction does not lapse prior to such date or such event as the Committee may deem appropriate.
- (ad) “Restricted Stock Award” means an award of Restricted Stock under Section 8A hereof.

Section 3. Administration.

The Plan shall be administered by the Committee. Subject to applicable law and the terms of the Plan, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to each Participant hereunder; (iii) determine the number of Shares to be covered by or with respect to which payments, rights, or other matters are to be calculated in connection with each Award; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards, or other property, or canceled, forfeited, or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited, or suspended; (vi) determine whether, to what extent and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award under this Plan shall be deferred either automatically or at the election of the Participant or the Committee; (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (viii) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (ix) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan. Subject to the terms of the Plan (including without limitation Section 11 hereof), the Committee shall also have the authority to grant Awards in replacement of Awards previously granted under this Plan or any other compensation plan of the Company or an Affiliate. Unless otherwise expressly provided in the Plan, all determinations, designations, interpretations, and other decisions of the Committee shall be final, conclusive and binding upon all Persons, including the Company, any Participant, any stockholder, and any Employee of the Company or of any Affiliate. All determinations of the Committee shall be made by a majority of its members; provided that any determination affecting any Awards made or to be made to a member of the Committee may, at the Board's election, be made by the Board. The Committee, in its discretion, may delegate its authority and duties under the Plan to the Chief Executive Officer and/or to other officers of the Company under such conditions and/or limitations as the Committee may establish; provided, however, that only the Committee may select and grant Awards, or otherwise take any action with respect to Awards, to Participants who are (i) officers or directors of the Company for purposes of Section 16 of the Exchange Act; or (ii) Participants who are "covered employees" under Section 162(m) of the Code.

Section 4. Shares Subject to the Plan.

- (a) Subject to adjustment as provided in Section 4(c), a total of thirty million (30,000,000) Shares shall be available for the grant of Awards under the Plan. Any Shares issued hereunder may consist, in whole or in part, of authorized and unissued shares or treasury shares. If any Shares subject to any Award granted hereunder are forfeited or such Award otherwise terminates without the issuance of such Shares or of other consideration in lieu of such Shares, the Shares subject to such Award, to the extent of any such forfeiture or termination, shall again be available for grant under the Plan. In addition, to the extent permitted by Section 422 of the Code, any Shares issued by, and any Awards granted by or that become obligations of, the Company through or as the result of the assumption of

outstanding grants or the substitution of Shares under outstanding grants of an acquired company shall not reduce the Shares available for grants under the Plan.

- (b) For purposes of this Section 4,
 - (i) If an Award (other than a Dividend Equivalent) is denominated in Shares, the number of Shares covered by such Award, or to which such Award relates, shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards under the Plan;
 - (ii) Dividend Equivalents and Awards not denominated in Shares shall be counted against the aggregate number of Shares available for granting Awards under the Plan in such amount and at such time as the Committee shall determine under procedures adopted by the Committee consistent with the purposes of the Plan; and
 - (iii) Awards that operate in tandem with (whether granted simultaneously with or at a different time from), or that are substituted for, other Awards or awards under other Company plans may be counted or not counted under procedures adopted by the Committee in order to avoid double counting.
- (c) In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Shares, or other securities or property), stock split, reverse stock split, merger, reorganization, consolidation, recapitalization, split-up, spin-off, repurchase, exchange of shares, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee may: (i) make adjustments in the aggregate number and class of shares or property which may be delivered under the Plan and may substitute other shares or property for delivery under the Plan, including shares of another entity which is a party to any such merger, reorganization, consolidation or exchange of shares; and (ii) make adjustments in the number, class and option price of shares or property subject to outstanding Awards and Options granted under the Plan, and may substitute other shares or property for delivery under outstanding Awards and Options, including shares of another entity which is a party to any such merger, reorganization, consolidation or exchange of shares, as may be determined to be appropriate by the Committee in its sole discretion, provided that the number of Shares subject to any Award or Option shall always be a whole number. The preceding sentence shall not limit the actions which may be taken by the Committee under Section 10 of the Plan. No adjustment shall be made with respect to Awards of Incentive Stock Options that would cause the Plan to violate Section 422 of the Code.

Section 5. Eligibility.

Any Employee or Outside Director shall be eligible to be selected as a Participant. Notwithstanding any other provision of the Plan to the contrary, no Participant may be granted an Option, Limited Right, Stock Appreciation Right, Performance Shares, Shares or Restricted Stock with respect to a number of Shares in any one (1) calendar year which, when added to the Shares subject to any other Option, Limited Right, Stock Appreciation Right, Performance Shares, Shares or Restricted Stock granted to such Participant in the same calendar year shall exceed Eight Hundred Thousand (800,000) Shares. If an Option, Limited Right, Stock Appreciation Right, or Performance Share is cancelled, the cancelled Option, Limited Right, Stock Appreciation Right or Performance Share continues to count against the maximum number of Shares for which an Option, Limited Right, Stock Appreciation Right or Performance Share may be granted to a Participant in any calendar year. All Shares specified in this Section 5 shall be adjusted to the extent necessary to reflect adjustments to Shares required by Section 4(c) hereof. No Participant may be granted Performance Units in any one (1) calendar year which when added to all other Performance Units granted to such Participant in the same calendar year shall exceed 300% of the Participant's annual base salary as of the first day of such calendar year (or, if later, as of the date on which the Participant becomes an Employee); provided, however, that no more than \$1,000,000 of annual base salary may be taken into account for purposes of determining the maximum amount of Performance Units which may be granted in any calendar year to any Participant.

Section 6. Stock Options.

Options may be granted hereunder to Participants either alone or in addition to other Awards granted under the Plan. Options may be Incentive Stock Options within the meaning of Section 422 of the Code or Non-Qualified Stock Options (i.e., stock options which are not Incentive Stock Options), or a combination thereof. Any Option granted to a Participant under the Plan shall be evidenced by an Award Agreement in such form as the Committee may from time to time approve. Any such Option shall be subject to the following terms and conditions and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable:

- (a) **Option Price.** The purchase price per Share purchasable under an Option shall be determined by the Committee; provided, however, that such purchase price shall not be less than one hundred percent (100%) of the Fair Market Value of the Share on the effective date of the grant of the Option; provided, that (i) if the Committee so determines, in the case of any Option retroactively granted in tandem with or in substitution for another Award or any outstanding Award granted under any other plan of the Company, the purchase price per Share shall not be less than the purchase price on the effective date of grant of such other Award or award under another Company plan; and (ii) in the case of any Option granted in substitution for or as a result of assumption by the Company of outstanding grants of an acquired company, the purchase price per Share shall be determined by the Committee.
- (b) **Option Term.** The term of each Option shall be fixed by the Committee in its sole discretion; except as provided below for Incentive Stock Options.

- (c) **Exercisability.** Options shall be exercisable at such time or times and subject to such exercise acceleration conditions (if any) as determined by the Committee at or subsequent to grant; except as otherwise provided in Section 10(a).
- (d) **Method of Exercise.** Subject to the other provisions of the Plan and any applicable Award Agreement, any Option may be exercised by the Participant in whole or in part at such time or times, and the Participant may make payment of the option price in such form or forms as the Committee shall determine, including, without limitation, payment by delivery of cash, Shares, Restricted Stock, or other consideration (including, where permitted by law and the Committee, Awards) having a Fair Market Value on the exercise date equal to the total option price, or by any combination of cash, Shares, Restricted Stock and other consideration as the Committee may specify in the applicable Award Agreement; provided, however, that if Restricted Stock is surrendered to pay the option price, an equal number of shares issued as a result of the option exercise shall be subject to the same restrictions.
- (e) **Incentive Stock Options.** In accordance with rules and procedures established by the Committee, the aggregate Fair Market Value (determined as of the time of grant) of the Shares with respect to which Incentive Stock Options held by any Participant are exercisable for the first time by such Participant during any calendar year under the Plan (and under any other benefit plans of the Company or of any parent or subsidiary corporation of the Company as defined in Section 424 of the Code) shall not exceed One Hundred Thousand Dollars (\$100,000) or, if different, the maximum limitation in effect at the time of grant under Section 422 of the Code, or any successor provision, and any regulations promulgated thereunder. The option price per Share purchasable under an Incentive Stock Option shall not be less than one hundred percent (100%) of the Fair Market Value of the Share on the date of grant of the Option. Each Incentive Stock Option shall expire not later than ten (10) years from its date of grant. No Incentive Stock Option shall be granted to any Participant if at the time the Option is granted such Participant owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, its parent or its subsidiaries unless (i) the option price per Share is at least one hundred and ten percent (110%) of the Fair Market Value of the Share on the date of grant, and (ii) such Option by its terms is not exercisable after the expiration of five (5) years from the date such Option is granted. The terms of any Incentive Stock Option granted hereunder shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision, and any regulations promulgated thereunder. To the extent an Incentive Stock Option granted hereunder fails to comply, it shall be a Non-Qualified Stock Option.
- (f) **Form of Settlement.** In its sole discretion, the Committee may provide at the time of grant that the Shares to be issued upon an Option's exercise shall be in the form of Shares subject to restrictions as the Committee may determine, or other similar securities, or may reserve the right so to provide after the time of grant.

- (g) Reload Options. If and to the extent the Committee expressly provides, at the time of grant or later, that the Participant shall have the right to receive reload options with respect to Non-Qualified Stock Options, the Participant shall receive reload options in accordance with and subject to the following terms and conditions
- (i) Grant of the Reload Option; Number of Shares; Price. Subject to paragraph (ii) of this Subsection and, except as provided in paragraph (viii) hereof, to the availability of Shares to be optioned to the Participant under the Plan (including the limitations set forth in Section 5), if a Participant has an Option (the “original option”) with reload rights and pays for the exercise of the original option by surrendering Shares or Restricted Stock (whether by means of delivering Shares or Restricted Stock previously held by the optionee or by delivering Shares or Restricted Stock simultaneously acquired on exercise of the original option), the Participant shall receive a new Option (“reload option”) for the number of Shares or Restricted Shares so surrendered at an option price per Share equal to the Fair Market Value of a Share on the date of the exercise of the original option.
 - (ii) Conditions to Grant of Reload Option. A reload option will not be granted: (A) if the Fair Market Value of a Share on the date of exercise of the original option is less than the exercise price of the original option; or (B) if the Participant is no longer an Employee of the Company or an Affiliate.
 - (iii) Term of Reload Option. The reload option shall expire on the same date as the original option, or at such later date as the Committee may provide.
 - (iv) Type of Option. The reload option shall be a Non-Qualified Stock Option.
 - (v) Additional Reload Options. Except as expressly provided by the Committee (at the time of the grant of the original option or reload option or later), reload options shall not include any right to subsequent reload options.
 - (vi) Date of Grant, Vesting. The date of grant of the reload option shall be the date of the exercise of the original option. The reload options shall be exercisable in full beginning from date of grant, except as otherwise provided by the Committee
 - (vii) Stock Withholding; Grants of Reload Options. If and to the extent permitted by the Committee, if the other requirements of this Subsection are satisfied, and if Shares are withheld or Shares surrendered for tax withholding pursuant to Section 13(g), a reload option will be granted for the number of Shares surrendered as payment for the exercise of the original option plus the number of Shares surrendered or withheld to satisfy tax withholding.

- (viii) **Share Limits.** Reload options shall not be counted against or as a reduction from the number of shares available for grant under Section 4 hereof because such grants are a substitute for Shares transferred to or withheld by the Company.
- (ix) **Other Terms and Conditions.** In connection with reload options for officers who are subject to Section 16 of the Exchange Act, the Committee may at any time impose any limitations which, in the Committee's sole discretion, are necessary or desirable in order to comply with Section 16(b) of the Exchange Act and the rules and regulations thereunder, or in order to obtain any exemption therefrom. Except as otherwise provided in this Subsection, all the provisions of the Plan shall apply to reload options.

Section 7. Stock Appreciation and Limited Rights.

- (a) Stock Appreciation Rights may be granted hereunder to Participants either alone or in addition to other Awards granted under the Plan and may, but need not, relate to a specific Option granted under Section 6. The provisions of Stock Appreciation Rights need not be the same with respect to each recipient. Any Stock Appreciation Right related to a Non-Qualified Stock Option may be granted at the same time such Option is granted or at any time thereafter before exercise or expiration of such Option. Any Stock Appreciation Right related to an Incentive Stock Option must be granted at the same time such Option is granted and must have a grant price equal to the option price of such Option. In the case of any Stock Appreciation Right related to any Option, the Stock Appreciation Right or applicable portion thereof shall terminate and no longer be exercisable upon the termination or exercise of the related Option, except that a Stock Appreciation Right granted with respect to less than the full number of Shares covered by a related Option shall not be reduced until the exercise or termination of the related Option exceeds the number of Shares not covered by the Stock Appreciation Right. Any Option related to any Stock Appreciation Right shall no longer be exercisable to the extent the related Stock Appreciation Right has been exercised. Any Stock Appreciation Right related to an Option shall be exercisable to the extent, and only to the extent, that the related Option is exercisable. The Committee may impose such other conditions or restrictions on the exercise of any Stock Appreciation Right as it shall deem appropriate. Subject to the terms of the Plan and any applicable Award Agreement, a Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive, upon exercise thereof, the excess of (i) the Fair Market Value of one (1) Share on the date of exercise or with respect to any right related to an Option other than an Incentive Stock Option, at any time during a specified period before or after the date of exercise as determined by the Committee over (ii) the grant price of the right as specified by the Committee, which shall not be less than the Fair Market Value of one (1) Share on the date of grant of the Stock Appreciation Right (or, if the Committee so determines, in the case of any Stock Appreciation Right retroactively granted in tandem with or in substitution for another Award or any outstanding award granted

under any other plan of the Company, on the date of grant of such other Award or award), multiplied by the number of Shares as to which the holder is exercising the Stock Appreciation Right. Subject to the terms of the Plan and any applicable Award Agreement, the terms and conditions of any Stock Appreciation Right shall be as determined by the Committee. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate.

- (b) Limited Rights may be granted hereunder to Participants only with respect to an Option granted under Section 6 hereof or a stock option granted under another plan of the Company. The provisions of Limited Rights need not be the same with respect to each recipient. Any Limited Right related to a Non-Qualified Stock Option may be granted at the same time such Option is granted or at any time thereafter before exercise or expiration of such Option. Any Limited Right related to an Incentive Stock Option must be granted at the same time such Option is granted. A Limited Right shall terminate and no longer be exercisable upon termination or exercise of the related Option, except that a Limited Right granted with respect to less than the full number of Shares covered by a related Option shall not be reduced until the exercise or termination of the related Option exceeds the number of Shares not covered by the Limited Right. Any Option related to any Limited Right shall no longer be exercisable to the extent the related Limited Right has been exercised. Any Limited Right shall be exercisable to the extent, and only to the extent, the related Option is exercisable and only during the three (3) month period immediately following a Change in Control of the Company (as defined in Section 10 hereof). The Committee may impose such other conditions or restrictions on the exercise of any Limited Right as it shall deem appropriate. Subject to the terms of the Plan and any applicable Award Agreement, a Limited Right granted under the Plan shall confer on the holder thereof a right to receive, upon exercise thereof, an amount equal to the excess of (i) the Fair Market Value of one (1) Share on the date of exercise or if greater and only with respect to any Limited Right related to an Option other than an Incentive Stock Option, the highest price per Share paid in connection with any Change in Control of the Company, over (ii) the option price of the related Option, multiplied by the number of Shares as to which the holder is exercising the Limited Right. The amount payable to the holder shall be paid by the Company in cash. Subject to the terms of the Plan and any applicable Award Agreement, the terms and conditions of any Limited Right shall be as determined by the Committee. The Committee may impose such conditions or restrictions on the exercise of any Limited Right as it may deem appropriate.

Section 8. Performance Awards.

Performance Awards may be issued hereunder to Participants in the form of Performance Shares or Performance Units, for no cash consideration or for such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under the Plan. The value represented by a Performance Share or Unit shall be payable to, or upon the exercise by,

the Participant holding such Award, in whole or in part, following achievement of such performance goals during such Performance Period as determined by the Committee. Except as provided in Section 10, Performance Awards will be paid only after the end of the relevant Performance Period. Performance Awards may be paid in cash, Shares, Restricted Stock, Options, other property or any combination thereof, in the sole discretion of the Committee at the time of payment. The length of the Performance Period, the performance criteria or levels to be achieved for each Performance Period, and the amount of the Award to be distributed shall be conclusively determined by the Committee. Performance Awards may be paid in a lump sum or in installments following the close of the Performance Period or, in accordance with procedures established by the Committee, on a deferred basis. Notwithstanding the foregoing, an Award Agreement may condition the vesting or exercise of a Performance Award on any combination of the achievement of one or more performance goals and/or the completion of a specified period of service as the Committee shall determine at the time of grant. To the extent determined by the Committee, when making Performance Awards the Committee shall adopt performance goals, certify completion of such goals and comply with any other Code requirements necessary to be in compliance with the performance-based compensation requirements of Code Section 162(m). Performance goals for Performance Awards may be based, in whole or in part, on one or more of the following performance-based criteria or such other criteria as the Committee may determine: (i) attainment during the Performance Period of a specified price per share of the Company's common stock; (ii) attainment during the Performance Period of a specified rate of growth or increase in the amount of growth in the price per share of the Company's common stock; (iii) attainment during the Performance Period of a specified level of the Company's earnings or earnings per share of the Company's common stock; (iv) attainment during the Performance Period of a specified rate of growth or increase in the amount of growth of the Company's earnings or earnings per share of the Company's common stock; (v) attainment during the Performance Period of a specified level of the Company's cash flow or cash flow per share of the Company's common stock; (vi) attainment during the Performance Period of a specific rate of growth or increase in the amount of growth of the Company's cash flow or cash flow per share of the Company's common stock; (vii) attainment during the Performance Period of a specified level of the Company's return on equity; (viii) attainment during the Performance Period of a specific rate of growth or increase in the amount of growth of the Company's return on equity; (ix) attainment during the Performance Period of a specified level of the Company's return on assets; or (x) attainment during the Performance Period of a specific rate of growth or increase in the amount of growth of the Company's return on assets.

Section 8A. Restricted Stock.

- (a) Issuance. Restricted Stock Awards may be issued hereunder to Participants, for no cash consideration or for such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under the Plan. The provisions of Restricted Stock Awards need not be the same with respect to each recipient. The granting of Restricted Stock shall take place on the date the Committee decides to grant the Restricted Stock, or if the Restricted Stock Award provides that the grant of Restricted Stock is conditioned upon the achievement of performance goals specified in the Restricted Stock Award, on a date established by the Committee following the achievement of such performance goals.

- (b) Registration. Any Restricted Stock issued hereunder may be evidenced in such manner as the Committee in its sole discretion shall deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of shares of Restricted Stock awarded under the Plan, such certificate shall be registered in the name of the Participant, shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, and shall be held in escrow by the Company.
- (c) Forfeiture. A Restricted Stock Award may condition the grant of Restricted Stock and/or the lapse of any restriction or restrictions on Restricted Stock on any combination of the achievement of one or more performance goals and/or the completion of a specified period of service as the Committee shall determine at the time the Restricted Stock Award is made. To the extent determined by the Committee, when making Restricted Stock Awards the Committee shall adopt performance goals, certify completion of such goals and comply with any other Code requirements necessary to be in compliance with the performance-based compensation requirements of Code Section 162(m). Performance goals for Restricted Stock Awards may be based, in whole or in part, on one or more of the following performance-based criteria or such other criteria as the Committee may determine: (i) attainment during the Performance Period of a specified price per share of the Company's common stock; (ii) attainment during the Performance Period of a specified rate of growth or increase in the amount of growth in the price per share of the Company's common stock; (iii) attainment during the Performance Period of a specified level of the Company's earnings or earnings per share of the Company's common stock; (iv) attainment during the Performance Period of a specified rate of growth or increase in the amount of growth of the Company's earnings or earnings per share of the Company's common stock; (v) attainment during the Performance Period of a specified level of the Company's cash flow or cash flow per share of the Company's common stock; (vi) attainment during the Performance Period of a specific rate of growth or increase in the amount of growth of the Company's cash flow or cash flow per share of the Company's common stock; (vii) attainment during the Performance Period of a specified level of the Company's return on equity; (viii) attainment during the Performance Period of a specific rate of growth or increase in the amount of growth of the Company's return on equity; (ix) attainment during the Performance Period of a specified level of the Company's return on assets; or (x) attainment during the Performance Period of a specific rate of growth or increase in the amount of growth of the Company's return on assets.

As soon as practicable following the lapse of the restrictions on Restricted Stock, unrestricted Shares, evidenced in such manner as the Committee shall deem appropriate, shall be issued to the grantee.

Except as otherwise determined by the Committee at the time of grant, upon termination of employment for any reason before the restriction lapses, all shares of Restricted Stock still subject to restriction shall be forfeited by the Participant (who shall sign any document and take any other action required to assign such shares back to the Company) and reacquired by the Company.

Section 9. Outside Directors' Annual Options.

- (a) Grant of Options. When an Outside Director first takes a position on the Board the Outside Director shall receive an Option to purchase Shares ("Initial Options"). On the date of each Stockholders' Meeting, each Outside Director shall automatically be granted an Option to purchase Shares ("Annual Options"); provided, however, that an Outside Director shall not be entitled to receive and shall not be granted any Annual Options on the date of any particular Stockholders' Meeting if he will not continue to serve as an Outside Director immediately following such Stockholders' Meeting. An Outside Director who first takes a position on the Board at the annual Stockholders' Meeting shall be entitled to receive the Initial Options plus the Annual Options. All such Options shall be Non-Qualified Stock Options. The number of Shares to be subject to the Initial Option and Annual Option grants shall be determined from time to time by the Committee or, at the Board's discretion, by the Board and not by the Committee. The price at which each Share covered by such Options may be purchased shall be one hundred percent (100%) of the fair market value of a Share on the date the Option is granted. Fair market value for purposes of this Section 9 shall be deemed to be the average of the high and low prices of the Shares as reported on the New York Stock Exchange Composite Transactions tape on the day the Option is granted or, if no sale of Shares shall have been made on that day, the next preceding day on which there was a sale of Shares.
- (b) Exercise of Options. All Shares subject to an Option granted to an Outside Director under Section 9(a) shall become exercisable as follows: fifty percent (50%) on the day preceding the date of the first Stockholders' Meeting after the date of the grant of the Option; twenty-five percent (25%) on the day preceding the date of the second Stockholders' Meeting after the date of grant of the Option; and the remaining twenty-five percent (25%) on the day preceding the third Stockholders' Meeting after the date of grant of the Option. However, no Option shall be exercisable more than ten (10) years after the date of grant. Options may be exercised by an Outside Director during the period that: (i) the Outside Director remains a member of the Board; (ii) for a period of one (1) year after ceasing to be a member of the Board by reason of death; (iii) for the remaining term of the Option in the event of an Outside Director's disability; (iv) for the remaining term of the Option if the Outside Director retires (as defined below) from the Board; or (v) for a period of ninety (90) days after ceasing to be a member of the Board for reasons other than retirement, death or disability; however, only those Options exercisable at the date the Outside Director ceases to be a member of the Board shall remain exercisable. All Options held by an Outside Director and granted under Section 9(a) shall become exercisable immediately prior to termination of the Outside Director's

service on the Board by reason of an Outside Director's death, disability or retirement. For purposes of this Section 9, "retire" or "retirement" shall mean discontinuance of service as a director after the director has reached age sixty (60) and has at least five (5) years or more of service on the Board. Notwithstanding any provision herein to the contrary, no Option granted under Section 9(a) shall be exercisable more than ten (10) years after the date of grant. All Options granted under Section 9(a) shall immediately become exercisable in the event of a Change in Control, as hereinafter defined.

If a former Outside Director shall die holding an Option granted under Section 9(a) that has not expired and has not been fully exercised, the Option shall remain exercisable until the later of one (1) year after the date of death or the end of the period in which the former Outside Director could have exercised the Option had he not died, but in no event shall the Option be exercisable more than ten (10) years after the date of grant. In the event of the death of an Outside Director or former Outside Director, the Options granted under Section 9(a) shall be exercisable only to the extent that they were exercisable at his date of death and only by the executor or administrator of the Outside Director's estate, by the person or persons to whom the Outside Director's rights under the Option shall pass under the Outside Director's will or the laws of descent and distribution, or by a beneficiary designated in writing in accordance with Section 13(a) hereof.

- (c) **Payment.** An Option granted to an Outside Director under Section 9(a) shall be exercisable only upon payment to the Company of the full purchase price of the Shares with respect to which the Option is being exercised. The method of exercise shall be as set forth in Section 6(d).
- (d) **Other Awards.** An Outside Director is eligible to receive pursuant to any other Section of the Plan an Option or other Award, including an Option or other Award granted in tandem with Options granted under Section 9(a).

Section 10. Change in Control.

- (a) In order to maintain the Participants' rights in the event of any Change in Control of the Company, as hereinafter defined, the Committee, as constituted before such Change in Control, may, in its sole discretion, as to any Award, either at the time an Award is made hereunder or any time thereafter, take any one (1) or more of the following actions: (i) provide for the purchase by the Company of any such Award, upon the Participant's request, for an amount of cash equal to the amount that could have been attained upon the exercise of such Award or realization of the Participant's rights had such Award been currently exercisable or payable; (ii) make such adjustment to any such Award then outstanding as the Committee deems appropriate to reflect such Change in Control; or (iii) cause any such Award then outstanding to be assumed, or new rights substituted therefore, by the acquiring or surviving corporation after such Change in Control. Unless otherwise provided in any agreement documenting any such Award, in the event of a Change of Control, there shall be an automatic acceleration of any time periods relating to the exercise

or realization of such Award and all performance award standards shall be deemed satisfactorily completed without any action required by the Committee so that such Award may be exercised or realized in full on or before a date fixed by the Committee. The Committee may, in its discretion, include such further provisions and limitations in any agreement documenting such Awards as it may deem equitable and in the best interests of the Company.

- (b) For purposes of Awards with a grant date prior to November 10, 2004, and of Paragraphs 7(b), 9(b), 10(a) and any other section of this Plan if and as they pertain to such Awards, a “Change in Control” shall be deemed to have occurred if (i) for any reason at any time less than seventy-five percent (75%) of the members of the Board of Directors of the Company shall be individuals who fall into any of the following categories: (A) individuals who were members of such Board on September 1, 1995; or (B) individuals whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least seventy-five percent (75%) of the members of the Board then still in office who were members of such Board on September 1, 1995; or (C) individuals whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least seventy-five percent (75%) of the members of the Board then still in office who were elected in the manner described in (A) or (B) above, or (ii) any “person” (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act) shall have become, according to a public announcement or filing, without the prior approval of the Board of Directors of the Company, the “beneficial owner” (as defined in Rule 13(d)-3 under the Exchange Act) directly or indirectly, of securities of the Company representing forty percent (40%) or more (calculated in accordance with Rule 13(d)-3) of the combined voting power of the Company’s then outstanding voting securities (such “person” hereafter referred to as a “Major Stockholder”); or (iii) the stockholders of the Company shall have approved a merger, consolidation or dissolution of the Company or a sale, lease, exchange or disposition of all or substantially all of the Company’s assets, or a Major Stockholder shall have proposed any such transaction, unless such merger, consolidation, dissolution, sale, lease, exchange or disposition shall have been approved by at least seventy-five percent (75%) of the members of the Board of Directors of the Company who are individuals falling into any combination of the following categories: (A) individuals who were members of such Board of Directors on September 1, 1995, or (B) individuals whose election or nomination for election by the Company’s stockholders was approved by at least seventy-five percent (75%) of the members of the Board of Directors then still in office who are members of the Board of Directors on September 1, 1995, or (C) individuals whose election, or nomination for election by the Company’s stockholders was approved by a vote of at least seventy-five percent (75%) of the members of the Board then still in office who were elected in manner described in (A) or (B) above.
- (c) For purposes of Awards with a grant date on or after November 10, 2004, and of Paragraphs 7(b), 9(b), 10(a) and any other section of this Plan if and as they pertain to such Awards, a “Change in Control” shall be deemed to have occurred if:

- (i) the Incumbent Directors (as defined in Paragraph 10(d)) cease for any reason to constitute at least seventy-five percent (75%) of the directors of the Company then serving;
 - (ii) any “person” (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act, as amended) other than the Company or any majority-owned subsidiary of the Company, or an employee benefit plan of the Company or of any majority-owned subsidiary of the Company, shall have become the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing twenty percent (20%) or more (calculated in accordance with Rule 13d-3) of the combined voting power of the Company’s then outstanding voting securities; *provided, however*, that a person’s becoming such a beneficial owner shall not constitute a Change in Control if such person is party to an agreement that limits the ability of such person and its affiliates (as defined in Rule 12b-2 under the Exchange Act) to obtain and exercise control over the management and policies of the Company;
 - (iii) a Reorganization Transaction (as defined in Paragraph 10(d)) is consummated, other than a Reorganization Transaction which results in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least sixty percent (60%) of the total voting power represented by the Voting Securities of such surviving entity outstanding immediately after the Reorganization Transaction, if the voting rights of each voting security relative to the other Voting Securities were not altered in the Reorganization Transaction; or
 - (iv) the stockholders of the Company approve a plan of complete liquidation of the Company, other than in connection with a Reorganization Transaction.
- (d) For purposes of Paragraph 10(c), the following terms have the meaning set forth below:
- (i) “Incumbent Directors” means (i) an individual who was a member of the Board on March 2, 2005; or (ii) an individual whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least seventy-five percent (75%) of the members of the Board then still in office who were members of the Board on March 2, 2005; or (iii) individuals whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least seventy-five percent (75%) of the members of the Board then still in office who were elected in the manner described in (i) or (ii) above; *provided* that no

director whose election was in connection with a proposed transaction which, if consummated, would be a Change in Control shall be an Incumbent Director.

- (ii) “Related Party” shall mean (a) a majority-owned subsidiary of the Company; or (b) an employee or group of employees of the Company or of any majority-owned subsidiary of the Company; or (c) an employee benefit plan of the Company or of any majority-owned subsidiary of the Company; or (d) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of the voting power of Voting Securities of the Company.
- (iii) “Reorganization Transaction” shall mean a merger, reorganization, consolidation or similar transaction or a sale of all or substantially all of the Company’s assets other than any such sale which would result in a Related Party owning or acquiring more than fifty percent (50%) of the assets owned by the Company immediately prior to the sale.
- (iv) “Voting Securities” of a corporation means securities of such corporation that are entitled to vote generally in the election of directors, but not including any other class of securities of such corporation that may have voting power by reason of the occurrence of a contingency.
- (e) Notwithstanding the occurrence of any of the events set forth in any subparagraph of this Paragraph 10, a Change in Control shall not occur with respect to a Participant if, in advance of such event, Participant agrees with Company in writing that such event shall not constitute a Change in Control.

Section 11. Amendments and Termination.

The Board may amend, alter, suspend, discontinue, or terminate the Plan, but no amendment, alteration, suspension, discontinuation, or termination shall be made that would materially impair the rights of a Participant under an Award theretofore granted, without the Participant’s consent. In addition, the Board may consider for each amendment whether the approval of stockholders is desirable or is necessary for the amendment to be effective.

The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, and may also substitute new Awards for Awards previously granted under this Plan or for awards granted under any other compensation plan of the Company or an Affiliate to Participants, including without limitation previously granted Options having higher option prices, but no such amendment or substitution shall materially impair the rights of any Participant without his consent.

The Committee shall be authorized, without the Participant’s consent, to make adjustments in Performance Award criteria or in the terms and conditions of other Awards in recognition of

events that it deems in its sole discretion to be unusual or nonrecurring that affect the Company or any Affiliate or the financial statements of the Company or any Affiliate, or in recognition of changes in applicable laws, regulations or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent the dilution or enlargement of benefits or potential benefits under the Plan. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry it into effect. In the event the Company shall assume outstanding employee benefit awards or the right or obligation to make future such awards in connection with the acquisition of another corporation or business entity, the Committee may, in its discretion, make such adjustments in the terms of Awards under the Plan as it shall deem appropriate.

Section 12. Termination of Employment and Noncompetition.

The Committee shall have full power and authority to determine whether, to what extent and under what circumstances any Award shall be canceled or suspended and shall promulgate rules and regulations to (i) determine what events constitute disability, retirement, termination for an approved reason and termination for cause for purposes of the Plan, and (ii) determine the treatment of a Participant under the Plan in the event of his death, disability, retirement, or termination for an approved reason. If a Participant's employment with the Company or an Affiliate is terminated for cause, all unexercised, unearned, and/or unpaid Awards, including, but not by way of limitation, Awards earned, but not yet paid, all unpaid dividends and dividend equivalents, and all interest accrued on the foregoing shall be canceled or forfeited, as the case may be, unless the Participant's Award Agreement provides otherwise. In addition, but without limitation, all outstanding Awards to any Participant shall be canceled if the Participant, without the consent of the Committee, while employed by the Company or after termination of such employment, becomes associated with, employed by, renders services to, or owns any interest in (other than any nonsubstantial interest, as determined by the Committee), any business that is in competition with the Company or any Affiliate, or with any business in which the Company or any Affiliate has a substantial interest as determined by the Committee or such officers or committee of senior officers to whom the authority to make such determination is delegated by the Committee.

Section 13. General Provisions.

- (a) Nonassignability. No Award shall be assignable or transferable by a Participant otherwise than by will or by the laws of descent and distribution; provided, however, that a Participant may, pursuant to a written designation of beneficiary filed with and approved by the Committee prior to his death, designate a beneficiary to exercise the rights of the Participant with respect to any Award upon the death of the Participant. Each Award shall be exercisable during the lifetime of the Participant, only by the Participant or, if permissible under applicable law, by the guardian or legal representative of the Participant.
- (b) Terms. Except for Options granted pursuant to Section 9, the term of each Award shall be for such period of months or years from the date of its grant as may be determined by the Committee; provided, however, that in no event shall the term of any Incentive Stock Option or any Stock Appreciation or Limited Right related to

any Incentive Stock Option exceed a period of ten (10) years from the date of its grant.

- (c) **Rights to Awards.** No Employee, Participant or other Person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Employees, Participants, or holders or beneficiaries of Awards under the Plan.
- (d) **No Cash Consideration for Awards.** Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.
- (e) **Restrictions.** All certificates for Shares delivered under the Plan pursuant to any Award shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed, and any applicable Federal or state securities law, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions.
- (f) **Dividend Equivalents.** Subject to the provisions of this Plan and any Award Agreement, the recipient of an Award (including, without limitation, any deferred Award) may, if so determined by the Committee, be entitled to receive, currently or on a deferred basis, interest or dividends, or interest or dividend equivalents, with respect to the number of Shares covered by the Award, as determined by the Committee, in its sole discretion, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested.
- (g) **Withholding.** The Company shall be authorized to withhold from any Award granted, payment due or shares or other property transferred under the Plan the amount of income, withholding and payroll taxes due and payable in respect of an Award, payment or shares or other property transferred hereunder and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Company may require the Participant to pay to it such tax prior to and as a condition of the making of such payment or transfer of Shares or property under the Plan. In accordance with any applicable administrative guidelines it establishes, the Committee may allow a Participant to pay the amount of taxes due or payable in respect of an Award by withholding from any payment of Shares due as a result of such Award, or by permitting the Participant to deliver to the Company, Shares having a fair market value, as determined by the Committee, equal to the amount of such taxes.
- (h) **Deferral of Awards.** At the discretion of the Committee, payment of a Performance Dividend Equivalent or any portion thereof or any other Award may be deferred by a Participant until such time as the Committee may establish. All such deferrals

shall be accomplished by the delivery on a form provided by the Company of a written, irrevocable election by the Participant prior to such time payment would otherwise be made. Further, all deferrals shall be made in accordance with administrative guidelines established by the Committee to ensure that such deferrals comply with all applicable requirements of the Code and its regulations. Deferred payments shall be paid in a lump sum or installments, as determined by the Committee. The Committee may also credit interest, at such rates to be determined by the Committee, on cash payments that are deferred and credit Dividend Equivalents on deferred payments denominated in the form of Shares.

- (i) **No Limit on Other Compensation Arrangements.** Nothing contained in this Plan shall prevent the Company or any Affiliate from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required and such arrangements may be either generally applicable or applicable only in specific cases.
- (j) **Governing Law.** The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Delaware other than its law respecting choice of laws and applicable Federal law.
- (k) **Severability.** If any provision of this Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, it shall be stricken and the remainder of the Plan and any such Award shall remain in full force and effect.
- (l) **No Right to Employment.** The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any Affiliate or to be retained as a director of the Company. Further, the Company or an Affiliate may at any time terminate the employment of a Participant, and a director's service as a member of the Board may be terminated, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.
- (m) **No Trust or Fund Created.** Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

- (n) No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated, or otherwise eliminated
- (o) Headings. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.
- (p) With respect to persons subject to Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3. To the extent any provision of this Plan or action by the Committee fails to so comply, the Committee may deem, for such persons, such provision or action null and void to the extent permitted by law.

Section 14. Effective Date of Plan.

The Plan shall be effective as of September 1, 1995. This amendment and restatement shall be effective as of March 2, 2005.

Section 15. Term of Plan.

No Award shall be granted pursuant to the Plan after August 31, 2005, but any Award theretofore granted may extend beyond that date.

DST Systems, Inc.
Executive Incentive Plan
(Amended and Restated as of March 2, 2005)

Section 1. Purpose

The purpose of the Executive Incentive Plan is to reward plan participants for achieving defined earnings per share objectives that support increasing profitability of DST Systems, Inc. The Plan provides both annual and long-term incentives, contingent upon meeting annual and cumulative Earnings Per Share goals. The Company intends that the Plan will facilitate in securing, retaining, and motivating employees of superior capability; in providing competitive management compensation; and in linking incentive awards to objectives that should enhance shareholder value.

Section 2. Definitions

When used in the Plan, the following words and phrases shall have the following meanings:

- (a) “Affiliate” means any entity (other than the Company or a Subsidiary) of which the Company or a Subsidiary directly or indirectly owns 50% or more of the combined voting power of all classes of stocks of such entity or 50% or more of the ownership interests in such entity.
- (b) “Beneficiary” means the person, persons, trust, or trusts which have been designated by a Participant in his or her most recent written beneficiary designation filed with the Company to receive the benefits specified under this Plan, if any, upon the Participant’s death, or, if there is no designated Beneficiary or surviving designated Beneficiary, then the person, persons, trust, or trusts entitled by will or the laws of descent and distribution to receive such benefits.
- (c) “Board” means the Board of Directors of the Company.
- (d) “Committee” means the Compensation Committee of the Board or such other Board Committee as may be designated by the Board to administer the Plan; provided, however, that the Committee shall consist of two or more directors of the Company each of whom is a “disinterested person” within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended from time to time and an “outside director” as required by Section 162(m) of the Internal Revenue Code.
- (e) “Common Stock” means the Common Stock of the Company.
- (f) “Common Stock Outstanding” means the weighted average number of actual shares of Common Stock issued and outstanding during the Plan Year, determined in accordance with generally accepted principles. In the event of a reorganization, recapitalization, stock split, spin off, stock dividend, combination of shares, merger, consolidation, rights

offering, or any other change in the capital structure of the Company, the Committee may make such adjustment, if any, as it deems appropriate in the determination of Common Stock Outstanding.

- (g) “Company” means DST Systems, Inc., a corporation organized under the laws of Delaware, or any successor company.
- (g1) “Deferred Cash” means a right to receive the Non-Cash Portion of the award in cash (less any amounts required to be withheld for federal, state and local taxes and accounting for increases or decreases in amount as provided in Section 7(d)(ii)) as soon as practicable after the Release of Restriction Date set forth in Section 7(b)(iv).
- (h) “Disability” means the Participant, because of a physical or mental disability, will be unable to perform the duties of his or her customary position of employment (or is unable to engage in any substantial gainful activity for Company) for an indefinite period which the Committee considers will be of long continued duration. The Plan considers a Participant disabled on the date the Committee determines the Participant satisfies the definition of disability. The Committee may require a Participant to submit to a physical examination in order to confirm disability. The Committee will apply the provisions of this section in a nondiscriminatory, consistent and uniform manner.
- (i) “Earnings Per Share” or “EPS” means diluted earnings per share, determined in accordance with generally accepted accounting principles.
- (j) “Equity” shall mean either Restricted Common Stock or Options.
- (k) “Income” means net income of the Company and its consolidated Subsidiaries, determined in accordance with generally accepted principles, consistently applied, for any Plan Year for which the incentive awards are calculated, as reported by the Company and certified by the Company’s independent certified public accountants.
- (l) “Market Price” shall be the average of the highest and lowest reported sales prices of Common Stock on the New York Stock Exchange.
- (ll) “Non-Cash Portion” means that portion of an award consisting of Restricted Common Stock, Options or Deferred Cash.
- (m) “Options” shall mean non-qualified options to purchase Common Stock granted pursuant to Sections 5 and 7.
- (n) “Participant(s)” shall mean all officers of the Company, all employees of the Company who hold the managerial title of director, and such employees of Subsidiaries and Affiliates holding officer or managerial director positions as are designated from time to time by the Compensation Committee.
- (o) “Plan” means this Executive Incentive Plan, as it may be amended from time to time.

- (p) “Plan Year” means the fiscal year of the Company.
- (p1) “Resignation for Good Reason” means Participant’s resignation subsequent to a Change in Control on not less than thirty (30) days written notice to the DST Systems, Inc. corporate secretary, effective at the end of such notice period, and for any of the following reasons occurring without his consent: (i) a change in the character of Participant’s assigned duties or a reduction in the level of Participant’s work or responsibility, (ii) a reduction in base salary or incentive bonus as in effect immediately prior to the Change in Control or in effect as a result of an increase subsequent to the Change in Control, (iii) a failure by Company or its successor either to continue in effect any benefit plans made generally available to Company executives at Participant’s geographic location prior to the Change in Control or to provide other plans under which compensation and benefits are available in which Participant continues to participate on a basis at least equivalent to his participation in the Company plans immediately prior to the Change in Control, (iv) a failure by Company to timely make to Participant payment of any unfunded amounts due under any Company benefit plan as a result of the Change in Control, (v) the relocation of the principal office at which Participant worked immediately prior to the Change in Control to a location outside of the metropolitan area where such office was located but only if relocation requires Participant to be based anywhere other than such metropolitan area (except for required travel on Company business to an extent substantially consistent with Participant’s obligations immediately prior to the Change in Control), or (vi) any breach of an employment agreement between Company, Subsidiary or Affiliate, or any successor company and Participant.
- (q) “Restricted Common Stock” means Common Stock delivered in payment of an incentive award and subject to restrictions described in Section 7.
- (r) “Subsidiary” means a corporation, domestic or foreign, the majority of the voting stock of which is owned directly or indirectly by the Company.
- (s) “Targeted Earnings Per Share” or “Targeted EPS” means the Earnings Per Share criteria to be established by the Committee, from time to time and in its sole discretion, pursuant to Section 4(b) for purposes of determining incentive awards.
- (t) “Termination Without Cause” means a termination by Company, Subsidiary or Affiliate of Participant’s employment that is not For Cause so that Participant is no longer employed by Company or by any Subsidiary or Affiliate. A termination of employment “For Cause” includes termination for any act of dishonesty, willful misconduct, gross negligence, intentional or conscious abandonment or neglect of duty, criminal activity, fraud or embezzlement, any unauthorized disclosure or use of material confidential information or trade secrets, or violation of any non-compete or non-disclosure agreement between Participant and Company, Subsidiary or Affiliate.

Section 3. Eligibility and Participation

Except in the event of (i) retirement on or after age 60, (ii) Disability, (iii) death, or (iv) Termination Without Cause, a Participant must be an active employee of the Company, a Subsidiary, or Affiliate on December 31 of the Plan Year to be eligible for an incentive award. In the event of retirement, Disability, death, or Termination Without Cause, the incentive award as calculated at the end of and for the full Plan Year shall be pro-rated to reflect the actual period of employment during the Plan Year.

Section 4. Incentive Award Determination

- (a) Incentive Award Opportunity The Committee shall establish award opportunity levels (which may be Threshold, Target and Maximum levels) at the times and in the manner it deems appropriate for carrying out the intent of this Plan.

The amount of the incentive award earned will be pro-rated between incentive award opportunity levels to reflect actual performance attained. Unless otherwise determined by the Committee, opportunity levels expressed as percentages of base salary shall be based on base salary as of the beginning of a Plan Year. No incentive award will be payable with respect to a performance measure and weighting where less than Threshold performance has been attained. No incentive award for a Plan Year shall exceed 300% of the Participant's base salary as of the beginning of the Plan Year.

- (b) Performance Measures and Weighting The Committee shall establish performance criteria (which may be Threshold, Target and Maximum criteria) and weighting among criteria for each Participant at the times and in the manner it deems appropriate for carrying out the intent of this Plan.

Section 5. Payment of Earned Incentive Awards

As soon as practical after the end of the Plan Year and upon the compilation of the necessary information, the Committee shall determine the degree of attainment of the performance measures and the awards payable in accordance with Section 4 and this Section 5. The Committee shall certify, in writing, prior to the payment of incentive awards that the performance goals and other material terms of the Plan have been satisfied.

Unless otherwise determined by the Committee, the aggregate incentive award determined for a Plan Year (annual and cumulative) shall be paid to the Participant in a combination of cash and Equity or Deferred Cash, depending on the level of incentive award earned, as follows:

- (a) 100% cash for that portion of a Participant's incentive award up to and including his or her Threshold incentive opportunity level;
- (b) 50% cash and 50% Equity or Deferred Cash for that portion of a Participant's incentive award above his or her Threshold incentive opportunity levels up to and including his or her Maximum incentive opportunity level; and

Upon the Committee's written certification, the Company shall pay the cash portion of the incentive award earned, less any amounts required to be withheld for federal, state and local taxes, as soon as practicable and shall grant the Non-Cash Portion in accordance with the procedures and restrictions set forth in Section 7.

Section 6. Limitations on Incentive Awards

The aggregate value of all incentive awards for a Plan Year shall not exceed ten percent (10%) of the Company's pre-tax income for such Plan Year. If incentive awards generated in a Plan Year exceed this amount, the incentive awards for all Participants shall be reduced pro-rata.

Section 7. Non-Cash Portion Election and Procedures

- (a) Selection of Award Type; Award Agreements The Committee shall determine whether the Non-Cash Portion of the award for a Plan Year shall be made in the form of Restricted Stock, Options, or Deferred Cash, or a combination thereof, or whether Participants shall be allowed to elect Restricted Stock, Options, or Deferred Cash, or a combination thereof. Procedures for Participants making any such election shall be determined by the Chief Financial Officer. The Committee may make any awards hereunder subject to the terms and conditions of an award agreement.
- (b) Restricted Common Stock
- (i) Issuance of Restricted Common Stock Each Participant electing to receive Restricted Common Stock shall have issued in his or her name a number of full shares of Restricted Common Stock equal to the whole number of the quotient obtained by dividing the dollar amount of the incentive award to be settled in Equity, as determined in Section 5, by the Market Price on the "date of grant". The date that the Committee approves the incentive awards for the Plan Year shall be deemed to be the date of grant. If the amount of the award is not evenly divisible by such Market Price, then the remainder shall be paid to the Participant in cash.
- (ii) Rights and Obligations on Restricted Common Stock A certificate for all shares of Restricted Common Stock registered in the name of a Participant shall be delivered to the office of the corporate secretary for safekeeping. The Participant shall thereupon be a stockholder and have all the rights of a stockholder with respect to such shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such shares; provided, that, in the discretion of the Compensation Committee, all such distributions that are not capital stock of the employer of the Participant shall be converted to capital stock of such employer, and provided further, that such shares of Restricted Common Stock, and any new, additional or different securities the Participant may become entitled to receive with respect to such shares by virtue of a stock split or stock dividend or any other change in the corporate or capital structure of the Company, shall be subject to the restrictions described in Section 7 (b)(iii).

- (iii) Restrictions Prior to release or payment as provided in Section 7(b)(iv), the shares of Restricted Common Stock or the right to receive Deferred Cash may not be sold, exchanged, transferred, pledged, hypothecated, or otherwise disposed of by the Participant. However, nothing herein shall preclude a Participant from making a gift of any shares of Restricted Common Stock to a spouse, child, step-child, grandchild, parent or sibling, or legal dependent of the Participant or to a trust of which the beneficiary or beneficiaries of the corpus and the income shall be either such a person or the Participant; provided that, the Restricted Common Stock so given shall remain subject to the restrictions, obligations and conditions described in this Section.
- (iv) Release of Restrictions All restrictions on Restricted Common Stock shall lapse as of, and Deferred Cash shall issue as soon as administratively practicable after, the first trading day on the stock exchange on which the Common Stock is listed of the fourth fiscal year following the Plan Year for which the Restricted Common Stock or the right to receive Deferred Cash was awarded (the "Release of Restriction Date"); provided, however that in the event of termination of employment with the Company, Subsidiary, or Affiliate prior to the Release of Restriction Date for any reason other than the Participant's (i) retirement on or after 60, (ii) Disability, (iii) death, or (iv) Termination Without Cause, all rights to any shares of Restricted Common Stock or to receive the Deferred Cash payments with respect to such award shall be forfeited to the Company and certificates for such Restricted Common Stock shall be cancelled and of no further effect.

Any shares of Restricted Common Stock held by the office of the corporate secretary shall be delivered, free and clear of all restrictions, and any payments of Deferred Cash shall be paid, to (A) the Participant upon (or as soon as administratively practicable after) the Release of Restriction Date, his or her retirement on or after 60, Disability, or Termination Without Cause; or (B) his or her Beneficiary upon (or as soon as administratively practicable after) his or her death before retirement.

(c) Options

- (i) Computation of Number Each Participant electing to receive Options shall have granted to him or her an option for that number of shares of Common Stock equal to three times the number of shares of Restricted Common Stock available to such Participant as computed pursuant to Section 7(b)(i) above. The date that the Committee approves the incentive awards for the Plan Year shall be deemed to be the date of grant. If the amount of the award is not evenly divisible by such value, then the remainder shall be paid to the Participant in cash.
- (ii) Option Terms The Common Stock options shall be subject to an agreement between the grantee and the Company (an "Option Agreement") and will contain the following terms:

- (A) the Common Stock options shall be non-qualified options granted pursuant to the DST Systems, Inc. 1995 Stock Option and Performance Award Plan (the "Option Plan");
- (B) the option price shall be the fair market value (as defined in the Option Plan) on the date of grant;
- (C) the options shall become exercisable on the last day of the third calendar year following the calendar year for which the bonus allocated to the option was earned, subject to becoming exercisable earlier upon Termination Without Cause, retirement, death or Disability;
- (D) the options, if granted prior to November 28, 2003, shall have a reload feature which would be effective only if the fair market value of the Common Stock has increased at least 20% from the date of grant to the date of exercise; and
- (E) the options shall be further subject to the terms and conditions set forth in the Option Agreement.

(d) Deferred Cash

- (i) Deferred Cash shall be paid as set forth in Section 7(b)(iv) hereof, and rights with respect to such award shall be limited as set forth in Section 7(b)(iii) hereof.
- (ii) The Committee may, but is not required to, direct the Chief Financial Officer to establish procedures for the investment of Deferred Cash in hypothetical investments of DST selected by the Participant from two or more hypothetical investments chosen by the Committee or, if the Committee allows, by the Chief Financial Officer or the President. Each Participant's Deferred Cash amount shall be credited with any gains on such selected hypothetical investments and shall be charged with any losses from such hypothetical investments so that the amount of Deferred Cash finally received by the Participant will be equal to the Participant's hypothetical investment account at a date certain prior to the time of payment less any required tax withholding amounts.
- (iii) The Committee may, but is not required to, direct the Chief Financial Officer to establish procedures for Participant elections adequately in advance of the Release of Restriction Date under applicable tax or other laws to continue deferrals beyond the Release of Restriction Date for periods allowed or required by the Committee and applicable tax or other laws.

Section 8. Change in Control

- (a) Effect on Restricted Common Stock and Options In the event of a Change in Control (as defined below), all time periods and requirements necessary to cause a release of restrictions on Restricted Common Stock as set forth in Section 7(b)(iv) shall be deemed to have been met; and the Release of Restrictions Date for such Restricted Common Stock will be deemed to be upon such Change in Control. Any shares of Restricted Common Stock then held by the office of the corporate secretary shall be delivered to the Participant upon such Release of Restrictions, free and clear of all restrictions. The effect of a change of control on Options shall be determined under the Option Agreement.
- (a1) Effect on Deferred Cash Notwithstanding any other provision of this Plan, subsequent to a Change in Control (as defined below) that occurs prior to the Release of Restrictions Date, the Deferred Cash shall be paid as soon as administratively practicable after the earliest of the following dates: (a) Release of Restrictions Date, or (b) the date of Participant's (i) retirement on or after age 60, (ii) Disability, (iii) death, (iv) Termination Without Cause or (v) Resignation for Good Reason.
- (b) Effect on Plan Year Notwithstanding anything in the Plan to the contrary, in the event of a Change in Control:
- (i) the Plan Year will end as of the Change in Control;
 - (ii) the attained level of performance with respect to any and all performance goals and weighting and the resulting incentive award earned for the Plan Year shall be deemed to be at Maximum, without reduction for a short Plan Year; and
 - (iii) the incentive award for the Plan Year shall be paid promptly in cash.
- (c) Change in Control Defined For purposes of Restricted Stock and Options granted under this Plan prior to March 2, 2005, a "Change in Control" shall be deemed to have occurred if the conditions in (i), (ii), or (iii) are met:
- (i) for any reason at any time less than seventy-five percent (75%) of the members of the Board shall be individuals who fall into any of the following categories:
 - (A) individuals who were members of such Board on September 1, 1995;
 - (B) individuals whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least seventy-five percent (75%) of the members of the Board then still in office who were members of such Board on September 1, 1995; or
 - (C) individuals whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least seventy-five percent (75%) of the members of the Board then still in office who were elected in the manner described in (A) or (B) above.

- (ii) any “person” (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act) shall have become, according to a public announcement or filing, without the prior approval of the Board, the “beneficial owner” (as defined in Rule 13(d)-3 under the Exchange Act) directly or indirectly, of securities of the Company representing twenty percent (20%) or more (calculated in accordance with Rule 13(d)-3) of the combined voting power of the Company’s then outstanding voting securities (such “person” hereafter referred to as a “Major Stockholder”). For purposes of the Plan, Kansas City Southern Industries, Inc. shall not be deemed to be a Major Stockholder unless its ownership of voting securities of the Company, directly or indirectly, falls below twenty percent (20%) and subsequently increases to represent twenty percent (20%) or more of the Company’s then outstanding voting securities.

- (iii) the stockholders of the Company shall have approved a merger, consolidation or dissolution of the Company or a sale, lease, exchange or disposition of all or substantially all of the Company’s assets, or a Major Stockholder shall have proposed any such transaction, unless such merger, consolidation, dissolution, sale, lease, exchange or disposition shall have been approved by at least seventy-five percent (75%) of the members of the Board who are individuals falling into any combination of the following categories:
 - (A) individuals who were members of such Board on September 1, 1995;
 - (B) individuals whose election or nomination for election by the Company’s stockholders was approved by at least seventy-five percent (75%) of the members of the Board then still in office who are members of the Board on September 1, 1995; or
 - (C) individuals whose election, or nomination for election by the Company’s stockholders was approved by a vote of at least seventy-five percent (75%) of the members of the Board then still in office who were elected in the manner described in (A) or (B) above.

For purposes of Restricted Stock, Options, and Deferred Cash granted under the Plan on or after March 2, 2005, a “Change in Control” shall be deemed to have occurred if a Change in Control shall be deemed to have occurred under Paragraph 10(c) of the DST Systems, Inc. 1995 Stock Option and Performance Award Plan as amended and restated on or after March 2, 2005.

Section 9. Plan Administration

The Plan shall be administered by the Committee which is authorized to establish such rules and procedures necessary to carry out its tasks. The Committee shall have sole discretion in interpreting and in exercising its authority under the Plan. Any action of the Committee with respect to the Plan shall be final, conclusive and binding on all persons including the Company, Subsidiaries, Affiliates, Participants, and any person claiming any rights under the Plan from or through any Participant.

Except for those functions that must be performed by the Committee pursuant to Section 16 of the Securities Exchange Act of 1934 and other applicable law, the Committee may delegate to officers of the Company the authority, subject to such terms as the Committee shall determine, to perform administrative functions. Notwithstanding anything herein to the contrary, the Committee shall be solely responsible for certifying, in writing, prior to payment of any incentive awards that the performance goals and other material terms were satisfied.

Section 10. No Right to Continued Employment

Neither the establishment of the Plan, the participation by an individual in the Plan nor the payment of any award hereunder or any other action pursuant to the Plan shall be held or construed to confer upon any Participant the right to continue in the employ of the Company, a Subsidiary, or Affiliate or affect any right which the Company or its Subsidiaries have to terminate at will the employment of any such Participant.

Section 11. Non-Transferability of Awards

Except as otherwise provided in this Plan, no amount payable at any time under the Plan shall be subject to alienation by anticipation, sale, transfer, assignment, bankruptcy, pledge, attachment, charge, or encumbrance of any kind nor in any manner be subject to the debts or liabilities of any person, and any attempt to so alienate or subject any such amount shall be void.

Section 12. Amendment and Termination of the Plan

The Committee may amend or terminate this Plan in whole or in part at any time without the consent of or prior notice to any Participant including, but not limited to modifying (a) the Targeted EPS, (b) the incentive award opportunity levels for any or all Participants, (c) the weighting between annual and cumulative Targeted EPS, (d) the percentages of cash, restricted stock (or other equity components such as options) to be paid to a Participant as an incentive award. No such amendment or termination shall adversely affect the right of a Participant to receive any amount to which he has become entitled by achieving goals prior to such amendment or termination. In the event of a termination of the Plan or an amendment which adversely affects the computation of an award to a Participant which occurs during a Plan Year, the Participant shall be entitled to receive (i) a prorata award to the effective date of such termination or amendment, calculated under the terms and conditions of the Plan immediately prior to such effective date and (ii) any award provided by such amended Plan for the balance of such Plan Year. Upon termination of this Plan, any Restricted Common Stock held by the office of the corporate secretary shall remain subject to the restrictions, obligations, rights and conditions described in Sections 7 and 8 as though the Plan had not terminated.

Section 13. Indemnification

The Company shall indemnify and hold harmless the Committee and each Committee member against any and all claims, loss, damage, expense or liability arising from any good faith action or failure to act with respect to this Plan.

Section 14. Incapacity

If the Committee determines that any person entitled to payments under the Plan is unable to care for his or her affairs because of illness or accident, or has died without naming a Beneficiary, unless a prior claim has been made by a duly appointed legal representative, any payment due to such person or his or her estate may, if the Committee so directs, be paid to the person's spouse, child, a relative, an institution maintaining or having custody of such person, or any other person the Committee deems to be a proper recipient on behalf of the person entitled to the payment.

Section 15. Governing Law

The provisions of the Plan shall be construed and interpreted according to the laws of the State of Missouri without reference to its principles of conflicts of law.

Section 16. Severability

If any provision of the Plan is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision of the Plan, and the Plan shall be construed and enforced as if such provision had not been included.

Section 17. Headings

The headings of sections of the Plan are for convenience of reference. In case of any conflict, the text of the Plan, rather than such headings, shall control.

This Plan Amended and Restated as of March 2, 2005.

/s/ M. Jeannine Strandjord

M. Jeannine Strandjord
Chair, DST Systems, Inc.
Compensation Committee

FIRST AMENDMENT TO RESTRICTED SHARES AWARD AGREEMENT

This amendment dated March 2, 2005 is to the Restricted Shares Award Agreement (“RSAA”) dated November 10, 2004 between DST Systems, Inc. (the “Company”) and _____ (“Employee”).

WHEREAS, the RSAA currently provides for full lapsing of the restrictions on the shares subject to the RSAA (the “Shares”) upon a Company Change in Control as defined in the DST Systems, Inc. 1995 Stock Option and Performance Award Plan (the “Plan”);

WHEREAS, on the Grant Date, (i) the Company’s Board of Directors was contemplating certain changes to the Change in Control provisions of the Plan, and (ii) the Compensation Committee of the Board of Directors (the “Committee”) was considering “double trigger” vesting of a pro-rata portion of the Shares upon a Change in Control;

WHEREAS, Section 3(b) of the RSAA provides that “the Board may amend the Change in Control definition and related provisions in the Plan at any time after the date of this Agreement, and that such amendment may also delay or otherwise affect the timing, or include additional conditions relating to the lapse of restrictions on the Shares in the event of a Change in Control”;

WHEREAS, Section 3(b) of the RSAA also provides that any such amendment of the Plan shall automatically apply to, and be incorporated in, the terms of the RSAA, without any requirement or prior notice or consent of Employee;

WHEREAS, Section 7(g) of the RSAA provides that the RSAA “shall also be amended, without prior notice to Employee and without Employee’s consent . . . automatically in the circumstances set forth in Paragraph 3(b)”;

WHEREAS, on March 2, 2005, the Board amended the Change in Control provisions in the Plan and the Committee amended the RSAA to provide for Change in Control double trigger vesting.

THEREFORE, the RSAA is hereby amended as follows:

1. Section 3(a) of the RSAA shall be deleted in its entirety and replaced with the following:

Release Date. The Shares shall be free and clear of the restrictions set forth in paragraph 2(a) hereof on January 31, 2010 (the “Release Date”) but only if the EPS Goal (as defined in Paragraph 3(e)) is achieved; provided, however, that the EPS Goal shall not be a condition to lapsing of restrictions if a Change in Control (as defined in Paragraph 6(b) hererof) occurs at any time after the Grant Date but prior to January 31, 2010. A release of restrictions shall occur earlier than January 31, 2010 on the earliest of any of the following dates (also “Release Dates”): (i) the date Employee becomes disabled (as defined from time to time by the Committee); (ii) the date of Employee’s death; (iii) the date of a Termination Without Cause (as defined in Paragraph 3(g)) that occurs on the date of and in connection with a Business Unit Divestiture (as defined in Paragraph 3(i)); (iv) the date of a Change in Control (as defined in Paragraph 6(b)); (v) the date of a Termination Without Cause that occurs in

connection with a Reduction in Force (as defined in Paragraph 3(h)); and (vi) the date of Employee's voluntary termination of employment after attaining sixty (60) years of age; provided, however, that (except as provided in Paragraph 3(b) hereof with respect to a release of restrictions upon a termination of employment in certain circumstances subsequent to a Change in Control) a release of restrictions upon any of the events in subclauses (iv), (v) or (vi) of this Paragraph 3(a) shall occur only with respect to Eligible Shares (as defined in Paragraph 3(f)).

2. Section 3(b) of the RSAA shall be deleted in its entirety and replaced with the following:

Release Date Subsequent to Change in Control: Potential Amendments. Shares on which restrictions have not lapsed as of a Change in Control shall not be subject to the EPS Goal and shall also be free and clear of the restrictions set forth in Paragraph 2(a) hereof upon the earlier of (i) January 31, 2010 or other applicable Release Date set forth in Paragraph 3(a), or (ii) the date within three years subsequent to the Change in Control date of a Termination Without Cause (as defined in Paragraph 3(g)) or of a Resignation for Good Reason (as defined in Paragraph 3(k)).

3. Section 3(f) of the RSAA shall be deleted in its entirety and replaced with the following:

Eligible Shares. For purposes of Paragraph 3(a) hereof, "Eligible Shares" are the total number of Shares granted divided by sixty (60) and then multiplied by the number of full calendar months beginning November 1, 2004, that Employee has worked prior to the event set forth in Paragraph 3(a)(iv), 3(a)(v) or 3(a)(vi) triggering the pro-rata vesting, rounded up to the next whole Share.

4. Section 3(k) shall be added to the RSAA:

Resignation for Good Reason. For purposes of Paragraph 3(b), a "Resignation for Good Reason" is Employee's resignation subsequent to a Change in Control on not less than thirty (30) days written notice to the Company Secretary, effective at the end of such notice period, and for any of the following reasons occurring without his consent: (i) a change in the character of Employee's assigned duties or a reduction in the level of Employee's work or responsibility, (ii) a reduction in base salary or incentive bonus as in effect immediately prior to the Change in Control or in effect as a result of an increase subsequent to the Change in Control, (iii) a failure by Company or its successor either to continue in effect any benefit plans made generally available to Company executives at Employee's geographic location prior to the Change in Control or to provide other plans under which compensation and benefits are available in which Employee continues to participate on a basis at least equivalent to his participation in the Company plans immediately prior to the Change in Control, (iv) a failure by Company to timely make to Employee payment of any unfunded amounts due under any Company benefit plan as a result of the Change in Control, (v) the relocation of the principal office at which Employee worked immediately prior to the Change in Control to a location outside of the metropolitan area where such office was located but only if relocation requires Employee to be based anywhere other than such metropolitan area (except for required travel on Company business to an extent substantially consistent with

Employee's obligations immediately prior to the Change in Control), or (vi) any breach of an employment agreement between Company or its successor and Employee.

5. In Section 7(g) of the RSAA, the phrase "Paragraphs 3(b) and 6(b)" shall be deleted in its entirety and replaced with the phrase "Paragraph 6(b)".

Except as amended hereby, the RSAA remains in full force and effect.

COMPENSATION COMMITTEE OF THE DST
SYSTEMS, INC. BOARD OF DIRECTORS

FOURTH AMENDMENT TO RIGHTS AGREEMENT

This Fourth Amendment dated as of March 2, 2005 is to the Rights Agreement dated as of October 6, 1995 between DST Systems, Inc., a Delaware Corporation (the "Company"), and EquiServe Trust Company, N.A., (the "Rights Agent" by assignment dated November 7, 2001 from State Street Bank and Trust Company), as amended by the First Amendment dated as of July 9, 1998, the Second Amendment dated as of September 10, 1999, and the Third Amendment dated as of September 25, 2001 (as so amended, the "Agreement"). The Fourth Amendment is pursuant to Section 26 of the Agreement and is being made prior to the Distribution Date. The undersigned officer of the Company, in his capacity as such, hereby certifies that this Fourth Amendment is in compliance with such Section 26. Capitalized and other terms in this Fourth Amendment shall have the meanings given them in the Agreement unless defined herein.

The Company and the Rights Agent agree that Section 1(a) of the Agreement shall be deleted in its entirety and replaced with the following:

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

Except as otherwise set forth in this Fourth Amendment, the Agreement has not been amended or otherwise modified in any respect and remains in full force and effect in accordance with its terms. This Fourth Amendment may be executed in any number of counterparts, and each such counterpart shall for all purposes be deemed an original, and all such counterparts shall together constitute but one and the same instrument.

DST SYSTEMS, INC.

By /s/ Kenneth V. Hager

Name: Kenneth V. Hager

Title: Vice President, Chief Financial Officer and Treasurer

EQUISERVE TRUST COMPANY, N.A.

By /s/ Carol Mulvey-Eori

Name: Carol Mulvey-Eori

Title: Managing Director