

KANSAS CITY SOUTHERN
Form 4
November 17, 2006

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
HAVERTY MICHAEL R

(Last) (First) (Middle)

KANSAS CITY SOUTHERN, PO
BOX 219335

(Street)

KANSAS CITY, MO 64121-9335

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol

KANSAS CITY SOUTHERN [KSU]

3. Date of Earliest Transaction (Month/Day/Year)

11/16/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)
Chairman & CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | Code | V Amount (D) Price | | | |
| Common Stock | | | | | 1,003,471 | D | |
| Common Stock | | | | | 412 | I | Held by child |
| Common Stock | | | | | 11,032.515 | I | Held by 401(k) & P/S Plan (1) |
| Common Stock | | | | | 29,732.645 | I | Held by ESOP (3) |
| | 04/18/2006 | | G(4) | V 58,866 D \$ 0 0 | | I | |

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| | | | | | | | | | | |
|--------------|------------|--|------------------|---|--------|---|------|------------------------|---------------|---------------------------|
| Common Stock | | | | | | | | | Held by Trust | |
| Common Stock | 04/18/2006 | | G ⁽⁵⁾ | V | 19,622 | A | \$ 0 | 19,622 | I | Held by trust f/b/o child |
| Common Stock | 05/31/2006 | | G ⁽⁶⁾ | V | 10,000 | D | \$ 0 | 306,134 ⁽⁶⁾ | I | Held by spouse |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Security (Instr. 3 and 4) | | |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--------------|--------|
| | | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | Amount |
| Option (Right to Buy) ⁽²⁾ | \$ 5.75 | | | | | 07/13/2003 | 07/12/2010 | Common Stock | 19 |
| LSAR ⁽²⁾ | \$ 5.75 | | | | | ⁽²⁾ | ⁽²⁾ | Common Stock | 19 |
| Option (Right to Buy) ⁽²⁾ | \$ 5.75 | | | | | 07/13/2001 | 07/12/2010 | Common Stock | 99 |
| LSAR ⁽²⁾ | \$ 5.75 | | | | | ⁽²⁾ | ⁽²⁾ | Common Stock | 99 |
| Option (Right to Buy) ⁽²⁾ | \$ 14.34 | | | | | 02/27/2001 | 02/26/2011 | Common Stock | 1 |
| LSAR ⁽²⁾ | \$ 14.34 | | | | | ⁽²⁾ | ⁽²⁾ | Common Stock | 1 |
| Option (Right to Buy) ⁽²⁾ | \$ 13.42 | | | | | 02/06/2002 | 02/05/2012 | Common Stock | 1 |
| LSAR ⁽²⁾ | \$ 13.42 | | | | | ⁽²⁾ | ⁽²⁾ | Common | 1 |

| | | | | | | Stock | | | | |
|--|----------------------------------|------------|--|--|---------------------|---|-------------------|-------------------|--------------|---|
| Option (Right to Buy) ⁽²⁾ | \$ 12.55 | | | | | 01/16/2003 | 01/15/2013 | Common Stock | 1 | |
| LSAR ⁽²⁾ | \$ 12.55 | | | | | <u>(2)</u> | <u>(2)</u> | Common Stock | 1 | |
| Option (Right to Buy) ⁽²⁾ | \$ 12.55 | | | | | 01/16/2008 | 01/15/2013 | Common Stock | 9 | |
| LSAR ⁽²⁾ | \$ 12.55 | | | | | <u>(2)</u> | <u>(2)</u> | Common Stock | 9 | |
| Option (Right to Buy) ⁽²⁾ | \$ 14.6 | | | | | 01/02/2005 | 01/01/2014 | Common Stock | 9 | |
| LSAR ⁽²⁾ | \$ 14.6 | | | | | <u>(2)</u> | <u>(2)</u> | Common Stock | 9 | |
| Option (Right to Buy) ⁽²⁾ | \$ 14.53 | | | | | 02/09/2004 | 02/08/2014 | Common Stock | 1 | |
| LSAR ⁽²⁾ | \$ 14.53 | | | | | <u>(2)</u> | <u>(2)</u> | Common Stock | 1 | |
| Variable pre-paid forward contract (put equivalent position) | <u>(7)</u> <u>(8)</u> <u>(9)</u> | 11/16/2006 | | | J <u>(7)</u> (8)(9) | 350,000 <u>(7)</u> <u>(8)</u> <u>(9)</u> | <u>(7)</u> (8)(9) | <u>(7)</u> (8)(9) | Common Stock | 3 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|----------------|-------|
| | Director | 10% Owner | Officer | Other |
| HAVERTY MICHAEL R KANSAS CITY SOUTHERN PO BOX 219335 KANSAS CITY, MO 64121-9335 | X | | Chairman & CEO | |

Signatures

Julie D. Powell,
Attorney-in-fact
11/17/2006

 **Signature of Reporting Person

 Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) A total of 11,032,515 shares have accrued to the reporting person's account under the Company's 401(k) and Profit Sharing Plan.

Limited Stock Appreciation Rights ("LSARs") are granted in tandem with stock options. LSARs become exercisable only following a

(2) change-in-control of the Company in lieu of related options and are exercisable only for cash. LSARs terminate when the related options are exercised or terminated.

(3) A total of 29,732,645 shares are held in the reporting person's account under the KCS Employee Stock Ownership Plan.

(4) 58,866 shares of 375,000 shares previously held in a grantor retained annuity trust ("GRAT") for which the reporting person's wife was the grantor were distributed as gifts to a trust for which the reporting person's three children are the beneficiaries.

58,866 shares held in a GRAT for which the reporting person's wife was the grantor were distributed to a trust for the benefit of the

reporting person's three children as a gift. One child of the reporting person currently resides in the reporting person's household; the other

(5) two children are non-household children. This entry, therefore, reflects one-third of the shares that were transferred from the GRAT to the trust for which the children are the beneficiaries, one-third being the portion of the shares that are held for the benefit of the child residing in the household.

On April 5, 2006, 316,134 shares of 375,000 shares previously held in a GRAT for which the reporting person's wife was the grantor

(6) were distributed to the reporting person's wife. This is an exempt Rule 16a-13 transaction. This line item reports a subsequent gift by the reporting person's wife of 10,000 shares on May 31, 2006.

On November 16, 2006, the reporting person entered into Prepaid Variable Forward Purchase Agreements ("Agreements") with UBS Securities LLC ("Buyer"). The Agreements obligate the reporting person to deliver to Buyer up to 350,000 Common Shares in the aggregate (or an equivalent amount of cash, if elected by him) on the Maturity Date of the Agreements (i.e., in December, 2009, or an

earlier date if the parties agree to terminate the Agreement early). In exchange for assuming this obligation, the reporting person will receive a cash payment equal to approximately \$7.9 million as of the date of entering into the Agreements (the actual amount to be determined upon completion of certain hedging transactions by Buyer). The reporting person pledged 350,000 Common Shares (the "Pledged Shares") to secure his obligations under the Agreements, and retained voting rights in the Pledged Shares during the period of the pledge. (Continued in footnote 8.)

(7)

The number of Common Shares to be delivered to Buyer on the Maturity Date, if the reporting person does not elect a cash settlement, is to be determined as follows, on the basis of prices of the Common Shares that are subject to adjustment for events specified in the

Agreements: * If the price per share of the Common Shares on the Maturity Date is less than or equal to the volume weighted average

(8) price at which Buyer completes its hedge execution (the "Initial Price"), the reporting person will deliver to the Buyer the entire amount of Pledged Shares; * If the price per share of the Common Shares on the Maturity Date is between 100% of the Initial Price (the "Lower Limit") and 140% of the Initial Price (the "Upper Limit"), the reporting person will deliver to the Buyer a number of shares determined by multiplying the number of the Pledged Shares by the Lower Limit, and dividing the resulting number by the price of the Common Shares on the Maturity Date; or (Continued in footnote 9.)

* If the price per share of the Common Shares on the Maturity Date is greater than the Upper Limit, the reporting person will deliver to

(9) the Buyer a number of shares determined by reference to a formula specified in the Agreements that would result in the reporting person being obligated to deliver fewer than the number of Pledged Shares.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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