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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):

September 24, 2007

**Kansas City Southern**

(Exact name of registrant as specified in its charter)

Delaware

1-4717

44-0663509

(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

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

427 West 12th Street, Kansas City, Missouri

64105

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

816-983-1303

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:

- 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.**

On September 24, 2007, Kansas City Southern ("KCS") entered into a Settlement Agreement (the "Settlement Agreement") with Grupo TMM, S.A.B. ("TMM"), TMM Logistics, S.A. de C.V., a subsidiary of TMM ("TMML"), and VEX Asesores Corporativos, S.A. de C.V. (formerly José F. Serrano International Business, S.A. de C.V.) (the "Consulting Firm") resolving certain claims and disputes over escrows established on December 15, 2004 as part of KCS' acquisition of Grupo TFM, S.A. de C.V. (now Kansas City Southern de México, S.A. de C.V.) ("KCSM").

Pursuant to the terms of the Settlement Agreement, KCS will pay TMM the sum of \$54,137,000 in cash to retire two escrow accounts created at the closing of the KCSM acquisition to cover certain post-closing contingencies and tax liabilities. The aggregate value of the two escrow accounts is approximately \$86.6 million. The parties have further agreed as part of the Settlement Agreement to (i) release all claims that have been asserted against each other in connection with the KCSM acquisition, (ii) terminate the Marketing and Services Agreement entered into among certain KCS subsidiaries and TMML at the closing of the KCSM acquisition, and (iii) terminate the Consulting Agreement entered into between KCS and the Consulting Firm at the closing of the KCSM acquisition. In connection with the termination of the Consulting Agreement, KCS has agreed to make the final annual payment of \$3,000,000 due to the Consulting Firm on December 15, 2007, and to terminate an escrow account established to hold annual consulting payments pursuant to the terms of the Consulting Agreement. The Settlement Agreement closes all pending matters between KCS and TMM relating to the KCSM acquisition.

For further information, please see the press release attached hereto as Exhibit 99.1.

**Item 1.02 Termination of a Material Definitive Agreement.**

On September 24, 2007 and effective as of October 1, 2007, KCS agreed to terminate (i) the VAT Escrow Agreement and the Indemnity Escrow Agreement, each entered into as of December 15, 2004 among KCS and certain KCS subsidiaries, TMM and certain of its subsidiaries, and The Bank of Nova Scotia Trust Company, as Escrow Agent, (ii) the Consulting Compensation Agreement dated as of December 15, 2004 among KCS and the Consulting Firm; (iii) the Consulting Compensation Escrow Agreement dated as of December 15, 2004 among KCS, the Consulting Firm and The Bank of Nova Scotia Trust Company, as Escrow Agent, and (iv) the Marketing and Services Agreement dated as of December 15, 2004 among certain KCS subsidiaries and TMML. Further information required by this item is included in Item 1.01 above and is incorporated herein by reference.

**Item 9.01 Financial Statements and Exhibits.**

(d)

99.1 Press Release issued by Kansas City Southern, dated September 24, 2007, entitled "KCS Settles Final Differences with TMM" is attached hereto as Exhibit 99.1.

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**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.

Kansas City Southern

By: *Patrick J. Ottensmeyer*

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*Name: Patrick J. Ottensmeyer*

*Title: Executive Vice President & Chief Financial Officer*

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*September 24, 2007*

## Exhibit Index

<b>Exhibit No.</b>	<b>Description</b>
99.1	99.1 Press Release issued by Kansas City Southern, dated September 24, 2007, entitled "KCS Settles Final Differences with TMM".

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Media Contact: William H. Galligan Phone: 816/983-1551

[william.h.galligan@kcsr.com](mailto:william.h.galligan@kcsr.com)

## **KCS Settles Final Differences with TMM**

**Kansas City, Missouri – September 24, 2007** – Kansas City Southern (KCS) (NYSE:KSU) has entered into a settlement agreement with Grupo TMM, S.A. (TMM), and terminated several contractual relationships to resolve recent claims and disputes over escrows established in 2005 as part of its acquisition of Grupo TFM, S.A. de C.V., (now Kansas City Southern de Mexico, or KCSM). KCS will pay TMM \$54.1 million in cash to retire two escrows currently valued at approximately \$86.6 million on the company's financial statements and to settle all claims between the two parties.

Without this settlement, KCS could have owed an additional payout from an escrow of \$40 million in 2010 payable in KSU shares.

“We are pleased with the settlement because it avoids any possibility of a larger future payout to TMM and future dilution of KSU shares” stated KCS chairman and chief executive officer Michael R. Haverty. “It equitably addresses the economic relationships between KCS and TMM that resulted from our acquisition of KCSM, and closes the only remaining issue from that transaction which is the escrow held by KCS to cover certain post-closing contingencies.”

At the time of the acquisition of KCSM, the parties created an Indemnity Escrow of \$47 million to be paid in cash to TMM to cover post-closing contingencies in 2007, unless certain breaches or violations were proven in arbitration. Including accumulated interest charges, the Indemnity Escrow is presently valued at approximately \$53 million.

Additionally, as part of an earn out provision to TMM covered in the acquisition agreement, KCS was required to create a Tax Escrow of \$40 million to be paid to TMM in equity by 2010, unless KCS experienced certain types of unavoidable tax liabilities at KCSM, which are not foreseen at this time. This tax escrow is currently valued at approximately \$33.7 million. With the settlement announced today by KCS, the TFM acquisition transaction is closed and the escrow held by KCS at the time of that transaction is eliminated.

Headquartered in Kansas City, Mo., KCS is a transportation holding company that has railroad investments in the U.S., Mexico and Panama. Its primary U.S. holding includes KCSR, serving the central and south central U.S. Its international holdings include Kansas City Southern de Mexico, serving northeastern and central Mexico and the port cities of Lázaro Cárdenas, Tampico and Veracruz, and a 50 percent interest in Panama Canal Railway Company, providing ocean-to-ocean freight and passenger service along the Panama Canal. KCS' North American rail holdings and strategic alliances are primary components of a NAFTA Railway system, linking the commercial and industrial centers of the U.S., Canada and Mexico.