

KANSAS CITY SOUTHERN
Form 11-K
June 15, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 11-K

x **ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

.. **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____.

Commission File Number 333-91478-99

For the fiscal years ended December 31, 2010 and 2009

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
Gateway Western Railway Union 401(k) Plan

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B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Kansas City Southern

427 West 12th Street

Kansas City, Missouri 64105-1804

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GATEWAY WESTERN RAILWAY UNION

401(k) PLAN

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Report of Independent Registered Public Accounting Firm

To the Plan Administrator of

Gateway Western Railway Union 401(k) Plan

Kansas City, Missouri

We have audited the accompanying statements of net assets available for benefits of Gateway Western Railway Union 401(k) Plan as of December 31, 2010 and 2009 and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Gateway Western Railway Union 401(k) Plan as of December 31, 2010 and 2009 and the changes in net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) and schedule of delinquent participant contributions as of and for the year ended December 31, 2010, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the United States Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ McGladrey & Pullen, LLP
Kansas City, Missouri
June 15, 2011

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GATEWAY WESTERN RAILWAY UNION

401(k) PLAN

Statements of Net Assets Available for Benefits

December 31, 2010 and 2009

	2010	2009
Assets:		
Cash and temporary investments	\$	\$ 3,238
Investments, at fair value:		
Plan interest in the Master Trust	3,353,650	
Common stock of Kansas City Southern		88,152
Common collective trust		420,729
Mutual funds		2,442,808
 Total investments	 3,353,650	 2,951,689
Contributions receivable:		
Company		826
 Total contributions receivable		 826
 Total assets	 3,353,650	 2,955,753
Liabilities:		
Investment trades payable		418
 Total liabilities		 418
 Net assets available for benefits at fair value	 3,353,650	 2,955,335
Adjustment from fair value to contract value for fully benefit-responsive investment contracts		(8,258)
 Net assets available for benefits at contract value	 \$ 3,353,650	 \$ 2,947,077

See accompanying notes to financial statements.

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GATEWAY WESTERN RAILWAY UNION

401(k) PLAN

Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2010 and 2009

	2010	2009
Additions:		
Investment income in Master Trust:		
Interest and dividends	\$ 49,869	\$
Net appreciation in fair value of investments	176,615	
Total investment income in Master Trust	226,484	
Investment income:		
Interest and dividends	29,726	57,997
Net appreciation in fair value of investments	112,358	496,785
Total	142,084	554,782
Total investment income	368,568	554,782
Contributions:		
Participant contributions	146,287	135,980
Company contributions	71,238	59,095
Total contributions	217,525	195,075
Total additions	586,093	749,857
Deductions:		
Fees and expenses	(4,529)	(4,921)
Benefits paid	(174,991)	(258,796)
Total deductions	(179,520)	(263,717)
Increase in net assets available for benefits	406,573	486,140
Net assets available for benefits:		
Beginning of year	2,947,077	2,460,937
End of year	\$ 3,353,650	\$ 2,947,077

See accompanying notes to financial statements.

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GATEWAY WESTERN RAILWAY UNION

401(k) PLAN

Notes to Financial Statements

December 31, 2010 and 2009

(1) Description of the Plan

The following description of the Gateway Western Railway Union 401(k) Plan (the *Plan*) is provided for general informational purposes only. More complete information regarding the Plan's provisions may be found in the Plan document.

(a) General

The Plan is a participant-directed, defined contribution plan adopted on July 1, 1997. The Plan covers certain union employees of The Kansas City Southern Railway Company (the *Company*), generally located from Kansas City to East St. Louis, who are members in a craft represented by one of the following organizations: Brotherhood of Locomotive Engineers, Brotherhood of Maintenance of Way Employees, Brotherhood of Railroad Signalmen, International Brotherhood of Electrical Workers, International Association of Machinists and Aerospace Workers. Employees are eligible to participate in the Plan on the first day of each calendar month coincident with or immediately following the employee's first day of employment. On October 1, 2010, the plan was amended to modify eligibility provisions such that the attainment of age 18 was no longer an eligibility condition for any employee. A Plan participant that ends his or her membership in any of the above collective bargaining units is no longer eligible to make elective deferrals or receive Company matching contributions under the Plan but will continue to be vested under the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

(b) Plan Administration

The Plan is administered by the Advisory Committee which is appointed by the Compensation and Organization Committee of the Company. On October 1, 2010, the Plan's trustee changed from Charles Schwab Trust Company to Fidelity Management Trust Company (the *Trustee*). In addition, Kansas City Southern (KCS), the plan sponsor of the Kansas City Southern 401(k) and Profit Sharing Plan and the Kansas City Southern Employee Stock Ownership Plan, and The Kansas City Southern Railway Company, a subsidiary of KCS and sponsor of the Gateway Western Railway Union 401(k) Plan, entered into an agreement with the Trustee to create the Kansas City Southern Master Trust (the *Master Trust*). The Master Trust includes the investment assets of each of the Plans. The Trustee is responsible for the custody and management of the Plan's assets.

(c) Contributions

Each year, participants may contribute a portion of their annual eligible compensation, as defined in the Plan document, not to exceed a specified dollar amount as determined by the Internal Revenue Code (IRC). Subject to the terms of the applicable collective bargaining agreements, the Company matches 50% of participant contributions, up to 6% of annual eligible compensation. Upon enrollment in the Plan, a participant may direct their contributions into any of the various funds offered by the Plan which includes Kansas City Southern (NYSE:KSU) common stock as an investment option.

(d) Vesting

Participants are immediately vested in their contributions and Company matching contributions, plus actual Plan earnings thereon.

(e) *Payment of Benefits*

Distributions generally will be made in the event of retirement, death, disability, resignation, or dismissal. A participant's normal retirement age is 65. The Plan also provides for distributions at age 59 ¹/₂. Distributions after termination of employment will be made in a lump-sum payment. Balances not exceeding \$1,000 will be paid as soon as administratively practicable following the participant's separation from services, but in no event later than the 60th day following the close of the Plan year which is the later of the year of the participant's separation from service or the year in which the participant attains normal retirement age (age 65). Balances exceeding \$1,000 will be paid upon the distribution date elected by the participant, but in no event will payment commence later than April 1 of the calendar year following the later of the year in which the participant attains age 70 ¹/₂ or the year of the participant's separation from service. On retirement, death, disability, or termination of service, a participant (or participant's beneficiary in the event of death) may elect to receive a lump-sum distribution equal to the participant's vested account balance. In addition, hardship distributions are permitted if certain criteria are met.

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GATEWAY WESTERN RAILWAY UNION

401(k) PLAN

Notes to Financial Statements

December 31, 2010 and 2009

(f) Participant Accounts

Each participant's account is credited with the participant's contribution, Company matching contribution, and an allocation of Plan earnings, net of investment expenses. Allocations are based on participant earnings or account balances as set forth in the Plan agreement. The benefit to which a participant is entitled is that which can be provided from the participant's vested account.

(g) Administrative Expenses

Investment expenses are paid by the Plan as long as Plan assets are sufficient to provide for such expenses. Administrative expenses of the Plan are paid by the Company.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting.

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for the portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. Prior to October 1, 2010, the Plan invested in one investment contract through a collective trust (the Invesco Stable Value Trust). The statement of net assets available for benefits presents the fair value of the investment in the collective trust as well as the adjustment of the investment in the collective trust from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

(b) Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan's management to use estimates and assumptions that affect the accompanying financial statements and disclosures. Actual results could differ from these estimates.

(c) Income Recognition

Interest income is recorded as earned on the accrual basis. Dividend income is recorded on the ex-dividend date.

(d) Investment Valuation

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Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis.

Unsettled security transactions at year end are reflected in the financial statements as investment trades payable or receivable.

(e) Net Appreciation (Depreciation) in Fair Value of Investments

Net realized and unrealized appreciation (depreciation) is recorded in the accompanying statement of changes in net assets available for benefits as net appreciation (depreciation) in fair value of investments. Brokerage fees are added to the acquisition costs of assets purchased and subtracted from the proceeds of assets sold.

(f) Payment of Benefits

Benefit payments are recorded when paid.

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Notes to Financial Statements

December 31, 2010 and 2009

(g) New Accounting Standards

In January 2010, the FASB issued guidance which expanded the required disclosures about fair value measurements. In particular, this guidance requires (i) separate disclosure of the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements along with the reasons for such transfers, (ii) information about purchases, sales, issuances and settlements to be presented separately in the reconciliation for Level 3 fair value measurements, (iii) fair value measurement disclosures for each class of assets and liabilities and (iv) disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for fair value measurements that fall in either Level 2 or Level 3. This guidance was effective for annual reporting periods beginning after December 15, 2009 except for (ii) above which is effective for fiscal years beginning after December 15, 2010. The Company has adopted this guidance which did not have a material impact on the Plan's financial statements and disclosures.

(3) Investments

The following investments represent 5% or more of the Master Trust net assets at December 31, 2010:

Kansas City Southern common stock, 770,478 shares	\$ 36,876,583
Janus Capital Group common stock, 417,388 shares	5,414,017
Vanguard Prime Money Market, 9,664,051 shares	9,664,051
Fidelity Freedom 2015, 470,797 shares	5,338,838

The following investments represent 5% or more of the Plan's net assets at December 31, 2009:

Growth Fund of America, 18,431 shares	\$ 503,708
Invesco Stable Value Trust, 412,472 shares	420,729
PIMCO Total Return Administrative Shares, 32,069 shares	346,344
Washington Mutual Investors, 10,633 shares	262,007
EuroPacific Growth, 4,850 shares	185,944
American Balanced, 10,825 shares	175,468
DWS Equity 500 Index, 1,380 shares	172,692
ING International Value Fund, 13,431 shares	154,187
CRM Mid Cap Value Fund/Investment, 6,179 shares	147,605

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Notes to Financial Statements

December 31, 2010 and 2009

For the nine months ended September 30, 2010 and the year ended December 31, 2009, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

	2010	2009
Kansas City Southern common stock	\$ 13,611	\$ 54,624
Mutual funds:		
Value	14,408	70,424
Blend	11,865	61,884
Growth	22,779	187,354
Balanced	7,115	24,190
International	8,654	69,891
Real Estate	7,305	8,938
Bond Fund - Intermediate	26,621	19,480
Total net investment appreciation	\$ 112,358	\$ 496,785

(4) Plan Interest in Master Trust

Effective October 1, 2010, the Plan's assets are held in a Master Trust. The Master Trust holds the assets of the Kansas City Southern 401(k) and Profit Sharing Plan, Kansas City Southern Employee Stock Ownership Plan and the Gateway Western Railway Union 401(k) Plan (collectively, the Plans). The Plans' record keeper maintains supporting records for the purpose of allocating net assets and net gains or losses of the investments to each of the Plans and to each participant's account. The net investment income or loss of the investment assets is allocated by the record keeper to each Plan and to each participant's account based on the investment held in-participant directed account balances.

The net assets of the Master Trust at December 31, 2010 consist of the following:

Investments, at fair value	
Common stock of Kansas City Southern	\$ 36,876,583
Common stock of Janus Capital Group	5,414,017
Mutual funds	59,618,702
Net assets available for benefits at fair value	\$ 101,909,302
Net investment in Master Trust - by Plan	
Kansas City Southern 401(k) and Profit Sharing Plan	
Investment in Master Trust	\$ 59,786,596
Plan's percentage interest in net assets of the Master Trust	59%

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Gateway Western Railway Union 401(k) Plan

Investment in Master Trust	\$ 3,353,650
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Plan's percentage interest in net assets of the Master Trust	3%
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Kansas City Southern Employee Stock Ownership Plan

Investment in Master Trust	\$ 38,769,056
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Plan's percentage interest in net assets of the Master Trust	38%
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Notes to Financial Statements

December 31, 2010 and 2009

Investment income of the Master Trust for the three months ended December 31, 2010 consists of the following:

Investment income	
Interest and dividends	\$ 894,396
Net appreciation in fair value of investments	
Kansas City Southern common stock	8,386,504
Janus Capital Group Income common stock	838,088
Mutual funds	2,327,343
Total net investment appreciation	11,551,935
Net investment income	\$ 12,446,331
Net investment income from Master Trust - by Plan	
Kansas City Southern 401(k) and Profit Sharing Plan	\$ 5,609,407
Gateway Western Railway Union 401(k) Plan	226,484
Kansas City Southern Employee Stock Ownership Plan	6,610,440
	\$ 12,446,331

(5) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Plan determines the fair values of its financial instruments based on the fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy is broken down into three levels based upon the observability of inputs. Fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Plan has the ability to access. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

The following is a description of the valuation methodologies used for assets measured at fair value.

Common stocks: valued at the closing market prices reported on the active market on which the individual securities are traded.

Mutual funds: valued at quoted market prices, which represents the net asset value of the securities held in such funds.

Common collective trust: Prior to October 1, 2010, the Plan held a portion of its assets in a common collective trust. The common collective trust's (Invesco Stable Value Trust or the Trust) primary investment objectives are to provide preservation of principal, maintain a stable interest rate, and provide daily liquidity at contract value for participant withdrawals and transfers. The net asset value is determined as of the close of

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each business day. Participants' units are issued and redeemed only at the end of each day and at the net unit value at contract value, providing that the Plan complies with the required one-year notice provision. When the market value of units is less than the contract value, the Plan may also elect to withdraw units at their market value upon 10 days' notice. The Trust is valued at the net asset value as determined using the estimated fair value of the investments in the respective trust at year end. The Trust holds synthetic guaranteed investment contracts (synthetic GICs). Synthetic GICs are portfolios of securities (debt securities or units of collective trusts) owned by the Trust with wrap contracts associated with the portfolios. The fair value of wrap contracts is determined based on the change in the present value of the contracts' replacement cost. Investment contracts may have elements of risk due to lack of a secondary market and resale restrictions which may result in the inability of the Trust to sell a contract at a fair price and may substantially delay the sale of contracts which the Trust seeks to sell. In addition, investment contracts may be subject to credit risk based on the ability of the insurance company or bank to meet interest or principal payments, or both, as they become due.

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Notes to Financial Statements

December 31, 2010 and 2009

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets measured at fair value as of December 31, 2010:

	Fair Value Measurements			Assets at Fair Value
	Level 1	Level 2	Level 3	
Investment in Master Trust:				
Common stock of Kansas City Southern	\$ 36,876,583	\$	\$	\$ 36,876,583
Common stock of Janus Capital Group	5,414,017			5,414,017
Mutual funds:				
Value	5,152,428			5,152,428
Blend	3,375,467			3,375,467
Growth	6,909,916			6,909,916
Balanced	1,649,266			1,649,266
International	4,316,900			4,316,900
Real Estate	632,908			632,908
Target Date	23,324,391			23,324,391
Money Market Fund	9,664,051			9,664,051
Bond Fund - Intermediate	4,593,375			4,593,375
	\$ 101,909,302	\$	\$	\$ 101,909,302

As of December 31, 2010, the fair value of the Plan's portion of assets held in the Master Trust was \$3,353,650. See Note 4 for a further discussion on the Master Trust.

Assets measured at fair value as of December 31, 2009:

	Fair Value Measurements			Assets at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Common collective trust	\$	\$ 420,729	\$	\$ 420,729
Common stock of Kansas City Southern	88,152			88,152
Mutual funds:				
Value	499,380			499,380
Blend	320,297			320,297
Growth	716,769			716,769
Balanced	175,468			175,468
International	340,131			340,131

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Real Estate	44,419			44,419
Bond Fund - Intermediate	346,344			346,344
	\$ 2,530,960	\$ 420,729	\$	\$ 2,951,689

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GATEWAY WESTERN RAILWAY UNION

401(k) PLAN

Notes to Financial Statements

December 31, 2010 and 2009

(6) Portfolio Risk

The Plan provides for investments in various securities that, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

(7) Tax Status

The Plan received a favorable determination letter from the Internal Revenue Service, dated January 18, 2011, indicating that it is qualified under Section 401(a) of the Internal Revenue Code (the Code), and therefore, the related trust is exempt from tax under Section 501(a) of the Code. The determination letter is applicable for amendments executed through August 23, 2010 and no amendments have been executed subsequently. The Plan administrator believes that the Plan was qualified and the related trust was tax-exempt for the year ended December 31, 2010. Therefore, no provision for income taxes has been included in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for tax years prior to 2007.

(8) Related Party Transactions

Certain plan investments are shares of mutual funds managed by Fidelity Management Trust Company, the trustee of the Plan, and certain investments held in the Trust are shares of KCS common stock. These transactions are considered party-in-interest transactions. At December 31, 2010, the fair value of Kansas City Southern common stock shares held in the Master Trust is \$36,876,583 and the Plan's portion held in the Master Trust is \$129,018. At December 31, 2009, the fair value of Kansas City Southern common stock shares held in the Plan is \$88,152.

(9) Plan Termination

Although it has expressed no intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. Upon termination of the Plan, the participants shall receive amounts equal to their respective account balances.

(10) Reconciliation of the Financial Statements to the Form 5500

The following is a reconciliation of the net assets available for benefits per the financial statements to the Form 5500:

	2010	2009
Net assets available for benefits per the financial statements	\$ 3,353,650	\$ 2,947,077
Adjustment from contract value to fair value for fully benefit-responsive investment contracts		8,258

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Net assets available for benefits per the Form 5500	\$ 3,353,650	\$ 2,955,335
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The following is a reconciliation of the total investment income per the financial statements to the Form 5500:

	2010	2009
Total investment income per the financial statements	\$ 368,568	\$ 554,782
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	(8,258)	27,959
Total investment income per the Form 5500	\$ 360,310	\$ 582,741

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GATEWAY WESTERN RAILWAY UNION

401(k) PLAN

Notes to Financial Statements

December 31, 2010 and 2009

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500:

	2010	2009
Benefits paid to participants per the financial statements	\$ 174,991	\$ 258,796
Add amounts allocated to withdrawing participants		
Less prior year amounts allocated to withdrawing participants		(39,387)
Benefits paid to participants per the Form 5500	\$ 174,991	\$ 219,409

Amounts allocated to withdrawing participants are recorded on the Form 5500 for benefit claims that were processed and approved for payment prior to December 31, 2010 but not yet paid as of that date.

(11) Prohibited Transaction

During the year ended December 31, 2010, the Company failed to remit to the Trustee certain employee contributions totaling approximately \$8,512 within a timely manner. Delays in remitting contributions to the Plan's trustee were due to administrative errors, and the Company made contributions to the affected participant's account to compensate in aggregate the approximate lost income due to the delays. There were no prohibited transactions for the year ended December 31, 2009.

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Schedule 1

GATEWAY WESTERN RAILWAY UNION

401(k) PLAN

Schedule H, line 4(i) Schedule of Assets (Held at End of Year)

December 31, 2010

Identity	Description	Fair Value
* Plan interest in investment held in Master Trust	Kansas City Southern Master Trust	\$ 3,353,650
Total investments		\$ 3,353,650

* Party-in-interest.

See accompanying report of independent registered public accounting firm.

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Schedule 2

GATEWAY WESTERN RAILWAY UNION

401(k) PLAN

Schedule H, line 4(a) Schedule of Delinquent Participant Contributions

December 31, 2010

Participant Contributions Transferred Late to Plan	Total that Constitute Prohibited Non Exempt Transactions
\$ 8,512	\$ 8,512

**Check Here if Late
Participant Loan**

Repayments are Included	Contributions Not Corrected	Contributions Corrected Outside VFCP	Contributions Pending Correction in VFCP	Total Fully Corrected Under VFCP and PTE 2002-51
2010	\$	\$ 8,512	\$	\$

See accompanying report of independent registered public accounting firm.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

June 15, 2011

Gateway Western Railway Union 401(k) Plan

/s/ John E. Derry

John E. Derry

Senior Vice President Human Resources