DARDEN RESTAURANTS INC
Form DEF 14A
August 11, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x   Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

DARDEN RESTAURANTS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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August 11, 2011

Dear Shareholders:

On behalf of your Board of Directors, it is our pleasure to invite you to attend the 2011 Annual Meeting of Shareholders of Darden Restaurants, Inc. We will hold the meeting on Thursday, September 22, 2011, at 10:00 a.m., Eastern Daylight Savings Time, at the Hyatt Regency Orlando International Airport, 9300 Airport Boulevard, Orlando, Florida 32827. All holders of our outstanding common shares as of the close of business on July 29, 2011, are entitled to vote at the meeting.

We are pleased to take advantage of the Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their shareholders on the Internet. We believe these rules allow us to provide you with the information you need while lowering the costs of delivery and reducing the environmental impact of our Annual Meeting.

The accompanying notice of meeting and Proxy Statement contain details about the business to be conducted at the meeting. Please read these documents carefully. We will set aside time at the meeting for discussion of each item of business and provide you with the opportunity to ask questions. If you will need special assistance at the meeting because of a disability, please contact Teresa M. Sebastian, Corporate Secretary, Darden Restaurants, Inc., 1000 Darden Center Drive, Orlando, Florida 32837, phone (407) 245-6565.

Whether or not you plan to attend, it is important that your shares be represented and voted at the meeting. Please refer to the proxy card or Notice of Availability of Proxy Materials for more information on how to vote your shares at the meeting.

Your vote is important. Thank you for your support.

Sincerely,
Clarence Otis, Jr.
Chairman of the Board of Directors and
Chief Executive Officer

DARDEN RESTAURANTS, INC.

PROXY STATEMENT

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DARDEN RESTAURANTS, INC.

1000 Darden Center Drive

Orlando, Florida 32837

NOTICE OF

2011 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON SEPTEMBER 22, 2011

Time:	10:00 a.m., Eastern Daylight Savings Time, on Thursday, September 22, 2011
Place:	Hyatt Regency Orlando International Airport 9300 Airport Boulevard Orlando, Florida 32827
Items of Business:	1. To elect a full Board of 12 directors from the named director nominees to serve until the next annual meeting of shareholders and until their successors are elected and qualified;
	2. To approve our amended Employee Stock Purchase Plan;
	3. To hold an advisory vote on executive compensation;
	4. To hold an advisory vote on the frequency of future advisory votes on executive compensation;
	5. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending May 27,

2012; and

6. To transact such other business, if any, as may properly come before the meeting and any adjournment.

Who Can Vote: You can vote at the meeting and any adjournment if you were a holder of record of our common stock at the close of business on July 29, 2011.

Website: **Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to be held on September 22, 2011:** The accompanying Proxy Statement and our 2011 Annual Report to Shareholders are available at *www.darden.com*. In addition, you may access these materials at *www.proxyvote.com*. Instructions for requesting a paper copy of these materials are set forth on the Notice of Availability of Proxy Materials sent to our shareholders of record as of July 29, 2011.

Date of Mailing: This Notice of 2011 Annual Meeting of Shareholders and the Proxy Statement are first being distributed or otherwise furnished to shareholders on or about August 11, 2011.

By Order of the Board of Directors
Teresa M. Sebastian
Senior Vice President,
General Counsel and Secretary

August 11, 2011

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DARDEN RESTAURANTS, INC.

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON SEPTEMBER 22, 2011

The Board of Directors (the Board) of Darden Restaurants, Inc. (Darden , the Company , we , us or our) is soliciting your proxy for use at t Annual Meeting of Shareholders to be held on September 22, 2011. This Proxy Statement summarizes information concerning the matters to be presented at the meeting and related information that will help you make an informed vote at the meeting. This Proxy Statement and the proxy card are first being distributed or otherwise furnished to shareholders on or about August 11, 2011.

CORPORATE GOVERNANCE AND BOARD ADMINISTRATION

Corporate governance guidelines, policies and practices are the foundation for the effective and ethical governance of all public companies. Our Board is committed to the highest standards of corporate governance and ethical business conduct, providing accurate information with transparency and complying fully with the laws and regulations applicable to our business. This commitment supports our reputation for success with integrity and efforts to increase shareholder value. Our corporate governance practices are governed by our Articles of Incorporation, Bylaws, Corporate Governance Guidelines, Board Committee Charters, Lead Director and Shareholder Communication Procedures, Code of Business Conduct and Ethics, and Insider Trading Policy. You can access these documents at *www.darden.com* to learn more about the framework for our corporate governance practices. Copies are also available in print, free of charge, to any shareholder upon written request addressed to our Corporate Secretary.

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines that specifically address key governance practices and policies. The Nominating and Governance Committee of the Board oversees governance issues and recommends changes to the Company s governance guidelines, policies and practices as appropriate. Our Corporate Governance Guidelines cover many important topics, including:

- Director responsibilities;
- Director qualification standards;
- Director independence;
- Director access to senior management and independent advisors;
- Director compensation;
- Approval of Chief Executive Officer and senior management succession plans; and

An annual performance evaluation of the Board and each of the Board committees, and an even more in-depth performance evaluation of the Board no less often than every three years.

The Corporate Governance Guidelines also include policies on certain specific subjects, including those that:

Require meetings at least four times annually of the non-employee directors in executive session without our Chief Executive Officer present;

Require a letter of resignation from directors upon a significant change in their personal circumstances, including a change in or termination of their principal job responsibilities;

Limit the number of other boards that directors may serve on;

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Provide that no member of the Audit Committee may serve on the audit committee of more than three public companies; and

Provide a mandatory retirement age for directors.

Director Independence

Our Corporate Governance Guidelines require that at least two-thirds of the Board be independent directors, as defined under the rules of the New York Stock Exchange (NYSE). Our Corporate Governance Guidelines include categorical standards of independence to assist the Board in making determinations regarding the independence of our directors. The current Board consists of 12 directors, two of whom are currently employed by the Company (Messrs. Otis and Madsen). The Board conducted an annual review of director independence and affirmatively determined that all of the 10 non-employee directors (Mss. Harker and Sastre and Messrs. Berry, Donald, Fraleigh, Hughes, Ledsinger, Lewis, Mack, and Rose) have no direct or indirect material relationship with us other than their service as directors and are independent. In making this determination the Board considers that in the ordinary course of business, transactions may occur between the Company, including its subsidiaries, and entities with which some of our directors are or have been affiliated. During this review process, the Board identified and took into account the following relationships: Mr. Fraleigh is an executive officer of Sara Lee Corporation and Ms. Sastre is an executive officer of Signature Flight Support. From time to time, in the ordinary course of business, the Company and its subsidiaries may conduct business on an arms-length basis with Sara Lee Corporation and Signature Flight Support. The Board determined that each of these relationships is immaterial and that our categorical standards of independence were met.

Related Party Transactions

The Company has adopted Related Party Transaction Policies and Procedures that require the Nominating and Governance Committee to approve or ratify each Interested Transaction with directors, executive officers, five-percent shareholders or any of their respective immediate family members. In making its determination, the Nominating and Governance Committee considers whether the Interested Transaction is consistent with the best interests of the Company and its shareholders and whether the Interested Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances, as well as the extent of the related party s interest in the transaction.

An Interested Transaction as defined in the policy is any transaction, arrangement or relationship in which (i) the amount involved exceeds $120,000 in any calendar year, (ii) the Company is a participant and (iii) any director, executive officer or five-percent shareholder or any of their respective immediate family members has or will have a direct or indirect interest (other than solely as a result of being a director or a less than 10 percent beneficial owner of another entity). Salary or compensation paid to a director or an executive officer that is required to be reported in this Proxy Statement is not considered an Interested Transaction.

There are no Interested Transactions or other related party transactions or relationships required to be reported in this Proxy Statement under Item 404 of the Securities and Exchange Commission (SEC) s Regulation S-K.

Director Election Governance Practices

We do not have a classified board, or other system where directors terms are staggered; instead our full Board is elected annually. If a nominee for director in an uncontested election does not receive at least the majority of the votes cast, the director will promptly tender his or her resignation to the Board. The Nominating and Governance Committee will recommend to the Board whether to accept or reject the tendered resignation or whether other action should be taken. The Board is required to act on the tendered resignation and publicly disclose its decision and the rationale within 90 days from the date of certification of the election results. If a

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director s resignation is not accepted by the Board, the director will continue to serve until the next annual meeting and until his or her successor is duly elected, or his or her earlier resignation or removal. If a director s resignation is accepted by the Board, then the Board may fill the vacancy or decrease the size of the Board. To be eligible to be a nominee for election or reelection as a director of the Company, a person must deliver to our Corporate Secretary a written agreement that he or she will abide by these requirements.

Board Leadership Structure

The Company s Corporate Governance Guidelines provide that the positions of Chairman of the Board and Chief Executive Officer be held by the same person, except in unusual circumstances or during transition periods to selecting a new Chairman or CEO. This combination has served the Company well throughout its history. The function of the Board in monitoring the performance of the senior management of the Company is fulfilled by the presence of outside directors of stature who have a substantive knowledge of the Company s business. The Board believes it is in the best interest of the Company and its shareholders for Mr. Otis to serve as both Chairman and Chief Executive Officer. His in-depth knowledge of the industry, and the issues, opportunities and challenges facing the Company enable decisive leadership with clear accountability, and enhance the Board s ability to focus on the most strategic and critical issues.

The Company s independent directors are led by Lead Director Odie Donald who, in accordance with our Corporate Governance Guidelines, chairs executive sessions of the non-employee directors and advises the Chairman and Board committee chairs with respect to agendas and information needs relating to Board and committee meetings. Mr. Donald, along with the other independent outside directors, brings experience, oversight and expertise from outside the Company and industry, while the Chief Executive Officer brings company and industry-specific experience and expertise.

Succession Planning

The Board is actively engaged and involved in talent management. The Board reviews the Company s people strategy in support of its business strategy at least annually. This includes a detailed discussion of the Company s leadership bench and succession plans with a focus on key positions at the senior officer level. Annually, the Chairman and Chief Executive Officer provides the Board with an assessment of senior executives and their potential to succeed him, and an assessment of persons considered successors to senior executives. Strong potential leaders are given exposure and visibility to Board members through formal presentations and informal events. More broadly, the Board is regularly updated on key talent indicators for the overall workforce, including diversity, recruiting and development programs.

Director Education

To foster our value of always learning, always teaching, the Corporate Governance Guidelines encourage director education. The Board also receives regular updates regarding new developments in corporate governance.

Board Role in Oversight of Risk Management

The ultimate responsibility for risk oversight rests with the Board. The Board assesses major risks facing the Company, and reviews options for their mitigation. Each Committee of the Board reviews the policies and practices developed and implemented by management to assess and manage risks relevant to the Committee s responsibilities, and reports to the Board about its deliberations. The Compensation Committee reviews our annual and long-term compensation plans, and any risks embedded in those plans are discussed and evaluated for appropriateness. The Nominating and Governance Committee oversees risks related to the Company s governance structure and arising from related person transactions. The Finance Committee reviews financial risk management strategies, including hedging and the use of derivatives, and the insurance coverage on the

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Company s assets The charter for the Audit Committee requires, among other responsibilities, that it review the integrity of the Company s financial reporting processes and internal controls, including the process for assessing risk of fraudulent financial reporting and significant financial risk exposures, and the steps management has taken to monitor and report those exposures. Accordingly, in addition to its other duties, the Audit Committee periodically reviews risk assessment and management, including legal compliance, internal auditing and financial controls, litigation, and environmental, health and safety matters. The Audit Committee annually reviews the Company s enterprise risk assessment (ERA) process and the comprehensive assessment of key financial, operational and regulatory risks identified by management, as well as mitigating practices. The Audit Committee then discusses the ERA results with the full Board, which is ultimately responsible for oversight of this process.

Assessment of Risk of Compensation Programs

We believe that our compensation programs for executives and other employees are designed with the appropriate balance of risk and reward in relation to the Company s overall business strategy and do not incent executives or other employees to take unnecessary or excessive risks. Specifically, we believe that the following features of our compensation programs (discussed in more detail in the Compensation Discussion and Analysis section below) help manage or mitigate risk:

- The Company has allocated compensation among base salary and short and long term compensation target opportunities for executives in such a way as to not encourage excessive risk taking. Incentive compensation is not overly weighted toward short-term incentives; for example, the CEO s maximum annual incentive award opportunity in 2010 represented approximately 38 percent of his target total direct compensation. In addition, both short-term and long-term incentives are subject to maximum payment amounts;

- The mix of equity award instruments used under our long-term incentive program (a) includes full value awards; and (b) rewards different performance measures (currently, total shareholder return for stock options, and sales and diluted net EPS growth for performance stock units (PSUs));

- Our annual and long-term compensation plans are reviewed by the Compensation Committee and any risks embedded in those plans are discussed and evaluated for appropriateness. Our incentive opportunities are designed to drive strong, sustainable growth and shareholder return;

- The multi-year vesting of our equity awards aligns incentive compensation with shareholders interests by rewarding long-term stock appreciation rather than short-term performance, and account for the time horizon of risk;

- Our Stock Ownership Guidelines encourage a focus on long-term growth in shareholder value; and

- Our policies regarding recoupment and forfeiture of compensation discourage excessive or inappropriate risk taking.

Code of Business Conduct and Ethics

We have a comprehensive Code of Business Conduct and Ethics that applies to all employees. It covers many topics and addresses the particular responsibilities of our directors, our chief executive officer and our senior financial executives. We also have a Code of Business Conduct and Ethics for our directors.

We proactively promote ethical behavior by all employees and encourage our employees to talk to supervisors or other personnel when in doubt about the best course of action in a particular situation. To encourage employees to report violations of laws or our Code of Business Conduct and Ethics, the Code provides that we will not allow retaliation for reports made in good faith. We also are committed to ethical behavior in the communities we serve and our industry generally. The Darden Restaurants Foundation Diversity and Business Ethics Endowment, the first comprehensive diversity and business ethics endowment in the hospitality industry, was created with financial support from the Darden Restaurants, Inc. Foundation by the University of Florida s Warrington College of Business.

We require all of our directors, officers and certain other corporate employees to complete an annual questionnaire and certification regarding compliance with the applicable Code of Business Conduct and Ethics.

Summary of Corporate Governance Practices

The Board and its Committees regularly review our corporate governance and compensation practices and propose modifications as warranted for adoption by the Board. The following summarizes some of our key principles and practices, which are described in more detail elsewhere in this Proxy Statement and in our key corporate governance documents, which are available on-line at www.darden.com.

- Our Directors are elected annually; we do not have a classified Board (see page 3);
- At least two-thirds of our Board is required to be independent, and currently 10 of 12 directors are independent (see page 3);
- All Board committees except the Executive Committee consist entirely of independent directors (see page 22);
- All Board committees have the authority to retain outside advisors (see page 22);
- We require meetings of the independent directors in executive session at least four times annually (see page 2);
- Our independent directors have named a lead director to chair executive sessions (see page 4);
- We limit the number of other boards that directors may serve on (see page 2);
- We provide a mandatory retirement age for directors (see page 3);
- We provide for director access to senior management (see page 2);
- We encourage director education (see page 4);
- The Board conducts a self-evaluation annually to determine whether it and its committees are functioning effectively, and from time to time also arranges for an in-depth evaluation led by an outside consultant (see page 2);
- In an uncontested election, if a nominee for director does not receive the vote of at least a majority of the votes cast, the director will promptly tender his or her resignation to the Board (see page 3);
- Directors must tender their resignation upon a significant change in their personal circumstances, including a change in or termination of their principal job responsibilities (see page 2);

The Board has adopted a formal written related party transaction policy and procedure (see page 3);

The Board is actively involved in talent management and succession planning (see page 4);

The Board has adopted claw-back provisions providing for the recovery of bonuses and incentive compensation in appropriate circumstances (see page 33);

Effective with fiscal 2012, we no longer gross-up our named executive officers to offset their taxes on imputed income on the limited perquisites we provide (see pages 33 and 53);

Our change of control Management Continuity Agreements include a double trigger and do not provide for tax gross-ups (see page 49);

The Board has adopted stock ownership requirements for executives intended to align their interests with those of our stockholders and to protect against inappropriate risk taking (see page 50);

The Board also has adopted stock ownership guidelines for non-employee directors (see page 25);

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We have allocated compensation among base salary and short and long-term compensation target opportunities for executives in such as way as to not encourage excessive risk taking, and incentive compensation is not overly weighted toward short-term incentives (see page 5); and

The multi-year vesting of equity awards aligns incentive compensation with shareholders interests by rewarding long-term stock appreciation rather than short-term performance, and account for the time horizon of risk (see page 5).

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PROPOSALS TO BE VOTED ON

PROPOSAL 1 ELECTION OF TWELVE DIRECTORS FROM THE NAMED DIRECTOR NOMINEES

Our Board currently has 12 members, and each director stands for election every year. Proxies for this annual meeting cannot be voted for more than 12 directors. In the future, the Board may increase or decrease the size of the Board and appoint or nominate for election new directors.

The following directors are standing for election this year to hold office until the 2012 Annual Meeting of Shareholders and until their successors are elected and qualified. All were nominated by our Nominating and Governance Committee and have previously served on the Board. Each of the director nominees has consented to being named in this Proxy Statement and to serve as a director if elected. If a director nominee is not able to serve, proxies may be voted for a substitute nominated by the Board. However, we do not expect this to occur.

The Board of Directors recommends that you vote *FOR* each of the nominees to the Board.

Board Nominees

The following information is as of the date of this Proxy Statement. Included is information provided by each director, such as his or her age, all positions currently held, principal occupation and business experience for the past five years, and the names of other publicly-held companies of which he or she currently serves as a director or has served as a director during the past five years. In addition to the specific information presented below regarding the experience, qualifications, attributes and skills that led our Board to the conclusion that the nominee should serve as a director, we also believe that each of our director nominees has a reputation for integrity, honesty and adherence to high ethical standards. Darden s core purpose is to nourish and delight everyone we serve, as supported by our core values of integrity and fairness, respect and caring, diversity, always learning always teaching, being of service , teamwork and excellence. As noted in our Corporate Governance Guidelines, our directors should reflect these core values, possess the highest personal and professional ethics, and be committed to representing the long-term interests of our shareholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment.

LEONARD L. BERRY

Director since 2001.

Leonard L. Berry, age 68, is Presidential Professor for Teaching Excellence, Distinguished Professor of Marketing and M.B. Zale Chair in Retailing and Marketing Leadership, Mays Business School, Texas A&M University, and Professor of Humanities in Medicine, College of Medicine, Texas A&M University. He joined the faculty of Texas A&M University in 1982. Dr. Berry is the Founder of the Center for Retailing Studies at Texas A&M University. During 2001-2002, he was a visiting scientist at the Mayo Clinic where he studied health care service. He is currently a director of Genesco Inc. and Lowe s Companies, Inc.

The Nominating and Governance Committee concluded that Dr. Berry is qualified and should serve, in part, because of his significant achievements as a business scholar. His work has focused on, among other business topics, the study of successful practices and strategies in service and retail organizations, particularly customer service and hospitality and building and maintaining strong brands. His skills include knowledge of retail operations, consumer marketing/brand building, human resources, health care and corporate governance.

ODIE C. DONALD

Director since 1998.

Odie C. Donald, age 61, has served as President of Odie Donald Investment Enterprises, LLC, a private investment firm, since August 2003. Previously, Mr. Donald was a Consultant to (from July 2001 to December 2002) and President of (from April 2000 to July 2001) DIRECTV, Inc., a direct broadcast satellite television

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service and then a unit of Hughes Electronics Corporation. Mr. Donald served as Chief Executive Officer of Cable & Wireless Plc, a communications company serving the Caribbean and Atlantic Islands from 1999 to 2000. He retired as a Group Vice President in 1998 from BellSouth Corporation, a telecommunications company, after a 25 year career. He served as President of BellSouth Mobility, Inc., BellSouth s cellular telecommunication division, from 1992 to 1998.

The Nominating and Governance Committee concluded that Mr. Donald is qualified and should serve, in part, because of his past experience as CEO and in senior executive-level operations and staff positions with media, technology and consumer-focused companies. His skills include knowledge of retail operations, consumer marketing/brand building, human resources, technology, and international operations.

CHRISTOPHER J. (CJ) FRALEIGH

Director since 2008.

Christopher J. (CJ) Fraleigh, age 47, was appointed as Chief Executive Officer of Sara Lee North America and Executive Vice President of Sara Lee Corporation, a global consumer products company, in November 2007. Mr. Fraleigh has also served as the Chief Operating Officer of Sara Lee North America from November 2007 to 2008. In addition, he held the office of Chief Executive Officer of Sara Lee Food & Beverage and Senior Vice President of Sara Lee Corporation from January 2005 to November 2007. Mr. Fraleigh was General Manager of GMC-Buick, a division of General Motors, during 2004 and Executive Director of Advertising and Corporate Marketing from 2001 to 2004 for General Motors Corporation. From 1999 to 2001, Mr. Fraleigh served as Vice President, Colas for PepsiCo, Inc., a food and beverage manufacturer.

The Nominating and Governance Committee concluded that Mr. Fraleigh is qualified and should serve, in part, because of his senior level executive experience in large, complex, retailing and global brand management companies. His skills include knowledge of consumer marketing/brand building, franchising, and supply chain management and distribution.

VICTORIA D. HARKER

Director since 2009.

Victoria D. Harker, age 46, has served as the Executive Vice President and Chief Financial Officer of AES Corporation, a global power company with generation and distribution businesses, since January 2006. She held the position of Acting Chief Financial Officer, Senior Vice President and Treasurer of MCI, Inc., a telecommunications company, from November 2002 to January 2006. Prior to that, Ms. Harker served as Chief Financial Officer of MCI Group, a unit of WorldCom Inc., from 1998 to 2002.

The Nominating and Governance Committee concluded that Ms. Harker is qualified and should serve, in part, because of her senior level executive experience in large, complex, global organizations. Her skills include knowledge of accounting and financial controls, corporate finance and strategy, technology, and mergers and acquisitions.

DAVID H. HUGHES

Director since 2001.

David H. Hughes, age 67, retired from Hughes Supply, Inc., which was an NYSE-listed, Fortune 500 diversified wholesale distributor of construction and industrial materials, equipment and supplies prior to its sale to The Home Depot, Inc. in 2006, after serving as Chairman of the Board from 1986 to 2006. Mr. Hughes also served as the Chief Executive Officer of Hughes Supply, Inc. from 1974 to 2003. Mr. Hughes is currently a director of SunTrust Banks, Inc.

The Nominating and Governance Committee concluded that Mr. Hughes is qualified and should serve, in part, because of his general business management experience, including as a CEO and board member of public companies. His skills include knowledge of financial controls and accounting, corporate governance, supply chain and distribution, and mergers and acquisitions.

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CHARLES A. LEDSINGER, JR.

Director since 2005.

Charles A. Ledsinger, Jr., age 61, has served as Chairman of the boards of directors of two-privately held companies, Realty Investment Company, Inc., an operating and investment company, and Sunburst Hospitality Corporation, a hotel and real estate operator, since May 2009. He was Vice Chairman from September 2006 to May 2009, Chief Executive Officer from August 1998 to July 2009 and President from August 1998 to September 2006 of Choice Hotels International, Inc., a lodging franchisor. Mr. Ledsinger served as President and Chief Operating Officer of St. Joe Company, a diversified real estate operating company, from February 1998 to August 1998, and Senior Vice President and Chief Financial Officer from May 1997 to February 1998. He was Senior Vice President and Chief Financial Officer of Harrah s Entertainment, Inc., a casino operator, from June 1995 to April 1997. From August 1990 to June 1995, he was Senior Vice President and Chief Financial Officer of The Promus Companies, Incorporated, a hotel operator and the former parent of Harrah s Entertainment, Inc. Mr. Ledsinger is currently a director of FelCor Lodging Trust Incorporated.

The Nominating and Governance Committee concluded that Mr. Ledsinger is qualified and should serve, in part, because of his experience as a CEO and senior executive of public companies in the hospitality industry, including those that operated multiple hotel brands. His skills include knowledge of consumer marketing/brand building, hospitality operations, franchising, international operations, financial controls and accounting, corporate finance, supply chain and distribution, and mergers and acquisitions.

WILLIAM M. LEWIS, JR.

Director since 2005.

William M. Lewis, Jr., age 55, has served as the Managing Director and Co-Chairman of Investment Banking for Lazard Ltd, an investment banking firm since April 2004. He held various positions with Morgan Stanley, an investment banking firm, from 1978 to 1980 and from 1982 to April 2004, including Managing Director and Co-Head of the Global Banking Department from 1999 to 2004.

The Nominating and Governance Committee concluded that Mr. Lewis is qualified and should serve, in part, because of his general business management expertise, including considerable experience in corporate finance. His skills include knowledge of corporate finance structure and strategies, the operation of the capital markets, and mergers and acquisitions.

SENATOR CONNIE MACK, III

Director since 2001.

Senator Connie Mack, III, age 70, has been a partner and senior policy advisor for Liberty Partners Group, a public policy consulting firm, since January 2010. From January 2007 to May 2010, he was a partner and senior policy advisor at Liberty Partners of Florida, LLC, a public policy consulting firm which focused on advocacy strategies at the state and federal levels of government. Senator Mack served as a senior policy advisor of the government relations practice group at King & Spalding LLP, a law firm, from February 2005 to December 2009 and at the law firm Shaw Pittman, LLP from February 2001 to February 2005. He served as a United States Senator (R-Florida) from 1989 to 2001 and as a United States Congressman (R-Florida) from 1983-1989. Prior to his government service, Senator Mack spent 16 years in commercial banking, including five years as president of the Florida National Bank of Lee County. Senator Mack is currently a director of Mutual of America Life Insurance Co.

The Nominating and Governance Committee concluded that Senator Mack is qualified and should serve, in part, because of his experience as a government senior leader, a business executive, and public policy advisor. His skills include knowledge of public policy and government relations.

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December 31, 2012

	Total	Level 1	Level 2	Level 3
Mutual funds:				
Bond funds	$6,036	$6,036	$—	$—
Asset Allocation funds	21,943	21,943	—	—
Stock funds	10,127	10,127	—	—
Total Mutual funds	38,106	38,106	—	—
Guaranteed investment contract	22,917	—	22,917	—
Kansas City Life Insurance Company common stock	22,879	22,879	—	—
Total	$83,902	$60,985	$22,917	$—

There were no transfers between Levels 1, 2 and 3 during the years ending December 31, 2013 and 2012.5. GUARANTEED INVESTMENT CONTRACTThe Plan has a fully benefit-responsive guaranteed investment contract with MetLife Insurance Company (MetLife). MetLife maintains the contributions in a separate account. The Statements of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. Contract value represents contributions made under the contract, plus earnings from crediting interest rates, and less participant withdrawal and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value without restriction. The average yield earned on the separate account investments were (2.26%) and 4.32% and crediting interest rates were 2.65% and 3.03%, respectfully, for 2013 and 2012. The crediting interest rate is based upon an agreed-upon formula with the issuer, but cannot be less than zero. Such interest rates are reviewed and reset on a quarterly basis.6. RELATED-PARTY TRANSACTIONSTransactions resulting in Plan assets being transferred to or used by a related party are prohibited under ERISA unless a specific exemption is applied. Wells Fargo is a party-in-interest as defined by ERISA as a result of being the record keeper and non-discretionary trustee of the Plan. The Plan incurred administrative and trustee/custodian expenses of approximately $81 to Wells Fargo in 2013. KCL is a party-in-interest as defined by ERISA as a result of being the Plan Sponsor. The Plan engages in transactions involving the acquisition or disposition of common stock of the Company. All of the above transactions are exempt from the "prohibited transactions" provisions of ERISA and the Internal Revenue Code.

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$— December 31, 2012 Total Level 1 Level 2 Level 3Mutual funds: Bond funds $6,036 $6,036 $—

7. REPORTABLE TRANSACTION

The Plan has identified a reportable transaction during 2013, which is included in the Schedule H, Line 4j - Schedule of Reportable Transactions. The Plan has a Group Annuity Contract No. 14478 with Metlife. The Plan had a reportable transaction that consisted of replacing this contract with Group Annuity Contract No. 144778A with MetLife. The original contract was modified to allow for more efficient data flow processing. Subsequent with this change, a transaction occurred in which 100% of the then current value of the old Group Annuity Contract No. 14478 was transferred to the amended Group Annuity Contract No. 14478A. There was no expense, gain or loss incurred with this transaction or as a result of this transaction.

8. TAX STATUS

The IRS has issued a determination letter dated February 27, 2013 that, in form, the Plan and Trust forming a part thereof, meet the requirements of the Internal Revenue Code Section 401(a) as a qualified plan and trust. The Plan Sponsor believes the Plan is currently being operated in compliance with the applicable requirements of the Internal Revenue Code. Since the Plan qualifies in operation, the Trust's earnings will be exempt from taxation, the Company's contributions will be deductible, and each participant will incur no current tax liability on either the Company's contributions or any earnings of the trust credited to the participant's account prior to the time that such contributions or earnings are withdrawn or made available to the participant. At the time a distribution occurs (whether because of retirement, termination, death, disability or voluntary withdrawal of funds), any amounts distributed (comprised of Company contributions, employee pretax contributions, and earnings on contributions of the Company or the participant) shall be taxed to the participant at the tax rate then in effect.

GAAP requires plan management to evaluate tax positions taken by the plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2013, there are no uncertain positions that would require recognition of a liability (or asset) or disclosure 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 years prior to 2010.

9. PLAN TERMINATION

Although the Company has not expressed any intent to terminate the Plan, it may do so at any time by adoption of a written resolution by the Company's Board of Directors or the Executive Committee of the Board of Directors. Upon termination of the Plan, participants' accounts would become fully vested and non-forfeitable and distributions would be made as promptly as possible.

10. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participant's account balances and the amounts reported in the Statement of Net Assets Available for Benefits. The Plan's exposure to a concentration of credit risk is limited by the diversification of investments across the participant directed fund elections. Additionally, the investments within each participant directed fund election are further diversified into varied financial instruments, with the exception of investments in Company common stock. All investment decisions are made, and the resulting risks are borne, exclusively by the Plan participant who made such decisions.

The Plan provides for investment in the Company's common stock. At December 31, 2013 and 2012, approximately 26% and 27% of the Plan's total net assets were invested in the common stock of the Company. The underlying values of the Company's common stock are dependent upon various factors including the performance of the Company and the market's evaluation of such performance.

$— December 31, 2012 Total Level 1 Level 2 Level 3 Mutual funds: Bond funds $6,036 $6,036 $—

KANSAS CITY LIFE INSURANCE COMPANY
SAVINGS and PROFIT SHARING PLAN
Notes to Financial Statements
(amounts in thousands)

11. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following reconciles net assets available for plan benefits per the financial statements to the Form 5500:

	December 31	
	2013	2012
Net assets available for benefits per the financial statements	$101,729	$84,794
Adjustment from contract value to fair value for fully benefit-responsive investment contract	604	1,585
Net assets available for benefits per the Form 5500	$102,333	$86,379

The following is a reconciliation of net appreciation in fair value of investments per the financial statements to the Form 5500:

	Year ended December 31, 2013
Net appreciation in fair value of investments	$13,872
Adjustment from fair value to contract value for fully benefit-responsive investment contracts for the year ended December 31, 2012	(1,585)
Adjustment from fair value to contract value for fully benefit-responsive investment contracts for the year ended December 31, 2013	604
Net appreciation in fair value of investments per the Form 5500	$12,891

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date that the financial statements have been issued.

KANSAS CITY LIFE INSURANCE COMPANY
SAVINGS and PROFIT SHARING PLAN

Schedule H, Line 4i – Schedule of Assets (Held at end of Year)
Employer Identification Number: 44-0308260
Plan Number: 003
December 31, 2013
(amounts in thousands)

(a)	(b) Identity of issue, borrower, lessor or similar party		(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost **	(e) Current Value
	Common stock:				
*		545,214	shares of Kansas City Life Insurance Company		$26,028
	Mutual funds:				
		102,002	shares of American Beacon Large Cap Value Investor		2,781
		17,504	shares of DFA Emerging Markets Portfolio		454
		44,349	shares of Harbor International Fund Institutional		3,149
		563,163	shares of Mainstay Large Cap Growth		5,863
		472,888	shares of Principal Midcap Fund		9,692
		116,023	shares of Prudential Jennison Small Company		3,332
		199,378	shares of SSgA S&P 500 Index		5,901
		125,113	shares of Dodge & Cox Income Fund		1,693
		330,964	shares of PIMCO Total Return - Admin		3,538
		35,421	shares of Vanguard Intermediate Term Treasury - Admiral		394
		20,114	shares of Vanguard Short Term Federal		215
		68,682	shares of Calamos Growth and Income-A		2,286
		7,665	shares of JPMorgan SmartRetirement Income-Select		132
		140,921	shares of JPMorgan SmartRetirement 2015-Select		2,431
		170,397	shares of JPMorgan SmartRetirement 2020-Select		3,050
		210,954	shares of JPMorgan SmartRetirement 2030-Select		3,911
		102,013	shares of JPMorgan SmartRetirement 2040-Select		1,938
		13,308	shares of JPMorgan SmartRetirement 2050-Select		239
					50,999
	Guaranteed investment contract:				
		21,840	MetLife Managed Guaranteed Investment Contract		22,444
	Notes Receivable from Participants				
			(Interest rates range from 3.25% to 4.25%; maturing from 2014 to 2023)		1,576
	Total Investments				$101,047

* Party-in-interest to the Plan.

** Cost information is not required as all investments are participant directed.

See accompanying Report of Independent Registered Public Accounting Firm.

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December 31, 2012 Total Level 1 Level 2 Level 3Mutual funds: Bond funds $6,036 $6,036 $— $—

KANSAS CITY LIFE INSURANCE COMPANY
SAVINGS and PROFIT SHARING PLAN

Schedule H, Line 4j – Schedule of Reportable Transactions
Employer Identification Number: 44-0308260
Plan Number: 003
For the Year Ended December 31, 2013
(amounts in thousands)

Party Involved	Description of Asset	Expense Incurred with Transaction	Cost of Asset	Current Value of Asset on Transaction Date	Net Gain or (Loss)
Met Life	Group Annuity Contract No. 14478 with MetLife. The transaction consisted of replacing this contract with Group Annuity Contract No. 14478A with MetLife to allow for more efficient data flow processing. The contract value did not change with the amendment.	$ -	$ 20,516	$ 20,516	$ -

KANSAS CITY LIFE INSURANCE COMPANY
SAVINGS and PROFIT SHARING PLAN

Report of Independent Registered Public Accounting Firm
The Trustees of the Kansas City Life Insurance Company
Savings and Profit Sharing Plan and the
Board of Directors of Kansas City Life Insurance Company:

We have audited the accompanying statements of net assets available for benefits of the Kansas City Life Insurance Company Savings and Profit Sharing Plan (the Plan) as of December 31, 2013 and 2012, and the related statement of changes in net assets available for benefits for the year ended December 31, 2013. 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 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 the Plan as of December 31, 2013 and 2012, and the changes in net assets available for benefits for the year ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules, Schedule H, line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2013, and Schedule H, Line 4j - Schedule of Reportable Transactions for the year ended December 31, 2013 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 Department of Labor's 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/ KPMG LLP
KPMG LLP
Kansas City, Missouri
June 30, 2014

KANSAS CITY LIFE INSURANCE COMPANY
SAVINGS and PROFIT SHARING PLAN

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, Kansas City Life Insurance Company by Mark A. Milton, as plan trustee of the Kansas City Life Insurance Company Savings and Profit Sharing Plan, has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Kansas City Life Insurance Company Savings and Profit Sharing Plan

By: Kansas City Life Insurance Company

/s/ Mark A. Milton
Mark A. Milton
Senior Vice President and Actuary
June 30, 2014