



427 West 12th Street
Kansas City, Missouri 64105

KANSAS CITY SOUTHERN
NOTICE AND PROXY STATEMENT
for
Annual Meeting of Stockholders
to be held
May 1, 2014

YOUR VOTE IS IMPORTANT!

Please mark, date and sign the enclosed proxy card and promptly return it in the enclosed envelope, or vote by telephone or through the Internet as described on the proxy card.

**We commenced mailing this Notice and Proxy Statement,
the enclosed proxy card and the accompanying 2013 Annual Report
on or about March 31, 2014.**

KANSAS CITY SOUTHERN

427 West 12th Street
Kansas City, Missouri 64105

March 31, 2014

To Our Stockholders:

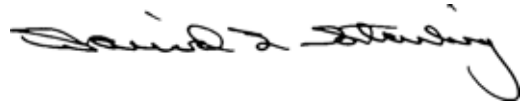
You are cordially invited to attend the Annual Meeting of Stockholders of Kansas City Southern, at Union Station Kansas City, Arthur Stilwell Room, 30 West Pershing Road, Kansas City, Missouri, at 10:00 a.m. Central Time, on Thursday, May 1, 2014. The purposes of this meeting are described in the accompanying Notice of Annual Meeting and Proxy Statement.

We urge you to read these proxy materials and our Annual Report and to participate in the Annual Meeting either in person or by proxy. ***Whether or not you plan to attend the meeting in person, please sign and return promptly the accompanying proxy card, in the envelope provided, to ensure that your shares will be represented. Alternatively, you may cast your votes by telephone or through the Internet as described on the accompanying proxy card.***

Sincerely,



Michael R. Haverty
*Chairman
of the Board of Directors*



David L. Starling
*President
and Chief Executive Officer*

KANSAS CITY SOUTHERN
427 West 12th Street
Kansas City, Missouri 64105
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Kansas City Southern will be held at Union Station Kansas City, Arthur Stilwell Room, 30 West Pershing Road, Kansas City, Missouri, at 10:00 a.m. Central Time, on Thursday, May 1, 2014.

Stockholders will consider and vote on the following matters:

1. Election of three directors;
2. Ratification of the Audit Committee's selection of KPMG LLP as our independent registered public accounting firm for 2014;
3. An advisory vote to approve the 2013 compensation of our named executive officers;
4. Approval of an amendment to the Kansas City Southern Amended and Restated Certificate of Incorporation to declassify the Board of Directors;
5. Approval of an amendment to the Kansas City Southern Amended and Restated Certificate of Incorporation to give stockholders the right to call a special meeting;
6. Such other matters as may properly come before the Annual Meeting or any adjournment thereof.

Only stockholders of record at the close of business on March 3, 2014 are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

By Order of the Board of Directors,



Adam J. Godderz
*Associate General Counsel &
Corporate Secretary*

The date of this Notice is March 31, 2014.

Please date, sign and promptly return the enclosed proxy card, regardless of the number of shares you may own and whether or not you plan to attend the meeting in person. Alternatively, you may cast your votes by telephone or through the Internet as described on the proxy card. You may revoke your proxy and vote your shares in person in accordance with the procedures described in this Notice and Proxy Statement. Please also indicate on your proxy card whether you plan to attend the Annual Meeting.

KANSAS CITY SOUTHERN
427 West 12th Street
Kansas City, Missouri 64105

PROXY STATEMENT

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INFORMATION ABOUT THE ANNUAL MEETING

Why were you sent this Proxy Statement?

On or about March 31, 2014, we began mailing this Proxy Statement to our stockholders of record on March 3, 2014 (the "Record Date") in connection with our Board of Directors' solicitation of proxies for use at the 2014 Annual Meeting of Stockholders and any adjournment thereof (the "Annual Meeting"). We will hold the Annual Meeting at Union Station Kansas City, Arthur Stilwell Room, 30 West Pershing Road, Kansas City, Missouri on Thursday, May 1, 2014 at 10:00 a.m. Central Time. The Notice of Annual Meeting of Stockholders, our 2013 Annual Report to Stockholders (the "Annual Report"), and a proxy card and voting instructions accompany this Proxy Statement. Unless otherwise indicated or the context requires, references in this Proxy Statement to "KCS" or the "Company" include Kansas City Southern and its consolidated subsidiaries.

We will pay for the Annual Meeting, including the cost of mailing the proxy materials and any supplemental materials. Directors, officers and employees of KCS may, either in person, by telephone or otherwise, solicit proxy cards. They have not been specifically engaged for that purpose, however, nor will they be compensated for their efforts. We have engaged Morrow & Co., LLC, 470 West Avenue, Stamford, Connecticut 06902, to assist in the solicitation of proxies and provide related informational support, for a service fee and the reimbursement of customary disbursements that are not expected to exceed \$25,000 in the aggregate. We will pay these fees and expenses. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of our shares for their expenses in forwarding this Proxy Statement, the Annual Report and other soliciting materials to the beneficial owners.

Brokers, dealers, banks, voting trustees, other custodians and their nominees are asked to forward this Notice and Proxy Statement, the proxy card and the Annual Report to the beneficial owners of our stock held of record by them. Upon request, we will reimburse them for their reasonable expenses in mailing these materials to beneficial owners of our stock.

Who may attend the Annual Meeting?

Only KCS stockholders or their proxies and guests of KCS may attend the Annual Meeting. Any stockholder or stockholder's representative who, because of a disability, may need special assistance or accommodation to allow him or her to participate in the Annual Meeting may request reasonable assistance or accommodation from us by contacting the office of the Corporate Secretary at our principal executive offices, (888) 800-3690. If written requests are made to the Corporate Secretary of KCS, they should be mailed to P.O. Box 219335, Kansas City, Missouri 64121-9335 (or by express delivery to 427 West 12th Street, Kansas City, Missouri 64105). To provide us sufficient time to arrange for reasonable assistance, please submit all requests by April 22, 2014.

What matters will be considered at the Annual Meeting?

At the Annual Meeting, stockholders will consider and vote upon: (1) the election of three directors; (2) the ratification of the Audit Committee's selection of KPMG LLP as our independent registered public accounting firm for 2014; (3) an advisory vote to approve the 2013 compensation of our named executive officers; (4) approval of an amendment to our Amended and Restated Certificate of Incorporation to declassify the Board of Directors; (5) approval of an amendment to our Amended and Restated Certificate of Incorporation to give stockholders the right to call a special meeting; and (6) such other matters as may properly come before the Annual Meeting or any adjournment thereof. Stockholders do not have dissenters' rights of appraisal in connection with these proposals. All of these proposals have been made by the Board of Directors and the Board of Directors unanimously recommends you vote "for" the director nominees presented, "for" the proposal regarding the ratification of our independent registered public accounting firm for 2014, "for" the approval, on a non-binding basis, of the 2013 compensation of the Company's named executive officers as disclosed in the Compensation Discussion and Analysis section and the accompanying compensation tables contained in this

Proxy Statement, “for” approval of the amendment to our Amended and Restated Certificate of Incorporation to declassify our Board of Directors; and “for” approval of the amendment to our Amended and Restated Certificate of Incorporation to give stockholders the right to call a special meeting.

The Board of Directors knows of no other matters that will be presented or voted on at the Annual Meeting.

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS

Important Notice Regarding the Availability of Proxy Materials for the Stockholders’ Meeting to be held on May 1, 2014.

The Proxy Statement and Annual Report are available at www.edocumentview.com/ksu

For the date, time, location, information about attending the Annual Meeting, an identification of the matters to be voted upon at the Annual Meeting, and the recommendations of the Board of Directors regarding those matters, please see “Information About the Annual Meeting.” For information on how to vote in person or by proxy at the Annual Meeting, please see “Voting.” Stockholders that wish to attend the meeting and vote in person may obtain directions to the Annual Meeting by sending a written request directed to our Corporate Secretary, P.O. Box 219335, Kansas City, Missouri 64121-9335 (or if by express delivery to 427 West 12th Street, Kansas City, Missouri 64105), or by calling (888) 800-3690.

VOTING

Who may vote at the Annual Meeting?

Only the holders of record of our common stock, par value \$0.01 per share (the “Common Stock”), and our 4% Noncumulative Preferred Stock, par value \$25.00 per share (the “4% Preferred Stock”), at the close of business on the Record Date are entitled to notice of and to vote at the Annual Meeting. On the Record Date, we had outstanding 242,170 shares of 4% Preferred Stock (excluding 407,566 shares held in treasury) and 110,338,452 shares of Common Stock (excluding 13,013,733 shares held in treasury) for a total of 110,580,622 shares eligible to vote at the Annual Meeting.

How many votes does each Voting Share have?

The Common Stock and the 4% Preferred Stock (collectively, the “Voting Stock”) constitute our only voting securities and will vote together as a single class on all matters to be considered at the Annual Meeting. Each holder of Voting Stock is entitled to cast one vote for each share of Voting Stock held on the Record Date on each matter.

How can you vote by proxy?

Registered stockholders can vote by proxy in three ways, each of which is valid under Delaware law:

- *By Internet:* Access our Internet voting site at www.envisionreports.com/ksu or by scanning the QR code on the proxy card with your smartphone and follow the instructions on the screen, prior to 1:00 a.m., Eastern Time, on May 1, 2014 (April 28, 2014 for participants in certain employee benefit plans discussed below).
- *By Telephone:* Using a touch-tone telephone, call toll-free at 1-800-652-VOTE (8683) and follow the voice instructions, prior to 1:00 a.m., Eastern Time, on May 1, 2014 (April 28, 2014 for participants in certain employee benefit plans discussed below).
- *By Mail:* Mark, sign, date and return the enclosed proxy or instruction card so it is received before the Annual Meeting (April 28, 2014 for participants in certain employee benefit plans discussed below).

If you are the beneficial owner of your shares, please refer to your voting form for specific voting procedures from your broker.

How do we decide whether our stockholders have approved the proposals?

Stockholders owning at least a majority of the shares of Voting Stock entitled to vote must be present in person or represented by proxy to constitute a quorum for the transaction of business at the Annual Meeting. The shares of a stockholder who is present and entitled to vote at the Annual Meeting, either in person or by proxy, are counted for purposes of determining whether there is a quorum, regardless of whether the stockholder votes the shares. Abstentions and broker non-votes (defined below) are counted as present and entitled to vote for purposes of determining a quorum.

The directors are elected by the affirmative vote of a plurality of shares of Voting Stock present at the Annual Meeting and entitled to vote, provided a quorum exists. A plurality means receiving the largest number of votes. Where, as here, there are three director vacancies, the three nominees with the highest number of affirmative votes are elected. For Proposals 2 and 3, the affirmative vote of a majority of the shares of Voting Stock present at the Annual Meeting in person or by proxy and entitled to vote on the subject matter, provided a quorum is present, is required for the adoption of the Proposals. For Proposals 4 and 5, the affirmative vote of the holders of a majority of the total number of outstanding shares of Voting Stock is required to approve the Proposals.

Voting ceases when the chairman of the Annual Meeting closes the polls. The votes are counted and certified by three inspectors appointed by the Board of Directors in advance of the Annual Meeting. In determining whether a majority of shares of Voting Stock present have been affirmatively voted for a particular proposal, the affirmative votes for the proposal are measured against the votes for and against the proposal plus the abstentions from voting on the proposal. In determining whether Proposals 4 and 5 have been approved, the total outstanding shares of Voting Stock entitled to vote are counted in determining whether a majority has voted for the proposal. You may abstain from voting on any proposal other than the election of directors. Abstentions from voting are not considered as votes affirmatively cast. Abstaining will, therefore, have the effect of a vote against a proposal. With regard to the election of directors, votes may be cast in favor or withheld. Votes that are withheld will be excluded entirely from the vote and will have no effect.

What if you hold shares in a brokerage account?

The Voting Stock is traded on the New York Stock Exchange, Inc. (the “NYSE”). Under the rules of the NYSE, member stockbrokers who hold shares of Voting Stock in their name for customers are required to obtain directions from their customers on how to vote the shares. NYSE rules permit brokers to vote shares on certain proposals when they have not received any directions. The Staff of the NYSE, prior to the Annual Meeting, informs brokers of those proposals on which they are entitled to vote the undirected shares.

A “broker non-vote” occurs when a broker holding shares of Voting Stock for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting authority for that proposal and has not received instructions from the beneficial owner (customer directed abstentions are not broker non-votes). Broker non-votes generally do not affect the determination of whether a quorum is present at the Annual Meeting because, in most cases, some of the shares held in the broker’s name have been voted, and, therefore, all of those shares are considered present at the Annual Meeting.

Under applicable law, except for Proposals 4 and 5, a broker non-vote will not be considered present and entitled to vote on non-discretionary items and will have no effect on the vote. Because Proposals 4 and 5 require the vote of a majority of the total number of outstanding shares of Voting Stock entitled to vote, a broker non-vote will have the effect of a vote against Proposals 4 and 5.

On what proposals can my broker vote my shares?

A broker may vote without direction only on Proposal 2, ratification of auditors. Brokers may not use discretionary authority to vote shares on any other proposal, including the election of directors, if they have not received instructions from their clients. **Please provide your broker with instructions so your vote can be counted.**

How are your shares voted if you submit a proxy?

If you return a properly executed proxy card or properly vote via the Internet or telephone, you are appointing the Proxy Committee to vote your shares of Voting Stock covered by the proxy. The Proxy Committee consists of the three directors of KCS whose names are listed on the proxy card. If you wish to name someone other than the Proxy Committee as your proxy, you may do so by crossing out the names of the designated proxies and inserting the name of another person. In that case, it will be necessary for you to sign the proxy card and deliver it to the person so named and for that person to be present and vote at the Annual Meeting. Proxy cards so marked should not be mailed directly to us.

The Proxy Committee will vote the shares of Voting Stock covered by a proxy in accordance with the instructions given by the stockholder(s) executing the proxy or authorizing the proxy and voting via the Internet or telephone. If a properly executed or authorized and unrevoked proxy does not specify how the shares represented thereby are to be voted, the Proxy Committee intends to vote the shares (i) FOR the election of the persons nominated by the Board for Directors, (ii) FOR ratification of the Audit Committee's selection of KPMG LLP as our independent registered public accounting firm for 2014, (iii) FOR the approval, on an advisory basis, of the 2013 compensation of our named executive officers, (iv) FOR approval of the amendment to our Amended and Restated Certificate of Incorporation to declassify our Board of Directors; (v) FOR approval of the amendment to our Amended and Restated Certificate of Incorporation to give stockholders the right to call a special meeting, and (vi) in accordance with their discretion, upon such other matters as may properly come before the Annual Meeting.

Can you revoke your proxy or voting instruction card?

At any time before the polls for the Annual Meeting are closed, if you hold Voting Stock in your name, you may revoke a properly executed or authorized proxy by (a) an Internet or telephone vote subsequent to the date shown on the previously executed and delivered proxy or the date of a prior electronic or telephonic vote, or (b) with a later-dated, properly executed and delivered proxy, or (c) a written revocation delivered to our Corporate Secretary. If you hold Voting Stock in a brokerage account, you must contact the broker and comply with the broker's procedures if you want to revoke or change the instructions previously given to the broker. Participants in certain employee benefit plans, as discussed below, must contact the plan trustee and comply with its procedures if they wish to revoke or change their voting instructions. Attendance at the Annual Meeting will not have the effect of revoking your properly executed or authorized proxy unless you deliver a written revocation to our Corporate Secretary before your proxy is voted.

How do participants in Kansas City Southern 401(k) and Profit Sharing Plan (the "KCS 401(k) Plan") vote?

If you participate in the KCS 401(k) Plan and own shares of Common Stock in your account, you have received a separate voting instruction card (accompanying this Proxy Statement) to instruct the trustee of the KCS 401(k) Plan how to vote the shares of Common Stock held on your behalf. The trustee is required under the trust agreement to vote the shares in accordance with the instructions given on the voting instruction card. Voting instructions may also be given by Internet or telephone by participants in the KCS 401(k) Plan. The accompanying voting instruction card contains the Internet address and toll-free number. If voting instructions are not received from a participant, the trustee must vote those shares, as well as any unallocated shares, in the

same proportions as the shares for which voting instructions were received from plan participants. Voting instructions by Internet or telephone must be given by 1:00 a.m., Eastern Time, on April 28, 2014. Unless you give voting instructions by Internet or telephone, the voting instruction card should be returned in the envelope provided to Proxy Services, c/o Computershare, P.O. Box 30170, College Station, TX 77842-3170. The voting instruction card should not be returned to us. KCS 401(k) Plan participants who wish to revoke their voting instructions must contact the trustee and follow its procedures.

Are the votes of participants in the KCS 401(k) Plan confidential?

Under the terms of the KCS 401(k) Plan, the trustee is required to establish procedures to ensure that the instructions received from participants are held in confidence and not divulged, released or otherwise utilized in a manner that might influence the participants' free exercise of their voting rights.

BENEFICIAL OWNERSHIP

The following table contains information concerning the beneficial ownership of our Common Stock as of the Record Date by:

- Beneficial owners of more than five percent of our Common Stock that have publicly disclosed their ownership in filings with the Securities and Exchange Commission (“SEC”);
- The members of our Board of Directors;
- Our Chief Executive Officer, our Chief Financial Officer and the other executive officers for whom information is provided in the Summary Compensation Table in this Proxy Statement (we call these persons the “Named Executive Officers”); and
- All current executive officers, directors and nominees for director as a group. The address for each of our directors and executive officers listed is 427 West 12th Street, Kansas City, Missouri 64105.

We are not aware of any beneficial owner of more than five percent of the 4% Preferred Stock. None of our directors or executive officers owns any shares of 4% Preferred Stock. No officer or director of KCS owns any equity securities of any subsidiary of KCS. Beneficial ownership is generally defined as either the sole or shared power to vote or dispose of the shares. Except as otherwise noted, the beneficial owners have sole power to vote and dispose of their shares. We are not aware of any arrangement that would, at a subsequent date, result in a change in control of KCS.

<u>Name and Address</u>	<u>Common Stock(1)</u>	<u>Percent of Class(1)</u>
T. Rowe Price Associates, Inc	12,965,312(2)	11.7%
The Vanguard Group	7,326,814(3)	6.64%
BlackRock, Inc.	5,921,748(4)	5.4%
Lu M. Córdova	6,130(5)	*
Director		
Henry R. Davis	105,629	*
Director		
Robert J. Drueten	20,755(6)	*
Director		
Terrence P. Dunn	35,793(7)	*
Director		
David R. Ebbrecht	35,797(8)	*
Executive Vice President and Chief Operating Officer		
Antonio O. Garza, Jr.	4,565	*
Director		
Michael R. Haverty	894,192(9)	*
Chairman of the Board and Director		
Thomas A. McDonnell	140,000(10)	*
Director		
Patrick J. Ottensmeyer	56,331(11)	*
Executive Vice President, Sales and Marketing		
Rodney E. Slater	19,293	*
Director		
David L. Starling	161,345(12)	*
President and Chief Executive Officer; Director		
Michael W. Upchurch	21,223(13)	*
Executive Vice President and Chief Financial Officer		
José Guillermo Zozaya Delano	62,745(14)	*
President and Executive Representative of Kansas City Southern de México, S.A. de C.V. (“KCSM”)		
All Directors and Executive Officers as a Group (18 Persons)	1,773,734(15)	1.60%

* Less than one percent of the outstanding shares.

- (1) This column includes Common Stock, including restricted shares, beneficially owned by officers, directors, nominees for director and beneficial owners of more than five percent of our Common Stock. In accordance with SEC rules, this column also includes shares that may be acquired upon the exercise of options or other convertible securities that are exercisable or convertible on the Record Date, or will become exercisable or convertible within 60 days of that date, which are considered beneficially owned. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares subject to options or other convertible securities held by that person that are exercisable or convertible on the Record Date, or exercisable or convertible within 60 days of the Record Date, are deemed outstanding. These shares are not, however, deemed outstanding for the purpose of computing the percentage ownership of any other person. In addition, under applicable law, shares that are held indirectly are considered beneficially owned. Directors, nominees for director and executive officers may also be deemed to own, beneficially, shares included in the amounts shown above which are held in other capacities. The holders may disclaim beneficial ownership of shares included under certain circumstances. The list of our executive officers is included in our Annual Report on Form 10-K for the year ended December 31, 2013. See the last page of this Proxy Statement for instructions on how to obtain a copy of the Form 10-K.
- (2) The address of T. Rowe Price Associates, Inc. (“Price Associates”) is 100 E. Pratt Street, Baltimore, MD 21202. Based on a Schedule 13G/A filed February 12, 2014, Price Associates reports sole power to vote 3,780,804 shares and sole power to dispose of 12,965,312 shares. These securities are owned by various individual and institutional investors which Price Associates serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.
- (3) The address of The Vanguard Group (“Vanguard”) is 100 Vanguard Blvd., Malvern, PA 19355. Based on a Schedule 13G, filed February 11, 2014, Vanguard reports sole voting power of 179,325 shares, sole power to dispose of 7,158,889 shares and shared power to dispose of 167,925 shares.
- (4) The address of BlackRock, Inc. is 40 East 52nd Street, New York, NY 10022. This information is based on BlackRock, Inc.’s Schedule 13G/A filed on February 10, 2014. Black Rock reports sole voting power of 4,957,967 shares.
- (5) Ms. Córdova’s beneficial ownership includes 29 shares held in a trust.
- (6) Mr. Druten’s beneficial ownership includes 1,250 shares held by a charitable foundation for which Mr. Druten disclaims beneficial ownership.
- (7) Mr. Dunn’s beneficial ownership includes 35,793 shares held in a revocable trust for which he is the trustee with sole voting and dispositive power.
- (8) Mr. Ebbrecht’s beneficial ownership includes 23,518 restricted shares, 6,784 shares that may be acquired through options that are exercisable as of, or will become exercisable within 60 days of, the Record Date, and 11 shares allocated to his account in the KCS 401(k) Plan.
- (9) Mr. Haverty’s beneficial ownership includes 6,839 restricted shares, 74,705 shares that may be acquired through options that are exercisable as of, or will become exercisable within 60 days of, the Record Date, 746,250 shares held jointly with his spouse, and 48,609 shares held by a charitable foundation for which Mr. Haverty disclaims beneficial ownership.
- (10) Mr. McDonnell’s beneficial ownership includes 100,000 shares held in a trust for which he is the trustee with sole voting and dispositive power, and 40,000 shares held by a charitable foundation for which Mr. McDonnell disclaims beneficial ownership.
- (11) Mr. Ottensmeyer’s beneficial ownership includes 5,811 restricted shares, 18,149 shares that may be acquired through options that are exercisable as of, or will become exercisable within 60 days of, the Record Date, and 238 shares allocated to his account in the KCS 401(k) Plan.

- (12) Mr. Starling's beneficial ownership includes 27,015 restricted shares, 61,701 shares that may be acquired through options that are exercisable as of, or will become exercisable within 60 days of, the Record Date, 31,465 shares held jointly with his spouse and pledged as collateral for a line of credit, 10,000 shares held in an Individual Retirement Account, and 6,157 shares held by a charitable foundation for which Mr. Starling disclaims beneficial ownership.
- (13) Mr. Upchurch's beneficial ownership includes 5,610 restricted shares and 5,101 shares that may be acquired through options that are exercisable as of, or will become exercisable within 60 days of, the Record Date.
- (14) Mr. Zozaya's beneficial ownership includes 5,140 restricted shares and 24,999 shares that may be acquired through options that are exercisable as of, or will become exercisable within 60 days of, the Record Date.
- (15) The number includes 101,544 restricted shares, 256,616 shares that may be acquired through options that are exercisable as of, or will become exercisable within 60 days of, the Record Date, 827,462 shares held jointly, 150,555 shares otherwise held indirectly and 31,465 shares pledged as collateral for loans or held in brokerage accounts with margin privileges. Mr. McDonnell, a Director, disclaims beneficial ownership of 40,000 of the total shares listed. Mr. Druten, a Director, disclaims beneficial ownership of 1,250 of the total shares listed. Mr. Haverty, our Chairman and a Director, disclaims beneficial ownership of 48,609 of the total shares listed. Mr. Starling, a Director and our President and Chief Executive Officer, disclaims beneficial ownership of 6,157 of the total shares listed.

PROPOSAL 1 — ELECTION OF THREE DIRECTORS

The Board of Directors of KCS (the “Board”) is divided into three classes. The members of each class serve staggered three-year terms of office, which results in one class standing for election at each annual meeting of stockholders. The term of office for the three directors elected at the Annual Meeting will expire in 2017 or when their successors are elected and qualified, or their earlier resignation or removal.

Three persons have been nominated by the Board of Directors for election as directors. All nominees have indicated they are willing and able to serve as directors if re-elected and have consented to being named as nominees in this Proxy Statement. If any nominee should become unable or unwilling to serve, the Proxy Committee intends to vote for one or more substitute nominees chosen by them in their sole discretion.

The biography of each nominee below contains information regarding the person’s service as a director, business experience, director positions held currently or at any time during the last five years and experiences, qualifications, attributes or skills that led the Nominating and Corporate Governance Committee (the “Nominating Committee”) or the Board to conclude that the person should serve as a director for the Company as of the time that this proxy statement was filed with the SEC.

As explained above in “How many votes does each Voting Share have” and “How do we decide whether our stockholders have approved the proposals?”, directors are elected by the affirmative vote of a plurality of the shares of Voting Stock present at the Annual Meeting and entitled to vote on the election of directors, assuming a quorum is present.

Nominees for Director to Serve Until the Annual Meeting of Stockholders in 2017



Henry R. Davis, age 73, has been a director of KCS since February 28, 2008. Since 1998, Mr. Davis has served as President of the investment firm Promotora DAC, S.A. de C.V., which focuses its investments in the financial and real estate sectors. Mr. Davis served as President, Chief Executive Officer and Vice Chairman of the Board of Grupo Cifra from 1983, until its acquisition by Wal-Mart de México in 1998. Mr. Davis is a director of Grupo Bimbo, S.A.B. de C.V. (1999 to present) and Fibra Uno, S.A.B. de C.V. (2011 to present). He previously served as a director of Grupo Aeroportuario de Pacífico S.A.B. de C.V. (2006 to 2010) and Ixe Grupo Financiero S.A. de C.V. (2001 to 2011).

As the Chief Executive Officer and Vice Chairman of Grupo Cifra, Mr. Davis developed extensive business leadership skills. He also has unique insights in managing and operating businesses in Mexico that serves the Board well in its governance and strategic oversight of the Company’s wholly-owned subsidiary, KCSM. Mr. Davis has also developed extensive finance and real estate experience through the leadership of Promotora DAC, S.A. de C.V. In addition, he has strong skills in corporate finance, managing capital intensive industry operations, international relations, strategic planning and executive compensation.



Robert J. Druten, age 66, has been a director of KCS since July 26, 2004. Mr. Druten served as Executive Vice President and Chief Financial Officer of Hallmark Cards, Inc. from 1994 until his retirement in August 2006. From 1991 until 1994, he served as Executive Vice President and Chief Financial Officer of Crown Media, Inc., a cable communications subsidiary of Hallmark. He served as Vice President of Corporate Development and Planning of Hallmark from 1989 until 1991. Prior to joining Hallmark in 1986, Mr. Druten held a variety of executive positions with Pioneer Western Corporation from 1983 to 1986. Mr. Druten has served as a trustee of EPR Properties (“EPR”), a real estate investment trust, since 1997 and is its Chairman of the Board. He has also been a member of the compensation, governance and finance committees of EPR. He has served as a director of Alliance Holdings GP, L.P., a publicly traded limited partnership whose publicly traded subsidiary is engaged in the production and marketing of coal, since 2007, where he serves on the Audit Committee and its Conflicts Committee. Mr. Druten previously served as a director of American Italian Pasta Company, from 2007 until it was acquired by Ralcorp Holdings, Inc. in July 2010, where he was the Chair of the Audit Committee and also served on the Compensation Committee.

Mr. Druten has extensive executive experience in corporate finance and accounting developed during his tenure as a financial manager, and ultimately as Chief Financial Officer, of Hallmark Cards, Inc. He has also served on the audit committees of other public companies, which gives him valuable knowledge and perspective in serving on the Company’s Audit Committee. Mr. Druten also has experience in managing capital intensive operations, international operations and strategic planning.



Rodney E. Slater, age 59, has been a director of KCS since June 5, 2001. Mr. Slater is a partner in the public policy practice group of the law firm Patton Boggs LLP and has served as a member of the firm’s transportation practice group in Washington, D.C. since 2001. He served as United States Secretary of Transportation from 1997 to January 2001 and head of the Federal Highway Administration from 1993 to 1996. Mr. Slater is also a director of Southern Development Bancorporation (since May 2001), International Battery, Inc. (since May 2009), Transurban Group (since June 2009), Verizon Communications, Inc. (since March 2010) and WS Atkins plc (since September 2011). Mr. Slater has served as a member of the Brambles Advisory Board since August 2010. Mr. Slater previously served as a Director of ICx Technologies, Inc. from July 2006 through October 2010 and Delta Airlines from October 2008 through June 2011, International Battery, Inc. from May 2009 to December 2012, Parsons Brinkerhoff from March 2008 to March 2009 and is a Past Chairman of the Board of United Way of America.

Mr. Slater brings strong leadership skills to the Board developed through his career as a government leader, which culminated in his service as the United States’ Secretary of Transportation. As Secretary of Transportation, Mr. Slater developed extensive experience in the regulation of transportation, development of public policy and government and international relations, and he serves as a key advisor to the Board on these issues. Mr. Slater also has extensive experience in executive compensation.

**YOUR BOARD RECOMMENDS THAT YOU VOTE
“FOR”
THE ELECTION OF THE BOARD’S NOMINEES**

THE BOARD OF DIRECTORS

The Board of Directors met five times in 2013. The Board meets regularly to review significant developments affecting KCS and to act on matters requiring Board approval. The Board reserves certain powers and functions to itself; in addition, it has requested that the Chief Executive Officer refer certain matters to it. During 2013, all directors attended at least 75% of the aggregate of (1) the total number of meetings of the Board and (2) the total number of meetings held by all committees of the Board on which they served.

The biography of each director below contains information regarding the person's service as a director, business experience, director positions held currently or at any time during the last five years and experiences, qualifications, attributes or skills that led the Nominating Committee or the Board to conclude that the person should serve as a director for the Company as of the time that this proxy statement was filed with the SEC.

Directors Serving Until the Annual Meeting of Stockholders in 2015



Lu M. Córdova, age 59, has been a director of KCS since May 6, 2010. Ms. Córdova has served as the Chief Executive Officer of Corlund Industries, L.L.C., an investment holding company specializing in operations management, strategic planning, business development and capital finance, since 2005. Ms. Córdova has also served as General Manager of Almacén Storage-US, LLC, which provides self-storage and small business warehousing in resort areas in Mexico, since 2007. She has been a director of Euronet Worldwide, Inc. since June 2011. She served on the Board of Directors of the 10th District Federal Reserve Bank based in Kansas City, Missouri from January 2005 until December 2011, where she served on the audit committee and compensation committee, and as Chairman of the Board of the 10th District Federal Reserve Bank from January 2008 until January 2011. Before serving on the Board of Directors of the Federal Reserve Bank of Kansas City, she served on its Economic Advisory Council from 2002 through 2004. She served as president of CTEK Venture Centers, a not-for-profit business catalyst, from 2001 until her retirement in 2005. She also served as Chairman of CTEK Angels, also a not-for-profit business catalyst, from 2002 until 2007. Ms. Córdova served as Chief Executive Officer of Acteva, an e-commerce software transaction provider, from 1998 until 2000. Ms. Córdova was formerly a vice president at @Home Network and at McGraw-Hill.

Ms. Córdova has extensive business leadership and entrepreneurial experience. She has developed strong leadership skills for high growth companies through her experience in leading companies in the start-up phases and growth-phases of business development. Her business experience has also given her extensive experience in corporate finance and strategic planning. In addition, Ms. Córdova is a citizen of both the United States and Mexico and has experience in managing and leading Mexican businesses. Ms. Córdova also has experience in the development of government financial and economic policies that she has developed through her formal education and experience with the Board of Directors of the 10th District Federal Reserve Bank.



Michael R. Haverty, age 69, has been a director of KCS since May 1995, and from January 1, 2001 through September 30, 2013 was Executive Chairman of the Board. Effective October 1, 2013, Mr. Haverty became the non-executive Chairman of KCS and is no longer an employee of the Company. He served as Chief Executive Officer of KCS from July 12, 2000 until July 31, 2010. Mr. Haverty served as President of KCS from July 12, 2000 to June 12, 2006. Mr. Haverty served as Executive Vice President of KCS from May 1995 until July 12, 2000. He served as President and Chief Executive Officer of The Kansas City Southern Railway Company (“KCSR”) from 1995 to 2005 and was a director of KCSR from 1995 to September 30, 2013. He served as Chairman of the Board of KCSR from 1999 until September 30, 2013. Mr. Haverty served as a director of the Panama Canal Railway Company, an affiliate of KCS, from 1996 and as Co-Chairman of the Board of Directors of that company from 1999 until September 30, 2013. Mr. Haverty served as Co-Chairman of Panarail Tourism Company, an affiliate of KCS, from 2000 until September 30, 2013. He has served as Chairman of the Board of KCSM, a wholly-owned subsidiary of KCS, from April 1, 2005 until September 30, 2013. Mr. Haverty served as Chairman and Chief Executive Officer of Haverty Corporation from 1993 to May 1995, acted as an independent executive transportation advisor from 1991 to 1993, and was President and Chief Operating Officer of The Atchison, Topeka and Santa Fe Railway Company from 1989 to 1991.

Mr. Haverty led the Company’s rail operations for over fifteen years. He came to the Company with extensive executive experience in the management of rail operations. Mr. Haverty also has strong experience in leading a public company, corporate finance, managing capital intensive organizations, international business, government and international relations, relations with the Mexican government and strategic planning. He has been the chief strategist in the development and execution of the Company’s cross-border rail strategy.



Thomas A. McDonnell, age 68, has been a director of KCS since March 18, 2003. Mr. McDonnell has served as President and Chief Executive Officer of the Ewing Marion Kauffman Foundation since January 1, 2013. He served as a director of DST Systems, Inc. (“DST”) from 1971 until his retirement on December 31, 2012, and as Chief Executive Officer of DST from 1984 until his retirement in September 2012. He previously served as President of DST from 1973 until July 2009 (except for a 30-month period from October 1984 to April 1987). DST provides sophisticated information processing, computer software services and business solutions to the financial services, communications and healthcare industries. He is a director of Euronet Worldwide, Inc. (since December 1996) and serves on the audit committee of this public company. He previously served as a director of Blue Valley Ban Corp (from 1996 until July 2010), Commerce Bancshares, Inc. (from April 2001 until April 2010) and Garmin Ltd. (from March 2001 until May 2010). He served on the audit committees of the boards of each of these public companies other than Blue Valley Ban Corp. Mr. McDonnell previously served as a director of KCS from 1983 until October 1995. Mr. McDonnell also served as an officer and director of KCSR before DST was spun off from KCS in 1995.

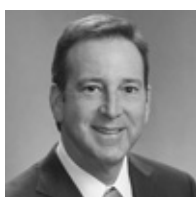
Mr. McDonnell is an experienced business leader with the skills necessary to serve as a director of the Company. He has served for many years as the CEO of DST Systems, Inc., a publicly traded company and has developed strong business leadership skills in this role. Mr. McDonnell has extensive executive experience in corporate finance and accounting, technology, international operations and strategic planning. His service on other boards has provided him with a broad business background and leadership skills that are highly valued by Directors on the Company’s Board.

Directors Serving Until the Annual Meeting of Stockholders in 2016



Terrence P. Dunn, age 64, has been a director of KCS since May 2007. Mr. Dunn has served as President and Chief Executive Officer of J.E. Dunn Construction Group (formerly known as Dunn Industries) since 1989. Headquartered in Kansas City, Missouri, J.E. Dunn Construction Group is the holding company for commercial contracting and construction company affiliates across the nation. Mr. Dunn has served on the Board of Directors of UMB Financial Corporation since 2003.

As the President and Chief Executive Officer of a \$2.5 billion (revenue) construction company, Mr. Dunn has extensive executive experience in managing a capital intensive business, corporate finance and accounting and strategic planning. Mr. Dunn also has strong skills in executive compensation matters and business expansion. He also has strong board leadership skills developed as lead director of UMB Financial Corporation and as former chairman of the board of the Federal Reserve Bank of Kansas City.



Antonio O. Garza, Jr., age 54, has been a director of KCS since May 6, 2010. Mr. Garza has served as Counsel to the Mexico City office of White & Case, LLP since 2009. White & Case has acted as outside legal counsel to KCSM for over ten years. As counsel to the firm, Mr. Garza does not share in the profits of the firm and is not compensated for fees generated by the firm for performing legal work for KCS or KCSM. Additionally, Mr. Garza is Chairman of Vianovo Ventures, a cross border business consultancy. Mr. Garza served as United States Ambassador to Mexico from 2002 until January 2009. Mr. Garza was elected to the Texas Railroad Commission in 1998 and served as its Chairman from 1999 until he left the Commission in 2002 to serve as United States Ambassador to Mexico. He served as the Secretary of State of Texas from 1994 until 1998. Since May 2009, Mr. Garza has been a director of Basic Energy Services, an oil and gas well services company, for which he also has served on the Compensation Committee since October 2009. Mr. Garza also serves on the Board of Directors of MoneyGram International, Inc., a global money transfer company, since 2012. From June 2009 through March 2012, he served on the Board of Directors of BBVA Compass Bank. Basic Energy Services, MoneyGram and BBVA Compass Bank are all publicly traded companies on the NYSE. He has served as a director of KCSM since October 2011. Mr. Garza previously served on the Advisory Council of KCSM from October 2009 until his election to the Company's Board of Directors in May 2010. He also is on the Board of Trustees of Southern Methodist University, for which he serves on the finance/legal committee, and on the University of Texas Development Board. Mr. Garza is also a member of the Council on Foreign Relations and a past recipient of the "Aguila Azteca", the Mexican government's highest honor bestowed upon a foreign national.

Mr. Garza brings strong political, diplomatic and international business skills to the Board that he has developed through his experience as the United States' Ambassador to Mexico and as an international business consultant and attorney. In addition, he has extensive experience in public policy development, strategic relationships with government officials and government relations experience including prior experience working with the Mexican government, which will serve the Board well in its governance and strategic oversight of KCSM. Mr. Garza also has a solid understanding of KCSM's operations developed through his service on its Advisory Council.



David L. Starling, age 64, has been a director of KCS since May 6, 2010. Mr. Starling has served as President and Chief Executive Officer of KCS since August 1, 2010. He served as President and Chief Operating Officer of KCS from July 1, 2008 through August 1, 2010. Mr. Starling has also served as a Director, President and Chief Executive Officer of KCSR since July 1, 2008. He has also served as Vice Chairman of the Board of Directors of KCSM, a wholly-owned subsidiary of the Company, since September 2009. Mr. Starling has served as Vice Chairman of the Board of Directors of Panama Canal Railway Company (“PCRC”), a joint venture company owned equally by KCS and Mi-Jack Products, Inc., since July 2008. Mr. Starling has served as a director of Ferrellgas, Inc., since February 27, 2014. Prior to joining KCS, Mr. Starling served as President and Director General of PCRC from 1999 through June 2008. From 1988 through 1999, Mr. Starling served in various leadership positions for American President Lines including most recently vice president Central Asia headquartered in Hong Kong.

Mr. Starling has extensive executive experience in the North American rail industry and in intermodal and global shipping logistics. He developed significant international logistics experience in his role as Vice President of Central Asia for American President Lines, where he was responsible for its operations in China, Taiwan and Hong Kong. Mr. Starling has significant rail operations leadership experience developed in his position as President and Director General of Panama Canal Railway Company, where he supervised the reconstruction and subsequent operation of the company. He has played an important role in executing the Company’s cross-border rail strategy since joining the Company in July 2008 as its President and Chief Operating Officer. Prior to joining the Company, Mr. Starling developed a strong understanding of its international shipping operations through his position as Executive Representative of the Company from July 2007 until joining the Company as an employee in July 2008. In this role, Mr. Starling represented the Company in seeking to encourage shipping of ocean container traffic through the Port of Lázaro Cárdenas, as well as through Panama.

CORPORATE GOVERNANCE

The Corporate Governance Guidelines of Kansas City Southern (the “Guidelines”) are available for review in the “Corporate Governance — Governance Documents” section under the “Investors” tab of our website at www.kcsouthern.com. In addition, this section of our website makes available all of our corporate governance materials, including our Bylaws (the “Bylaws”), board committee charters, code of business conduct and ethics and our anti-harassment and equal employment opportunity policies. Our Board of Directors regularly reviews corporate governance developments and modifies the Guidelines, committee charters, and key practices as it believes warranted.

The “Investors” section of our website also includes a copy of the brochure for our United States Speak Up! line in portable document format (i.e., PDF). Our United States Speak Up! line is a means for employees, customers, suppliers, stockholders and other interested parties to submit confidential and anonymous reports of suspected or actual actions they believe may violate our corporate policies or the law including, but not limited to, the following:

- Unlawful harassment
- Bribery
- Destroying, altering or falsifying company records
- Misuse of corporate assets
- Threats to personal safety
- Violations of anti-trust, environmental or other governmental compliance regulations
- Employment discrimination
- Conflicts of interest
- Security concerns, including those of terrorist activity
- Securities matters
- Use or sale of illegal drugs
- Accounting or auditing irregularities
- Insider trading
- Creating or ignoring safety or environmental hazards
- Theft and fraud
- Disclosure of proprietary information
- Suspicious activity, including inquiries from strangers about our facilities or operations

Our United States Speak Up! line is operated by an independent outside vendor 24 hours a day, seven days a week. Any employee, stockholder, or other interested party can call the following toll-free (within the United States) number to submit a report:

1-800-727-2615

We have a similar hotline in Mexico, the KCSM Speak Up! line, to receive confidential and anonymous reports of suspected or actual actions that the reporting party believes may violate our corporate policies or the law. The KCSM Speak Up! line is operated by an independent outside vendor 24 hours a day, seven days a week. Any employee, stockholder or other interested party can call one of the following toll-free numbers to submit a report:

Initial Toll-Free Phone Number: 01-800-288-2872
Access Code: 800-727-2615

or

Initial Toll Free-Phone Number: 01-800-112-2020
Access Code: 800-727-2615

Code of Business Conduct and Ethics

Our Code of Business Conduct and Ethics is applicable to all directors, officers and employees of KCS and its subsidiaries and embodies our principles and practices relating to the ethical conduct of our business and our commitment to honesty, fair dealing and compliance with applicable laws and regulations. Our Code of Business Conduct and Ethics is available in the “Corporate Governance — Governance Documents” section under the “Investors” tab of our website at www.kcsouthern.com and in print to any stockholder who requests it.

Policy on Director Attendance at Annual Stockholder Meetings

Our directors are encouraged to attend the annual stockholder meetings. All directors serving at the time of the 2013 annual stockholder meeting attended that meeting.

Director Qualifications, Qualities and Skills

The Guidelines establish certain qualifications, qualities and skills that directors and nominees must meet to be eligible to serve on our Board of Directors. Under the Guidelines, directors and nominees must be committed to representing the long-term interests of our stockholders and meet, at a minimum, the following qualifications:

- High personal and professional ethics, integrity and values;
- Independence, in accordance with the requirements of the NYSE, unless their lack of independence would not prevent two-thirds of the Board from meeting such requirements;
- No current service on boards of companies that, in the judgment of the Nominating Committee, are in competition with, or opposed to the best interests of, the Company; and
- Below the age of 75 years as of the date of the meeting at which his or her election would occur.

Additionally, it is considered desirable that directors and nominees possess the following qualities and skills:

- Significant experience at policy making levels in business, government or education;
- Significant experience or relationships in, or knowledge about, geographic markets served by us or industries that are relevant to our business; and
- Willingness to devote sufficient time to carrying out their duties and responsibilities effectively, including service on appropriate committees of the Board.

Our Bylaws also provide that no one who is 75 years old shall be eligible to be nominated or to serve as a member of the Board of Directors, but any person who attains the age of 75 during the term of directorship to which he or she was elected shall be eligible to serve the remainder of that term. Our Amended and Restated Certificate of Incorporation and Bylaws do not have any other eligibility requirements for directors.

Director Independence

The Guidelines require that a majority of the Board of Directors must be independent, as determined affirmatively by the Board in accordance with the listing standards of the NYSE, although our goal is to have two-thirds of the members of the Board meet these requirements. We refer to directors who meet the NYSE independence standards as “Independent Directors”. The Independent Directors constitute more than two-thirds of our Board of Directors. The Independent Directors are Messrs. Davis, Druten, Dunn, McDonnell and Slater, Ambassador Garza and Ms. Córdova. While Mr. Haverty is now a non-executive Chairman, he does not meet the NYSE independence standard due to his prior relationship with the Company. Our Board has affirmatively determined that each Independent Director is independent in accordance with applicable NYSE listing standards. In determining the independence of each Independent Director, the Board of Directors applied categorical standards of independence contained in the Guidelines and applicable NYSE listing standards. These standards

assist the Board in determining that a director or nominee has no material relationship with KCS, either directly or as a partner, shareholder or officer of an organization that has a relationship with KCS. Under the standards, to be considered independent, a member of the Board may not:

- Have a material relationship with KCS (directly or as a partner, shareholder or officer of an organization that has such a relationship);
- Be, or have been during the three years preceding the determination, an employee, or have an immediate family member who is, or was during the three years preceding the determination, an executive officer, of KCS;
- Have received, or have an immediate family member who has received during any twelve-month period within the three years preceding the determination, more than \$120,000 in direct compensation from KCS, other than director and committee fees, pension or other forms of deferred compensation for prior service (provided such deferred compensation is not contingent in any way on future service);
- Be, or have an immediate family member who is, a current partner of a firm that is our internal or external auditor; be a current employee of such a firm or have an immediate family member who is a current employee of such firm and who participates in the firm's audit; or have been, or have an immediate family member who was, within the three years preceding the determination (but is no longer), a partner or employee of such firm and personally worked on our audit within that time;
- Be, or have been during the three years preceding the determination, or have an immediate family member who is, or was during the three years preceding the determination, employed as an executive officer of another company where any of our present executives at the same time serves or served on that company's compensation committee; or
- Be a current employee, or have an immediate family member who is a current executive officer, of a company that has made payments to, or received payments from, KCS for property or services in an amount which, in any of the last three fiscal years, exceeded the greater of \$1 million or 2% of the other company's consolidated gross revenues for its last completed fiscal year.

Executive Sessions

Our Independent Directors meet regularly in executive session without management. Thomas A. McDonnell (the "Presiding Director") serves as Presiding Director in such sessions.

Board Leadership Structure

In June 2010, after considerable discussion and review, the Board determined to separate the role of Chairman of the Board and Chief Executive Officer as part of the Company's leadership succession plan. The Board appointed Mr. Haverty to serve as Executive Chairman of the Board of Directors and Mr. Starling to serve as President and Chief Executive Officer of the Company, succeeding Mr. Haverty in the role of Chief Executive Officer. In the position of Executive Chairman, Mr. Haverty continued to be an employee of the Company and led the Company's strategic planning process and supervised and mentored Mr. Starling as he has transitioned into the role of Chief Executive Officer. Effective September 30, 2013, Mr. Haverty was no longer an employee of the Company but remained on the Board as the non-executive Chairman. Mr. Starling is responsible for developing and recommending to the Board the Company's annual business plans and budgets that support the Company's long-term strategy. Further, he is responsible for establishing and maintaining an effective management team and an active plan for its development and succession.

Given Mr. Haverty's prior status as a management employee of the Company and to ensure effective independent oversight, the Board continues to hold regular executive sessions of the Independent Directors over which Mr. McDonnell presides as the Presiding Director. Further, all Board committees, other than the Executive

Committee, are comprised of only Independent Directors. Thus, the Independent Directors directly oversee critical matters such as the compensation of executive management, including Mr. Starling’s compensation, the selection and evaluation of Board nominees, the integrity of the Company’s financial statements, and the development of corporate governance programs of the Company.

The Board regularly considers the appropriate leadership structure for the Company and recently revised our Bylaws and our Guidelines to require that, beginning May 1, 2014, the position of Chairman of the Board be filled by an Independent Director. The effect of these revisions is to separate the positions of Chief Executive Officer and Chairman of the Board. In addition, because going forward the Board Chair will be an Independent Director, after May 1, 2014, the Company will no longer have a Presiding Director.

Meetings of the Independent Directors will continue to be held and will be presided over by the Chairman since he or she will also be an Independent Director.

Stockholder/Interested Person Communication with the Board

Any stockholder or interested person may communicate with the Independent Directors or the Presiding Director by sending such communication in writing to the office of the Corporate Secretary, Kansas City Southern, P.O. Box 219335, Kansas City, Missouri, 64121-9335, or by express carrier to the Corporate Secretary, Kansas City Southern, 427 West 12th Street, Kansas City, Missouri 64105. In its capacity as the agent for the Independent Directors and Presiding Director, the office of the Corporate Secretary may review, sort and summarize the communications and, in accordance with the directions provided by and procedures established by the Independent Directors, forward such communications to the Independent Directors and the Presiding Director, as appropriate. To be considered, such communications must be signed by the stockholder or other interested party, with the stockholder’s or other interested party’s name, address and telephone number. The Independent Directors or the Presiding Director shall review such communication with the Board, or the group addressed in the communication, for the purpose of determining an appropriate response and any appropriate action that should be taken. Any communications received may be shared with management on the instruction of the Independent Directors or the Presiding Director. After May 1, 2014 communications with the Independent Directors should be directed to the Chairman of the Board.

BOARD COMMITTEES

The Board of Directors has established an Executive Committee, an Audit Committee, a Finance Committee, a Compensation and Organization Committee (referred to in this Proxy Statement as the “Compensation Committee”), and a Nominating and Corporate Governance Committee (referred to in this Proxy Statement as the “Nominating Committee”). Committee members are elected at the Board’s annual meeting immediately following our Annual Meeting of Stockholders.

The following number of committee meetings were held during 2013:

<u>Committee</u>	<u>In Person(1)</u>	<u>By Telephone(1)</u>
Executive	0	0
Audit	4	0
Finance	4	0
Compensation	4	1
Nominating	3	1

(1) Some directors attended by telephone certain meetings held in person and some directors attended in person certain meetings held by telephone.

The Executive Committee

The Executive Committee consists of our Chairman, Chief Executive Officer and two Independent Directors elected by the Board to serve one-year terms. The current members of the Executive Committee are Mr. Haverty (Executive Committee Chairman), Mr. McDonnell, Mr. Starling and Mr. Slater. When the Board is not in session, the Executive Committee has all the powers of the Board in all cases in which specific directions have not been given by the Board. The Board recently amended the Bylaws to provide that effective May 1, 2014, the Executive Committee will consist of the Chairman, our Chief Executive Officer and one Independent Director.

The Audit Committee

The Audit Committee consists of three Independent Directors elected by the Board, taking into consideration the recommendations of the Nominating Committee, to serve one-year terms. The current members of the Audit Committee are Mr. Druten (Chair), Ms. Córdova and Mr. McDonnell. The members of the Audit Committee are independent (as defined in the NYSE's listing standards) and meet the additional independence standards in Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In determining independence, the Board of Directors concluded that each member of the Audit Committee has no material relationship with KCS under the standards set forth in the Guidelines. The Guidelines do not limit the number of public company audit committees on which the members of our Audit Committee may serve. However, for any director to simultaneously serve on our Audit Committee and the audit committees of more than three other public companies, the Board must affirmatively determine that such simultaneous service will not impair the director's ability to effectively serve on our Audit Committee.

The Board has determined that Mr. Druten and Mr. McDonnell are "audit committee financial experts" as that term is defined in applicable securities regulations. The Board determined that Mr. Druten qualifies as an audit committee financial expert based upon his prior experience as Executive Vice President and Chief Financial Officer of Hallmark Cards, Inc. and previously at Crown Media, Inc., as well as his prior experience as a certified public accountant with Arthur Young & Co. The Board of Directors determined that Mr. McDonnell qualifies as an audit committee financial expert based upon his prior experience as the Chief Executive Officer of DST, his accounting and financial education, his experience actively supervising others performing accounting or auditing functions, and his past and current memberships on audit committees of other public companies.

The Audit Committee is responsible for appointing and pre-approving the fees of our independent registered public accounting firm and pre-approving fees for other non-audit services provided by our independent registered public accounting firm. In addition, the Audit Committee monitors the quality and integrity of our financial reporting process, financial statements and systems of internal controls.

The Board of Directors has adopted a written charter for the Audit Committee detailing all of its responsibilities, a copy of which is available in the "Corporate Governance — Governance Documents" section under the "Investors" tab of our website at www.kcsouthern.com.

The Audit Committee's report is provided below.

The Finance Committee

The Finance Committee consists of three Independent Directors elected by the Board, taking into consideration the recommendations of the Nominating Committee, to serve one-year terms. The current members of the Finance Committee are Mr. Druten (Chair), Ambassador Garza and Mr. McDonnell.

The Finance Committee is responsible for reviewing and approving financial transactions exceeding \$25 million, but not exceeding \$200 million. The Finance Committee also reviews management's financing plans and reports and makes recommendations to the Board with respect to matters affecting our financing plan and capital structure.

The Board of Directors has adopted a written charter for the Finance Committee detailing all of its responsibilities, a copy of which is available in the “Corporate Governance — Governance Documents” section under the “Investors” tab of our website at www.kcsouthern.com.

The Compensation Committee

The Compensation Committee consists of three Independent Directors elected by the Board, taking into consideration the recommendations of the Nominating Committee, to serve one-year terms. The current members of the Compensation Committee are Mr. Dunn (Chair), Mr. Davis and Mr. Slater. Each member of the Compensation Committee is independent (as defined in the NYSE’s listing standards), is considered an outside director under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), and is considered a non-employee director under Rule 16b-3 under the Exchange Act.

The Compensation Committee is responsible for establishing, communicating to management and the Board and periodically updating the Company’s compensation philosophy, objectives, policies, strategies and programs, with the objective of ensuring they provide appropriate motivation for corporate performance and increased stockholder value. The Compensation Committee is solely responsible for reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer (“CEO”), evaluating and reviewing with our CEO his performance in light of those goals and objectives, and setting our CEO’s compensation level based on that evaluation. In addition, the Compensation Committee reviews and approves the compensation of other members of senior management of KCS based on recommendations from the CEO and Towers Watson, our independent compensation consultant (“Towers Watson” or the “Compensation Consultant”). The Compensation Committee annually reviews and assesses the risks associated with the Company’s compensation practices, policies and programs applicable to employees to determine whether the risks arising from such practices, policies and programs are appropriate or reasonably likely to have a material adverse effect on the Company. See Compensation Discussion and Analysis for additional information on the Compensation Consultant.

The Board of Directors has adopted a written charter for the Compensation Committee detailing all of its responsibilities, a copy of which is available in the “Corporate Governance — Governance Documents” section under the “Investors” tab of our website at www.kcsouthern.com.

The Compensation Committee’s report is provided below.

Compensation Committee Interlocks and Insider Participation

During 2013:

- no member of the Compensation Committee was an officer or employee of KCS or was formerly an officer of KCS;
- no member of the Compensation Committee had any material relationship with KCS other than service on the Board and Board committees and the receipt of compensation for that service, except as described below in “Insider Disclosures — Certain Relationships and Related Transactions”;
- no executive officer of KCS served as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our Compensation Committee; and
- no executive officer of KCS served as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a director of KCS.

The Nominating and Corporate Governance Committee

The Nominating Committee consists of all of our Independent Directors other than Ambassador Garza and are elected by the Board to serve one-year terms. The current members of the Nominating Committee are Mr. Slater (Chair), Ms. Córdova, Mr. Davis, Mr. Druten, Mr. Dunn, and Mr. McDonnell.

The Nominating Committee recommends to the Board of Directors suitable nominees for election to the Board or to fill newly created directorships or vacancies on the Board. In addition, the Nominating Committee is responsible for ensuring that the Company maintains appropriate corporate governance practices and procedures.

The Nominating Committee generally will consider director nominees recommended by stockholders. Nominees recommended by stockholders in compliance with our Bylaws will be evaluated on the same basis as other nominees considered by the Nominating Committee. Stockholders should see “Stockholder Proposals” below for information relating to the submission by stockholders of nominees and matters for consideration at a meeting of our stockholders.

The Board of Directors has adopted a written charter for the Nominating Committee detailing all of its responsibilities, a copy of which is available in the “Corporate Governance — Governance Documents” section under the “Investors” tab of our website at www.kcsouthern.com.

The Board’s Role in Risk Oversight

The Board of Directors is responsible for overseeing the Company’s enterprise risk management process and program. This includes understanding the Company’s philosophy and strategy towards enterprise risk management and mitigation. The Board reviews the Company’s most significant risks and whether management is responding within the Company’s risk management and mitigation strategies. The Board has delegated to the Audit Committee the primary responsibility for reviewing the Company’s risk assessment and risk management policies. Management periodically reports to the Audit Committee on the Company’s risk identification, assessment and mitigation activities. The Company has an enterprise risk management coordinator who supervises the enterprise risk management process. Furthermore, the Company has given its disclosure committee responsibility to review the comparability of the risk factors disclosed in the Company’s Annual Report on Form 10-K with the Company’s enterprise risk profile. The risk oversight structure has no effect on the Board’s leadership structure.

Director Diversity

The Nominating Committee strives to nominate directors who represent an appropriate mix of backgrounds and experiences to best enhance the functions of the Board. The Nominating Committee considers diversity in the broadest sense, thus including factors such as age, sex, race, ethnicity and geographic location, as well as a variety of experience and educational backgrounds (such as operations, finance, accounting and marketing experience and education) when seeking Board nominees. The Nominating Committee does not have a diversity policy in place.

INSIDER DISCLOSURES

Certain Relationships and Related Transactions

None.

Related Person Transaction Policies and Procedures

The Board of Directors is empowered to review, approve and ratify any transactions between KCS and “related persons,” as that term is defined by Item 404 of Regulation S-K. The charter of the Nominating Committee contains procedures for the review of related person transactions and the reporting of such

transactions by the Nominating Committee to the full Board of Directors for approval or ratification. These transactions, which include any financial transaction, arrangement or relationship or any series of similar transactions, are reviewed for approval or ratification for any transaction between the Company and its directors, director nominees, executive officers, greater than five percent beneficial owners and their respective immediate family members, where the amount involved in the transaction exceeds or is expected to exceed \$120,000 in a single fiscal year. The Nominating Committee has directed the Corporate Secretary to review on behalf of the Nominating Committee responses to annual director and officer questionnaires to determine whether any related person has, or has had, a direct or indirect material interest in any transaction with the Company or its subsidiaries, other than the receipt of ordinary director or officer compensation in the last fiscal year. The charter of the Audit Committee contains procedures designed to ensure that any related person transactions that are ratified or approved by the Nominating Committee are properly reported by the Company in its financial statements and SEC filings.

The policy outlined in the Nominating Committee Charter provides that the Nominating Committee reviews certain transactions subject to the policy and determines whether or not to approve or ratify those transactions. In doing so, the Nominating Committee takes into account, among other factors it deems appropriate:

- the significance of the transaction to the Company;
- the best interests of the Company's stockholders;
- the materiality of the transaction to the related person;
- whether the transaction is significantly likely to impair any judgments an executive officer or director would make on behalf of the Company;
- the Company's Code of Business Conduct and Ethics;
- whether a related person serves on the Compensation Committee and if so, whether such continued service is appropriate in accordance with the Compensation Committee charter; and
- whether the terms of the transaction are more favorable to the Company than would be available from an unrelated third party.

DIRECTOR COMPENSATION

This section describes the compensation paid to our directors. Only directors who are not members of management receive compensation for service as a director. David L. Starling, our President and CEO, serves on our Board, but is not paid any compensation for his service on the Board. Mr. Haverty, our Chairman, was an executive until September 30, 2013. Their compensation as executives is described in the Summary Compensation Table included in this Proxy Statement. Mr. Haverty's compensation as a director since October 1, 2013 is also included in the Summary Compensation Table.

Director Fees

Director Compensation Practices

The Compensation Committee recommends each component of director compensation to the Board. The Compensation Committee seeks to recommend competitive compensation packages that include both cash and stock components. The Board does not delegate its authority for determining director compensation to any other person.

In recommending director compensation, the Compensation Committee may consider, and determine the weight it will give to, any combination of the following:

- market competition for directors;
- securities law and NYSE independence, expertise and qualification requirements;
- director compensation provided by peer group companies selected by the Compensation Committee with the assistance of the Compensation Consultant;
- directors’ duties and responsibilities; and
- director retention.

Director Compensation Program

Under the current director compensation program (the “Director Compensation Program”), each non-management director receives the following compensation for his or her service as a member of the Board:

Annual Retainers for Board and Committee Membership

<u>Type</u>	<u>Amount</u>
Annual Board retainer	\$50,000
Chair of the Board retainer	\$60,000
Presiding Director additional retainer	\$15,000
Audit Committee Chair	\$10,000
Compensation Committee Chair	\$ 7,000
Executive Committee Chair	\$15,000
Finance Committee Chair	\$ 7,000
Nominating Committee Chair	\$ 7,000
Audit Committee Membership	\$ 5,000

Fees per Meeting Attended

<u>Type</u>	<u>Amount</u>
Board (in person meeting)	\$4,000
Board (telephonic meeting)	\$3,000
Committee (in person meeting)	\$2,000
Committee (telephonic meeting)	\$1,500

Director Stock Awards

Under the Director Compensation Program, each non-management director is awarded a grant of Common Stock under the 2008 Plan on the date of each annual meeting, which vests immediately. The grant is for a number of shares equal to \$90,000 in value divided by the average closing price of the Company’s stock for the 30 days prior to the grant date. Following the 2013 annual meeting of stockholders, each director was awarded 845 shares of Common Stock calculated in accordance with the above-described formula, based on an average closing price over the 30 days prior to the grant date of \$106.44 per share. Mr. Haverty did not receive this award, but will receive an award in 2014.

Director Stock Ownership Guidelines

The Board has adopted stock ownership guidelines for directors. The guidelines were revised in 2011. These guidelines provide that each director is required to beneficially own shares of our Common Stock with a fair market value equal to at least five times the base annual retainer for serving as a Board member (currently 5 x \$50,000 = \$250,000). Restricted stock granted to directors will count toward this requirement. Directors must achieve this ownership level within five years from the date of their election to the Board.

Director Expense Reimbursement

In addition to compensating the directors as discussed above, we also reimburse the directors for their expenses in attending Board and Committee meetings.

Directors' Fee Deferral Plans

Directors are permitted to defer receipt of directors' cash fees and retainers under an unfunded Directors' Deferred Fee Plan (which we refer to as the "Deferred Fee Plan") adopted by the Board. Earnings on deferred fees and earnings credited to the director's account are determined by the hypothetical "investment" of deferred fees based on the director's election among investment options designated by us from time to time for the Deferred Fee Plan. An underlying investment rate determined from time to time by the Board (currently the rate on United States Treasury securities with a maturity of 10 years plus one percentage point, adjusted annually on July 1) is used to credit with interest any part of a director's account for which a mutual fund has not been designated as the hypothetical "investment." A director's account value will be paid after the director ceases to be a director of KCS. Amounts deferred, including related earnings, will be paid either in installments or a lump sum, as elected by the director. Distributions under the Deferred Fee Plan are allowed prior to cessation as a director in certain instances as approved by the Board. The Board may designate a plan administrator, but in the absence of such designation, the Corporate Secretary of KCS will administer the Deferred Fee Plan. As of January 1, 2013, Ms. Cordova is participating in the Deferred Fee Plan.

In 2011, the Board adopted the Director Deferred Stock Program (the "Deferred Stock Program"). Under the Deferred Stock Program, cash retainers paid each year may be deferred into shares of KCS common stock. Meeting fees are not eligible for the Deferred Stock Program. Directors may defer a percentage or a specific dollar amount into KCS common stock. The number of shares granted under the Deferred Stock Program will be equal to (a) the aggregate value of annual cash retainers elected to be deferred, divided by (b) the fair market value per share on the grant date. The stock is 100% vested, but has no voting rights. Dividend equivalents (if any) will also be credited to the KCS deferred stock account. Directors may elect the date that distribution of the deferred shares occurs. They may also choose to receive payment in either lump sum or installments (up to 5 years). Payment will be accelerated in the event of a change in control of KCS or the director's death. As of January 1, 2013, Mr. Druten is participating in the Deferred Stock Program.

2013 Director Compensation

The following table shows the compensation paid to our directors in 2013. Mr. Haverly's compensation as a director is shown in the Summary Compensation table in this Proxy Statement.

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards \$(1)</u>	<u>Option Awards \$(2)</u>	<u>All Other Compensation \$(5)</u>	<u>Total (\$)</u>
Lu M. Córdoba	\$ 89,500(3)	\$89,198	\$0	\$ 1,969	\$180,667
Henry R. Davis	\$ 83,000	\$89,198	\$0	\$ 52	\$172,250
Robert J. Druten	\$109,500(4)	\$89,198	\$0	\$30,073	\$228,771
Terrence P. Dunn	\$ 93,000	\$89,198	\$0	\$30,102	\$212,300
Antonio O. Garza, Jr.	\$ 79,000	\$89,198	\$0	\$14,102	\$182,300
Thomas A. McDonnell	\$119,500	\$89,198	\$0	\$30,073	\$238,771
Rodney E. Slater	\$ 93,000	\$89,198	\$0	\$ 102	\$182,300

- (1) This column presents the aggregate grant date fair value of stock awards made in 2013 computed in accordance with FASB ASC Topic 718. The shares were awarded under our 2008 Plan. Each director received a grant of 845 shares of Common Stock on the date of the 2013 Annual Meeting of Stockholders, which was May 2, 2013. Mr. Haverty did not receive an award in 2013 but will receive an award in 2014.
- (2) No options were granted to any director in or for 2013.
- (3) Ms. Cordova deferred receipt of \$89,500 pursuant to the Directors Deferred Fee Plan.
- (4) Mr. Druten deferred receipt of \$67,000 pursuant to the Directors Deferred Stock Program. He accrued 634 shares as a result of this deferral and 2.4693 shares in dividend equivalents.
- (5) All Other Compensation for directors consists of:

<u>Name</u>	<u>Group Term Life Premiums</u>	<u>AD&D Premiums</u>	<u>Charitable Matching Gifts(a)</u>	<u>Total</u>
Lu M. Córdova	\$84	\$18	\$ 1,867	\$ 1,969
Henry R. Davis	\$34	\$18	\$ 0	\$ 52
Robert J. Druten	\$55	\$18	\$30,000	\$30,073
Terrence P. Dunn	\$84	\$18	\$30,000	\$30,102
Antonio O. Garza, Jr.	\$84	\$18	\$14,000	\$14,102
Thomas A. McDonnell	\$55	\$18	\$30,000	\$30,073
Rodney E. Slater	\$84	\$18	\$ 0	\$ 102

- (a) We provide a two-for-one Company match of eligible charitable contributions made by our directors. The maximum amount of contributions we will match in any calendar year for any director is \$15,000. Of this \$15,000 maximum, only half may be contributed to one organization.

AUDIT COMMITTEE REPORT

In accordance with the Audit Committee's written charter duly adopted by the Board of Directors, we have reviewed and discussed with management the Company's audited consolidated financial statements as of and for the year ended December 31, 2013.

Management is responsible for the Company's internal controls and the financial reporting process. KPMG LLP, the Company's independent registered public accounting firm, is responsible for performing an independent audit of the Company's consolidated financial statements and expressing an opinion on the effectiveness of the Company's internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board and to issue a report thereon. Our responsibility is to monitor and oversee these processes on behalf of the Board of Directors.

We have discussed with the independent registered public accounting firm the matters required to be discussed by Public Company Accounting Oversight Board Auditing Standard No. 16, *Communications with Audit Committees*.

We discussed with the Company's independent registered public accounting firm the overall scope and plans for their audit. We met with the independent registered public accounting firm, with and without management present, to discuss the results of their audits, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

We have received and reviewed the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the audit committee concerning independence, and have discussed with the registered public accounting firm its independence from management.

Based on the reviews and discussions referred to above, we recommended to the Board of Directors that the consolidated financial statements referred to above be included in the Company's annual report on Form 10-K for the year ended December 31, 2013 for filing with the SEC.

The Audit Committee

Robert J. Druten, *Chairman*

Lu M. Córdova

Thomas A. McDonnell

This Audit Committee Report is not deemed "soliciting material" and is not deemed filed with the SEC or subject to Regulation 14A or the liabilities under Section 18 of the Exchange Act.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Engagement

KPMG LLP (“KPMG”) served as our independent registered public accounting firm for the year ended December 31, 2013. KPMG performed professional services in connection with the audit of our consolidated financial statements we filed with the SEC under the Exchange Act, registration statements we filed with the SEC under the Securities Act of 1933, as amended (the “Securities Act”), and private offering documents. KPMG also audited the Company’s internal control over financial reporting as of December 31, 2013 and issued an attestation report.

Independent Registered Public Accounting Firm Fees

The following table presents the total fees for professional audit services and other services rendered by KPMG, the independent registered public accounting firm to KCS, for the years ended December 31, 2013 and 2012 (*in thousands*).

	Year Ended December 31,	
	2013	2012
Audit fees	\$2,493.9	\$2,052.5
Audit-related fees	77.0	73.5
Tax fees	26.6	17.4
Total	<u>\$2,597.5</u>	<u>\$2,143.4</u>

- (1) Audit Fees include fees for professional services performed by KPMG for the audit of our consolidated financial statements and internal control over financial reporting (integrated audit), the audit of the consolidated financial statements of our wholly-owned subsidiary Kansas City Southern de México, the review of our consolidated financial statements included in our Form 10-Q filings, comfort letters and services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Audit-Related Fees principally include fees for other attestation services.
- (3) Tax Fees consist of tax compliance services.

Pre-Approval Policy

The Audit Committee must pre-approve the engagement of the independent registered public accounting firm to audit our consolidated financial statements.

The Audit Committee’s pre-approval policies and procedures, as described in its charter, provide that the Audit Committee will approve all fees for audit and non-audit services prior to engagement. The Chair of the Audit Committee is authorized to pre-approve any audit and non-audit services on behalf of the Audit Committee, provided that such decisions are provided to the full Audit Committee at its next scheduled meeting.

The Audit Committee pre-approved all services provided by KPMG for 2013.

Selection of KPMG as our Independent Registered Public Accounting Firm for 2014

The Audit Committee has selected KPMG as our independent registered public accounting firm to audit our 2014 consolidated financial statements and provide an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2014.

**PROPOSAL 2 — RATIFICATION OF THE AUDIT COMMITTEE’S
SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has selected KPMG as our independent registered public accounting firm to audit our 2014 consolidated financial statements and provide an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2014. KPMG served as our independent registered public accounting firm in 2013. We are seeking our stockholders’ ratification of the Audit Committee’s selection of our independent registered public accounting firm even though we are not legally required to do so. If our stockholders ratify the Audit Committee’s selection, the Audit Committee nonetheless may, in its discretion, retain another independent registered public accounting firm at any time during the year if the Audit Committee feels that such change would be in the best interest of KCS and its stockholders. Alternatively, if this proposal is not approved by stockholders, the Audit Committee may re-evaluate its decision. One or more representatives of KPMG are expected to be present at the Annual Meeting and will have the opportunity, if desired, to make a statement and are expected to be available to respond to appropriate questions from stockholders. As explained above in “How do we decide whether our stockholders have approved the proposals?” ratification of this proposal requires the affirmative vote of a majority of the shares of Voting Stock present at the Annual Meeting that are entitled to vote on the Proposal, assuming a quorum is present.

**YOUR BOARD RECOMMENDS THAT YOU VOTE
“FOR”
RATIFICATION OF THE AUDIT COMMITTEE’S
SELECTION OF KPMG LLP**

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The Compensation Committee is responsible for establishing our executive compensation policies and overseeing our executive compensation practices. The Compensation Committee is comprised solely of three directors, each of whom meets the independence requirements of the NYSE, qualifies as an outside director under Section 162(m) of the Code, and is considered a non-employee director under Rule 16b-3 under the Exchange Act.

All references in this Compensation Discussion and Analysis to “Named Executive Officers” or “NEOs” refer to our Chief Executive Officer, our Chief Financial Officer and the other executive officers for whom information is provided in the Summary Compensation Table below. Except for José Guillermo Zozaya Delano, who serves as the President and Executive Representative of KCSM and is based in Mexico, all of our Named Executive Officers are based in the United States of America (“U.S.”). We sometimes refer herein to these officers as “U.S. Named Executive Officers.”

Executive Summary

2013 Performance

The creation of stockholder value is the most important responsibility of our Board of Directors and executive officers. Our Compensation Committee believes the compensation practices and programs it has established properly motivate our executives to meet this goal and to hold them accountable for all aspects of KCS performance. As our performance improves, so does the compensation of our Named Executive Officers.

In 2013, we again recognized record-high revenues of \$2.4 billion. We also set a new record for carloads/units in a single year by hauling over 2.2 million carloads/units in 2013. Our revenues and carloads were driven by strong growth in intermodal and automotive traffic. As our revenues grew, our management team continued its focus on operating expense control, which resulted in operating expenses as a percentage of revenues of 68.8%.

In addition, in 2013 Standard & Poor’s and Moody’s upgraded certain of our debt and corporate credit ratings to investment grade. Combined with investment-grade ratings previously assigned by Moody’s and Fitch in 2012, the 2013 actions marked the first time we have been rated investment grade by all three top credit rating agencies. With the benefit of the investment grade ratings, in the second quarter of 2013 we raised \$1.2 billion in concurrent offerings of seven-year, ten-year, and thirty-year bonds at a weighted average rate of 3.35%. In the fourth quarter of 2013, we raised \$450 million in concurrent offerings of three-year floating-rate notes and ten-year bonds at a fixed rate of 3.85%. Proceeds from these offerings were used to redeem outstanding bonds with higher interest rates and to purchase or replace equipment previously under operating leases. In the second quarter of 2013, we also used cash to redeem approximately \$100 million of higher interest rate bonds. As a result of our 2013 financing activity, we extended our weighted-average maturity, reduced our weighted-average coupon and created the lowest-cost debt portfolio among Class I railroads.

Overview of Compensation Elements

The KCS executive total compensation program is designed to help us fulfill key objectives under our compensation philosophy, including:

- Facilitating the attraction and retention of highly-qualified executives;
- Motivating executives to achieve our operating and strategic goals;
- Aligning executives’ interests with those of our stockholders; and
- Delivering executive compensation in a responsible and cost-effective manner.

Our programs also are intended to deliver competitive compensation opportunities for high performance. We measure our programs against a select group of transportation and mature, capital-intensive companies with annual revenues between \$1 billion and \$5 billion. We target median pay practices, with the ability to earn higher when performance warrants. The programs also incorporate downside risk, so that total delivered compensation will be less than targeted levels if we fall short of our performance and value creation targets.

The primary elements of our 2013 executive officer compensation package are highlighted and described below.

<i>Compensation Element</i>	<i>Purpose</i>
<i>Base Salary</i>	Provides a fixed element of pay for an individual's primary duties and responsibilities
<i>Annual Incentive</i>	Encourages and rewards achievement of specified financial or operating goals on an annual basis
<i>Long-Term Incentives</i>	Aligns executives' interests with those of investors (via creation of stockholder value); encourages stock ownership, and retention of our executives 2013 grants to NEOs included performance shares, restricted shares and stock options
<i>Perquisites</i>	Provides additional pay elements that are conservative, reasonable and consistent with our pay philosophy, industry practice and applicable law
<i>Benefits</i>	Provides basic life and disability insurance, medical coverage, and retirement income

Key Decisions and Outcomes in 2013

Each year, the Compensation Committee makes several decisions related to the elements of compensation of our NEOs. The Compensation Committee places a particular focus on the goals under our Annual Incentive Plan and our long-term incentive grants, to ensure that they align with shareholder interests. In 2013, the Compensation Committee:

- Established goals under the Annual Incentive Plan that reflect superior operating performance, as measured by consolidated operating ratio.
- As a result of exceeding the target goal for consolidated operating ratio, awards under the Annual Incentive Plan were 176% of target.
- Established the 2013 Long-Term Incentive Program which provides for three-year performance share awards and time-vested stock options and restricted stock.
- Determined the number of performance shares earned under the third tranche of the 2011 Long-Term Incentive Program for performance in 2013, which resulted in 96.5% of the 2013 target performance share awards under the 2011 Long-Term Incentive Plan being earned.
- In 2010, the Compensation Committee approved a grant of 40,000 restricted shares of our Common Stock for Mr. Starling, with vesting contingent on the achievement of annual or cumulative earnings per share growth goals. The third year goals were achieved in 2013 and 10,000 shares vested.
- Approved a base salary increase of 6.25% and 10.0% for the Chief Executive Officer and Chief Operating Officer, respectively, based on performance and market data.
- Approved base salary increases of 3% for other U.S. Named Executive Officers and 4% for Mr. Zozaya in 2013 based on market data.

Conclusion

We continually review our executive compensation program to assure that it achieves the objectives described above. The Compensation Committee and our management believe that our executive compensation program is designed and implemented in your best interests as stockholders. In light of the Company's superior financial performance and the continuing success of our compensation program, the Compensation Committee made no significant changes to our compensation principles or philosophy during the year, concluding that it continues to provide a competitive pay-for-performance package that effectively motivates executives and retains them for the long term. The Compensation Committee also noted that stockholders expressed strong support for the Company's executive compensation program at our 2013 Annual Meeting of Stockholders, with over 97% of the stockholders who voted on the say-on-pay proposal voting in favor. Our Compensation Committee believes this evidences our stockholders' support for our approach to executive compensation. We currently intend to hold an annual advisory vote on the compensation of our named executive officers until the next say-on-pay frequency vote.

Peer Competitive Market Group

In early 2012, the Compensation Consultant assisted the Compensation Committee in identifying the primary competitive market for the purpose of enabling the Compensation Committee to perform a benchmarking analysis of our executives' base salaries, annual incentive compensation, and long-term incentive compensation. The Compensation Committee relied on the results of this study in setting 2013 compensation. In connection with this analysis and prior benchmarking analyses, we defined our primary United States and Mexico competitive market as transportation and mature, capital-intensive companies with annual revenues of at least \$1 billion, but no more than \$5 billion that participate in the Compensation Consultant's Executive Compensation Database. In 2013, with respect to our U.S. Named Executive Officers, this group was comprised of the following companies, all of which had revenues in 2011 between \$1 billion and \$5 billion:

- A.O. Smith Corp.
- AGL Resources, Inc.
- Alexander & Baldwin, Inc.
- American Water Works Company, Inc.
- Atmos Energy Corporation
- Avis Budget Group, Inc.
- Beckman Coulter, Inc.
- Brady Corp.
- Brinks Co.
- Carpenter Technology Corp.
- CF Industries Holdings, Inc.
- Covanta Holding Corporation
- Crown Castle International Corp.
- Dollar Thrifty Automotive Group, Inc.
- Donaldson Co. Inc.
- DPL Inc.
- Exterran Holdings, Inc.
- GATX Corp.
- Harsco Corporation
- Herman Miller Inc.
- Hexcel Corp.
- HNI Corp.
- IDACORP Inc.
- JetBlue Airways Corporation
- Kaman Industrial Technologies
- Kennametal Inc.
- Magellan Midstream Partners LP
- Martin Marietta Materials, Inc.
- Media General Inc.
- NorthWestern Corporation
- Pinnacle West Capital
- PNM Resources Inc.
- Portland General Electric Co.
- Ryder System, Inc.
- The Scotts Miracle-Gro Company
- Southern Union Co.
- Thomas & Betts Corp.
- The Toro Co.
- Trinity Industries, Inc.
- Tupperware Brands Corp.
- UIL Holdings Corp.
- UniSource Energy Corp.
- United States Cellular Corporation
- USG Corporation
- UTi Worldwide, Inc.
- Vulcan Materials Company
- Warnaco Group, Inc.
- Westar Energy Inc.

With respect to Mr. Zozaya, this group was comprised of the following companies, all of which had revenues in Mexico in 2011 between \$338 million and \$2.2 billion:

- AXA Seguros — Corporativo
- Abbott
- Alcatel — Lucent
- Alcon Laboratorios
- AstraZeneca
- Axtel
- BBVA Bancomer Corporativo
- BDF
- BMW México
- Banamex Corporativo
- Baxter
- Bayer de México
- Becton Dickinson
- Boehringer Ingelheim
- Bombardier
- Bristol Myers Squibb
- British American Tobacco México
- Cablevisión
- Chrysler México
- Colgate Palmolive
- Comercial Mexicana — Corporativo
- Cummins
- DHL Internacional
- Daimler Vehiculos Comerciales México
- Danone de México
- Eli Lilly
- Ericsson
- Estafeta Mexicana
- Exxon Mobil México
- FEMSA
- Federal Express
- Foods (Sabritas-Gameasa) México
- Ford Motor Company México
- GE Corporate
- GRUPO ICA
- General Motors Total
- GlaxoSmithKline
- Gupo Nacional Provincial — Corporativo
- Grupo Peñafiel
- Grupo Roche
- HSBC Corporativo
- Herdez
- International
- Janssen Cilag
- José Cuervo
- Kenworth
- Kraft Foods de México
- Liverpool — Corporativo
- MARS
- Marcatel
- Merck Sharp Dohme de México
- Met Life Corporativo
- Nestlé México
- Nextel
- Nissan Mexicana
- Novartis
- Novo Nordisk
- Nycomed
- PBC (PEPSI BEVERAGES COMPANY)
- Pepsico
- Pfizer
- Philip Morris
- Procter & Gamble
- RCI
- Renault
- Robert Bosch México área comercial
- SC Johnson
- Sandoz
- Sanofi
- Santander Corporativo
- Scotia Bank Corporativo
- Servicios Alestra
- TAMSA — TENARIS
- TELMEX
- Telefónica Móviles
- Toyota Motor Sales
- Unilever de México
- Volkswagen
- YUM
- Zurich Compañía de Seguros Corporativo

Philosophy

The Compensation Committee determines compensation levels and design for the Company's executive officers, including the Named Executive Officers, based on an executive compensation philosophy consisting of the following elements:

Market competitive positioning

- Base salary — We seek to provide competitive levels of fixed compensation that reflect our executives' respective job scopes and responsibilities. The base salary is intended to provide a regular base income for an executive, commensurate with his or her position and to reward the acquisition of critical skills and competencies. On average, we seek to pay executives a base salary that is at about the local country market 50th percentile, subject to incumbent-specific and internal equity/value considerations.
- Target annual and long-term incentive award opportunities — Target annual and long-term incentive awards are intended to approximate the market 50th percentile in the U.S. The target award for executives based in Mexico may be above the market median practice in Mexico.

Role of incentive compensation

- Annual Incentives — The purpose of our annual cash incentive awards is to motivate and reward the achievement of predetermined company financial goals that are based on the needs of the business. Annual incentive program awards for Named Executive Officers are awarded based on achievement of Company performance measures that are designed to provide target awards for year-over-year operational or financial improvement.
- Long-Term Incentives — Our long-term incentives are designed to reward the achievement of long-term financial goals, align the interests of our executives with those of our stockholders, facilitate executive stock ownership and encourage executive retention.

The Compensation Committee believes our executive compensation program will achieve the following objectives:

- Facilitate the attraction and retention of highly-qualified executives;
- Motivate our executives to achieve our operating and strategic goals;
- Align our executives' interests with those of our stockholders by rewarding them in accordance with the creation of stockholder value; and
- Deliver executive compensation in a responsible and cost-effective manner that reflects sound governance principles on the part of the Company and its Board of Directors.

Elements of Compensation

The primary elements of our 2013 executive officer compensation package are described below. The amount and types of elements differ between our U.S. and Mexico executives as a result of custom, traditions, compensation statutes and tax law differences.

<i>Compensation Element</i>	<i>Purpose</i>	<i>Characteristic</i>
<i>Base Salary</i>	To provide a fixed element of pay for an individual's primary duties and responsibilities.	Base salaries are reviewed annually and are set based on competitiveness versus the external local country market, and internal equity considerations.
<i>Annual Incentive</i>	To encourage and reward the achievement of specified financial goals on an annual basis.	Performance-based cash award opportunity; amount earned is based on actual results relative to pre-determined goals.
<i>Long-Term Incentives</i>		
Performance Share Awards	To motivate management for long-term financial success.	Three-year performance based share awards with pre-determined financial goals.
Restricted Stock	To align the executives' interests with those of investors (via creation of stockholder value), to encourage stock ownership, and to provide an incentive for retention.	Service-based long-term incentive opportunity; ultimate award value depends on share price.
Stock Options	To incent and reward the creation of stockholder value.	Service-based long-term incentive opportunity; amounts realized are dependent upon share price appreciation.

<i>Compensation Element</i>	<i>Purpose</i>	<i>Characteristic</i>
<i>Perquisites</i>	To provide a level of perquisites typically provided at U.S. companies against which KCS competes for U.S. executive talent, and to provide perquisites to KCSM's executives as required by Mexican law.	In the U.S., KCS pays for country club initiation fees (but not membership dues), financial planning services, fees for donor advised funds, and other perquisites as described under "Perquisites" below. For all executives, KCS provides an annual physical exam (provided through KCS's medical plan). In Mexico, we are required to provide the following perquisites: (1) annual Christmas bonus, (2) vacation and vacation premium payments, (3) food stipend, (4) automotive allocation or leased company car, (5) gasoline coupons, (6) 100% of the executive's share of social security fees, and (7) a limited reimbursement of expenses for financial planning services.
<i>Benefits</i>	To provide for basic life and disability insurance, medical coverage, and retirement income.	For U.S. employees, KCS matches employee 401(k) contributions up to the lesser of a maximum of 5% of a participant's eligible compensation or certain statutory limits, and pays a portion of premiums for medical coverage, short-term disability coverage, long-term disability coverage and AD&D coverage. For U.S. and Mexico employees, KCS provides a basic amount of group life insurance coverage. Additionally, KCS provides all U.S. employees with the opportunity to semi-annually purchase a specified number of shares of KCS Common Stock at a discount. For U.S. executives, KCS has an "Executive Plan" that provides a benefit based on an amount equal to 10% of the excess of (a) an executive's base salary times the percentage specified in his or her employment agreement over (b) the maximum compensation that can be considered for benefit purposes in a qualified retirement plan. In Mexico, KCS matches executives' contributions into a savings fund up to certain legal limits.

<i>Compensation Element</i>	<i>Purpose</i>	<i>Characteristic</i>
<i>Change in Control Benefits</i>	To provide stability during a change in control by encouraging executives to cooperate with and achieve a change in control approved by the Board, without being distracted by the possibility of termination of employment or demotion after the change in control.	For U.S. executive officers, cash severance payments following termination or resignation under certain defined circumstances following a change in control, vesting of non-vested equity awards, post-employment health and welfare benefits and, for U.S. executives hired prior to 2007, excise-tax protection and tax gross-ups on severance payments. In Mexico, KCS has agreed to pay cash severance in the event of a termination under certain defined circumstances following a change in control, to the extent any such severance entitled to an executive exceeds the severance benefits required by Mexican law.
<i>Severance Compensation</i>	To assist the Company in attracting and retaining key executive officers.	For U.S. executive officers, KCS provides cash severance payments and health and welfare benefits for a period of time following an involuntary termination of employment. In Mexico, in addition to severance benefits required by Mexico law, KCS has contractually agreed to pay its President and Executive Representative one year's base salary following an involuntary termination of employment to the extent any such severance entitled to an executive exceeds the severance benefit required by Mexican law.

Details regarding these elements, as well as other components and considerations of our executive compensation strategy, are set forth below.

Executive Compensation Practices

Our compensation programs are designed to reward employees for producing sustainable growth, to attract and retain world-class talent and to align compensation with the long-term interests of our stockholders.

The table below highlights our current executive compensation practices — both the practices we believe drive performance (left column) and the practices we have not implemented because we do not believe they would serve our stockholders’ long-term interests (right column).

Our Executive Compensation Practices: (What We Do)	Executive Compensation Practices We Have Not Implemented: (What We Don’t Do)
<p>We tie pay to performance. The great majority of executive pay is not guaranteed. We set clear financial goals for corporate performance.</p> <p>We mitigate undue risk, including utilizing caps on potential payments, and robust Board and management processes to identify risk.</p>	<p>We do not believe any of the Company’s compensation programs create risks that are reasonably likely to pose a material adverse impact to the Company.</p>
<p>We have adopted stringent share ownership guidelines, which all Named Executive Officers meet.</p> <p>Our earned performance share awards do not vest until the end of the three-year cycle.</p>	<p>We do not reprice underwater stock options.</p>
<p>We provide only modest perquisites that have a sound benefit to the Company’s business.</p>	<p>We do not provide tax gross-ups for perquisites.</p>
<p>We have reasonable post-employment and change in control provisions that apply to executive officers in their employment agreements.</p> <p>Our equity plans under which awards may be granted generally provide for accelerated vesting of future awards after a change in control only if an employee is also terminated (a double-trigger).</p>	<p>We do not have excise tax gross-ups other than historical provisions contained in employment agreements entered into prior to 2007.</p>
<p>Our Compensation Committee benefits from its utilization of an independent compensation consulting firm.</p>	
<p>The Compensation Committee closely monitors any other services provided to the Company by its compensation consulting firm to ensure they are minimal.</p>	
<p>Pursuant to the claw back provision in our performance share award agreement, participants engaged in gross misconduct must forfeit outstanding awards and repay awards previously paid.</p>	

Compensation Determination and Implementation

The Compensation Committee uses the benchmark analyses of our peer companies, internal pay equity analyses and other tools in setting the compensation of senior management on an annual basis to confirm that the compensation packages for our Named Executive Officers are in line with the compensation philosophy adopted by the Compensation Committee.

The Compensation Consultant recommends the pay package for our Executive Chairman to the Compensation Committee. In 2013, our Executive Chairman and the Compensation Consultant recommended the pay package for our CEO to the Compensation Committee. Pay packages for the other Named Executive Officers are recommended by our CEO, with input and guidance from the Compensation Consultant and the Executive Chair, to the Compensation Committee. The Compensation Committee, the Executive Chairman and the CEO,

with the advice of the Compensation Consultant, consider competitive market data on salaries, target annual incentives and long-term incentives, as well as internal equity and each executive's individual responsibility, salary grade, experience, and overall performance. The analysis of these factors is qualitative in nature, and the Compensation Committee does not give any specific weighting to any of these factors. The Compensation Committee reserves the right to materially change compensation for situations such as a material change in an executive's responsibilities. The amount of compensation realized or potentially realizable by our executives does not directly impact the level at which future pay opportunities are set or the programs in which they participate.

The targeted total direct compensation levels for our executives are, generally, at the 50th percentile of observed local country market practices as determined by compensation surveys. Please see the "Compensation Committee Review of our Executive Compensation Program" for disclosure regarding where actual payments fall within targeted compensation levels.

Base Salary

Named Executive Officers are paid a base salary to provide a basic level of regular income for services rendered during the year. The Compensation Committee, taking into account recommendations from the Executive Chairman and the CEO, and advice from the Compensation Consultant, determines the level of base salaries and annual adjustments, if any, for the Named Executive Officers and other senior executives for whom the Compensation Committee has responsibility. Although the Company generally targets the 50th percentile of the peer group for the relevant country in setting base salary levels, actual executive salaries may vary from this targeted 50th percentile positioning as the Compensation Committee considers each Named Executive Officer's level of responsibility, experience, our performance, and internal equity considerations, as well as the strength of the Named Executive Officer's individual performance. The Compensation Committee exercises subjective judgment and varies the weightings of these factors with respect to each Named Executive Officer.

In February 2013, the Compensation Committee approved salary increases for all members of the Company's and KCSM's senior management, including the Named Executive Officers. Each U.S. Named Executive Officer other than the Chief Executive Officer (discussed in detail below) received a 3.0% base salary increase in accordance with market median salary increases among the Company's United States peer group. Mr. Zozaya received a 4.0% base salary increase in accordance with market median salary increases in Mexico. In November 2013, the Compensation Committee approved an additional 6.8% increase in the base salary for the Company's Executive Vice President and Chief Operating Officer Mr. David Ebbrecht.

Chief Executive Officer Compensation Changes in 2013

In February 2013, the Compensation Committee performed a review of Mr. Starling's 2012 performance. The Company's Executive Chairman discussed Mr. Starling's 2012 performance and achievements with the Compensation Committee and recommended a merit increase in Mr. Starling's base salary. In recognition of Mr. Starling's high level of performance, and taking into consideration comparative salary data for chief executive officers in the Company's peer group, the Compensation Committee approved a base salary increase of 6.25% for Mr. Starling, resulting in a 2013 base salary of \$850,000.

Annual Incentive Awards

In February 2013, the Compensation Committee approved the 2013 Annual Incentive Plan (the "2013 AIP") for our Named Executive Officers. In order for there to be any payout to our Named Executive Officers under the 2013 AIP, the Company had to achieve a consolidated operating ratio of 69.9% or better.

Similar to the AIP in prior years, each Named Executive Officer was assigned incentive targets at the threshold, target and maximum incentive performance levels that are a percentage of the Named Executive Officer's 2013 base salary earned in 2013. The target percentage assigned for each performance level depended on the executive's salary grade and was set such that the amount of the potential payment would maintain the Named Executive Officer's target total direct compensation at the approximate market 50th percentile level.

Each Named Executive Officer was assigned incentive targets at the threshold, target and maximum incentive performance levels that were a percentage of the Named Executive Officer's 2013 base salary, as follows:

<u>Named Executive Officer</u>	<u>Percentage of Base Salary</u>		
	<u>Threshold Performance Level</u>	<u>Target Performance Level</u>	<u>Maximum Performance Level</u>
Mr. Starling	50%	100%	200%
Mr. Upchurch	30%	60%	120%
Mr. Haverty	37.5%	75%	150%
Mr. Zozaya	30%	60%	120%
Mr. Ottensmeyer	30%	60%	120%
Mr. Ebbrecht	30%	60%	120%

Following are the 2013 consolidated operating ratio incentive targets, as well as the percentage payout of the executive's total incentive target for these metrics:

<u>Performance Level</u>	<u>Consolidated Operating Ratio</u>	<u>Percentage Payout at Total Incentive Target</u>
Threshold	69.9%	50%
Target	69.2%	100%
Maximum	68.7%	200%

For the year ended December 31, 2013, our consolidated operating ratio was 68.82%. As a result of this, the Named Executive Officers each earned a 2013 AIP payout of 176% of the target amount. See the Summary Compensation Table for actual amounts paid. Because Mr. Haverty was no longer an employee as of September 30, 2013, he was not eligible for a 2013 AIP payout. The Compensation Committee awarded him a bonus equal to the amount he would otherwise have received under the 2013 AIP.

Each year, the Compensation Committee will determine whether an annual incentive program will be adopted for that year and will establish participation, award opportunities and corresponding performance measures and goals, considering general market practices and its own subjective assessment of the effectiveness of such program in meeting its goals of motivating and rewarding our executives.

Long-Term Incentives

2008 Stock Option and Performance Award Plan (the "2008 Plan"). The purpose of the 2008 Plan is to allow officers, directors, employees and consultants of KCS and its affiliates to acquire or increase equity ownership in the Company. The 2008 Plan provides for the award of stock options (including incentive stock options), restricted shares, restricted share units, bonus shares, stock appreciation rights ("SARs"), limited stock appreciation rights ("LSARs"), performance units and/or performance shares to officers, directors, employees and consultants. Awards under the 2008 Plan are made at the discretion of the Compensation Committee, which is empowered to determine the terms and conditions of each award. Specific awards may be granted singly or in combination with other awards. The 2008 Plan was approved by the stockholders of the Company on October 7, 2008 and replaced the 1991 Amended and Restated Stock Option and Performance Award Plan (the "1991 Plan"), which is no longer being used with respect to the issuance of new awards. The purpose of the 1991 Plan and the types of awards provided for in the 1991 Plan were generally the same as the 2008 Plan. Awards granted under the 1991 Plan continue to be governed by that plan and their respective award agreements until vesting or expiration. The stock options and restricted share awards described in the Non-Management Director Compensation Table and Summary Compensation Table were awarded under the 1991 Plan or the 2008 Plan.

We do not coordinate stock option grants or other equity awards to our executives with the timing of the release of material non-public information. Further, we do not grant stock options at a discounted exercise price.

2013 Executive Long-Term Incentive Program

In the fall of 2012, the Compensation Committee and Company management began to develop the 2013 long-term incentive program (the “2013 LTI Program”). The Compensation Consultant was engaged to assist in the process to help the Compensation Committee develop guiding principles for the new program, and to provide input and design alternatives for the Compensation Committee’s consideration.

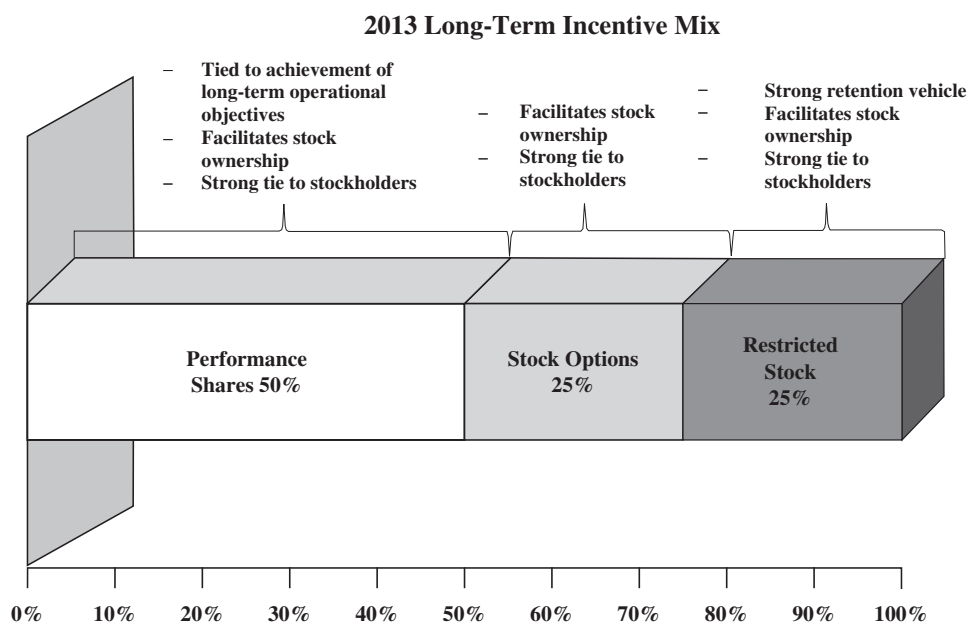
The Compensation Consultant utilized the guidelines developed during the creation of the 2012 long-term incentive program (the “2012 LTI Program”) to assist in the development of the 2013 LTI Program. The Compensation Committee agreed that the 2013 LTI Program should continue to:

- Drive sustained improvement in our operating performance;
- Communicate strong performance focus to the external market;
- Support execution of our long-term business strategy;
- Provide a balanced program based on performance, share price leverage and employee retention;
- Maintain flexibility to dovetail with our other talent management tools;
- Maintain our external competitiveness; and
- Be simple and transparent.

Consistent with these principles, the Compensation Committee articulated a desire to continue to focus participants on long-term performance. The Compensation Consultant and the management team recommended that the 2013 LTI Program be similar to the 2012 LTI Program, with a large percentage of the value of the awards granted under the plan relying on the performance of the Company or its stock to be earned or have value. Following the same approach used for the 2012 LTI Program, the Compensation Consultant and management proposed a three-year performance award be granted and the performance metrics for earning the performance shares awarded under the 2013 LTI Program be determined by setting performance goals for each year of the three-year performance period and determining the average of the results for each year as measured against these performance goals at the end of the three-year performance period. This average is then to be multiplied by the total number of shares awarded at target to determine the number of performance shares earned. The Compensation Committee determined this was an appropriate manner to determine the shares earned given the stabilization of the economy, the business environment and our improved performance. Further, the Compensation Committee believed this better aligned executives’ long-term incentive compensation with our multi-year business plan as well as with the interests of our stockholders.

In addition to the performance share component of the 2013 LTI Program, the Compensation Committee determined it appropriate to also grant a mix of time-based non-qualified stock options and restricted shares of our stock. The Compensation Committee believed that a high percentage of the award mix should be comprised of performance share awards and non-qualified stock options, each of which will require management to generate positive financial performance or stock appreciation in order to financially benefit from the award grants. The Compensation Committee also concluded that a portion of the award should be comprised of time-based, cliff vesting, restricted stock of the Company for purposes of acting as a management retention tool during the three-year term of the program.

The 2013 LTI Program was approved in February 2013. The mix of awards was as follows:



Management may earn between 50% and 200% of the performance share award by meeting or exceeding the performance criteria set for the three-year period. The performance criteria for the three year plan were set at the February 2013 meeting of the Compensation Committee. The performance shares earned, if any, will vest at the end of the three year period, on the later of (i) February 29, 2016 or (ii) the date the Compensation Committee certifies that the Performance Goals for the three-year Performance Period are (or are not) satisfied.

The restricted stock awarded under the 2013 LTI Program does not vest until February 29, 2016. The non-qualified stock options under the 2013 LTI Program become vested and exercisable in equal installments on February 21, 2014, February 21, 2015 and February 21, 2016, respectively. The stock options must be exercised in all events no later than ten years from the date of grant. The exercise price of the stock options is equal to the fair market value of the Company’s common stock on the date of grant.

The Compensation Committee determined to use the Company’s return on invested capital (“ROIC”) and consolidated operating ratio (“OR”) as the performance metrics for the performance shares under the 2013 LTI Program, weighted 75% and 25%, respectively. The Compensation Committee believes that ROIC allows it to not only assess the Named Executive Officers’ performance with respect to our earnings, but also allows the Compensation Committee to measure the efficiency of management in managing our capital base and determine the success of management in making long-term capital investment decisions to improve our financial and operating performance. ROIC provides the Compensation Committee a measurement that can hold management accountable for earning a return in excess of our cost of capital.

For this purpose, ROIC is defined as the quotient of the Company’s net operating profit after taxes (“NOPAT”) for the applicable performance period divided by the Company’s invested capital where (i) NOPAT is the sum of the Company’s net income plus interest expense, interest on the present value of the Company’s operating leases and debt retirement costs (all preceding items tax effected), with further adjustments to eliminate the after-tax effects of any foreign exchange gains/losses, the foreign exchange impact on our effective tax rate and changes in accounting principles, and (ii) invested capital is the sum of our average equity balance, average debt balance and the present value of our operating leases, with further adjustments to eliminate the average equity impacts of changes in accounting principles.

The Compensation Committee determined to use OR as the other performance metric believing it to be a solid indicator of the Company’s financial performance and profitability. The Compensation Committee

recognized that OR is a measure easily monitored by our management employees and is widely monitored by investors. For this purpose, OR is calculated as the Company's consolidated operating expenses divided by the Company's consolidated revenues.

Following are the performance levels for the 2013 LTI program*:

<u>Performance Level</u>	<u>Return on Invested Capital (75% weight)</u>	<u>Consolidated Operating Ratio (25% weight)</u>	<u>Percentage Payout at Total Incentive Target</u>
2013			
Threshold	9.3%	69.9%	50%
Target	9.6%	69.2%	100%
Maximum	10.0%	68.7%	200%
2014			
Threshold	9.6%	69.2%	50%
Target	10.0%	68.5%	100%
Maximum	10.4%	68.0%	200%
2015			
Threshold	10.0%	68.5%	50%
Target	10.4%	67.8%	100%
Maximum	10.8%	67.3%	200%

* These performance levels should not be viewed as predictions or estimates of future performance and the actual achievement of these levels is subject to numerous known and unknown risks and uncertainties including, without limitation, those described under "forward looking statements", "risk factors" or similar headings in our quarterly and annual reports filed with the SEC. The Compensation Committee establishes these levels solely to help it align pay with performance. The levels are not intended to provide investors or any other party with guidance about our future financial performance or operating results.

For the year ended December 31, 2013, our return on invested capital was 9.42%. Our consolidated operating ratio was 68.82%. These results will be combined with the results of 2014 and 2015 to determine the average results of the three-year performance period that will be used to determine the number of performance shares earned during such period.

The following awards were granted to the Company's Named Executive Officers for the 2013 LTI Program:

<u>Name</u>	<u>Number of Target Performance Shares Granted Under the 2013 LTI Program</u>	<u>Number of Non-Incentive Stock Options Granted Under the 2013 LTI Program</u>	<u>Number of Shares of Restricted Stock Granted Under the 2013 LTI Program</u>
David L. Starling	10,706	13,068	5,353
Michael W. Upchurch	3,003	3,666	1,502
Michael R. Haverty(1)	6,712	8,193	3,356
José Guillermo Zozaya Delano	3,003	3,666	1,502
Patrick J. Ottensmeyer	3,003	3,666	1,502
David R. Ebbrecht	3,003	3,666	1,502

(1) Because Mr. Haverty is still affiliated with the Company as a director, his awards under the 2013 LTIP (and all prior LTIP awards) will continue to vest under their original terms.

2011 Executive Long-Term Incentive Program

As discussed in detail in the Company's 2012 and 2013 proxy statements, the Compensation Committee approved the 2011 LTI Program in February 2011. The 2011 LTI Program is comprised of performance shares (50%), restricted stock (30%) and time-based non-qualified stock options (20%). The restricted stock and stock options were all granted in 2011 and appear in 2011 compensation. The restricted stock awarded under the 2011

LTI Program vests on February 28, 2014. The non-qualified stock options under the 2011 LTI Program become vested and exercisable in equal installments on February 23, 2012, February 23, 2013 and February 23, 2014, respectively. The stock options must be exercised in all events no later than ten years from the date of grant. The exercise price of the stock options is equal to the fair market value of the Company's common stock on the date of grant.

The performance shares awarded were divided into three equal tranches, with one tranche available for each year of the three-year plan. Management may earn between 50% and 200% of each year's performance award tranche by meeting or exceeding the performance criteria set for that year. The performance criteria for each tranche in the three year plan are set at the first meeting of the Compensation Committee during each year of the 2011 LTI Program. Accordingly the 2013 tranche is shown as granted in 2013. The potential share awards for each level for the 2013 tranche are set forth in the Grants of Plan-Based Awards table. The shares earned in each tranche, if any, do not vest until the end of the three year period, on the later of (i) February 28, 2014 or (ii) the date the Compensation Committee certifies that the Performance Goals for the 2013 Performance Period are (or are not) satisfied.

The Compensation Committee determined to use the Company's ROIC and OR as the performance metrics, weighted 75% and 25%, respectively, for the same reasons set forth above under the 2013 LTI Program.

Following are the performance levels for the year ended 2013:

<u>Performance Level</u>	<u>Return on Invested Capital (75% weight)</u>	<u>Consolidated Operating Ratio (25% weight)</u>	<u>Percentage Payout at Total Incentive Target</u>
Threshold	9.3%	69.9%	50%
Target	9.6%	69.2%	100%
Maximum	10.0%	68.7%	200%

For the year ended December 31, 2013, our return on invested capital was 9.42%, and our consolidated operating ratio was 68.82%. As a result of this, the Named Executive Officers each earned a payout of 96.5% of the third tranche of the award. Based on 2013 performance, the Named Executive Officers earned the following number of performance shares for the 2013 tranche: Mr. Starling — 5,597; Mr. Upchurch — 1,768; Mr. Haverty — 4,020; Mr. Zozaya — 1,768; Mr. Ebbrecht — 1,269; and Mr. Ottensmeyer — 1,768. These awards vested on February 28, 2014.

Perquisites

As noted in our Summary Compensation Table, we provide our U.S. Named Executive Officers with certain perquisites consistent with market practice. We do not view perquisites as a significant element of our comprehensive compensation structure for our U.S. Named Executive Officers. For Mr. Zozaya and other executives employed by KCSM, we provide perquisites as required by Mexican law and consistent with Mexican customary practice.

We reimburse financial counseling expense for our Named Executive Officers up to a stated limit. The maximum amount of the annual reimbursement under this program for our Executive Chairman and our CEO is \$8,000. The maximum amount of the annual reimbursement under this program for our other Named Executive Officers is \$5,000. We also pay for three years' of the administrative fees charged by the Greater Kansas City Community Foundation ("GKCCF") related to donor advised funds established by our U.S. executives at the GKCCF. These fees are paid out of funds from the Company's charitable foundation, which is administered by the GKCCF.

Consistent with applicable law and perquisite practices in Mexico generally, we provide the following perquisites to Mr. Zozaya: (1) annual Christmas bonus equal to 30 days of wages or salary (Mexican law requires an annual Christmas bonus equal to at least 15 days of wages or salary), (2) vacation and vacation premium payments of 50% (Mexican law requires a vacation premium of at least 25%), (3) food stipend (up to a maximum

of Ps. 2,046 per month), (4) automotive allocations or use of a leased company car (and maintenance for the leased car), (5) gasoline coupons, (6) 100% payment of the employee's social security fees and (7) a limited reimbursement of expenses for financial planning services in accordance with the KCS Financial Planning Reimbursement Policy. The annual Christmas bonus is a payment in the amount equal to one month's salary, prorated based on time with the Company. Executives based in Mexico have a number of vacation days as set forth in their respective employment agreements and a corresponding vacation premium equal to 50% of their earned vacation days, generally paid on or around their annual anniversary date, in accordance with the Company's payroll policy. In 2013, Mr. Zozaya continued to use a personal vehicle that was purchased in 2011 using funds provided by KCSM in the form of a vehicle bonus to fund a portion of the purchase price of such vehicle. As such, Mr. Zozaya does not currently use a vehicle leased by KCSM, but may do so in a future year.

The Compensation Committee believes these perquisites are conservative, but reasonable and consistent with our overall compensation program, industry practice and applicable law, and better enable the Company to attract and retain high-performing employees for key positions. The Compensation Committee periodically reviews the levels of perquisites and other personal benefits provided to our Named Executive Officers. The Compensation Committee does not plan to materially increase the perquisites currently provided, subject to, with respect to Mr. Zozaya, requirements under Mexican law.

Benefits

We provide certain benefit programs that are designed to be competitive within the marketplace from which we recruit our employees. The majority of employee benefits provided to our Named Executive Officers are offered through broad-based plans available to our management employees generally.

KCS 401(k) and Profit Sharing Plan (the "KCS 401(k) Plan"). The KCS 401(k) Plan is a qualified defined contribution plan. Eligible U.S. employees may elect to make pre-tax or post-tax deferral contributions, called 401(k) contributions, to the KCS 401(k) Plan of up to 75% of eligible compensation subject to certain limits under the Code. We will make matching contributions to the KCS 401(k) Plan equal to 100% of a participant's 401(k) contributions and up to the lesser of a maximum of 5% of a participant's eligible compensation or the statutory limit imposed by the Code. Our matching contributions for the KCS 401(k) Plan vest over five years as follows:

- 0% for less than two years of service;
- 20% upon two years of service;
- 40% upon three years of service;
- 60% upon four years of service; and
- 100% upon five years of service.

We may also make, in our discretion, annual profit sharing contributions to the KCS 401(k) Plan in an amount not to exceed the maximum allowable deduction for federal income tax purposes and certain limits under the Code. Only employees who have met certain standards as to hours of service are eligible to receive profit sharing contributions. No minimum contribution is required. Each eligible participant, subject to maximum allocation limitations under the Code, is allocated the same percentage of the total contribution as the participant's compensation bears to the total compensation of all participants. Profit sharing contributions are 100% vested when made. No profit sharing contributions were made in 2013.

Participants may direct the investment of their accounts in the KCS 401(k) Plan by selecting from one or more of the diversified investment funds available under the KCS 401(k) Plan, including a fund consisting of our Common Stock.

Executive Plan. In order to provide executives with competitive retirement and savings plans, we maintain a supplemental benefit plan known as the “Executive Plan” for those U.S. executives who are designated by the President, Chief Executive Officer or Compensation Committee as participants in the plan. Our Executive Plan provides a benefit based on an amount equal to 10% of the excess of (a) an executive’s base salary times the percentage specified in his or her employment agreement (ranging from 145% to 175%) or, for those executives without employment agreements, 145% (see the “Summary Compensation Table — Narrative to Summary Compensation Table”) over (b) the maximum compensation that can be considered for benefit purposes in a qualified retirement plan. Payments are generally made annually under this plan and executives receive such payments in one year restricted stock, which may be forfeited in the event of termination of employment prior to the end of the twelve-consecutive-month period beginning on the grant date.

Other Benefits. For our U.S. employees, we pay a portion of premiums for medical coverage, pay premiums for short-term disability coverage, pay premiums for 50% coverage for long-term disability and pay premiums for AD&D coverage up to 2 1/2 times the annual salary for each employee up to a maximum of \$600,000. For U.S. and Mexico executives, we provide a basic amount of group life insurance coverage. Additionally, we provide eligible U.S. employees with the opportunity to purchase KCS Common Stock at a discount under the Kansas City Southern 2009 Employee Stock Purchase Plan, which plan is intended to satisfy Section 423 of the Code.

Benefits Provided for KCSM Executives. We provide accident, medical and life insurance for our executives based in Mexico. Each of our Named Executive Officers based in Mexico may contribute to a savings fund up to 13% of his base salary up to Ps. 2,659 monthly, the legal maximum. We make a matching contribution to each such Named Executive Officer’s savings fund. In addition, we are required under Mexican law to make certain severance payments to any employee (including a Named Executive Officer) who is terminated without cause. See “Potential Payments Upon Termination of Employment or Change in Control” for a more detailed discussion of these payments.

Pay Mix

The percentage of a Named Executive Officer’s total compensation that is comprised by each of the compensation elements is not specifically determined, but instead is a result of the targeted competitive positioning for each element (i.e., local country market 50th percentile for base salaries, U.S. market 50th percentile for annual incentives, and long-term incentives and below market median for perquisites and benefits, except as may be required by applicable Mexican law). Generally, long-term incentives comprise a significant portion of a Named Executive Officer’s total compensation. This is consistent with the Compensation Committee’s desire to reward long-term performance in a way that is aligned with stockholders’ interests. In 2013, the target pay mix for our Chief Executive Officer and all other Named Executive Officers serving on December 31, 2013 (as an average) was as follows:



Executive Stock Ownership Guidelines

The Compensation Committee has set stock ownership guidelines for our Named Executive Officers and other members of senior management, which require executives to own a certain number of shares of Company Common Stock based upon a multiple of salary, with the number of shares required for each executive determined by salary grade. The required multiples for our Named Executive officers are as follows:

	<u>Multiple of Salary</u>	<u>Estimated Dollar Value</u>
Chief Executive Officer	5X	\$4,250,000
Other Named Executive Officers	3X	\$1,172,000- \$1,320,000

The Compensation Committee will periodically review the continued appropriateness of the stock ownership guidelines. Executives are given five years from their start date or promotion date to meet the required stock holdings. The Compensation Committee may adjust the treatment of non-compliant executives on a case by case basis. All stock sales by executives who are not in compliance will be reviewed by the Corporate Secretary and approved by the CEO. If executives have not met this stock ownership requirement within five years, then they may be required to retain long-term incentive plan grants and 50% of AIP payouts may be awarded in stock until the executive is compliant.

Shares that count in determining compliance with the stock ownership guidelines are shares beneficially owned by the executive, shares held by the executive in any KCS benefit plan, restricted shares at the time of grant (even if not yet vested), performance shares when earned (even if not yet vested), and shares issued and retained on exercise of stock options.

Change in Control Benefits

Purpose. Various compensation arrangements provide for award and account vesting and separation pay for our Named Executive Officers upon a change in control or the occurrence of certain events after a change in control. Please see the “Potential Payments upon Termination of Employment or Change in Control” for a discussion of why the Compensation Committee believes the current levels of post-employment termination compensation and benefits are appropriate and consistent with our compensation objectives. These arrangements are designed to:

- preserve our ability to compete for executive talent;
- provide stability during a change in control by encouraging executives to cooperate with and achieve a change in control approved by the Board, without being distracted by the possibility of termination of employment or demotion after the change in control; and
- provide an economic incentive to encourage an acquirer to evaluate whether to retain our executives rather than its own.

Please see “Potential Payments upon Termination of Employment or Change in Control” for a detailed discussion of our severance benefits.

Tax and Accounting Considerations

Section 162(m) of the Code generally limits the deduction by publicly held corporations for federal income tax purposes of compensation in excess of \$1 million paid to the chief executive officer as of the end of the year and the next three highest compensated Named Executive Officers listed in the Summary Compensation Table, other than the chief financial officer, unless it is “performance-based.” Except as otherwise described in this section, the Compensation Committee intends to qualify compensation expense as performance-based and therefore deductible for federal income tax purposes.

The compensation packages of the Named Executive Officers for 2013 included base salary, annual cash incentives under the 2013 AIP, performance share awards, restricted stock and non-qualified stock options. The highest total base salary was within the \$1 million limit. The Company's Annual Incentive Plan document was approved by stockholders in 2011 and is a performance-based plan under Section 162(m) of the code. Restricted shares with time-based vesting requirements awarded under the provisions of the 1991 Plan or the 2008 Plan do not qualify as performance-based compensation under Section 162(m). The restricted shares awarded to the Named Executive Officers have the potential to result in total compensation in excess of the \$1 million limit under Section 162(m). Restricted shares with performance-based vesting requirements, stock options and performance shares awarded under the provisions of the 1991 Plan or 2008 Plan are intended to qualify as performance based compensation under Section 162(m) because the awards are earned based on our performance.

The Compensation Committee will review from time to time the potential impact of Section 162(m) on the deductibility of executive compensation. However, the Compensation Committee intends to maintain the flexibility to take actions it considers are in the best interests of KCS and our stockholders and which may be based on considerations in addition to tax deductibility.

The Compensation Committee periodically reviews projections of the estimated accounting (pro forma expense) and tax impact of material elements of the executive compensation program.

Compensation Committee Review of our Executive Compensation Program

In early 2012, at the direction of the Compensation Committee, the Compensation Consultant performed an executive compensation market analysis to assess the competitiveness of the compensation of the executives of the Company, including the Named Executive Officers. This study is typically conducted every two years and the data and findings are used to inform compensation program decisions going forward until the next study is performed, as well as evaluate actions that have been taken relative to the Company's market position in compensation. The 2012 study was used to inform decisions regarding 2013 programs and grants.

The results of the most recent analysis were presented to the Compensation Committee in February 2012. The Compensation Consultant analyzed the market competitiveness of the following elements for each of the covered executive positions:

- Base salary;
- Target annual incentive award opportunity (award that may be earned for achieving expected annual performance results);
- Target total cash compensation (salary plus target annual incentive award opportunity);
- Annualized expected value of long-term incentive grants/awards (estimated value on date of grant); and
- Target total direct compensation (target total cash compensation plus the annualized expected value of long-term incentive awards).

On a programmatic basis, the Compensation Consultant also assessed the relative market positioning of retirement programs provided to executives including the Named Executive Officers, as well as perquisites.

In performing the study, the Company's executive positions were initially "matched," based on the Compensation Consultant's understanding of the positions' primary duties and responsibilities, to similar positions in Towers Watson's 2012 Executive Compensation Data Bank. At the request of the Company, a premium was applied to the market compensation data for certain benchmark survey position matches to reflect the differences between the responsibilities of the Company's positions and those of the benchmark survey job matches.

As stated above, the Compensation Committee seeks to provide base salaries, target total cash and target total direct compensation that is on average consistent with median market (*i.e.*, comparably-sized transportation and mature capital intensive companies) practices, recognizing internal equity and incumbent-specific considerations such as performance, future potential, and tenure with the Company. Based on the findings of the study described above, the Compensation Committee believes that our targeted executive compensation levels are “competitive” in aggregate, within a +/- 15% of the target market 50th percentile (*i.e.*, 85% to 115% of target market 50th percentile).

The results of this study found that (i) our base salaries are, on average, aligned with approximately local country market 50th percentile levels; (ii) our target total cash compensation levels are on average within a competitive range around the U.S. market median; (iii) our target annual incentive award opportunities, expressed as a percentage of salary, are, on average, aligned with the U.S. market 50th percentile level; and (iv) our target long-term incentive award opportunities, and resulting target total direct compensation levels, are, on average, consistent with U.S. market median practices. Results for individual officers varied. For the Named Executive Officers other than Mr. Haverty, for which there was not sufficient data to reach a conclusion, as a group, average competitive positioning for base salary was approximately 90%, and for total direct compensation was approximately 106%, of the target market 50th percentile. The study also found that the Company’s retirement benefits fall within the competitive range, but toward the lower end of this range. The study concluded that perquisites were modest, but consistent with typical current practices.

The conclusion that the Named Executive Officers were being compensated at or near market median given their positions and responsibilities satisfied the Compensation Committee that the ratio of compensation between the CEO and the other Named Executive Officers was acceptable and reasonable, particularly when taking into consideration the differences in responsibilities of each. The policies or decisions relating to the compensation of the CEO are not materially different than the other Named Executive Officers.

Risk Considerations in our Compensation Program

In early 2013, the Company engaged Towers Watson to review its compensation program to assess the risks that it could create, as reflected in the Company’s risk management practices and policies. The review covered a number of key facets of the Company’s compensation plans, including their purposes, the types of performance measures used, the number and organizational level of participants, the aggregate amount and maximum individual amounts payable under the plans, the ability of the participants to take actions that could influence the calculation of their awards, the scope of the risks that could be created by actions taken to enhance the amounts payable under the plans, and how the Company’s risk management policies and governance practices are structured to mitigate these risks. As a result of this review, the Company concluded that its compensation program does not create risks that are reasonably likely to have a material adverse effect on the Company or its stockholders.

Role of Towers Watson, our Compensation Consultant

For assistance in fulfilling its responsibilities, the Compensation Committee retained the Compensation Consultant to review and independently assess various aspects of our compensation programs, including the compensation of individuals serving as executives of KCSM, and to advise the Compensation Committee in making its executive compensation decisions for 2013. The Compensation Consultant is engaged by and reports directly to the Compensation Committee and has been retained again for 2014. The Compensation Committee has assessed the independence of the Compensation Consultant pursuant to SEC rules, analyzed whether the work performed raised any conflict of interest, and concluded that the Compensation Consultant is independent and that no conflict of interest exists. The Compensation Consultant’s role in 2013 has been to provide market data, including market trend data, to the Compensation Committee, to advise the Compensation Committee regarding the Company’s executive compensation relative to the market data, and to make recommendations to the Compensation Committee regarding compensation structure and components. The Compensation Committee

may or may not adopt the Compensation Consultant's recommendations. Typically, the Compensation Committee considers internal factors, such as individual performance and Company strategy, in addition to the Compensation Consultant's recommendations.

Specifically, in 2013, the Compensation Consultant:

- assisted with developing the 2013 LTI Program and grant guidelines;
- provided detail regarding current executive compensation trends;
- reviewed and provided comments to the Compensation Discussion and Analysis included in the 2013 Proxy Statement;
- reviewed the Company's Annual Incentive Plan as applied to senior and executive management of the Company;
- assisted with developing the termination tables included in the 2013 Proxy Statement;
- reviewed the Company's compensation programs to assess the risks that they could create, as reflected in the Company's risk management practices and policies; and
- assisted with determining appropriate compensation for newly hired and promoted executives.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has received and discussed with management the disclosures contained in "Compensation Discussion and Analysis" in this Proxy Statement. Based on that review and analysis, we recommended to the Board of Directors that the Compensation Discussion and Analysis section be included in this Proxy Statement.

The Compensation Committee

Terrence P. Dunn, *Chairman*

Henry R. Davis

Rodney E. Slater

This Compensation Committee Report is not deemed "soliciting material" and is not deemed filed with the SEC or subject to Regulation 14A or the liabilities under Section 18 of the Exchange Act.

SUMMARY COMPENSATION TABLE

The following table and narrative disclose compensation earned in 2013 by the Named Executive Officers. The table shows amounts earned by such persons for all services rendered in all capacities to KCS and its subsidiaries during the past year.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards \$(1)	Option Awards \$(2)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation \$(3)	Total (\$)
David L. Starling ,	2013	\$850,000	\$ 0	\$2,019,104	\$523,373	\$1,496,000	\$ 43,610	\$4,932,087
President and Chief Executive Officer	2012	\$800,000	\$ 0	\$1,885,490	\$484,364	\$1,600,000	\$ 42,049	\$4,811,903
	2011	\$721,000	\$ 0	\$ 750,203	\$598,527	\$1,247,330	\$ 30,254	\$3,347,314
Michael W. Upchurch ,	2013	\$420,116	\$ 0	\$ 579,632	\$146,823	\$ 443,643	\$ 23,448	\$1,613,662
Executive Vice President and Chief Financial Officer	2012	\$407,880	\$ 0	\$ 547,496	\$138,121	\$ 489,456	\$ 26,927	\$1,609,880
	2011	\$370,800	\$ 0	\$ 245,893	\$189,944	\$ 384,890	\$ 33,776	\$1,225,303
Michael R. Haverty ,	2013	\$450,750	\$445,020(4)	\$1,294,685	\$328,130	\$ 0	\$129,912	\$2,648,497
Executive Chairman of the Board	2012	\$583,495	\$ 0	\$1,244,951	\$312,494	\$ 875,243	\$ 52,183	\$3,068,366
	2011	\$566,500	\$ 0	\$ 592,817	\$429,081	\$ 735,034	\$ 52,922	\$2,376,354
José Guillermo Zozaya Delano ,	2013	\$390,810	\$ 0	\$ 536,907	\$146,823	\$ 412,695	\$202,290	\$1,689,525
President and Executive Representative of KCSM(5)	2012	\$377,693	\$ 0	\$ 510,852	\$138,121	\$ 453,236	\$303,919	\$1,783,821
	2011	\$337,717	\$ 0	\$ 212,269	\$189,944	\$ 350,550	\$299,173	\$1,389,653
Patrick J. Ottensmeyer ,	2013	\$434,730	\$ 0	\$ 598,013	\$146,823	\$ 459,075	\$ 14,448	\$1,653,089
Executive Vice President, Sales and Marketing	2012	\$422,068	\$ 0	\$ 569,871	\$138,121	\$ 506,482	\$ 19,336	\$1,655,878
	2011	\$409,775	\$ 0	\$ 268,678	\$189,944	\$ 425,346	\$ 16,226	\$1,309,969
David R. Ebbrecht ,	2013	\$415,778	\$ 0	\$ 544,214	\$146,823	\$ 439,061	\$ 25,335	\$1,571,211
Executive Vice President and Chief Operating Officer(6)	2012	\$362,667	\$ 0	\$ 759,358	\$ 99,011	\$ 456,721	\$ 6,031	\$1,683,788

- (1) This column presents the aggregate grant date fair value of stock awards made in 2013, 2012 or 2011, as applicable, computed in accordance with FASB ASC Topic 718. For additional information, refer to Note 12 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the SEC. The amount for 2013 reflects (a) the grant date fair value for time vested stock awards and (b) the probable outcome at grant date for (i) the third tranche of a three-year performance share award under our 2011 LTI Program, for which performance goals are set each year and (ii) the performance share grant made pursuant to the 2013 LTI Program. See Compensation Discussion and Analysis above for more detail on these awards and the 2011 and 2013 LTI Programs and the Grants of Plan-Based Awards table for the value for each grant. The value of the third tranche of 2011 and the 2013 performance shares awards, assuming the highest level of performance achieved, would be, respectively, as follows: Mr. Starling — \$610,392 and \$2,093,451; Mr. Upchurch — \$192,905 and \$587,207; Mr. Haverty — \$438,430 and \$1,312,464; Mr. Zozaya — \$192,905 and \$587,207; Mr. Ottensmeyer — \$192,905 and \$587,207; Mr. Ebbrecht — \$138,496 and \$587,207.
- (2) This column presents the aggregate grant date fair value of option awards made in 2013, 2012 or 2011, as applicable, computed in accordance with FASB ASC topic 718. For additional information, refer to Note 12 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the SEC.

(3) “All Other Compensation” for the Named Executive Officers consists of:

Name		KCS 401(K) Plan Matching Contributions \$(a)	Group Term Life Insurance Premiums (\$)	AD&D Premiums (\$)	LTD Premiums (\$)	Matching Charitable Gifts \$(b)	Financial Planning Reimbursement (\$)	Other \$(c)	Total (\$)
Starling	2013	\$12,750	\$1,380	\$180	\$138	\$19,400	\$8,000	\$ 1,762	\$ 43,610
	2012	\$12,500	\$1,380	\$180	\$138	\$16,000	\$7,530	\$ 4,321	\$ 42,049
	2011	\$12,250	\$1,380	\$168	\$138	\$14,568	\$1,750	\$ 0	\$ 30,254
Upchurch	2013	\$12,750	\$1,380	\$180	\$138	\$ 4,000	\$5,000	\$ 0	\$ 23,448
	2012	\$12,500	\$1,380	\$180	\$276	\$11,900	\$ 691	\$ 0	\$ 26,927
	2011	\$12,250	\$1,380	\$168	\$178	\$19,200	\$ 600	\$ 0	\$ 33,776
Haverty	2013	\$12,750	\$1,039	\$135	\$104	\$30,000	\$8,000	\$ 77,884(d)	\$129,912
	2012	\$12,500	\$1,265	\$165	\$253	\$30,000	\$8,000	\$ 0	\$ 52,183
	2011	\$12,250	\$1,380	\$168	\$178	\$30,000	\$8,000	\$ 946	\$ 52,922
Zozaya	2013	N/A	\$9,326	\$ 0	\$ 0	\$ 0	\$3,540	\$189,424(e)	\$202,290
	2012	N/A	\$5,733	\$ 0	\$ 0	\$ 0	\$ 0	\$298,186(e)	\$303,919
	2011	N/A	\$4,391	\$ 0	\$ 0	\$ 0	\$ 0	\$294,782(e)	\$299,173
Ottensmeyer	2013	\$12,750	\$1,380	\$180	\$138	\$ 0	\$ 0	\$ 0	\$ 14,448
	2012	\$12,500	\$1,380	\$180	\$276	\$ 0	\$5,000	\$ 0	\$ 19,336
	2011	\$12,250	\$1,380	\$168	\$178	\$ 0	\$2,250	\$ 0	\$ 16,226
Ebbrecht	2013	\$12,750	\$1,380	\$180	\$138	\$ 5,000	\$3,500	\$ 2,387	\$ 25,335
	2012	\$ 1,333	\$1,380	\$180	\$138	\$ 0	\$3,000	\$ 0	\$ 6,031

- (a) Subject to Internal Revenue Service rules, we match 100% of each employee’s elective 401(k) contributions which do not exceed 5% of his or her compensation. For 2013, the maximum match was \$12,750.
- (b) We provide a two-for-one Company match of eligible charitable contributions made by our Named Executive Officers. The maximum amount of contributions we will match in any calendar year for any Named Executive Officer is \$15,000. Of this \$15,000, only half may be contributed to one organization.
- (c) For U.S. executives, we have historically paid and continue to pay country club initiation fees (with monthly dues paid by the executive). For all executives, we provide an annual physical exam through our medical plan. All employees of the Company, including the Named Executive Officers, are given the opportunity to use our stadium and arena suites to the extent the suites are not being used for business purposes. Our Named Executive Officers may use the services of their administrative assistants for limited personal matters. In addition, spouses of certain of our Named Executive Officers accompanied them on private aircraft chartered to transport the Named Executive Officers for business purposes. None of these perquisites results in an aggregate incremental cost to the Company, and thus no value for any of these perquisites is included in the Summary Compensation Table.
- (d) Mr. Haverty is no longer an employee of the Company as of September 30, 2013. Beginning October 1, 2013, he received compensation as a director. “Other” for Mr. Haverty consists of a payment of \$44,717 for unused vacation in 2013, \$4,000 for director meeting fees and \$29,167 for a prorated director retainer.
- (e) “Other” for Mr. Zozaya consists of the payments set forth in the following table, payment of which is consistent with Mexican law and perquisite practices.

	Christmas Bonus (\$)	Vacation Premium (\$)	Food Stipends (\$)	Auto Maintenance and Gasoline (\$)	Leased Vehicles (\$)	Vehicle Bonus (\$)	Savings Fund (\$)	Social Security (\$)	Personal Security (\$)	Spouse Airfare for Company Events (\$)	Total (\$)
2013 ...	\$32,568	\$7,599	\$1,806	\$2,633	\$0	\$12,719	\$2,349	\$1,129	\$125,605	\$3,016	\$189,424
2012 ...	\$31,475	\$7,344	\$1,747	\$2,365	\$0	\$12,784	\$2,264	\$ 996	\$236,343	\$2,868	\$298,186
2011 ...	\$28,143	\$6,567	\$1,559	\$1,973	\$0	\$11,888	\$4,049	\$1,296	\$229,338	\$9,969	\$294,782

- (4) Because under the terms of the 2013 AIP Mr. Haverty was not eligible to receive a 2013 AIP payment once his employment with the Company terminated, the Compensation Committee awarded him a cash bonus equal to the prorated amount he would have otherwise received.

- (5) All amounts of Mr. Zozaya's compensation (other than the aggregate grant date fair value for stock and option awards) are paid to Mr. Zozaya in Mexican Pesos. The 2013 amounts reported on this table were converted from Mexican pesos at a conversion rate of 13.0765 Mexican Pesos per U.S. dollar, the conversion rate reported by Banco de Mexico on December 31, 2013. The 2012 amounts reported on this table were converted from Mexican pesos at a conversion rate of 13.0101 Mexican pesos per U.S. dollar, the conversion rate reported by Banco de Mexico on December 31, 2012. The 2011 amounts reported on this table were converted from Mexican pesos at a conversion rate of 13.9904 Mexican pesos per U.S. dollar, the conversion rate reported by Banco de Mexico on December 30, 2011. The changes in the conversion rate in 2011 resulted in a decrease in 2011 salary on a U.S. dollar basis.
- (6) This is Mr. Ebbrecht's second year as a Named Executive Officer.

Narrative to Summary Compensation Table

Employment Agreements. Each of the Named Executive Officers is a party to an employment agreement.

Pursuant to their respective employment agreements, Messrs. Starling, Upchurch, Haverty, Zozaya, Ottensmeyer and Ebbrecht receive as compensation for their services an annual base salary at the rate approved by the Compensation Committee. We believe that the unique responsibilities, rail and international transportation experience, accountability, leadership and achievements of Mr. Starling as our Company's Chief Executive Officer are worthy of special consideration in setting his compensation. The salaries for these executive officers shall not be reduced except as agreed to by the parties or as part of a general salary reduction applicable to all officers. Messrs. Starling, Upchurch, Haverty, Zozaya, Ottensmeyer and Ebbrecht are eligible to participate in benefit plans or programs generally available to management employees of KCSR or KCSM, as applicable. Each of the employment agreements of Messrs. Starling, Upchurch, Haverty, Ottensmeyer and Ebbrecht provides that the value of the respective Named Executive Officer's annual compensation is fixed at a percentage of base salary for purposes of determining contributions, coverage and benefits under any disability insurance policy and under any cash compensation-based plan provided to the Named Executive Officer as follows: 175% for Mr. Starling; 145% for Mr. Upchurch; 167.67% for Mr. Haverty; 175% for Mr. Ottensmeyer; and 145% for Mr. Ebbrecht.

Mr. Haverty's employment agreement was terminated in connection with Mr. Haverty becoming non-executive Chairman effective September 30, 2013. All compensation, except for the 2013 AIP, was prorated for the year. Under the terms of the 2013 AIP, Mr. Haverty would not be eligible for a payment as he was not employed at the end of the year. The Board of Directors has authorized a payment to Mr. Haverty of the prorated amount of the 2013 AIP he would have otherwise been eligible to receive. Mr. Haverty's equity awards continue to vest under their original terms so long as he remains affiliated with the Company as a director.

For information regarding potential payments to the Named Executive Officers upon termination of employment or change in control, see "Potential Payments Upon Termination of Employment or Change in Control" below.

Indemnification Agreements. We have entered into indemnification agreements with our KCS officers and directors. Each of our U.S. Named Executive Officers is an officer of KCS. These agreements are intended to supplement our officer and director liability insurance and to provide the officers and directors with specific contractual assurance that the protection provided by our Bylaws will continue to be available regardless of, among other things, an amendment to the Bylaws or a change in management or control of KCS. The indemnification agreements provide for indemnification to the fullest extent permitted by the Delaware General Corporation Law and for the prompt advancement of expenses, including attorneys' fees and all other costs and expenses incurred in connection with any action, suit or proceeding in which the director or officer was or is a party, is threatened to be made a party or is otherwise involved, or to which the director or officer was or is a party, is threatened to be made a party or is otherwise involved by reason of service in certain capacities. Under the indemnification agreements, if required by the Delaware General Corporation Law, an advancement of expenses incurred will be made upon delivery to us of an undertaking to repay all advanced amounts if it is ultimately determined by final adjudication that the officer or director is not entitled to be indemnified for such expenses. The indemnification agreements allow directors and officers to seek court relief if indemnification or expense advances are not received within specified periods, and obligate us to reimburse them for their expenses in pursuing such relief in good faith.

GRANTS OF PLAN-BASED AWARDS

The following table provides information for each of the Named Executive Officers regarding 2013 grants of annual incentive awards, equity incentive plan awards, restricted shares, and stock options.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)(6)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
David L. Starling	N/A	\$425,000	\$850,000	\$1,700,000							
	02/21/2013(2)				2,900	5,800	11,600				\$ 305,196
	02/21/2013(3)				5,353	10,706	21,412				\$1,046,726
	02/21/2013							5,353(4)			\$ 523,363
	02/21/2013							1,471(5)			\$ 143,820
Michael W. Upchurch	N/A	\$126,035	\$252,070	\$ 504,140							
	02/21/2013(2)				916	1,833	3,666				\$ 96,452
	02/21/2013(3)				1,502	3,003	6,006				\$ 293,603
	02/21/2013							1,502(4)			\$ 146,851
	02/21/2013							437(5)			\$ 42,725
Michael R. Haverty	N/A	\$126,426	\$252,852	\$ 505,704							
	02/21/2013(2)				2,083	4,166	8,332				\$ 219,215
	02/21/2013(3)				3,356	6,712	13,424				\$ 656,232
	02/21/2013							3,356(4)			\$ 328,116
	02/21/2013							932(5)			\$ 91,122
José Guillermo Zozaya Delano(7)	N/A	\$117,243	\$234,486	\$ 468,972							
	02/21/2013(2)				916	1,833	3,666				\$ 96,452
	02/21/2013(3)				1,502	3,003	6,006				\$ 293,603
	02/21/2013							1,502(4)			\$ 146,851
	02/21/2013								3,666	\$97.77	\$ 146,823
Patrick J. Ottensmeyer	N/A	\$130,419	\$260,838	\$ 521,676							
	02/21/2013(2)				916	1,833	3,666				\$ 96,452
	02/21/2013(3)				1,502	3,003	6,006				\$ 293,603
	02/21/2013							1,502(4)			\$ 146,851
	02/21/2013							625(5)			\$ 61,106
David R. Ebbrecht	N/A	\$124,733	\$249,467	\$ 498,933							
	02/21/2013(2)				658	1,316	2,632				\$ 69,248
	02/21/2013(3)				1,502	3,003	6,006				\$ 293,603
	02/21/2013							1,502(4)			\$ 146,851
	02/21/2013							353(5)			\$ 34,513
	02/21/2013							3,666	\$97.77	\$ 146,823	

- (1) The amounts reflected in these columns represent the threshold, target and maximum amounts that could have been earned under our 2013 AIP. Actual amounts paid for 2013 performance are reflected in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table. Mr. Haverty is not eligible for a 2013 AIP payment.
- (2) These amounts represent the threshold, target and maximum amounts that could have been earned for the 2013 tranche of performance share awards made under our 2011 LTI Program. The 2013 tranche was the third of a three-year performance share award with performance goals set at the beginning of each year. See Compensation Discussion and Analysis for additional details of the 2011 LTI Program, including the performance goals, three-year award totals and the actual amount earned for 2013 for each Named Executive Officer. The amounts in the grant date fair value column represent the probable outcome at grant date of the 2013 performance goals.
- (3) These amounts represent the threshold, target and maximum amounts that could have been earned for the performance share awards made under our 2013 LTI Program. See Compensation Discussion and Analysis for additional details of the 2013 LTI Program, including the performance goals. The amounts in the grant date fair value column represent the probable outcome at grant date of the performance goals for the 2013 LTI Program.

- (4) This amount reflects restricted stock awards granted under the 2008 Plan pursuant to our 2013 LTI Program. The shares vest in full three years after the grant date. Mr. Starling's and Mr. Haverty's shares become non-forfeitable in three annual installments beginning one year from the grant date due to the fact that each executive meets the retirement criteria under the 2008 Plan; however, they remain subject to sale and transfer restrictions in accordance with the vesting schedule above.
- (5) This amount reflects restricted stock awards granted under the 2008 Plan pursuant to our Executive Plan. The shares vest in full one year after the grant date. Mr. Starling's and Mr. Haverty's shares become non-forfeitable on the grant date due to the fact that each executive meets the retirement criteria under the 2008 Plan; however, they remain subject to sale and transfer restrictions in accordance with the vesting schedule above.
- (6) The amounts in this column reflect non-qualified stock options granted under the 2008 Plan pursuant to our 2013 LTI Program. The options vest in equal 1/3 amounts on the first, second and third anniversary of the grant date.
- (7) Mr. Zozaya is paid in Mexican pesos. His threshold, target and maximum non-equity incentive plan award amounts were converted from Mexican pesos at a conversion rate of 13.0765 Mexican pesos per U.S. dollar, the conversion rate reported by Banco de Mexico on December 31, 2013.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table provides information for each of the Named Executive Officers regarding outstanding stock options, unvested stock awards and unearned stock awards held by them as of December 31, 2013.

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares of Units of Stock That Have Not Vested (\$)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)(3)
David L. Starling	3,880	—	\$51.55	07/29/18			61,934	\$7,669,287
	20,600	—	\$35.41	02/29/20				
	14,600	7,300	\$52.62	02/22/21				
	5,483	10,964	\$66.99	02/21/22				
	—	13,068	\$97.77	02/20/23	45,283	\$5,607,394		
Michael W. Upchurch	—	2,316	\$52.62	02/22/21			17,920	\$2,219,034
	—	3,126	\$66.99	02/21/22				
	—	3,666	\$97.77	02/20/23				
					13,406	\$1,660,065		
Michael R. Haverty	49,200	—	\$35.41	02/29/20			40,416	\$5,004,713
	10,467	5,233	\$52.62	02/22/21				
	3,537	7,074	\$66.99	02/21/22				
	—	8,193	\$97.77	02/20/23				
					24,508	\$3,034,826		
José Guillermo Zozaya Delano ...	13,700	—	\$35.41	02/29/20			17,920	\$2,219,034
	4,634	2,316	\$52.62	02/22/21				
	1,564	3,126	\$66.99	02/21/22				
	—	3,666	\$97.77	02/20/23				
					12,969	\$1,605,951		
Patrick J. Ottensmeyer	6,850	—	\$35.41	02/29/20			17,920	\$2,219,034
	4,634	2,316	\$52.62	02/22/21				
	1,564	3,126	\$66.99	02/21/22				
	—	3,666	\$97.77	02/20/23				
					13,594	\$1,683,345		
David R. Ebbrecht	1,660	1,660	\$52.62	02/22/21			14,550	\$1,801,727
	1,121	2,241	\$66.99	02/21/22				
	—	3,666	\$97.77	02/20/23				
					28,588	\$3,540,052		

- (1) The vesting dates of the options listed in these columns are shown in the following table, and are subject to acceleration on a change of control or upon the retirement, death or disability of a Named Executive Officer.

<u>Name</u>	<u>Number of Securities (#)</u>	<u>Exercisable Date</u>
Starling	6,867	11/19/2010
	6,867	12/08/2010
	6,866	01/07/2011
	7,300	02/23/2012
	7,300	02/23/2013
	3,880	07/30/2013
	7,300	02/23/2014
	5,483	02/22/2013
	5,482	02/22/2014
	5,482	02/22/2015
	4,356	02/21/2014
	4,356	02/21/2015
	4,356	02/21/2016
Upchurch	2,316	02/23/2014
	1,563	02/22/2014
	1,563	02/22/2015
	1,222	02/21/2014
	1,222	02/21/2015
	1,222	02/21/2016
Haverty	16,400	11/19/2010
	16,400	12/08/2010
	16,400	01/07/2011
	5,234	02/23/2012
	5,233	02/23/2013
	5,233	02/23/2014
	3,537	02/22/2013
	3,537	02/22/2014
	3,537	02/22/2015
	2,731	02/21/2014
	2,731	02/21/2015
	2,731	02/21/2016
	Zozaya	4,567
4,567		12/08/2010
4,566		01/07/2011
2,317		02/23/2012
2,317		02/23/2013
2,316		02/23/2014
1,564		02/22/2013
1,563		02/22/2014
1,563		02/22/2015
1,222		02/21/2014
1,222		02/21/2015
1,222	02/21/2016	

<u>Name</u>	<u>Number of Securities (#)</u>	<u>Exercisable Date</u>
Ottensmeyer	2,283	11/19/2010
	2,284	12/08/2010
	2,283	01/07/2011
	2,317	02/23/2012
	2,317	02/23/2013
	2,316	02/23/2014
	1,564	02/22/2013
	1,563	02/22/2014
	1,563	02/22/2015
	1,222	02/21/2014
	1,222	02/21/2015
	1,222	02/21/2016
	Ebbrecht	1,660
1,660		02/23/2014
1,121		02/22/2013
1,121		02/22/2014
1,120		02/22/2015
1,222		02/21/2014
1,222		02/21/2015
1,222		02/21/2016

(2) The vesting dates of the restricted and performance shares listed in this column are shown in the following table.

<u>Name</u>	<u>Number of Securities (#)</u>	<u>Vesting Date</u>
Starling	10,000	(a)
	25,110	02/28/2014
	4,820	02/27/2015(b)
	5,353	02/29/2016(b)
Upchurch	9,405	02/28/2014
	2,062	02/27/2015
	437	02/28/2014
	1,502	02/29/2016
Haverty	18,042	02/28/2014
	3,110	02/27/2015(b)
	3,356	02/29/2016(b)
Zozaya	9,405	02/28/2014
	2,062	02/27/2015
	1,502	02/29/2016
Ottensmeyer	625	02/28/2014
	9,405	02/28/2014
	2,062	02/27/2015
	1,502	02/29/2016
Ebbrecht	6,755	02/28/2014
	3,500	08/29/2014
	1,478	02/27/2015
	10,000	02/29/2016
	5,000	08/31/2017
	353	02/28/2014
	1,502	02/29/2016

(a) These shares vest contingent on the satisfaction of certain performance goals as described above in Compensation Discussion and Analysis — Long Term Incentives.

- (b) These shares become non-forfeitable in equal annual installments beginning one year from the grant date due to the fact that this executive meets the retirement criteria under the 2008 Plan; however, the shares remain subject to sale and transfer restrictions in accordance with the vesting schedule above.
- (3) The amounts in these columns were calculated by multiplying the closing price of our Common Stock on the NYSE on December 31, 2013, the last trading day in 2013, which was \$123.83, by the number of shares of stock that have not vested.
- (4) The amounts in this column reflect the maximum performance shares for (a) the third tranche of a three-year award granted to the executive pursuant to the 2011 LTI Program and (b) the performance shares granted pursuant to the 2012 LTI and 2013 LTI Programs, in each case which may be earned upon certification by the Compensation Committee of achievement of pre-determined performance goals for the performance period ending December 31, 2013. See Compensation Discussion and Analysis for more information on both the 2011 and 2013 LTI Programs. For information on the 2012 LTI Program, see the Compensation Discussion and Analysis in the Company's 2013 Proxy Statement filed with the Securities and Exchange Commission on April 1, 2013. Actual amounts earned may be more or less than reflected depending on whether such performance shares are earned at the threshold, target or maximum level. If earned, these shares will vest on the later of (a) February 28, 2014 for the 2011 LTI Program, February 27, 2015 for the 2012 LTI Program, or February 29, 2016 for the 2013 LTI Program, or (b) the date the Compensation Committee certifies the achievement of the related performance targets. Performance shares that are not earned within the applicable performance period are forfeited.

OPTION EXERCISES AND STOCK VESTED

The following table provides information for each of the Named Executive Officers regarding stock option exercises and vesting of stock awards during 2013.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(1)
David L. Starling	—	—	20,199(2)	\$2,148,671
Michael W. Upchurch	6,381	\$ 394,593	20,547	\$2,252,225
Michael R. Haverty	13,689	\$1,285,466	4,154(3)	\$ 427,737
José Guillermo Zozaya Delano	—	—	—	—
Patrick J. Ottensmeyer	—	\$ —	1,142	\$ 114,948
David R. Ebbrecht	—	\$ —	3,884	\$ 423,823

- (1) The amounts in these columns were calculated by multiplying the number of shares of stock by the fair market value of our Common Stock on the NYSE on the exercise/vesting date, or if the market was not open on such date, the fair market value of our Common Stock on the NYSE on the next preceding trading date and for options subtracting the exercise price multiplied by the number of shares. For awards granted prior to November 1, 2008, the fair market value was calculated by averaging the high and low stock price. For awards granted after November 1, 2008, the fair market value equaled the closing price.
- (2) 6,199 of these shares became non-forfeitable due to the fact that Mr. Starling meets the retirement criteria under the 2008 Plan; however, they remain subject to sale and transfer restrictions.
- (3) 4,154 of these shares became non-forfeitable due to the fact that Mr. Haverty meets the retirement criteria under the 2008 Plan; however, the shares remain subject to sale and transfer restrictions.

POTENTIAL PAYMENTS UPON TERMINATION OF EMPLOYMENT OR CHANGE IN CONTROL

As described above in the section titled “Narrative to the Summary Compensation Table,” each of our Named Executive Officers is a party to an employment agreement. Each agreement provides certain benefits in the event of the termination of the U.S. Named Executive Officer’s employment without cause or after a change in control. The agreements do not provide for any benefits in the event of the termination of employment resulting from death, disability or retirement. We believe that providing certain severance protections in the event of a change in control plays an important role in attracting and retaining key executive officers. The Compensation Committee believes the severance benefits are an appropriate and necessary component of each Named Executive Officer’s compensation package.

The severance benefits described below are required to be provided pursuant to the terms of employment agreements with our Named Executive Officers. These agreements may only be amended with the consent of the U.S. Named Executive Officer. Mr. Haverty’s employment agreement terminated on September 30, 2013 in connection with him becoming our non-executive Chairman. Accordingly, we have shown no severance benefits payable to Mr. Haverty. Mr. Haverty’s equity awards continue to vest in accordance with their original terms.

Severance Benefits Other than After a Change in Control

U.S. Named Executive Officers. Each of Messrs. Starling’s, Upchurch’s, Ottensmeyer’s and Ebbrecht’s employment agreement provides that in the event of termination of employment without cause for any reason other than a change in control, death, disability or retirement, such Named Executive Officer will receive one year of salary, payable in equal installments over a 12-month period at the rate in effect immediately prior to the termination of his employment. Additionally, Messrs. Starling, Upchurch, Ottensmeyer and Ebbrecht will receive reimbursement of health and life insurance costs for twelve months. Executives will also remain eligible, in the year in which a termination of employment without cause for any reason other than a change in control, death, disability or retirement occurs to receive benefits under any other compensatory or benefit plan in which such U.S. Named Executive Officer participates, if such plans are then in existence and the U.S. Named Executive Officer was entitled to participate immediately prior to termination in accordance with the applicable provisions of such plans, but only to the extent the U.S. Named Executive Officer meets all the requirements of any such plan for the plan year at the time of termination. After termination of employment without cause for any reason other than a change in control, death, disability or retirement, the U.S. Named Executive Officer would not be entitled to accrue or receive benefits under any other employee benefit plan under the current provisions of such plans.

As part of his employment agreement, each of Messrs. Starling, Upchurch, Ottensmeyer and Ebbrecht has agreed not to use or disclose any trade secrets of the Company or any of its affiliates, as applicable, after any termination of his employment. Severance payments are conditioned upon the U.S. Named Executive Officer’s waiver of any claims against the Company upon termination. In addition, each U.S. Named Executive Officer has agreed not to compete with the business of the Company in the geographic area in which the Company operates for a period of one year following the date of termination (other than in the event of a change in control, with respect to Messrs. Ottensmeyer and Ebbrecht). They have also agreed for a period of one year following the date of termination (other than in the event of a change in control with respect to Messrs. Ottensmeyer and Ebbrecht) not to (i) divert business from the Company, (ii) accept any business of any customer or prospective customer of the Company with whom the U.S. Named Executive Officer had any contact or association or who was under the U.S. Named Executive Officer’s supervision, or the identity of whom was learned by the U.S. Named Executive Officer as a result of his employment with the Company, whether or not solicited by the U.S. Named Executive Officer or (iii) induce, solicit or cause any employee of the Company to leave the employ of the Company.

None of the U.S. Named Executive Officers is eligible to receive payments or benefits upon a voluntary termination of employment or a termination of employment for cause.

Mr. Zozaya. For 2013, Mr. Zozaya is the only Named Executive Officer employed in Mexico. We are required under Mexican law to provide certain termination benefits to all employees employed in Mexico,

including any Named Executive Officers. We have provided additional termination benefits to Mr. Zozaya, as described below, in order to remain competitive with benefits offered in the local country market, as well as to facilitate our retention and recruitment efforts.

Upon a termination of employment without cause, Mr. Zozaya is entitled under Mexican law to a severance payment equal to a minimum of ninety days' integrated salary (consisting of base salary plus benefits), plus an additional payment equal to twenty days' integrated salary for each year of service with KCSM. In addition and as required by Mexico law, as of December 31, 2013, Mr. Zozaya would be eligible to receive a seniority premium equal to Ps. 1,554.24 per year for each year of service for KCSM (which if converted at a conversion rate of 13.0765 Mexican pesos per U.S. dollar, the conversion rate reported by Banco de México on December 31, 2013, would equal \$118.86 per year). Mr. Zozaya is also entitled to a payment equal to one year's base salary upon the termination of his employment, as well as other termination benefits provided pursuant to the terms of his employment agreement with KCSM.

If Mr. Zozaya's employment with KCSM is terminated, whether or not the termination was for cause, he would receive a payment equal to the value of any earned but unpaid Christmas bonus, vacation premium, food stipend and savings plan balance. The Christmas bonus is paid on a pro rata calendar year basis, while the vacation premium is paid on an annual pro rata basis that commences on each anniversary of the employee's seniority date. Because the food stipend is paid to Mr. Zozaya on a monthly basis, he is only eligible to receive a pro rata payment of the amount earned but not paid in the month of termination. Finally, Mr. Zozaya would receive a payment equal to the account balance of his savings plan, including all amounts contributed to the plan by the Company.

Mr. Zozaya is not eligible to receive payments upon a voluntary termination of employment or a termination of employment for cause, other than the payment of the earned but unpaid Christmas bonus, vacation premium, food stipend and savings plan balance, as each is described in the immediately preceding paragraph.

Severance Benefits Following a Change in Control

Summary of Benefits. In the event of a termination of employment by the Company without “cause” in the case of our U.S. Named Executives Officers, or without “just cause” in the case of Mr. Zozaya, or a resignation by a U.S. Named Executive Officer for “good reason” (as defined below), or a resignation for “unjust causes” in the case of Mr. Zozaya, within a two-year period after a change in control with respect to Messrs. Starling, Upchurch, Ottensmeyer, Ebbrecht and Zozaya, the executives receive the following benefits pursuant to the terms of their respective employment agreements:

Cash Severance (paid in a lump sum, less any amounts paid over 12 months as described above for a termination without cause)	<ul style="list-style-type: none">• Starling: Salary x 2 x 1.75• Upchurch: Salary x 2 x 1.60• Zozaya: Salary x 2 x 1.00 (subject to adjustment as described below)• Ottensmeyer: Salary x 3 x 1.75• Ebbrecht: Salary x 2 x 1.60
Unvested Equity Awards	<ul style="list-style-type: none">• Become immediately vested, generally upon occurrence of a change in control.
Health and Welfare Benefits	<ul style="list-style-type: none">• Medical, prescription and dental continue for 3 years at the cost of the Company for Mr. Ottensmeyer, and for one year for Messrs. Starling, Upchurch and Ebbrecht at the rate that would be charged to an active employee with similar coverage. Mr. Ottensmeyer may continue medical and prescription coverage following the attainment of age 60, at the cost of the executive, which cost may be no more than the cost of such benefits to active or retired peer executives at the Company immediately prior to the change in control.
Excise-Tax Protection and Tax Gross-Up	<ul style="list-style-type: none">• Mr. Ottensmeyer is eligible to receive payment for excise taxes incurred as a result of any excess parachute payments, as well as a tax gross-up for income taxes payable as a result of the excise tax reimbursement.

Although the employment agreement of Mr. Ottensmeyer contains the excise tax protection and tax gross-up provisions described above, the Compensation Committee directed in 2006 that, going forward, no new employment agreements contain such provisions. The employment agreement of Mr. Ottensmeyer predated this decision. In addition, the health and welfare benefits contained in the Company’s U.S. executive employment agreements has been modified to limit this benefit to one year of medical and dental coverage paid for by the Company following a change in control.

If any dispute should arise under the employment agreement of Mr. Ottensmeyer after the control change date involving an effort by him to protect, enforce or secure rights or benefits claimed by him, KCSR shall pay promptly upon demand all reasonable expenses incurred by Mr. Ottensmeyer (including attorneys’ fees) in connection with the dispute, without regard to whether Mr. Ottensmeyer prevails in the dispute, except that Mr. Ottensmeyer shall repay KCSR any amounts so received if a court having jurisdiction makes a final, nonappealable determination that he acted frivolously or in bad faith by the dispute.

Termination Provisions of Employment Agreements of U.S. Named Executive Officers

Definition of “cause” and “good reason.” The employment agreements of Messrs. Starling, Upchurch, Ottensmeyer and Ebbrecht generally define “cause” in the context of a termination of employment prior to a change in control to include:

- breach of the executive’s employment agreement by the executive;
- dishonesty involving the Company;
- gross negligence or willful misconduct in the performance of his duties;
- failure to substantially perform his duties and responsibilities, including willful failure to follow reasonable instructions of the Board, President or other officer to whom he reports;
- breach of an express employment policy;
- fraud or criminal activity;
- embezzlement or misappropriation; or
- breach of fiduciary duty to the Company.

The employment agreements of the U.S. Named Executive Officers generally define “cause” in the context of a termination of employment after a change in control to mean commission of a felony or a willful breach of duty, but excluding:

- bad judgment or negligence;
- an act or omission believed by the executive in good faith to be in or not opposed to the interest of the Company, without intent to gain a profit to which he is not entitled;
- an act or omission with respect to which a determination could be made by the Board that the executive met the standard of conduct entitling him to indemnification by the Company; or
- an act or omission occurring more than 12 months before the date on which any member of the Board knew or should have known about it.

The employment agreements of the U.S. Named Executive Officers generally define “good reason” in the context of a resignation by the executive after a change in control to include:

- assignment to the executive of duties inconsistent with his position, authority or duties that result in a diminution or other material adverse change in his position, authority or duties;
- for Mr. Ottensmeyer, a failure by the Company to comply with the change in control provisions in the agreement;
- requiring the executive to be based more than 40 miles away from the location where he was previously employed;
- for Mr. Ottensmeyer, any other material adverse change in the executive’s terms and conditions of employment;
- for Mr. Ottensmeyer, any termination by the Company of executive’s employment other than as expressly permitted in the agreement;
- for Messrs. Starling, Upchurch and Ebbrecht, a material diminution in compensation; or
- for Messrs. Starling Upchurch and Ebbrecht, any other action or inaction by the Company that constitutes a material breach of the agreement.

Triggering Events. Mr. Ottensmeyer's employment agreement generally provides that the following events (which we refer to as "triggering events") constitute a "change in control":

- for any reason at any time less than 75% of the members of our Board shall be incumbent directors, as described in the agreement; or
- any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act) other than as shall have become after September 18, 1997, according to a public announcement or filing, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of KCS or KCSR representing 30% (or, with respect to certain payments to be made to the Named Executive Officer under his or her employment agreement, 40%) or more (calculated in accordance with Rule 13d-3) of the combined voting power of our or KCSR's then outstanding voting securities; or
- the stockholders of KCS or KCSR shall have approved a merger, consolidation or dissolution of KCS or KCSR or a sale, lease, exchange or disposition of all or substantially all of our or KCSR's assets, if persons who were the beneficial owners of the combined voting power of our or KCSR's voting securities immediately before any such merger, consolidation, dissolution, sale, lease, exchange or disposition do not immediately thereafter beneficially own, directly or indirectly, in substantially the same proportions, more than 60% of the combined voting power of any corporation or other entity resulting from any such transaction.

Messrs. Starling's, Upchurch's and Ebbrecht's employment agreements generally provide that the following events (which we also refer to as "triggering events") constitute a "change in control":

- a majority of the members of the Company's Board is replaced during any twelve (12) month period with directors whose appointment or election was not endorsed by a majority of the members of the Company's Board, in office immediately prior to the date of such appointment or election; or
- any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) or group has acquired during a twelve (12) month period ending on the date of the most recent acquisition by such person or group of ownership of stock of the Company possessing 30% or more of the total voting power of the outstanding stock of the Company; or
- any person or group has acquired ownership of stock of the Company that constitutes more than 50% of the total fair market value or total voting power of the outstanding stock of the Company; or
- any person or group has acquired during a twelve (12) month period ending on the date of the most recent acquisition by such person or group assets of the Company that have a total gross fair market value of more than 40% of the total gross fair market value of all of the assets of the Company immediately before such acquisition.

Termination Provisions of Mr. Zozaya's Employment Agreement

Summary of Benefits. Mr. Zozaya entered into an amendment to his employment agreement in May 2009. Pursuant to the terms of this amendment, in the event of a termination of employment by KCSM without "just cause" or a resignation by Mr. Zozaya for "unjust cause" (as defined below) within a two year period after a "change in shareholder control" (as defined below), (a) Mr. Zozaya will be eligible to receive, in addition to any other severance benefits for which he is eligible under Mexican law, a lump sum payment equal to the product of (i) the rate of his annual base salary as of the date of termination, multiplied by (ii) two, and less (iii) the aggregate amount of other severance payments for which he is eligible under Mexican law, (b) any unvested or unexercisable equity awards shall become immediately vested or exercisable, as applicable, and (c) if applicable, Mr. Zozaya will have the opportunity to purchase the executive vehicle assigned to him at the time, in accordance with KCSM's vehicle policy. In addition, KCSM will transfer the right to Mr. Zozaya to use the telephone number corresponding to the cellular telephone assigned to him by KCSM.

In addition to the above, if Mr. Zozaya's employment with KCSM is terminated, whether or not the termination was for cause, he would receive a payment equal to the value of any earned but unpaid Christmas bonus, vacation premium, food stipend and savings plan balance as described above in the description of his severance benefits other than after a change in control.

Definition of "just cause" and "with cause." The employment agreement of Mr. Zozaya generally defines "just cause" or "with cause" in the context of a termination of employment following a change in shareholder control to include the rescission of employment by KCSM without liability to KCSM as provided for by the Federal Labor Law of Mexico, including termination for the commission of any criminal offense or the failure of the executive to comply with his obligations while performing his duties.

Definition of "unjust cause" or "without just cause." The employment agreement of Mr. Zozaya generally defines "unjust cause" or "without just cause" in the context of a resignation by him following a change in shareholder control to include any of the following events:

- a significant reduction or other significant negative change in the responsibilities, powers or duties of the executive;
- a reduction of the remunerations of the executive;
- KCSM requiring the executive to perform his regular duties from any office or site located more than sixty (60) kilometers from the place where he had performed his duties prior to receiving such order; or
- any other action or omission on the part of KCSM that would constitute a breach of the executive's employment agreement or a violation of the Federal Labor Law of Mexico.

Triggering Events. Mr. Zozaya's employment agreement generally provides that the following events (which we refer to as "triggering events") constitute a "change in shareholder control:"

- the majority of the members of the KCS Board of Directors are replaced during any twelve (12) month period with directors whose election or appointment was not submitted or resolved by the majority of the members of the KCS Board of Directors serving immediately prior to such election or appointment; or
- any person or group of persons has acquired during a twelve (12) month period ending on the date of the most recent acquisition by such person or group of ownership of stock of KCS possessing 30% or more of the total voting power of the outstanding stock of KCS; or
- any person or group has acquired ownership of stock of KCS that constitutes more than 50% of the total fair market value or total voting power of the outstanding stock of KCS; or
- any person or group has acquired during a twelve (12) month period ending on the date of the most recent acquisition by such person or group assets of KCS that have a total gross fair market value of more than 40% of the total gross fair market value of all of the assets of KCS immediately before such acquisition; or
- any individual person or legal entity or any group of persons other than KCS or its affiliates, subsidiaries, or related entities (the "KCS Group"), directly or indirectly acquires ownership of more than 50% of the outstanding stock of KCSM; or
- any individual person or legal entity or any group of persons other than the KCS Group acquires KCSM assets representing a gross fair market value of more than 51% of the total gross fair market price for all KCSM assets immediately prior to such acquisition; or
- the majority of the members of the KCSM Board of Directors is replaced with board members whose appointment or election has not been approved by the entities of the KCS Group that are stockholders in KCSM.

Double-Trigger Severance Benefits

Severance benefits under the employment agreements for our Named Executive Officers do not become due only upon a change in control. For Mr. Ottensmeyer, severance benefits are payable upon a termination of employment without cause after a change of control, or a resignation for good reason within a three-year period after a change in control. For Messrs. Starling, Upchurch, Ebbrecht and Zozaya severance benefits are payable upon a termination of employment without cause or a resignation for good reason within a two-year period after a change in control. Requiring that a termination of employment without cause or a resignation for good reason after a change in control before certain compensation and benefits are available is called a “double trigger.” We believe a double trigger for severance benefits is in the best interest of our stockholders because it:

- encourages executives to help transition through a change in control;
- mitigates any potential disincentive for the executives when they are evaluating and/or implementing a potential change in control, particularly when the acquiring company may not require the services of our executives; and
- protects executives from termination of employment without cause or an adverse change in position following a change in control.

Reasonableness of Change in Control Severance Payments

The post-employment termination compensation and benefits described above are required under the terms of employment agreements with the Named Executive Officers and, with respect to Mr. Zozaya, applicable Mexican law. These benefits may be amended only with the consent of the executive, or not at all in the case of benefits required under Mexican law, and in all events cannot be changed unilaterally. In 2013, the Compensation Committee asked the Compensation Consultant to perform a competitive analysis of the Company’s employment agreements with respect to the reasonableness of the change in control severance payments thereunder. The Compensation Consultant advised that the potential financial impact of change in control severance arrangements in the general marketplace was approximately 1-3% of the transaction value. Based on the results of this information and the analysis performed by the Compensation Consultant, which were presented to the Compensation Committee in February 2013, the Compensation Committee determined that the benefits included and amounts paid under these agreements, including amounts paid upon a change of control of the Company, were reasonable and not in excess of predominant market practices and were consistent with the compensation philosophy adopted by the Compensation Committee.

Other Compensatory Plans that Provide Benefits on Retirement or Termination of Employment

Described below are the portions of our compensation plans in which the accounts of Named Executive Officers become vested as a result of (a) their retirement, death, disability or termination of employment, (b) a change in control of us, or (c) a change in the Named Executive Officer’s responsibilities following a change in control.

KCS 401(k) Plan. Participants, including our U.S. Named Executive Officers, are fully vested in their accounts under the KCS 401(k) Plan, other than their matching contributions. Subject to certain exceptions, Company matching contributions vest as follows: 20% vesting after 2 years of service, 40% after 3 years of service, 60% after 4 years of service and 100% after 5 years of service. Vesting is accelerated in the case of retirement at age 65, death or disability or upon a change in control of us (as defined in the KCS 401(k) Plan). Distribution of benefits under the KCS 401(k) Plan will be made in connection with a participant’s death, disability, retirement or other termination of employment. Subject to certain restrictions, a participant may elect whether payment of his or her benefits will be in a lump sum or installments. Benefits are normally paid in cash. However, to the extent a participant’s accounts are invested in whole shares of our Common Stock, the participant may elect to receive distributions of benefits under the KCS 401(k) Plan in cash, whole shares of our Common Stock, or in a combination of cash and whole shares of our Common Stock.

2008 Plan. Subject to the terms of the specific award agreements, under the 2008 Plan, the termination of affiliation of a grantee of an award by reason of death, Disability, Retirement or on account of a Change of Control (as such terms are defined in the 2008 Plan) may accelerate the ability to exercise an award.

Death or Change of Control

Upon the death, or upon the termination of affiliation on account of a Change of Control, of a grantee of an award under the 2008 Plan, unless otherwise specified in the award agreement,

(i) the grantee's restricted shares and restricted share units, if any, that were forfeitable will become nonforfeitable,

(ii) any options or SARs not exercisable at that time will become nonforfeitable and exercisable and the grantee's personal representative or other transferee upon death may exercise such options or SARs up to the earlier of the expiration of the option or SAR term, one year after the death of the grantee, or 10 years from the grant date of the award,

(iii) the benefits payable with respect to any performance share or performance unit for which the performance period has ended will become nonforfeitable, and the benefits payable with respect to any performance share or performance unit for which the performance period has not ended will become nonforfeitable in the amount that would be earned for such performance period if the performance goals for such performance period were met at target, and

(iv) any shares subject to a deferred stock award will become nonforfeitable.

Disability or Retirement

Upon the termination of affiliation by reason of Disability or Retirement of a grantee of an award under the 2008 Plan, unless otherwise specified in the award agreement,

(i) the grantee's restricted shares and restricted share units, if any, that were forfeitable will become nonforfeitable in a number determined by multiplying the total number of restricted shares and restricted share units by a fraction, the numerator of which is the number of 12-month periods of employment commencing on the grant date that have been completed by the grantee, and the denominator of which is the total number of 12-month periods in the period of restriction,

(ii) any options or SARs not exercisable at that time will become nonforfeitable and exercisable and the grantee or the grantee's legal representative (or the grantee's transferee upon the death of the grantee) may exercise such options or SARs up to the earliest of the expiration of the option or SAR term, one year following the grantee's termination of affiliation by reason of Disability, five years following the grantee's termination of affiliation by reason of Retirement or 10 years from the grant date of the award,

(iii) the benefits payable with respect to any performance share or performance unit for which the performance period has ended will become nonforfeitable, and the benefits payable with respect to any performance share or performance unit for which the performance period has not ended will be forfeited, and

(iv) any shares subject to a deferred stock award will become nonforfeitable.

Other Termination of Affiliation

Upon the termination of affiliation of a grantee of an award under the 2008 Plan for any reason other than death, Disability, Retirement, or on account of a Change of Control, then, unless otherwise specified in the award agreement,

(i) the grantee's restricted shares and restricted share units, if any, that were forfeitable on the date of the grantee's termination of affiliation, are forfeited on that date,

(ii) any options or SARs not exercisable at that time will be forfeited, and any options or SARs that are vested and exercisable or become exercisable at that time may be exercised by the grantee up to the earlier of the expiration of the option or SAR term, three months following the grantee's termination of affiliation, or 10 years from the grant date of the award; provided, however, that if termination of affiliation is for Cause (as defined in the 2008 Plan), then any unexercised options or SARs will be forfeited,

(iii) the benefits payable with respect to any performance share or performance unit for which the performance period has ended but which are not vested will be forfeited, and the benefits payable with respect to any performance share or performance unit for which the performance period has not ended will be forfeited, and

(iv) any nonvested shares subject to a deferred stock award will be forfeited.

1991 Plan. Subject to the terms of the specific award agreements, under the 1991 Plan, the death or disability, retirement or other Termination of Affiliation (as such terms are defined in the 1991 Plan) of a grantee of an award or a Change of Control (as defined in the 1991 Plan) may accelerate the ability to exercise an award, as described below.

Death, Disability or Retirement

Upon the death, disability or retirement of a grantee of an award under the 1991 Plan,

(i) the grantee's restricted shares, if any, that were forfeitable will become nonforfeitable unless otherwise provided in the specific award agreement,

(ii) any options or stock appreciation rights ("SARs") not exercisable at that time become exercisable and the grantee (or his or her personal representative or transferee under a will or the laws of descent and distribution) may exercise such options or SARs up to the earlier of (A) the expiration of the option or SAR term or (B) 12 months from the date of death or disability or five years from the date of retirement, and

(iii) the benefits payable with respect to any performance share or performance unit for which the performance period has not ended will be determined based upon a formula described in the 1991 Plan or the applicable award agreement.

Change of Control

Upon a Change of Control (as defined in the 1991 Plan),

(i) a grantee's restricted shares, if any, that were forfeitable become nonforfeitable,

(ii) any options or SARs not exercisable at that time become immediately exercisable,

(iii) we will pay to the grantee, for any performance share or performance unit for which the performance period has not ended as of the date of the Change of Control, a cash payment based on a formula described in the 1991 Plan or the applicable award agreement, and

(iv) all LSARs (which may be granted in tandem with options awarded under the 1991 Plan) are automatically exercised upon a Change of Control that is not approved by our Incumbent Board (as such terms are defined in the 1991 Plan). Upon exercise of an LSAR, the grantee may receive a cash payment based upon the difference between the fair market value on the date of the Change of Control or other specified date and the per share exercise price of the related option and the related option is canceled.

Termination of Affiliation

If a grantee has a Termination of Affiliation (as defined in the 1991 Plan) for any reason other than for Cause (as defined in the 1991 Plan), death, disability or retirement, then

(i) the grantee's restricted shares, if any, to the extent forfeitable on the date of the grantee's Termination of Affiliation, are forfeited on that date,

(ii) any unexercised options or SARs, to the extent exercisable immediately before the grantee's Termination of Affiliation, may be exercised in whole or in part, up to the earlier of the expiration of the option or SAR term or three months after the Termination of Affiliation, and

(iii) any performance shares or performance units for which the performance period has not ended as of the Termination of Affiliation will terminate immediately upon that date.

Certain Award Agreements under 1991 Plan and 2008 Plan. Certain award agreements provide for alternate termination provisions than those provided for in the 1991 and 2008 Plans.

- Restricted Shares Award Agreements for newly hired or promoted executives provide that if there is a termination of affiliation by reason of retirement prior to vesting, then for every consecutive 12-month period of employment completed during the period beginning on the Grant Date and ending on the date of termination of affiliation by reason of retirement, 1/5 of the number of restricted shares will vest and no longer be subject to restriction.
- Restricted Shares and Performance Shares Award Agreements for the 2011 LTI Program provide that the restricted shares will vest and no longer be subject to restrictions upon a termination of affiliation by reason of a disability prior to vesting. Additionally, for the performance shares, if there is a termination of affiliation due to a disability prior to vesting, then upon such termination of affiliation: (a) the executive will become vested in shares earned with respect to all performance periods completed as of the date of the termination of affiliation; and (b) with respect to any performance period that is uncompleted as of the date of the termination of affiliation, the executive will be deemed to have earned a number of shares as if the Performance Goals were achieved at target, subject to any adjustment by the Compensation Committee.
- Restricted Shares and Performance Shares Award Agreements for the 2012 LTI Program and 2013 LTI Program provide that the restricted shares will vest and no longer be subject to restrictions upon a termination of affiliation by reason of a disability prior to vesting. Additionally, for the performance shares, if there is a termination of affiliation due to a disability prior to vesting, then upon such termination of affiliation the executive will be deemed to have earned a number of shares determined as if the Performance Goals were at Target. Also, for the performance shares, if there is a termination of affiliation prior to vesting due to retirement, a portion of the performance shares will be forfeited where the forfeited portion shall equal the number of performance shares times a fraction, the numerator of which is the total number of remaining whole months in the performance period and the denominator of which is 36 months. The portion of performance shares not forfeited pursuant to the foregoing shall be earned based on the applicable performance percentage achieved and shall be paid on the later of the vesting date or the date the results are certified.
- Restricted Shares Award Agreements used for our Executive Plan provide that restricted shares will no longer be subject to restrictions upon a termination of affiliation due to retirement prior to vesting.
- Restricted Shares Award Agreement for Mr. Starling's September 2010 grant provides that the restricted shares will vest and no longer be subject to restrictions upon a termination of affiliation by reason of death, disability or change-in-control and will forfeit upon termination of affiliation for any other reason.

Trusts Securing the Rights of the Officers, Directors, Employees and Former Employees

We have established a series of grantor trusts (commonly referred to as “rabbi” trusts) that are intended to secure the rights of our officers, directors, employees, former employees and others (each a “Beneficiary”) under various contracts, benefit plans, agreements, arrangements and commitments. The function of each trust is to receive contributions from us and, following a change in control of KCS (as defined by the trust), if we fail to honor certain obligations to a Beneficiary, the trust shall distribute to the Beneficiary amounts accumulated in such Beneficiary’s trust account, or in the general trust account, to discharge such obligations as they become due, to the extent of available trust assets. The trusts require that we be solvent as a condition to making distributions. Trusts have been established with respect to the employment continuation commitments under employment agreements, the Executive Plan, the Directors’ Deferred Fee Plan, indemnification agreements, the 1991 Plan, the 2008 Plan and our charitable contribution commitments, among others. New trusts were executed on February 24, 2011. The new trusts are revocable by the Board of Directors until a change in control of KCS. KCSR has established similar trusts tied to any failure by KCSR to honor its obligations to beneficiaries following a change in control of KCSR.

Tables Summarizing Payments Upon Employment Termination

The following tables summarize the estimated payments that would be made under each contract, agreement, plan or arrangement which provides for payments to a Named Executive Officer at, following, or in connection with any termination of employment, including by resignation, retirement, disability, or dismissal or resignation for good reason following a change in control. None of our Named Executive Officers is eligible to receive payments upon a voluntary resignation or a termination for cause (as defined above), except that because Messrs. Haverty and Starling meet the definition of “retirement” under the 1991 Plan and the 2008 Plan in that each is over 55 years old and has over ten years of service to KCS, each has restricted stock that is non-forfeitable and would be payable upon a voluntary resignation. In accordance with SEC regulations, we do not report any amount to be provided under any arrangement which does not discriminate in scope, terms or operation in favor of our Named Executive Officers and which is available generally to all salaried employees in the United States or Mexico, as applicable. The following tables do not repeat information provided in the Summary Compensation Table or the Outstanding Equity Awards at Year-End Table, except to the extent the amount payable would be enhanced by the termination event.

For purposes of the quantitative disclosure in the following tables, and in accordance with SEC regulations, we have assumed that the termination took place on December 31, 2013, the last trading day in 2013, and that the price per share of our Common Stock was \$123.83, the closing market price on that date.

Benefit	David L. Starling				
	Death	Disability	Retirement	Change in Control	Without Cause or Good Reason
Cash Severance	\$ —	\$ —	\$ —	\$ 2,975,000	\$ 850,000
Equity (Intrinsic Value)					
Unvested Restricted Stock	\$ 2,784,813	\$ 2,784,813	\$ —	\$ 2,784,813	\$ —
Unvested Performance Shares	\$ 6,657,225	\$ 6,657,225	\$ 4,458,128	\$ 6,657,225	\$ —
Unexercisable Options	\$ 1,483,579	\$ 1,483,579	\$ 1,483,579	\$ 1,483,579	\$ —
Unvested KCS 401(k) Plan Contributions	\$ —	\$ —	\$ —	\$ —	\$ —
Total	\$10,925,617	\$10,925,617	\$5,941,707	\$10,925,617	\$ —
Other Benefits					
Health & Welfare (Present Value) ...	\$ —	\$ —	\$ —	\$ 7,749	\$ 7,749
Tax Gross-Ups	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Total	\$ —	\$ —	\$ —	\$ 7,749	\$ 7,749
Total	\$10,925,617	\$10,925,617	\$5,941,707	\$13,908,366	\$ 857,749

Michael W. Upchurch

<u>Benefit</u>	<u>Death</u>	<u>Disability</u>	<u>Retirement</u>	<u>Change in Control</u>	<u>Without Cause or Good Reason</u>
Cash Severance	\$ —	\$ —	\$ —	\$ 1,344,372	\$ 420,116
Equity (Intrinsic Value)					
Unvested Restricted Stock	\$ 767,870	\$ 767,870	\$ —	\$ 767,870	\$ —
Unvested Performance Shares	\$ 2,001,712	\$ 2,001,712	\$ —	\$ 2,001,712	\$ —
Unexercisable Options	\$ 438,140	\$ 438,140	\$ —	\$ 438,140	\$ —
Unvested KCS 401(k) Plan Contributions	\$ —	\$ —	\$ —	\$ —	\$ —
Total	<u>\$ 3,207,722</u>	<u>\$ 3,207,722</u>	<u>\$ —</u>	<u>\$ 3,207,722</u>	<u>\$ —</u>
Other Benefits					
Health & Welfare (Present Value) ...	\$ —	\$ —	\$ —	\$ 12,186	\$ 12,186
Tax Gross-Ups	N/A	\$ N/A	N/A	N/A	N/A
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 12,186</u>	<u>\$ 12,186</u>
Total	<u>\$ 3,207,722</u>	<u>\$ 3,207,722</u>	<u>\$ —</u>	<u>\$ 4,564,280</u>	<u>\$ 432,302</u>

Michael R. Haverty

<u>Benefit</u>	<u>Death</u>	<u>Disability</u>	<u>Retirement</u>	<u>Change in Control</u>	<u>Without Cause or Good Reason</u>
Cash Severance	\$ —	\$ —	\$ —	\$ —	\$ —
Equity (Intrinsic Value)					
Unvested Restricted Stock	\$ 1,006,986	\$ 1,006,986	\$ —	\$ 1,006,986	\$ —
Unvested Performance Shares	\$ 4,530,197	\$ 4,530,197	\$3,075,070	\$ 4,530,197	\$ —
Unexercisable Options	\$ 988,238	\$ 988,238	\$ 988,238	\$ 988,238	\$ —
Unvested KCS 401(k) Plan Contributions	\$ —	\$ —	\$ —	\$ —	\$ —
Total	<u>\$ 6,525,421</u>	<u>\$ 6,525,421</u>	<u>\$4,063,308</u>	<u>\$ 6,525,421</u>	<u>\$ —</u>
Other Benefits					
Health & Welfare (Present Value) ...	\$ —	\$ —	\$ —	\$ —	\$ —
Tax Gross-Ups	\$ —	\$ —	\$ —	\$ —	\$ —
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Total	<u>\$ 6,525,421</u>	<u>\$ 6,525,421</u>	<u>\$4,063,308</u>	<u>\$ 6,525,421</u>	<u>\$ —</u>

José Guillermo Zozaya Delano(a)

<u>Benefit</u>	<u>Death</u>	<u>Disability</u>	<u>Retirement</u>	<u>Change in Control</u>	<u>Without Cause or Good Reason</u>
Cash Severance	\$ —	\$ 16,603	\$ 16,603	\$ 1,010,400	\$1,010,400
Equity (Intrinsic Value)					
Unvested Restricted Stock	\$ 713,756	\$ 713,756	\$ —	\$ 713,756	\$ —
Unvested Performance Shares	\$ 2,001,712	\$ 2,001,712	\$ —	\$ 2,001,712	\$ —
Unexercisable Options	\$ 438,140	\$ 438,140	\$ —	\$ 438,140	\$ —
Total	<u>\$ 3,153,608</u>	<u>\$ 3,153,608</u>	<u>\$ —</u>	<u>\$ 3,153,608</u>	<u>\$ —</u>
Total	<u>\$ 3,153,608</u>	<u>\$ 3,170,211</u>	<u>\$ 16,603</u>	<u>\$ 4,164,008</u>	<u>\$1,010,400</u>

(a) Cash severance payments to Mr. Zozaya are paid in Mexican pesos. All cash severance amounts were converted from Mexican pesos at a conversion rate of 13.0765 Mexican pesos per U.S. dollar, the conversion rate reported by Banco de México on December 31, 2013.

Patrick J. Ottensmeyer

<u>Benefit</u>	<u>Death</u>	<u>Disability</u>	<u>Retirement</u>	<u>Change in Control</u>	<u>Without Cause or Good Reason</u>
Cash Severance	\$ —	\$ —	\$ —	\$2,282,334	\$434,730
Equity (Intrinsic Value)					
Unvested Restricted Stock	\$ 791,150	\$ 791,150	\$ —	\$ 791,150	\$ —
Unvested Performance Shares	\$2,001,712	\$2,001,712	\$ —	\$2,001,712	\$ —
Unexercisable Options	\$ 438,140	\$ 438,140	\$ —	\$ 438,140	\$ —
Unvested KCS 401(k) Plan Contributions	\$ —	\$ —	\$ —	\$ —	\$ —
Total	<u>\$3,231,002</u>	<u>\$3,231,002</u>	<u>\$ —</u>	<u>\$3,231,002</u>	<u>\$ —</u>
Retirement Benefits					
Retiree Medical (Present Value)	\$ —	\$ —	\$ —	\$ 46,264	\$ —
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 46,264</u>	<u>\$ —</u>
Other Benefits					
Health & Welfare (Present Value)	\$ —	\$ —	\$ —	\$ 29,907	\$ 7,981
Tax Gross-Ups	\$ —	\$ —	\$ —	\$ —	\$ —
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 29,907</u>	<u>\$ 7,981</u>
Total	<u>\$3,231,002</u>	<u>\$3,231,002</u>	<u>\$ —</u>	<u>\$5,589,507</u>	<u>\$442,711</u>

David R. Ebbrecht

<u>Benefit</u>	<u>Death</u>	<u>Disability</u>	<u>Retirement</u>	<u>Change in Control</u>	<u>Without Cause or Good Reason</u>
Cash Severance	\$ —	\$ —	\$ —	\$1,408,000	\$440,000
Equity (Intrinsic Value)					
Unvested Restricted Stock	\$2,899,232	\$2,899,232	\$ —	\$2,899,232	\$ —
Unvested Performance Shares	\$1,541,684	\$1,541,684	\$ —	\$1,541,684	\$ —
Unexercisable Options	\$ 341,123	\$ 341,123	\$ —	\$ 341,123	\$ —
Unvested KCS 401(k) Plan Contributions	\$ —	\$ —	\$ —	\$ —	\$ —
Total	<u>\$4,782,039</u>	<u>\$4,782,039</u>	<u>\$ —</u>	<u>\$4,782,039</u>	<u>\$ —</u>
Retirement Benefits					
Retiree Medical (Present Value)	\$ —	\$ —	\$ —	\$ —	\$ —
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Other Benefits					
Health & Welfare (Present Value)	\$ —	\$ —	\$ —	\$ 12,186	\$ 12,186
Tax Gross-Ups	\$ —	\$ —	\$ —	\$ —	\$ —
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 12,186</u>	<u>\$ 12,186</u>
Total	<u>\$4,782,039</u>	<u>\$4,782,039</u>	<u>\$ —</u>	<u>\$6,202,225</u>	<u>\$452,186</u>

**PROPOSAL 3 — ADVISORY (NON-BINDING) VOTE APPROVING THE
2013 COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), enables our stockholders to vote to approve, on an advisory (non-binding) basis, the compensation of our Named Executive Officers as disclosed in this proxy statement in accordance with the SEC’s rules. The 2012 compensation of our Named Executive Officers was overwhelmingly approved by our stockholders in the advisory vote held at last year’s annual meeting. Accordingly, the Compensation Committee continued with its strategy, as described below and in the Compensation Discussion and Analysis.

We believe that we maintain a compensation system that allows us to attract and retain quality Named Executive Officers and encourages our Named Executive Officers to continually improve the operations and performance of the Company in order to maximize the value of our cross-border rail network on behalf of our stockholders. A large percentage of each Named Executive Officer’s compensation is comprised of long-term incentive awards in the form of equity awards, many of which include performance measures to incent our Named Executive Officers to perform well. This not only encourages each Named Executive Officer to take steps to achieve the Company’s long-term goals, but also aligns their personal financial interests with those of our stockholders. Our Compensation Committee seeks to compensate each Named Executive Officer near market median of our peer group of companies in order to ensure that our Named Executive Officers are compensated fairly and equitably. Further, our Compensation Committee annually reviews the design of our compensation programs to ensure that they do not encourage excessive risk taking by the Named Executive Officer in order to obtain a short-term personal gain that negatively impacts our long-term value proposition. Our Compensation Committee believes it has implemented compensation programs that are structured in the best manner to support our long-term business strategy and increase stockholder value.

We are asking our stockholders to indicate their support for our executive compensation program as described in this proxy statement. This proposal, commonly known as a “say on pay” proposal, gives our stockholders the opportunity to express their views on our Named Executive Officers’ compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our Named Executive Officers and the philosophy, policies and practices described in this proxy statement. Accordingly, we ask our stockholders to vote “FOR” the following resolution:

RESOLVED, that the stockholders of the Company, approve, on an advisory basis, the 2013 compensation of the Named Executive Officers as discussed and disclosed in the Company’s Proxy Statement for the 2014 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosures.

The say-on-pay vote is advisory, and therefore, not binding on the Company, the Compensation Committee or our Board of Directors. Our Board of Directors and our Compensation Committee value the opinions of our stockholders and to the extent there is any significant vote against the Named Executive Officers’ compensation as disclosed in this proxy statement, we will consider our stockholders’ concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

Under the rules of the NYSE, brokers are prohibited from giving proxies to vote on executive compensation matters unless the beneficial owner of such shares has given voting instructions on the matter. This means that if your broker is the record holder of your shares, you must give voting instructions to your broker with respect to Proposal 3 if you want your broker to vote your shares on the matter. As explained above in “How do we decide whether our stockholders have approved the proposals?” approval of this proposal requires the affirmative vote of a majority of the shares of Voting Stock present at the Annual Meeting that are entitled to vote on the Proposal, assuming a quorum is present.

**YOUR BOARD RECOMMENDS THAT YOU VOTE
“FOR”
THE APPROVAL OF THE 2013 COMPENSATION OF OUR
NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS
PROXY STATEMENT PURSUANT TO THE DISCLOSURES RULES
OF THE SECURITIES AND EXCHANGE COMMISSION**

PROPOSAL 4 — APPROVAL OF AMENDMENT TO THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO DECLASSIFY THE BOARD OF DIRECTORS

Currently, the Amended and Restated Certificate of Incorporation (the “Certificate of Incorporation”) of the Company provides that the Board is divided into three classes of directors, with each class elected every three years. At our 2013 Annual Meeting of Stockholders, our stockholders voted to approve a nonbinding proposal to “declassify” our Board.

In response to that vote, the Board undertook a review of the classification structure to consider the advantages and disadvantages of maintaining a classified Board. The Board recognizes that many commentators and investors believe that annual election of directors may increase accountability of directors and give stockholders a more direct and timely means for influencing corporate governance decisions. On the other hand, the Board acknowledges that a classified board of directors allows continuity of management and enhanced independent business judgment. After considering the advantages and disadvantages of declassification, including the opinion of the Company’s stockholders and sentiments of commentators and institutional investors, the Board has determined it is in the best interests of the Company to amend the Certificate of Incorporation and the Bylaws of the Company in order to declassify the Board over the course of the next three years so that classification of the Board is phased out completely after the 2017 Annual Meeting of Stockholders.

The proposed amendment to the Certificate of Incorporation eliminates the classification of the Board over a three-year period and provides for the annual election of all directors beginning at the 2017 Annual Meeting of Stockholders. If approved, the proposed amendment to the Certificate of Incorporation would become effective upon the filing of a Certificate of Amendment with the Secretary of State of the State of Delaware, which the Company would do promptly following the Annual Meeting if stockholder approval is obtained for the amendment. Board declassification would be phased-in over a three-year period, beginning at the 2015 Annual Meeting of Stockholders as follows:

- At the 2014 Annual Meeting, three nominees will be elected to the Board to serve for a three year period ending at the 2017 Annual Meeting.
- The three Directors elected at the 2012 Annual Meeting will continue to serve until the 2015 Annual Meeting. Nominees for the three director positions expiring at the 2015 Annual Meeting will be elected for one year terms ending at the 2016 Annual Meeting.
- The three Directors elected at the 2013 Annual Meeting will continue to serve until the 2016 Annual Meeting. Nominees for the six expiring director positions at the 2016 Annual Meeting will be elected for one year terms ending at the 2017 Annual Meeting.
- At the 2017 Annual Meeting, the terms of the three directors elected for three year terms in 2014 and the six directors elected to one year terms in 2016 will all expire and nominees presented for election to the Board at the 2017 Annual Meeting will be elected to one year terms.

Beginning with the 2017 Annual Meeting of Stockholders, all directors will stand for election at each annual meeting of stockholders for a one-year term expiring at the following annual meeting of stockholders. The proposed amendments do not change the present number of directors or the Board’s authority to change that number and to fill any vacancies or newly created directorships.

Delaware law provides, unless otherwise provided in the certificate of incorporation, that members of a board that is classified may be removed only for cause. The proposed amendments provide that, once the Board has become declassified beginning after the 2017 Annual Meeting of Stockholders, directors may be removed with or without cause. Before that time, current directors serving in a class that was elected for a three-year term at the annual meeting of stockholders from 2012 through 2014 may be removed only for cause. Directors serving in a class that was elected for a one-year term at the annual meeting of stockholders from 2015 through 2016 may be removed with or without cause.

The proposed Certificate of Amendment to the Certificate of Incorporation is attached to this Proxy Statement as **Appendix A**. If the proposed amendment to the Certificate of Incorporation is approved by the stockholders, the Board will make certain conforming changes to the Company's Bylaws.

Vote Required

The affirmative vote of the holders of a majority of the total number of outstanding shares of Voting Stock on the Record Date is required to approve this Proposal. Our Board recommends a vote in favor of this Proposal.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE
“FOR”
THE AMENDMENT TO THE
CERTIFICATE OF INCORPORATION
TO DECLASSIFY THE BOARD**

**PROPOSAL 5 — APPROVAL OF AMENDMENT TO THE AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION TO GIVE STOCKHOLDERS THE RIGHT TO CALL A
SPECIAL MEETING**

The Nominating and Corporate Governance Committee regularly considers and evaluates a broad range of corporate governance issues affecting the Company. Upon their recommendation, the Board has unanimously approved an amendment to the Company's Certificate of Incorporation that will provide stockholders meeting the threshold described below with the right to call a special meeting of stockholders. The Board recommends that stockholders approve the amendment.

The amendment to the Company's Certificate of Incorporation will provide stockholders representing at least 25% of the outstanding shares of Common Stock with the right to call a special meeting of stockholders if those stockholders have held a net long position in those shares for at least one year. Currently, the Company's Bylaws provide that only the Board of Directors, the Chair of the Board of Directors or the Chief Executive Officer may call a special stockholder meeting. The ability of stockholders to call special meetings is increasingly considered an important aspect of appropriate corporate governance, and the Board believes that permitting stockholders to call a special meeting is in the best interests of our stockholders, provided that the meeting is proposed by stockholders who have a true economic interest in a significant percentage of our Common Stock and have held that interest for at least one year.

The Board believes that a 25% threshold strikes an appropriate balance between enhancing stockholder rights and protecting against the risk that a small minority of stockholders could trigger the expense and distraction of a special meeting to pursue matters that are not widely viewed as requiring immediate attention. For every special meeting, the Company is required to incur significant expenses, including legal, printing and mailing expenses, and preparation for a meeting requires significant attention of the Company's directors, officers and employees. The one-year holding and net long position requirements similarly protect against a meeting being called by stockholders whose interests are transitory or are otherwise not aligned with other stockholders' interests in the economic prospects of the Company. The Board therefore recommends that Paragraph Fourteenth of the Certificate of Incorporation be amended to read as set forth in **Appendix B**.

If the proposed amendment to the Certificate of Incorporation is adopted, the Board will amend the Company's Bylaws to address the following matters:

1. The definition of "net long position." "Net Long position" will be defined to mean shares of Common Stock of the Company that a person is deemed to beneficially own pursuant to Rule 200(b) under the 1934 Act, adjusted (a) to exclude shares such person does not have the right to vote, (b) to exclude shares as to which such person has entered into a derivative or other arrangement that hedges or transfers the economic interest in the shares, and (c) to offset their shareholdings by any shares as to which such person has a short position;
2. The nature and content of the written request required from stockholders wishing to call a special meeting. The written request will be required to include information about the requesting stockholders, the business to be brought before the special meeting, and documentary evidence showing that the stockholders meet the ownership requirements;
3. Timing mechanisms intended to avoid the cost and disruption of multiple stockholder meetings being held within a short time period and to prevent duplicative and unnecessary stockholder meetings. The Company will not be required to call a special meeting of stockholders (a) if the Board has called or calls a stockholder meeting to be held within 60 days after the date the stockholder request is delivered, (b) if the stockholder request is received by the Company within the period commencing 90 days prior to the first anniversary of the previous year's annual meeting and ending on the date of the next annual meeting, or (c) if the stockholder request contains an item of business identical or substantially similar to an item of business that was presented at any stockholder meeting held within 120 days prior to the date the request is delivered;

4. Mechanisms for dealing with special meeting requests from multiple stockholder groups;
5. The procedure for establishing the time, place and date of a stockholder requested special meeting. The Board may fix any time and place for the special meeting, and any date within 120 days after receipt of a valid stockholder request; and
6. Requirements regarding the attendance of the stockholder calling the meeting, or its qualified representative, at the meeting.

Vote Required

The affirmative vote of the holders of a majority of the total number of outstanding shares of Voting Stock on the Record Date is required to approve this Proposal. Our Board recommends a vote in favor of this Proposal.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE
“FOR”
THE AMENDMENT TO THE CERTIFICATE OF
INCORPORATION TO GIVE
STOCKHOLDERS HOLDING AT LEAST 25% OF
THE OUTSTANDING SHARES OF COMMON STOCK
THE RIGHT TO CALL A SPECIAL MEETING**

STOCKHOLDER PROPOSALS

Our Bylaws set forth the advance notice requirements that stockholders must follow in order to either make a director nomination or bring any other business at any annual or special meeting of the stockholders, and explicitly provide that the procedure provided in the Bylaws is the exclusive means for a stockholder to make such nominations or proposals (other than proposals submitted for inclusion in the proxy statement governed by Rule 14a-8 of the Exchange Act). The Bylaws provide that to be properly brought before a meeting, a proposal must be brought (i) pursuant to our proxy materials with respect to such meeting, (ii) by or at the direction of the Board of Directors, or (iii) by a stockholder who (A) was a stockholder of record both at the time of giving of notice for the meeting and at the time of the meeting and is entitled to vote at the meeting and (B) has timely complied in proper written form with the procedures set forth in the Bylaws. In addition, the Bylaws (A) expand the required disclosure regarding stockholders making proposals or nominations to include, among other things, disclosure of all ownership interests, class and number of shares owned, hedges, derivative and or short positions, hedging or other transactions, profit interests, options, any voting or dividend rights with respect to any shares of securities of the Company, any material interests of the stockholder (and beneficial owner, if any) in the nomination or proposal, and any other information that would be required in a solicitation of proxies for the nomination or proposal, and (B) require a stockholder nominating a person for election as a director to include in the advance notice certain biographical information about each such nominee, a fully completed Director's Questionnaire on the form supplied by the Company, a written representation of such nominee as to any voting commitments or related transactions, and an agreement by such nominee to comply with the Company's corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines.

If a holder of our Common Stock wishes to present a proposal for inclusion in our proxy statement for next year's annual meeting of stockholders, the proposal must be made in accordance with the applicable laws and rules of the SEC and the interpretations thereof, as well as our Bylaws. Any such proposal should be sent to our Corporate Secretary at P.O. Box 219335, Kansas City, Missouri 64121-9335 (or if by express delivery to 427 West 12th Street, Kansas City, Missouri 64105) and must be received no later than December 1, 2014.

Director Nominations

Any stockholder who meets the requirements set forth in our Bylaws may submit a director nomination for consideration by the Nominating Committee by complying with the requirements of this section, including: (i) the stockholder must be a record owner both at the time of giving notice for the meeting and at the meeting and entitled to vote at the meeting; (ii) the stockholder must deliver a timely written nomination notice to the office of our Corporate Secretary, providing the information required by this section; and (iii) the nominee must meet the minimum qualifications for directors established by the Board.

With respect to stockholder nominations of candidates for our Board of Directors, our Bylaws provide that not less than 60 days nor more than 90 days prior to the first anniversary date of the preceding year's annual meeting any stockholder who intends to make a nomination at the current year's annual meeting shall deliver a notice in writing (the "Stockholder's Notice") to our Corporate Secretary setting forth, as to each person whom the stockholder proposes to nominate (i) all information relating to such person required to be disclosed in solicitations of proxies for election of directors, or as otherwise required, pursuant to applicable rules of the SEC or the NYSE; (ii) the nominee's written consent to be named in the Proxy Statement, to serve as a director and to comply with our rules, guidelines and policies applicable to directors; (iii) the name, age and business and residence address of the nominee; (iv) the principal occupation or employment of the nominee; (v) the class and number of shares of KCS which are owned beneficially and of record by the nominee and stockholder; (vi) description of any hedging or other transaction entered into by the nominee with respect to our securities; (vii) a description of all arrangements between the stockholder and nominee pursuant to which the nominations are to be made by the stockholder; (viii) a fully completed Director's Questionnaire on the form supplied by us, executed by the nominee; (ix) such other information as required by our Bylaws; and (x) such other information as the Nominating Committee reasonably deems relevant, to be provided within such time limits as reasonably imposed by the Nominating Committee or required by applicable law; provided, however, that if an annual

meeting is to be held more than 30 days before, or more than 60 days after, such anniversary date, notice by the stockholder to be timely must be delivered not earlier than the 90th day prior to the annual meeting and not later than the later of (a) the 60th day prior to such annual meeting or (b) the tenth day following the day on which public announcement of the date of the annual meeting was first made by us. Public announcement is disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document filed by us with the SEC. Proposals to nominate directors to be timely for the 2015 annual meeting must be received at our principal executive offices no earlier than January 31, 2015 and no later than March 2, 2015.

The qualifications for membership on the Board of Directors are described above in the “Director Qualifications, Qualities and Skills.”

No nominee from a stockholder will be considered who was previously submitted for election to the Board of Directors and who failed to receive at least 25% of the votes cast at such election, until a period of three years has passed from the date of such election.

Matters Other than Director Nominations

In addition to any other applicable requirements, for a proposal other than director nominations (other than a proposal requested to be included in the Proxy Statement, as noted above) to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to our Corporate Secretary. To be timely, such Stockholder’s Notice must be delivered to or mailed and received at our principal executive offices, not less than 60 days nor more than 90 days prior to the first anniversary date of the preceding year’s annual meeting; provided, however, that if an annual meeting is advanced by more than 30 days prior to or delayed by more than 60 days after the one-year anniversary of the date of the previous year’s annual meeting, to be timely, the Stockholder’s Notice must be so received no earlier than the 90th day prior to such annual meeting and not later than the later of (i) the 60th day prior to such annual meeting or (ii) the tenth day following the day on which a public announcement of the date of the annual meeting was first made. A Stockholder’s Notice to our Corporate Secretary shall set forth as to each matter the stockholder proposes to bring before the meeting (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name and address of the stockholder proposing such business, (iii) the class and number of shares of capital stock of KCS which are beneficially owned by the stockholder and the name and address of record under which such stock is held, (iv) description of any hedging or other transactions, proxies or contracts entered into pursuant to which the stockholder has a right to vote any of our securities, rights to dividends, performance-related fees that the stockholder is entitled based on any change in the value of our shares, (v) a statement regarding whether the stockholder will deliver a proxy statement or form of proxy, (vi) any material interest of the stockholder in such business, and (vii) such other information as required by our Bylaws. Proposals for matters other than director nominations (other than proposals submitted for inclusion in the proxy statement) to be timely for the 2015 annual meeting must be received at our principal executive offices no earlier than January 31, 2015 and no later than March 2, 2015.

Prior Year Stockholder Proposal

Last year a stockholder proposal recommending the Company declassify the Board of Directors was approved at the 2013 annual stockholder meeting. The Company believes Proposal 4 in this Proxy Statement fully implements the declassification of the Board of Directors.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers and certain other officers and persons who own more than 10 percent of our Common Stock or Preferred Stock (collectively “Reporting Persons”), to file reports of their ownership of such stock and changes in such ownership with the SEC, the NYSE and KCS (the “Section 16 Reports”). Based solely on a review of the Section 16 Reports for 2013 and any amendments thereto furnished to us and written representations from certain of the Reporting Persons, we believe no Reporting Person was late in filing such Section 16 Reports for fiscal year 2013.

HOUSEHOLDING OF ANNUAL MEETING MATERIALS

Pursuant to the rules of the SEC, services that deliver our communications to stockholders that hold their stock through a bank, broker or other nominee holder of record may deliver to multiple stockholders sharing the same address a single copy of our Annual Report and Proxy Statement. We will promptly deliver upon written or oral request a separate copy of the Annual Report and/or Proxy Statement to any stockholder at a shared address to whom a single copy of the documents was delivered. Written requests should be made to Kansas City Southern, P.O. Box 219335, Kansas City, Missouri 64121-9335 (or if sent by express delivery to 427 West 12th Street, Kansas City, Missouri 64105), Attention: Corporate Secretary’s Office, and oral requests may be made by calling our Corporate Secretary’s Office at (888) 800-3690. Any stockholder who wants to receive separate copies of the Proxy Statement or Annual Report in the future, or any stockholder who is receiving multiple copies and would like to receive only one copy per household, should contact the stockholder’s bank, broker or other nominee holder of record.

OTHER MATTERS

The Board of Directors knows of no other matters that are expected to be presented for consideration at the Annual Meeting. Our Bylaws require that stockholders intending to bring business before an Annual Meeting, including the nomination of candidates for election to the Board of Directors, give timely and sufficient notice to our Corporate Secretary in the manner described above. However, if other matters properly come before the meeting, it is intended that persons named in the accompanying proxy will vote on them in accordance with their best judgment.

By Order of the Board of Directors,

A handwritten signature in black ink, appearing to read "Adam J. Godderz", written in a cursive style.

Adam J. Godderz
Associate General Counsel
and Corporate Secretary

Kansas City, Missouri
March 31, 2014

Our Annual Report includes our Annual Report on Form 10-K for the year ended December 31, 2013 (without exhibits) as filed with the SEC. **We will furnish without charge upon written request a copy of our Annual Report on Form 10-K. The Annual Report on Form 10-K includes a list of all exhibits thereto. We will furnish copies of such exhibits upon written request therefor and payment of our reasonable expenses in furnishing such exhibits. Each such request must include a good faith representation that, as of the Record Date, the person making such request was a beneficial owner of Voting Stock entitled to vote at the Annual Meeting. Such written request should be directed to our Corporate Secretary, P.O. Box 219335, Kansas City, Missouri 64121-9335 (or if by express delivery to 427 West 12th Street, Kansas City, Missouri 64105), (888) 800-3690.** Our Annual Report on Form 10-K for the year ended December 31, 2013 is also available free of charge on our website at www.kcsouthern.com. Through our website, we make available, free of charge, Annual Reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after electronic filing or furnishing of these reports with the SEC. The Annual Report on Form 10-K for the year ended December 31, 2013 with exhibits, as well as other filings by us with the SEC, are also available through the SEC's Internet site at www.sec.gov. In addition, our corporate governance guidelines, ethics and legal compliance policy, and the charters of our Audit Committee, Finance Committee, Nominating Committee and Compensation Committee are available on our website. These guidelines and charters are available in print to any stockholder who requests them. Written requests may be made to our Corporate Secretary, P.O. Box 219335, Kansas City, Missouri 64121-9335 (or if by express delivery to 427 West 12th Street, Kansas City, Missouri 64105).

Appendix A
Certificate of Amendment to the
Amended and Restated Certificate of Incorporation
of
Kansas City Southern

Kansas City Southern, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation") does hereby certify:

1. That Paragraph TENTH of the Amended and Restated Certificate of Incorporation of the Corporation is hereby amended to read in its entirety as follows:

TENTH: The number of directors shall not be less than three nor more than eighteen, the exact number of directors to be determined from time to time by resolution adopted by a majority of the entire Board of Directors, and such exact number shall be eighteen until otherwise determined by resolution adopted by a majority of the entire Board of Directors. As used in this paragraph "entire Board" means the total number of directors which the Corporation would have if there were no vacancies. In the event that the Board of Directors is increased by such a resolution, the vacancy or vacancies so resulting shall be filled by a vote of the majority of the directors then in office. No decrease in the Board of Directors shall shorten the term of any incumbent directors.

Subject to the rights of the holders of any Preferred Stock or any series of New Series Preferred Stock to elect Directors:

(a) Commencing with the election of directors at the 2015 Annual Meeting of Stockholders, two classes of directors will remain: (i) the directors in the class that was elected at the 2013 Annual Meeting of Stockholders and having a term that expires at the 2016 Annual Meeting of Stockholders and (ii) the directors in the class that is to be elected at the 2014 Annual Meeting of Stockholders and having a term that expires at the 2017 Annual Meeting of Stockholders. Directors elected at the 2015 Annual Meeting of Stockholders shall be elected for a one-year term expiring at the 2016 Annual Meeting of Stockholders.

(b) Commencing with the election of directors at the 2016 Annual Meeting of the Stockholders, one class of directors will remain; those directors elected at the 2014 Annual Meeting of Stockholders and having a term that expires at the 2017 Annual Meeting of Stockholders. Directors elected at the 2016 Annual Meeting of Stockholders shall be elected for a one-year term expiring at the 2017 Annual Meeting of Stockholders.

(c) From and after the election of directors at the 2017 Annual Meeting of Stockholders, the Board of Directors shall cease to be classified and the directors elected at the 2017 Annual Meeting of Stockholders (and each annual meeting of the stockholders thereafter) shall be elected for a term expiring at the following annual meeting of stockholders.

In the event of any increase or decrease in the authorized number of directors at any time when the Board of Directors is divided into a class or classes: (a) each director then serving shall continue as a director of the class of which he or she is a member until the expiration of the director's term or the director's death, retirement, resignation, or removal; (b) each newly created directorship on the Board of Directors that results from an increase in the number of directors and any vacancy occurring in the Board of Directors shall be filled only by a majority of the directors then in office, though less than a quorum, pursuant to Section 223 of the Delaware Corporation Law. Any director elected to fill a newly created directorship that results from an increase in the number of directors shall be elected for a term expiring at the next annual meeting of the stockholders, and any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of the predecessor director. Current directors serving in a class that was elected for a three-year term at the annual meetings of stockholders held from 2012 through 2014 may be removed only for cause. All other directors may be removed either with or without cause.

2. The foregoing amendment to the Amended and Restated Certificate of Incorporation of the Corporation was duly adopted in accordance with the provisions of Section 242 of Delaware Corporation Law.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to the Amended and Restated Certificate of Incorporation to be executed by the undersigned officer, duly authorized, as of the day of _____, 2014.

Kansas City Southern

By: _____

Name: _____

Title: _____

Appendix B
Certificate of Amendment to the
Amended and Restated Certificate of Incorporation
of
Kansas City Southern

Kansas City Southern, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation") does hereby certify:

1. That Paragraph FOURTEENTH of the Amended and Restated Certificate of Incorporation of the Corporation is hereby amended to read in its entirety as follows:

FOURTEENTH. Annual and special meetings of stockholders shall be held as provided in the Bylaws of the Corporation. No meetings of stockholders shall be held without prior written notice as provided in the Bylaws and no actions may be taken by waiver of written notice and consent by stockholders in lieu of a meeting. A special meeting of the stockholders of the Corporation may be called only by (i) the Board of Directors, (ii) the Chair of the Board of Directors, (iii) the Chief Executive Officer, or (iv) subject to the applicable provisions of the Bylaws of the Corporation, by the Secretary of the Corporation at the written request in proper form of one or more stockholders of record who have continuously held for at least one year prior to the date such request is delivered to the Secretary a net long position in shares of Common Stock representing in the aggregate at least twenty-five percent (25%) of the outstanding shares of Common Stock. Special meetings of the stockholders of the Corporation may not be called by any other person or persons.

2. The foregoing amendment to the Amended and Restated Certificate of Incorporation of the Corporation was duly adopted in accordance with the provisions of Section 242 of Delaware Corporation Law.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to the Amended and Restated Certificate of Incorporation to be executed by the undersigned officer, duly authorized, as of the day of , 2014.

Kansas City Southern

By: _____
Name: _____
Title: _____