

DARDEN RESTAURANTS INC  
Form 10-K  
July 18, 2014  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended May 25, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from to

Commission File Number: 1-13666

DARDEN RESTAURANTS, INC.

(Exact name of Registrant as specified in its charter)

Florida

59-3305930

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

1000 Darden Center Drive, Orlando, Florida

32837

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (407) 245-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange

Common Stock, without par value

on which registered

and Preferred Stock Purchase Rights

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

Indicate by check mark if the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

Edgar Filing: DARDEN RESTAURANTS INC - Form 10-K

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No   
The aggregate market value of Common Stock held by non-affiliates of the Registrant based on the closing price of \$53.87 per share as reported on the New York Stock Exchange on November 22, 2013, was approximately: \$6,900,308,000.

Number of shares of Common Stock outstanding as of May 25, 2014: 132,314,493 (excluding 1,286,019 shares held in the Company's treasury).

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Proxy Statement for its Annual Meeting of Shareholders on September 30, 2014, to be filed with the Securities and Exchange Commission no later than 120 days after May 25, 2014, are incorporated by reference into Part III of this Report, and portions of the Registrant's Annual Report to Shareholders for the fiscal year ended May 25, 2014 are incorporated by reference into Parts I and II of this Report.

---

DARDEN RESTAURANTS, INC.  
 FORM 10-K  
 FISCAL YEAR ENDED MAY 25, 2014  
 TABLE OF CONTENTS

|          |   |           |
|----------|---|-----------|
| PART I   |   | Page      |
| Item 1.  | <u>Business</u>   | <u>1</u>  |
| Item 1A. | <u>Risk Factors</u>   | <u>14</u> |
| Item 1B. | <u>Unresolved Staff Comments</u>  | <u>23</u> |
| Item 2.  | <u>Properties</u>   | <u>23</u> |
| Item 3.  | <u>Legal Proceedings</u>  | <u>25</u> |
| Item 4.  | <u>Mine Safety Disclosures</u>  | <u>25</u> |
| PART II  |   |           |
| Item 5.  | <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | <u>25</u> |
| Item 6.  | <u>Selected Financial Data</u>  | <u>26</u> |
| Item 7.  | <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>                        | <u>26</u> |
| Item 7A. | <u>Quantitative and Qualitative Disclosures About Market Risk</u>   | <u>26</u> |
| Item 8.  | <u>Financial Statements and Supplementary Data</u>  | <u>26</u> |
| Item 9.  | <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>                         | <u>26</u> |
| Item 9A. | <u>Controls and Procedures</u>  | <u>26</u> |
| Item 9B. | <u>Other Information</u>  | <u>27</u> |
| PART III |   |           |
| Item 10. | <u>Directors, Executive Officers and Corporate Governance</u>   | <u>27</u> |
| Item 11. | <u>Executive Compensation</u>   | <u>27</u> |
| Item 12. | <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>               | <u>27</u> |
| Item 13. | <u>Certain Relationships and Related Transactions, and Director Independence</u>                                    | <u>27</u> |
| Item 14. | <u>Principal Accountant Fees and Services</u>   | <u>27</u> |
| PART IV  |   |           |
| Item 15. | <u>Exhibits and Financial Statement Schedules</u>   | <u>28</u> |
|          | <u>Signatures</u>   | <u>29</u> |

Cautionary Statement Regarding Forward-Looking Statements

Statements set forth in or incorporated into this report regarding the expected net increase in the number of our restaurants, U.S. same-restaurant sales, total sales growth, diluted net earnings per share growth, and capital expenditures in fiscal 2015, and all other statements that are not historical facts, including without limitation statements with respect to the financial condition, results of operations, plans, objectives, future performance and business of Darden Restaurants, Inc. and its subsidiaries that are preceded by, followed by or that include words such as “may,” “will,” “expect,” “intend,” “anticipate,” “continue,” “estimate,” “project,” “believe,” “plan” or similar expressions, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are included, along with this statement, for purposes of complying with the safe harbor provisions of that Act. Any forward-looking statements speak only as of the date on which such statements are made, and we undertake no obligation to update such statements for any reason to reflect events or circumstances arising after such date. By their nature, forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by such forward-looking statements. In addition to the risks and uncertainties of ordinary business obligations, and those described in information incorporated into this report, the forward-looking statements contained in this report are subject to the risks and uncertainties described in Item 1A below under the

heading "Risk Factors."

---

Table of Contents

PART I

ITEM 1. BUSINESS

Introduction

Darden Restaurants, Inc. is the world's largest company-owned and operated full service restaurant company, and served over 439 million meals in fiscal 2014. As of May 25, 2014, we operated through subsidiaries 2,207 restaurants in the United States and Canada. In the United States, we operated 2,174 restaurants in all 50 states, including 831 Olive Garden®, 679 Red Lobster®, 464 LongHorn Steakhouse®, 54 The Capital Grille®, 52 Yard House®, 38 Seasons 52®, 37 Bahama Breeze®, 12 Eddie V's Prime Seafood®, four test "synergy restaurants" (which house both a Red Lobster and Olive Garden restaurant in the same building) and three Wildfish Seafood Grille® restaurants. In Canada, we operated 33 restaurants, including 27 Red Lobster and six Olive Garden restaurants. Through subsidiaries, we own and operate all of our restaurants in the United States and Canada, except for three restaurants located in Central Florida and three restaurants in California which are owned jointly by us and third parties, and managed by us, seven franchised restaurants in Puerto Rico and one Atlanta, Georgia airport location. Of our 2,207 restaurants in the United States and Canada open on May 25, 2014, 1,060 were located on owned sites and 1,147 were located on leased sites. As of May 25, 2014, we had 52 restaurants operated by independent third parties pursuant to area development and franchise agreements, including 23 Red Lobster restaurants in Japan, seven LongHorn Steakhouse restaurants in Puerto Rico (mentioned above), seven Red Lobster restaurants, four Olive Garden restaurants, and one LongHorn Steakhouse restaurant in the Middle East region (two Red Lobster restaurants and one Olive Garden restaurant in United Arab Emirates, one Red Lobster restaurant in Qatar, two Red Lobster restaurants and three Olive Garden restaurants in Kuwait, two Red Lobster restaurants and a LongHorn Steakhouse restaurant in Saudi Arabia), and five Olive Garden restaurants, one Red Lobster restaurant and one The Capital Grille restaurant in Mexico, one Red Lobster restaurant and one Olive Garden restaurant in Brazil and one Olive Garden restaurant in Peru.

On May 15, 2014, we entered into an agreement to sell Red Lobster and certain other assets and associated liabilities for \$2.11 billion in cash and we expect the transaction to close in the first quarter of fiscal 2015. Additionally, in the fourth quarter of fiscal 2014, in connection with the anticipated sale of Red Lobster, we closed two restaurants that housed both a Red Lobster and an Olive Garden in the same building ("synergy restaurants"). We have classified the results of operations and impairment charges of the Red Lobster business and the two closed synergy restaurants as discontinued operations in our consolidated statements of earnings and cash flows for all periods presented.

Darden Restaurants, Inc. is a Florida corporation incorporated in March 1995, and is the parent company of GMRI, Inc., also a Florida corporation. GMRI, Inc. and certain other of our subsidiaries own and operate our restaurants. GMRI, Inc. was originally incorporated in March 1968 as Red Lobster Inns of America, Inc. We were acquired by General Mills, Inc. in 1970 and became a separate publicly held company in 1995 when General Mills distributed all of our outstanding stock to the stockholders of General Mills. Our principal executive offices and restaurant support center are located at 1000 Darden Center Drive, Orlando, Florida 32837, telephone (407) 245-4000. Our corporate website address is [www.darden.com](http://www.darden.com). We make our reports on Forms 10-K, 10-Q and 8-K, and Section 16 reports on Forms 3, 4 and 5, and all amendments to those reports available free of charge on our website the same day as the reports are filed with or furnished to the Securities and Exchange Commission. Information on our website is not deemed to be incorporated by reference into this Form 10-K. Unless the context indicates otherwise, all references to "Darden," "we," "our" or "us" include Darden Restaurants, Inc., GMRI, Inc. and our respective subsidiaries.

We have a 52/53 week fiscal year ending the last Sunday in May. Our 2014, 2013 and 2012 fiscal years, which ended May 25, 2014, May 26, 2013 and May 27, 2012, respectively, each had 52 weeks.

The following description of our business should be read in conjunction with the information in our Management's Discussion and Analysis of Financial Condition and Results of Operations incorporated by reference in Item 7 of this Form 10-K and our consolidated financial statements incorporated by reference in Item 8 of this Form 10-K.

Background

We opened our first restaurant, a Red Lobster seafood restaurant, in Lakeland, Florida in 1968. Red Lobster was founded by William B. Darden, for whom we are named. Red Lobster grew from six restaurants in operation at the end of fiscal 1970 to 706 restaurants in the United States and Canada by the end of fiscal 2014. The number of Red Lobster restaurants open at the end of fiscal 2014 increased by one as compared to the end of fiscal 2013.

Olive Garden is an internally developed brand that offers a variety of authentic Italian foods featuring fresh ingredients and a broad selection of imported Italian wines. In fiscal 1983, Olive Garden opened its first restaurant in Orlando, Florida. At the end of fiscal 2014, Olive Garden had expanded to 837 restaurants in the United States and Canada. The number of Olive Garden restaurants at the end of fiscal 2014 increased by nine as compared to the end of fiscal 2013.

Table of Contents

<sup>1</sup> Source: Nation's Restaurant News, "Top 100 Companies Ranked by U.S. Foodservice Revenue," June 30, 2014 (based on U.S. food and beverage revenue from company-owned restaurants).

Bahama Breeze is an internally developed brand that provides a Caribbean escape, offering the food, drinks and atmosphere you would find in the islands. In fiscal 1996, Bahama Breeze opened its first restaurant in Orlando, Florida. At the end of fiscal 2014, there were 37 Bahama Breeze restaurants in the United States, and the number of restaurants had increased by four as compared to the end of fiscal 2013.

Seasons 52 is an internally developed brand that provides a casually sophisticated fresh grill and wine bar with seasonally inspired menus offering fresh ingredients to create great tasting meals that are lower in calories than comparable restaurant meals. In fiscal 2003, Seasons 52 opened its first restaurant in Orlando, Florida. At the end of fiscal 2014, there were 38 Seasons 52 restaurants in the United States, and the number of restaurants had increased by seven as compared to the end of fiscal 2013.

On October 1, 2007, we completed the acquisition of the common stock of RARE Hospitality International, Inc. ("RARE"). RARE owned and operated two principal restaurant brands, LongHorn Steakhouse and The Capital Grille, of which 288 and 29 locations, respectively, were in operation as of the date of the acquisition. LongHorn Steakhouse, with locations primarily in the Eastern half of the United States, is a leader in the full service dining steakhouse category with an atmosphere reminiscent of the American West, and The Capital Grille, with locations in major metropolitan cities in the United States, is a leader in the full service dining premium steakhouse category featuring relaxed and elegant style. At the end of fiscal 2014, there were 464 LongHorn Steakhouse and 54 The Capital Grille restaurants in the United States, and the number of restaurants open had increased by 34 and five, respectively, as compared to the end of fiscal 2013.

In March 2011, we opened a test "synergy restaurant." At the end of fiscal 2014, we had four synergy restaurants in operation in the United States after having closed two locations during fiscal 2014, which have been included in discontinued operations. In connection with the anticipated Red Lobster sale, the remaining four synergy restaurants will be converted to Olive Garden restaurants by the end of the first quarter of fiscal 2015.

On November 14, 2011, we completed the acquisition of eight Eddie V's Prime Seafood restaurants and three Wildfish Seafood Grille restaurants (collectively, "Eddie V's"). Eddie V's is a leading luxury seafood brand providing a sophisticated and contemporary ambiance, with locations in Arizona, California and Texas at the time of the acquisition. The acquired operations are included in our financial statements from the date of the acquisition. At the end of fiscal 2014, there were 15 Eddie V's restaurants in the United States, and the number of restaurants open had increased by three, as compared to the end of fiscal 2013.

On August 29, 2012, we completed the acquisition of Yard House USA, Inc. ("Yard House"). Yard House, which opened its first restaurant in 1996, offers contemporary American cuisine with chef-inspired recipes and ethnic flavors along with a wide range of draft beers and other beverages in a stylish and energetic setting. At the time of acquisition, Yard House had 40 restaurant locations in 13 states. The acquired operations are included in our financial statements from the date of the acquisition. At the end of fiscal 2014, there were 52 Yard House restaurants in the United States, and the number of restaurants open had increased by eight as compared to the end of fiscal 2013.

Our Specialty Restaurant Group was formed at the time of the RARE acquisition to support the operations of The Capital Grille, Seasons 52 and Bahama Breeze restaurants. Eddie V's and Yard House have joined the Specialty Restaurant Group as well. Our differentiated brands in this group focus on culinary and beverage innovation and exceptional service.

The following table shows our growth and lists the number of restaurants operated in the United States and Canada by each of our brands for the fiscal years indicated. The table excludes our restaurants operated by independent third parties pursuant to area development and franchise agreements. The table also excludes all Red Lobster restaurants held for sale and other restaurants that are included in discontinued operations. The final column in the table lists our total sales from continuing operations for the fiscal years indicated.





Table of Contents

## Company-Owned Restaurants in the United States and Canada Open at Fiscal Year End

| Fiscal Year | Olive Garden | LongHorn Steakhouse | The Capital Grille | Bahama Breeze | Seasons 52 | Eddie V's | Yard House | Total Restaurants (1)(2) | Total Sales (\$ in Millions) |
|-------------|--------------|---------------------|--------------------|---------------|------------|-----------|------------|--------------------------|------------------------------|
| 1995        | 477          |                     |                    |               |            |           |            | 477                      | 1,172.6                      |
| 1996        | 487          |                     |                    | 1             |            |           |            | 488                      | 1,240.9                      |
| 1997        | 477          |                     |                    | 2             |            |           |            | 479                      | 1,285.2                      |
| 1998        | 466          |                     |                    | 3             |            |           |            | 469                      | 1,386.9                      |
| 1999        | 464          |                     |                    | 6             |            |           |            | 470                      | 1,490.2                      |
| 2000        | 469          |                     |                    | 11            |            |           |            | 480                      | 1,615.7                      |
| 2001        | 477          |                     |                    | 16            |            |           |            | 493                      | 1,780.0                      |
| 2002        | 496          |                     |                    | 22            |            |           |            | 518                      | 1,966.1                      |
| 2003        | 524          |                     |                    | 25            | 1          |           |            | 550                      | 2,097.5                      |
| 2004        | 543          |                     |                    | 23            | 1          |           |            | 567                      | 2,359.3                      |
| 2005        | 563          |                     |                    | 23            | 3          |           |            | 589                      | 2,542.4                      |
| 2006        | 582          |                     |                    | 23            | 5          |           |            | 610                      | 2,775.8                      |
| 2007        | 614          |                     |                    | 23            | 7          |           |            | 644                      | 2,965.2                      |
| 2008        | 653          | 305                 | 32                 | 23            | 7          |           |            | 1,020                    | 3,997.5                      |
| 2009        | 691          | 321                 | 37                 | 24            | 8          |           |            | 1,081                    | 4,593.1                      |
| 2010        | 723          | 331                 | 40                 | 25            | 11         |           |            | 1,130                    | 4,626.8                      |
| 2011        | 754          | 354                 | 44                 | 26            | 17         |           |            | 1,196                    | 4,980.3                      |
| 2012        | 792          | 386                 | 46                 | 30            | 23         | 11        |            | 1,289                    | 5,327.1                      |
| 2013        | 828          | 430                 | 49                 | 33            | 31         | 12        | 44         | 1,431                    | 5,921.0                      |
| 2014        | 837          | 464                 | 54                 | 37            | 38         | 15        | 52         | 1,501                    | 6,285.6                      |

Includes only restaurants included in continuing operations. Excludes other restaurant brands operated by us in (1) these years that are no longer owned by us, and restaurants that were included in discontinued operations. See "Restaurant Brands - Discontinued Operations."

Includes one test synergy restaurant in 2011, one synergy restaurant in 2012, four synergy restaurants in 2013, and (2) four synergy restaurants in 2014, housing two restaurant brands in the same building. We expect to convert the four remaining synergy restaurants to Olive Garden restaurants by the end of the first quarter of fiscal 2015.

**Strategy**

The restaurant industry is generally considered to be comprised of three segments: quick service, fast casual and full service. Our restaurants are all within the full service segment, which is highly fragmented and includes many independent operators and small chains. We believe that capable operators of strong multi-unit brands have the opportunity to increase their share of the full service segment. We believe we have strong brands, and that the breadth and depth of our experience and expertise sets us apart in the full service restaurant industry. This collective capability is the product of investments over many years in areas that are critical to success in our business, including brand management excellence, restaurant operations excellence, supply chain, talent management and information technology, among other things.

During fiscal 2015, we are focused on progressing with our value creation priorities, which include: completion of the Red Lobster sale; continuation of the Olive Garden "brand renaissance"; continuation of new restaurant growth at our other brands, primarily driven by LongHorn; implementation of a new management incentive plan that more directly emphasizes same-restaurant sales, free cash flow and relative total shareholder return; continuation of the focus on our restaurant support platform costs; and improvement of capital allocation discipline.

The total sales growth we envision should increase the cost-effectiveness of our restaurant support platform. However, we also plan to supplement our conventional incremental year-to-year cost management efforts with an ongoing focus on identifying and pursuing transformational multi-year cost reduction opportunities.



## Table of Contents

While we are a leader in the full service dining segment, we know we cannot be successful without a clear sense of who we are. Our business is a people business, and our core purpose is “To nourish and delight everyone we serve.” This core purpose is supported by our core values:

- Integrity and fairness;
- Respect and caring;
- Diversity;
- Always learning/always teaching;
- Being “of service;”
- Teamwork; and
- Excellence.

Our mission is to be “The best, now and for generations... and a place where people can achieve their dreams.” We feel we have a compelling opportunity to create a company that’s more valuable and valued - a company that matters. We believe we can achieve this goal by continuing to build on our strategy to be a brand-building company which is focused on:

- Brand relevance;
- Brand support;
- A vibrant business model;
- Competitively superior leadership; and
- A unifying, motivating culture.

### Restaurant Brands - Continuing Operations

#### Olive Garden

Olive Garden is the largest full service dining Italian restaurant operator in the United States. Olive Garden’s menu includes a variety of authentic Italian foods featuring fresh ingredients and a wine list that includes a broad selection of wines imported from Italy. The updated menu includes new lighter Italian fare as well as classic Tuscan favorites, including flatbreads and other appetizers; soups, salad and garlic breadsticks; baked pastas; sautéed specialties with chicken, seafood and fresh vegetables; grilled meats; and a variety of desserts. Olive Garden also uses coffee imported from Italy for its espresso and cappuccino.

Most dinner menu entrée prices range from \$10.00 to \$20.00, and most lunch menu entrée prices range from \$7.00 to \$17.00. The price of each entrée includes as much fresh salad or soup and breadsticks as a guest desires. During fiscal 2014, the average check per person was approximately \$16.50 to \$17.00, with alcoholic beverages accounting for 7.0 percent of Olive Garden’s sales. Olive Garden maintains different menus for dinner and lunch and different menus across its trade areas to reflect geographic differences in consumer preferences, prices and selections, as well as a smaller portioned, lower-priced children’s menu.

#### LongHorn Steakhouse

LongHorn Steakhouse is a full service steakhouse restaurant with locations primarily in the eastern half of the United States, operating in an attractive and inviting atmosphere reminiscent of the classic American West. LongHorn Steakhouse restaurants feature a variety of top quality menu items including signature fresh steaks and chicken, as well as salmon, shrimp, ribs, pork chops, burgers and prime rib.

Most dinner menu entrée prices range from \$12.00 to \$24.00, and most lunch menu entrée prices range from \$7.50 to \$15.50. The price of most entrées includes a side and/or salad and as much freshly baked bread as a guest desires. During fiscal 2014, the average check per person was approximately \$19.00 to \$19.50, with alcoholic beverages accounting for 9.5 percent of LongHorn Steakhouse’s sales. LongHorn Steakhouse maintains different menus for dinner and lunch and different menus across its trade areas to reflect geographic differences in consumer preferences, prices and selections, as well as a smaller portioned, lower-priced children’s menu.

#### The Capital Grille

The Capital Grille is a full service restaurant with locations in major metropolitan cities in the United States and features relaxed elegance and style. Nationally acclaimed for dry aging steaks on the premises, The Capital Grille is also known for fresh seafood flown in daily and culinary specials created by its chefs. The restaurants feature an award-winning wine list offering over 350 selections, personalized service, comfortable club-like atmosphere, and premiere private dining rooms.

4

---

## Table of Contents

Most dinner menu entrée prices range from \$28.00 to \$51.00 and most lunch menu entrée prices range from \$12.00 to \$39.00. During fiscal 2014, the average check per person was approximately \$69.00 to \$75.75, with alcoholic beverages accounting for 29.9 percent of The Capital Grille's sales. The Capital Grille offers different menus for dinner and lunch and varies its wine list to reflect geographic differences in consumer preferences, prices and selections.

### Yard House

Yard House is a full service restaurant operating in metropolitan areas across the United States and is known for great food, classic rock and a draft beer offering that features over 125 craft ales and lagers. The American menu includes more than 100 chef driven items with a wide range of appetizers, snacks, natural burgers and steaks, street tacos, salads, sandwiches, fresh fish and a generous selection of vegetarian dishes.

Yard House design elements create a contemporary, yet casual, "come as you are" environment. Most dinner menu entrée prices at Yard House range from \$8.00 to \$35.00, and most lunch entrée prices range from \$8.00 to \$17.00. During fiscal 2014, the average check per person was approximately \$30.00 to \$30.50, with alcoholic beverages accounting for 38.9 percent of Yard House's sales. Yard House maintains different menus for dinner and lunch and different menus and selections of craft beers across its trade areas to reflect geographic differences in consumer preferences, prices and selections, as well as a smaller portioned, lower-priced children's menu.

### Bahama Breeze

Bahama Breeze is a full service restaurant operating primarily in the Eastern half of the United States, that offers guests the feeling of a Caribbean escape, offering the food, drinks and atmosphere found in the islands. The menu features distinctive, Caribbean-inspired fresh seafood, chicken and steaks as well as signature specialty drinks. Most dinner menu entrée prices at Bahama Breeze range from \$10.00 to \$30.00, and most lunch entrée prices range from \$7.15 to \$21.00. During fiscal 2014, the average check per person was approximately \$23.75 to \$25.00, with alcoholic beverages accounting for 22.4 percent of Bahama Breeze's sales. Bahama Breeze maintains different menus for dinner and lunch and different menus across its trade areas to reflect geographic differences in consumer preferences, prices and selections, as well as a smaller portioned, lower-priced children's menu.

### Seasons 52

Seasons 52 is a full service restaurant operating primarily in the Eastern half of the United States, with a casually sophisticated, fresh grill and wine bar with seasonally inspired menus offering a fresh dining experience that celebrates living well. Nothing on the menu is more than 475 calories from the signature flat breads and popular Mini Indulgence desserts, to the entrées that are inspired by the seasons and tastes of a farmer's market. It offers an international wine list of more than 90 wines, with approximately 60 available by the glass.

Most dinner menu entrée prices at Seasons 52 range from \$11.00 to \$28.00, and most lunch entrée prices range from \$8.00 to \$26.00. During fiscal 2014, the average check per person was approximately \$39.50 to \$44.00, with alcoholic beverages accounting for 27.0 percent of Seasons 52's sales. Seasons 52 maintains different menus for dinner and lunch and different menus across its trade areas to reflect geographic differences in consumer preferences, prices and selections.

### Eddie V's

Eddie V's is a full service restaurant with locations in major metropolitan cities in the United States with a sophisticated and contemporary ambiance, featuring live nightly music in the V-Lounge. The menu is inspired by the great classic restaurants of New Orleans, San Francisco and Boston, with an emphasis on prime seafood creations, USDA prime beef and chops, and fresh oyster bar selections. Guests are promised an intimate and comfortable dining experience "where your pleasure is our sole intention."

Most dinner menu entrée prices at Eddie V's range from \$16.00 to \$49.00. During fiscal 2014, the average check per person was approximately \$88.00 to \$91.50, with alcoholic beverages accounting for 33.5 percent of Eddie V's sales. Eddie V's maintains different menus for dinner and varies its wine list to reflect geographic differences in consumer preferences, prices and selections.



Table of Contents

## Restaurant Brands - Discontinued Operations

## Red Lobster

Red Lobster is the largest full service dining seafood specialty restaurant operator in the United States. It offers an extensive menu featuring fresh fish, shrimp, crab, lobster, scallops and other seafood in a casual atmosphere. The menu includes a variety of specialty seafood and non-seafood entrées, appetizers and desserts.

Most dinner entrée prices range from \$12.50 to \$33.99, with certain lobster items available by the pound and seasonal/regional fresh fish selections available on a daily fresh fish menu. Most lunch entrée prices range from \$7.50 to \$12.50. The price of most entrées includes salad, side items and as many of our signature Cheddar Bay Biscuits as a guest desires. During fiscal 2014, the average check per person was approximately \$21.00 to \$21.50, with alcoholic beverages accounting for 7.8 percent of Red Lobster's sales. Red Lobster maintains different lunch and dinner menus and different menus across its trade areas to reflect geographic differences in consumer preferences, prices and selections, as well as a smaller portioned, lower-priced children's menu.

On May 15, 2014, we entered into an agreement to sell Red Lobster and certain other assets and associated liabilities for \$2.11 billion in cash. These assets and liabilities are classified as held for sale on our consolidated balance sheet as of May 25, 2014. We have classified the results of operations of the Red Lobster business as discontinued operations in our consolidated statements of earnings and cash flows for all periods presented.

## Synergy Restaurants

In March 2011, we opened a test "synergy restaurant" that housed both a Red Lobster and Olive Garden restaurant in the same building, but with separate front doors, dining rooms and brand-specific menus. We developed this concept to test expansion into smaller markets that would not meet our population density requirements to build a single brand. We opened a second synergy test location during fiscal 2012 and four locations during fiscal 2013. In connection with the anticipated sale of Red Lobster, we closed two synergy locations in the fourth fiscal quarter of 2014, leaving a total of four locations operating at the end of fiscal 2014. The results of operations and asset impairment charges of the two closed locations are included in discontinued operations. We expect to convert the four remaining restaurants to Olive Garden restaurants by the end of the first quarter of fiscal 2015.

## Recent and Planned Restaurant Growth

During fiscal 2014, we opened 70 net new restaurants in the United States and Canada. Our fiscal 2014 actual and fiscal 2015 projected net new openings in the U.S. and Canada from continuing operations by brand are shown below.

|                            | Actual Net New<br>Restaurant Openings<br>Fiscal 2014 (1) | Projected Net New<br>Restaurant Openings<br>Fiscal 2015 |
|----------------------------|--|---|
| Olive Garden               | 9  | 6   |
| LongHorn Steakhouse        | 34   | 15  |
| Specialty Restaurant Group |  |   |
| The Capital Grille         | 5  | 1   |
| Bahama Breeze              | 4  | 1   |
| Seasons 52                 | 7  | 5   |
| Eddie V's                  | 3  | 1   |
| Yard House                 | 8  | 8   |
| Totals                     | 70   | 37  |

(1) Excludes restaurants that were included in discontinued operations.

The actual number of openings for each of our brands will depend on many factors, including our ability to locate appropriate sites, negotiate acceptable purchase or lease terms, obtain necessary local governmental permits, complete

construction, and recruit and train restaurant management and hourly personnel. Our objective is to continue to expand all of our restaurant brands.

We consider location to be a critical factor in determining a restaurant's long-term success, and we devote significant effort to the site selection process. Prior to entering a market, we conduct a thorough study to determine the optimal number and placement of restaurants. Our site selection process incorporates a variety of analytical techniques to evaluate key factors. These factors include trade area demographics, such as target population density and household income levels; competitive influences in the trade area; the site's visibility,



Table of Contents

accessibility and traffic volume; and proximity to activity centers such as shopping malls, hotel/motel complexes, offices and universities. Members of senior management evaluate, inspect and approve each restaurant site prior to its acquisition. Constructing and opening a new restaurant typically takes approximately 180 days on average after permits are obtained and the site is acquired.

The following table illustrates the approximate average capital investment, square footage and dining capacity of the nine Olive Garden restaurants and the 34 LongHorn Steakhouse restaurants (33 new restaurants and one relocation) opened during fiscal 2014. The table excludes any rebuilt restaurants.

|                     | Capital<br>Investment(1) | Square<br>Feet(2) | Dining<br>Seats(3) | Dining<br>Tables(4) |
|---------------------|--------------------------|-------------------|--------------------|---------------------|
| Olive Garden        | \$4,546,000              | 7,683             | 235                | 57                  |
| LongHorn Steakhouse | \$3,519,000              | 6,365             | 228                | 49                  |

(1) Estimated final cost includes net present value of lease obligations and working capital credit, but excludes internal overhead.

(2) Includes all space under the roof, including the coolers and freezers.

(3) Includes bar dining seats and patio seating, but excludes bar stools.

(4) Includes patio dining tables.

We systematically review the performance of our restaurants to ensure that each one meets our standards. When a restaurant falls below minimum standards, we conduct a thorough analysis to determine the causes, and implement marketing and operational plans to improve that restaurant's performance. If performance does not improve to acceptable levels, the restaurant is evaluated for relocation, closing or conversion to one of our other brands.

During fiscal 2012, we permanently closed one Red Lobster and two LongHorn Steakhouse restaurants. During fiscal 2013, we temporarily closed one LongHorn Steakhouse and permanently closed one Red Lobster restaurant. During fiscal 2014, we permanently closed two synergy restaurants. Permanent closures are typically due to economic changes in trade areas, the expiration of lease agreements, or site concerns. Accordingly, we continue to evaluate our site locations in order to minimize the risk of future closures or asset impairment charges. As of May 25, 2014, there were two temporarily closed Olive Garden restaurants which we expect to reopen during fiscal 2015 and two permanently closed Olive Garden restaurants.

#### Restaurant Operations

We believe that high-quality restaurant management is critical to our long-term success. Our restaurant management structure varies by brand and restaurant size. We issue detailed operations manuals covering all aspects of restaurant operations, as well as food and beverage manuals which detail the preparation procedures of our recipes. The restaurant management teams are responsible for the day-to-day operation of each restaurant and for ensuring compliance with our operating standards.

Each typical Olive Garden restaurant is led by a general manager, and each LongHorn Steakhouse restaurant is led by a managing partner. Each also has three to five additional managers, depending on the operating complexity and sales volume of the restaurant. In addition, each restaurant typically employs an average of 50 to 120 hourly employees, most of whom work part-time. Restaurant general managers or managing partners report to a director of operations who is responsible for approximately six to ten restaurants. Restaurants are visited regularly by operations management, including officer level executives, to help ensure strict adherence to all aspects of our standards. Red Lobster's restaurant management is consistent with that of Olive Garden.

Since the completion of our new operations organizational structure during fiscal year 2013, each director of operations of Olive Garden and LongHorn Steakhouse reports to a Regional Vice President. The new Regional Vice President role, which typically supervises six to eight directors of operations, further strengthens our restaurant operations expertise by elevating the execution required to build guest loyalty and enhance our talent development capacity in the field. Four to five Regional Vice Presidents are supervised by a Senior Vice President of Operations which reduces the span of control for our Senior Vice Presidents of Operations. Our new operations organizational structure now allows our Senior Vice President of Operations role to focus on identifying new tools, support and operations strategies required to sustainably grow guest counts and sales in their particular division and better enable

talent rotation and sharing across our brands.

Each Bahama Breeze and Yard House restaurant is led by a general manager, and each The Capital Grille, Seasons 52 and Eddie V's restaurant is led by a managing partner. Each also has one to six managers. Each The Capital Grille, Seasons 52 and Eddie V's restaurant has one to three executive chefs, and each Bahama Breeze and Yard House restaurant has one to three culinary managers. In addition, each restaurant typically employs an average of 65 to 150 hourly employees, most of whom work part-time. The general manager or managing partner of each restaurant reports directly to a director of operations, who has operational responsibility for approximately three to ten restaurants. Restaurants are visited regularly by operations management, including officer level executives, to help ensure strict adherence to all aspects of our standards.

7

---

## Table of Contents

Our Learning Center of Excellence in partnership with each brand's head of training, together with senior operations executives, are responsible for developing and maintaining our operations training programs. These efforts include a 12 to 13-week training program for management trainees (seven to nine weeks in the case of internal promotions) and continuing development programs for managers, supervisors and directors. The emphasis of the training and development programs varies by restaurant brand, but includes leadership, restaurant business management and culinary skills. We also use a highly structured training program to open new restaurants, including deploying training teams experienced in all aspects of restaurant operations. The opening training teams typically begin work one and a half weeks prior to opening and remain at the new restaurant for up to three weeks after the opening. They are re-deployed as appropriate to enable a smooth transition to the restaurant's operating staff.

We maintain performance measurement and incentive compensation programs for our management-level employees. We believe that our leadership position, strong success-oriented culture and various short-term and long-term incentive programs, including stock and stock-based compensation, help attract and retain highly motivated restaurant managers.

### Quality Assurance

Our Total Quality Department helps ensure that all restaurants provide safe, high-quality food in a clean and safe environment. Through rigorous physical evaluation and testing at our North American laboratories and through "point source inspection" by our international team of quality specialists in several foreign countries, we purchase only seafood that meets or exceeds our specifications. We use independent third parties to inspect and evaluate commodity vendors. In addition, any commodity supplier that produces a "high-risk" product is subject to a food safety evaluation by Darden personnel at least annually. We require our suppliers to maintain sound manufacturing practices and operate with the comprehensive Hazard Analysis and Critical Control Point ("HACCP") food safety programs adopted by the U.S. Food and Drug Administration. The HACCP programs focus on preventing hazards that could cause food-borne illnesses by applying scientifically-based controls to analyze hazards, identify and monitor critical control points, and establish corrective actions when monitoring shows that a critical limit has not been met. Since 1976, we have required routine microbiological testing of seafood and other commodities for quality and microbiological safety. In addition, our total quality managers and third party auditors visit each restaurant periodically throughout the year to review food handling and to provide education and training in food safety and sanitation. The total quality managers also serve as a liaison to regulatory agencies on issues relating to food safety.

### Purchasing and Distribution

Our ability to ensure a consistent supply of high-quality food and supplies at competitive prices to all of our restaurant brands depends on reliable sources of procurement. Our purchasing staff sources, negotiates and purchases food and supplies from more than 2,000 suppliers whose products originate in more than 30 countries. Suppliers must meet our requirements and strict quality control standards in the development, harvest, catch and production of food products. Competitive bids, long-term contracts and long-term vendor relationships are routinely used to manage availability and cost of products.

We believe that our seafood purchasing capabilities are a significant competitive advantage. Our purchasing staff travels routinely within the United States and internationally to source more than 100 varieties of top-quality seafood at competitive prices. We believe that we have established excellent long-term relationships with key seafood vendors and usually source our product directly from producers (not brokers or middlemen). While the supply of certain seafood species is volatile, we believe we have the ability to identify alternative seafood products and to adjust our menus as necessary.

All other essential food products are available, or can be made available upon short notice, from alternative qualified suppliers. We continue to progress in automating our supply chain allowing our suppliers, logistics partners and distributors to improve optimization with information visibility. Through our subsidiary, Darden Direct Distribution, Inc. ("Darden Direct"), and long-term agreements with our third party national distribution companies we maintain inventory ownership in dedicated environments where practical. Darden Direct further enables our purchasing staff to integrate demand forecasts into long-term agreements driving efficiencies in production economics when we collaborate with vendors. We continue to invest in new technologies to improve restaurant product orders, receiving, invoice approval and inventories across the supply chain. This improves the ability of our logistics infrastructure to

replenish restaurants with the right products, at the right price and with just-in-time delivery. Because of the relatively rapid turnover of perishable food products, inventories in the restaurants have a modest aggregate dollar value in relation to sales.

Our supplier diversity initiative, which focuses on women- and minority-owned businesses, is the major driver behind Darden's efforts to bring about diversity awareness and opportunities within our supplier network. We actively support several national minority supplier organizations to ensure that Darden incorporates women- and minority-owned businesses in all of its purchasing decisions.

#### Advertising and Marketing

We believe we have developed significant marketing and advertising capabilities. Our size enables us to be a leading advertiser in the full service dining segment of the restaurant industry. Olive Garden leverages the efficiency of national network television advertising. Olive Garden supplements this with cable, local television and digital advertising. LongHorn Steakhouse began using national cable

## Table of Contents

television advertising in fiscal 2011. In addition, LongHorn Steakhouse uses local television and digital advertising to strengthen its brand awareness. The Capital Grille, Yard House, Bahama Breeze, Seasons 52 and Eddie V's do not use national television advertising. Our restaurants appeal to a broad spectrum of consumers and we use advertising to create awareness and to attract guests. We implement periodic promotions as appropriate to maintain and increase our sales and profits, as well as strengthen our brands. We also rely on outdoor billboard, direct mail and email advertising, as well as radio, newspapers, digital coupons, search engine marketing and social media such as Facebook® and Twitter®, as appropriate, to attract and retain guests. During fiscal 2013, we launched electronic gift cards that can be ordered on all of our brand websites and sent instantly online. Buyers can personalize these e-gift cards by recording their voices, attaching photos and letting Facebook friends know they have bought a card. We have developed and consistently use sophisticated consumer marketing research techniques to monitor guest satisfaction and evolving expectations.

In fiscal 2014, we began efforts to consolidate our brands into a single digital technology platform, strengthen brand relevance and drive longer-term sales growth. The new digital platform will enable our brands to tailor marketing programs to enhance consumer relevance and strengthen brand loyalty. We also developed and tested a new online ordering system for Olive Garden. We expect to implement this new system on a nationwide basis in fiscal 2015. In fiscal 2014, Olive Garden continued to develop Spanish language advertising to increase awareness and visits from Hispanic consumers.

### Employees

At the end of fiscal 2014, we employed approximately 206,000 people in the United States and Canada. Of these employees, approximately 196,000 were hourly restaurant personnel. The remainder were restaurant management personnel located in the restaurants or in the field, or were located at one of our restaurant support center facilities in Orlando, Florida or Irvine, California. Our executives have an average of 14 years of experience with us. The restaurant general managers and managing partners average 13 years with us. We believe that we provide working conditions and compensation that compare favorably with those of our competitors. Most employees, other than restaurant management and corporate management, are paid on an hourly basis. None of our employees are covered by a collective bargaining agreement. We consider our employee relations to be good.

In January 2014, we were recognized for the fourth consecutive year by FORTUNE magazine as one of the “100 Best Companies to Work For” in America. We are committed to fostering a strong, values-based culture where employees can learn, thrive and grow.

Consistent with our core value of diversity, we are committed to attracting, retaining, engaging and developing a workforce that mirrors the diversity of our guests. Approximately 47 percent of our restaurant team member employees are minorities and over 53 percent are female. According to the People Report's Human Capital Intelligence Report for April 2014, the diversity of our operations leadership teams exceed the industry averages by 7 percentage points for minority and 7 percentage points for female representation. Over 24 percent of our executives are minorities and 31 percent are female. The percentages of minority and female executives rank above average in our industry. In addition, we achieved a 100 percent score on the Human Rights Campaign's Corporate Equality Index for our business practices and policies toward our lesbian, gay, bisexual and transgender employees.

Consistent with our core values of respect and caring and teamwork, in fiscal 1999 we established a program called Darden Dimes to help fellow Darden colleagues in need. Darden Dimes has helped employees weather the after-effects of hurricanes and other natural disasters, severe medical problems and other personal difficulties.

Participating employees donate at least 10 cents from each paycheck to the Darden Dimes fund, which raises more than \$1.7 million annually.

### Information Technology

We strive for leadership in the restaurant business by using technology as a competitive advantage and as an enabler of our strategy. Since 1975, computers located in the restaurants have been used to assist in the management of the restaurants. We have implemented technology-enabled business solutions targeted at improved financial control, cost management, enhanced guest service and improved employee effectiveness. These solutions are designed to be used across restaurant brands, yet are flexible enough to meet the unique needs of each restaurant brand. Our strategy is to

fully integrate systems to drive operational efficiencies and enable restaurant teams to focus on restaurant operations excellence. Over the past few years, we completed the implementation of a talent acquisition system across all brands to help streamline the hiring process for front line employee candidates. Additionally, we implemented a new meal pacing system and a new table management system to enhance the guest experience by providing accurate wait times, pacing the preparation of menu items based on cook-times and enhancing restaurant capacity by increasing table turns. In fiscal 2014, we continued a multi-year effort to implement new technology platforms that will allow us to digitally engage with our guests and employees and strengthen our marketing and analytics capabilities in this increasingly connected society. These technology platforms will be leveraged across all brands to build guest loyalty and employee engagement. Ultimately this multi-year effort will be integrated into all guest touch points including restaurant operating systems to enable compelling personalized guest experiences.

Restaurant hardware and software support for all of our restaurant brands is provided or coordinated from the restaurant support center facility in Orlando, Florida. A high-speed data network sends and receives critical business data to and from the restaurants throughout

## Table of Contents

the day and night, providing timely and extensive information on business activity in every location. Our data center contains sufficient computing power to process information from all restaurants quickly and efficiently. Our information is processed in a secure environment to protect both the actual data and the physical assets. We guard against business interruption by maintaining a disaster recovery plan, which includes storing critical business information off-site, testing the disaster recovery plan at a host-site facility and providing on-site power backup via a large diesel generator. We use internally developed proprietary software, as well as purchased software, with proven, non-proprietary hardware. This allows processing power to be distributed effectively to each of our restaurants. Our management believes that our current systems and practice of implementing regular updates will position us well to support current needs and future growth. We are committed to maintaining an industry leadership position in information systems and computing technology. We use a strategic information systems planning process that involves senior management and is integrated into our overall business planning. Information systems projects are prioritized based upon strategic, financial, regulatory and other business advantage criteria.

### Competition

The restaurant industry is intensely competitive with respect to the type and quality of food, price, service, restaurant location, personnel, brand, attractiveness of facilities, and effectiveness of advertising and marketing. The restaurant business is often affected by changes in consumer tastes; national, regional or local economic conditions; demographic trends; traffic patterns; the type, number and location of competing restaurants; and consumers' discretionary purchasing power. We compete within each market with national and regional chains and locally-owned restaurants for guests, management and hourly personnel and suitable real estate sites. We also face growing competition from the supermarket industry, which offers "convenient meals" in the form of improved entrées and side dishes from the deli section. In addition, improving product offerings at fast casual restaurants and quick-service restaurants, together with negative economic conditions, could cause consumers to choose less expensive alternatives. We expect intense competition to continue in all of these areas.

Other factors pertaining to our competitive position in the industry are addressed under the sections entitled "Purchasing and Distribution," "Advertising and Marketing" and "Information Technology" in this Item 1 and in our Risk Factors in Item 1A of this Form 10-K.

### Trademarks and Service Marks

We regard our Darden®, Darden Restaurants®, Olive Garden®, Red Lobster®, LongHorn Steakhouse®, The Capital Grille®, Yard House®, Bahama Breeze®, Seasons 52®, Eddie V's Prime Seafood® and Wildfish Seafood Grille® service marks, and other service marks and trademarks related to our restaurant businesses, as having significant value and as being important to our marketing efforts. Our policy is to pursue registration of our important service marks and trademarks and to oppose vigorously any infringement of them. Generally, with appropriate renewal and use, the registration of our service marks and trademarks will continue indefinitely.

### Franchises, Joint Ventures and New Business Development

As of May 25, 2014, we operated through subsidiaries 2,207 restaurants in the United States and Canada all of which are owned by us, except three restaurants located in Central Florida and three restaurants in California, seven franchised restaurants in Puerto Rico and one Atlanta, Georgia airport location. The three restaurants located in Florida and three restaurants located in California are owned by joint ventures managed by us. The joint ventures pay management fees to us, and we control the joint ventures' use of our service marks. In fiscal 2014, we entered into a license agreement with respect to the Atlanta, Georgia airport location. The seven LongHorn Steakhouse restaurants in Puerto Rico are franchised to an unaffiliated franchisee as part of an agreement that was executed prior to our fiscal 2007 acquisition of RARE. In April 2012, we entered into a new area development agreement with this same franchisee to develop and operate our Olive Garden and LongHorn Steakhouse brands in Puerto Rico. In January 2013, we amended the new area development agreement which now calls for the franchisee to initially develop a minimum of eight Olive Garden restaurants, three Red Lobster restaurants and three additional LongHorn Steakhouse restaurants in Puerto Rico by 2017.

Our restaurant operations outside of the United States and Canada are conducted through area development and franchise agreements. We have an agreement with an unaffiliated Japanese corporation that operated 23 Red Lobster restaurants in Japan as of May 25, 2014. In October 2010, we entered into a formal agreement with an unaffiliated

operator to develop and operate Olive Garden, Red Lobster and LongHorn Steakhouse restaurants in the Middle East. The agreement calls for the operator to develop a minimum of 60 restaurants in Bahrain, Egypt, Kuwait, Lebanon, Qatar, Saudi Arabia and the United Arab Emirates over the next five years. As of May 25, 2014, we have 12 restaurants in the region (two Red Lobster restaurants and one Olive Garden restaurant in United Arab Emirates, one Red Lobster restaurant in Qatar, two Red Lobster restaurants and three Olive Garden restaurants in Kuwait and two Red Lobster restaurants and a LongHorn Steakhouse restaurant in Saudi Arabia), open under this agreement. In August 2011, we entered into an agreement with an unaffiliated operator to develop and operate Olive Garden, Red Lobster and The Capital Grille brands in Mexico. The agreement calls for the operator to initially develop a minimum of 37 restaurants in Mexico over the next five years. As of May 25, 2014, five Olive Garden restaurants, one Red Lobster restaurant and one The Capital Grille restaurant had been opened in Mexico under this agreement.



## Table of Contents

In February 2013, we entered into a formal agreement with an unaffiliated operator to develop and operate Olive Garden, Red Lobster and LongHorn Steakhouse brands in Central and South America. The agreement calls for the operator to develop a minimum of 57 restaurants in Brazil, Colombia, the Dominican Republic and Panama. As of May 25, 2014, one Red Lobster restaurant and one Olive Garden restaurant have been opened in Brazil under this agreement, and the rights to develop the Panama territory have been sold to the operator of our restaurant locations in Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica. In July 2013, we entered into separate formal agreements with two unaffiliated operators to develop and operate Olive Garden, Red Lobster and LongHorn Steakhouse restaurants in Central America and South America. One agreement calls for the operator to develop the restaurants in Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica (and, as amended, Panama). The other agreement calls for the second unaffiliated operator to develop the restaurants in Peru. As of May 25, 2014, one Olive Garden restaurant has been opened in Peru. All area development and franchise agreements to develop and operate Red Lobster restaurants are included in the anticipated sale of Red Lobster. We do not have an ownership interest in any of these franchisees, but we receive royalty income under the area development and franchise agreements. The amount of income we derive from our joint venture and franchise arrangements is not material to our consolidated financial statements.

During fiscal 2013, and continuing in fiscal 2014, we achieved distribution for several items at Walmart, including Olive Garden regular and light salad dressing, extra virgin olive oil, two sizes of Balsamic vinegar, LongHorn seasoning and Olive Garden seasoning. We also distributed certain Red Lobster-related products, including the cheddar bay biscuit mix and Red Lobster seasoning, that will all be included in the proposed Red Lobster sale. We have expanded Olive Garden salad dressing into broad distribution channels including most major grocery chains. We also are researching and developing proprietary technology for lobster aquaculture farming.

### Seasonality

Our sales volumes fluctuate seasonally. Typically, our average sales per restaurant are highest in the spring and winter, followed by the summer, and lowest in the fall. Holidays, changes in the economy, severe weather and similar conditions may impact sales volumes seasonally in some operating regions. Because of the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

### Government Regulation

We are subject to various federal, state, local and international laws affecting our business. Each of our restaurants must comply with licensing requirements and regulations by a number of governmental authorities, which include health, safety and fire agencies in the state or municipality in which the restaurant is located. The development and operation of restaurants depend on selecting and acquiring suitable sites, which are subject to zoning, land use, environmental, traffic and other regulations. To date, we have not been significantly affected by any difficulty, delay or failure to obtain required licenses or approvals.

During fiscal 2014, 11.0 percent of our sales were attributable to the sale of alcoholic beverages. Regulations governing their sale require licensure by each site (in most cases, on an annual basis), and licenses may be revoked or suspended for cause at any time. These regulations relate to many aspects of restaurant operation, including the minimum age of patrons and employees, hours of operation, advertising, wholesale purchasing, inventory control and handling, and storage and dispensing of alcoholic beverages. The failure of a restaurant to obtain or retain these licenses would adversely affect the restaurant's operations. We also are subject in certain states to "dram-shop" statutes, which generally provide an injured party with recourse against an establishment that serves alcoholic beverages to an intoxicated person who then causes injury to himself or a third party. We carry liquor liability coverage as part of our comprehensive general liability insurance.

We also are subject to federal and state minimum wage laws and other laws governing such matters as overtime, tip credits, working conditions, safety standards, and hiring and employment practices. Changes in these laws during fiscal 2014 have not had a material effect on our operations.

We currently are operating under a Tip Rate Alternative Commitment ("TRAC") agreement with the Internal Revenue Service. Through increased educational and other efforts in the restaurants, the TRAC agreement reduces the likelihood of potential chain-wide employer-only FICA assessments for unreported tips.

We are subject to federal and state environmental regulations, but these rules have not had a material effect on our operations. During fiscal 2014, there were no material capital expenditures for environmental control facilities and no material expenditures for this purpose are anticipated.

Our facilities must comply with the applicable requirements of the Americans with Disabilities Act of 1990 (“ADA”) and related state accessibility statutes. Under the ADA and related state laws, we must provide equivalent service to disabled persons and make reasonable accommodation for their employment, and when constructing or undertaking significant remodeling of our restaurants, we must make those facilities accessible.

## Table of Contents

We continue to review the health care reform law enacted by Congress in March of 2010 (“Affordable Care Act”) and related rules and regulations. As part of that review, we evaluate the potential impacts of this law on our business, and accommodate various parts of the law as they take effect.

We are subject to laws and regulations relating to the preparation and sale of food, including regulations regarding product safety, nutritional content and menu labeling. We are or may become subject to laws and regulations requiring disclosure of calorie, fat, trans fat, salt and allergen content. The Affordable Care Act requires restaurant companies such as ours to disclose calorie information on their menus. The Food and Drug Administration has proposed rules to implement this provision that would require restaurants to post the number of calories for most items on menus or menu boards and to make available more detailed nutrition information upon request.

We are subject to laws relating to information security, privacy, cashless payments and consumer credit, protection and fraud. An increasing number of governments and industry groups worldwide have established data privacy laws and standards for the protection of personal information, including social security numbers, financial information (including credit card numbers), and health information.

See Item 1A “Risk Factors” below for a discussion of risks relating to federal, state and local regulation of our business, including in the areas of health care reform, data privacy and environmental matters.

### Sustainability

Darden's commitment to sustainability has evolved over time to become a key component of our industry leadership, an element that separates us from our competitors, and a contributor to our business success. Our approach is both integrated and strategic and spans the enterprise from the commodities we source to the operation of our restaurants. Conservation is a competitive advantage - it will lower our operating costs, insulate our supply chain, help us attract and retain employees - all increasing the success of our business.

More information about our sustainability strategy, how we are implementing that strategy and our progress to date is available through our sustainability report available on our website at [www.darden.com/sustainability](http://www.darden.com/sustainability).

### Health and Wellness

In September 2011, we announced a comprehensive health and wellness commitment to reduce our calorie and sodium footprints and to provide greater choice and variety on our children's menus. Across our brands, we are working toward a 10 percent reduction of calories and sodium over five years and a 20 percent reduction of calories and sodium over 10 years. And we are establishing specific nutrition standards to guide the development of our children's meals to simplify parental search for healthier options that their children enjoy.

### Darden Foundation and Community Affairs

We are recognized for a culture that rewards caring for and responding to people. That defines service for Darden. The Darden Restaurants, Inc. Foundation (“Foundation”) works to bring to life this spirit of service through its philanthropic support of charitable organizations across the country as well as the volunteer involvement of our employees. The Foundation does this by focusing its philanthropic efforts on the following key program areas: access to postsecondary education; preservation of natural resources; and good neighbor grants.

In April 2014, the Foundation announced it was awarding more than \$2.1 million to nearly 900 nonprofit organizations in communities across the U.S. and Canada as part of its Darden Restaurants Community Grants Program. The local grants program is intended to help support nonprofit organizations in the hundreds of communities we serve. Each of our restaurants had the opportunity to help award a \$1,000 grant to a nonprofit organization in its local community.

More information about the Foundation and its efforts to enhance the quality of life in the communities where we do business, including its annual Community Service Report, is available on our website at [www.darden.com](http://www.darden.com).

### Executive Officers of the Registrant

Our executive officers as of the date of this report are listed below.

Clarence Otis, Jr., age 58, has been our Chairman of the Board since November 2005, Chief Executive Officer since November 2004, and a Director since September 2004. Mr. Otis was our Executive Vice President from March 2002

until November 2004 and President of Smokey Bones Barbeque & Grill from December 2002 until November 2004. He served as our Senior Vice President from December 1999 until March 2002, and our Chief Financial Officer from December 1999 until December 2002. He joined us in 1995 as Vice President and Treasurer. He served as our Senior Vice President, Investor Relations from July 1997 to August 1998, and as Senior Vice President, Finance and Treasurer from August 1998 until December 1999. From 1991 to 1995, he was employed by Chemical

Table of Contents

Securities, Inc. (now J.P. Morgan Securities, Inc.), an investment banking firm, where he had been Managing Director and Manager of Public Finance.

Eugene I. (Gene) Lee, Jr., age 53, has been our President and Chief Operating Officer since September 2013. He served as President of our Specialty Restaurant Group since our acquisition of RARE on October 1, 2007. Prior to the acquisition, he served as RARE's President and Chief Operating Officer from January 2001 to October 2007. From January 1999 until January 2001, he served as RARE's Executive Vice President and Chief Operating Officer.

David C. George, age 58, has been our President of Olive Garden since January 2013. He served as our President of LongHorn Steakhouse from October 2007, when we acquired RARE, until January 2013. Prior to the acquisition, he served as RARE's President of LongHorn Steakhouse from May 2003 until October 2007. From October 2001 until May 2003, he was RARE's Senior Vice President of Operations for LongHorn Steakhouse and from May 2000 until October 2001 was RARE's Vice President of Operations for The Capital Grille.

Valerie Insignares, age 46, has been our President of LongHorn Steakhouse since January 2013. She served as our Chief Restaurant Operations Officer from March 2011 to January 2013 and our Executive Vice President of Olive Garden from October 2004 until March 2011. She joined us in January 1997 as Director of Food and Smallwares for the commodities purchasing department and held progressively more responsible positions including Senior Vice President of Operations for Olive Garden's Dallas division prior to becoming Executive Vice President of Olive Garden in 2004.

Harald E. Herrmann, age 48, was named our President of Darden's Specialty Restaurant Group in January 2014. He previously served as our President of Yard House, a brand he helped launch in 1996, since we acquired the company in August 2012. Prior to the acquisition, he served as President of Yard House from May 2002 to January 2014.

Kim A. Lopdrup, age 56, has been our Chief Executive Officer-Elect for Red Lobster since January 2014. He served as our Senior Vice President, Business Development since June 2011 until January 2014 and our President of Darden's Specialty Restaurant Group from September 2013 to January 2014. He served as our President, Red Lobster from May 2004 until June 2011. He joined us in November 2003 as Executive Vice President of Marketing for Red Lobster. From 2001 until 2002, he served as Executive Vice President and Chief Operating Officer for North American operations of Burger King Corporation, an operator and franchiser of fast food restaurants. From 1985 until 2001, he worked for Allied Domecq Quick Service Restaurants (ADQSR), a franchiser of quick service restaurants including Dunkin' Donuts, Baskin-Robbins and Togo's Eateries, where he held progressively more responsible positions in marketing, strategic and general management roles, eventually serving as Chief Executive Officer of ADQSR International.

Dave Lothrop, age 53, has been our Senior Vice President and Corporate Controller since May 2012, and was our Senior Vice President of Finance and Strategy from June 2010 until May 2012. He was Senior Vice President, Finance for Olive Garden from 2006 until June 2010. He joined Darden in 1984 as a corporate accountant. He joined the Olive Garden team in 1986 as a Senior Operations Analyst, and was promoted to Assistant Controller in 1991. After several years in a variety of finance roles at Darden, Red Lobster and Smokey Bones Barbeque & Grill, he was promoted to Senior Vice President, Finance and Controller for Olive Garden in 2006.

Robert McAdam, age 56, has been our Senior Vice President of Government and Community Affairs since December 2006. Prior to joining us, he was employed by retailer Wal-Mart, Inc. as Vice President, Corporate Affairs from 2004 to 2006, and Vice President, State and Local Governmental Relations from 2000 to 2004. From 1997 to 2000, he served as Senior Vice President of Fleishman-Hillard, an international public relations firm.

Daisy Ng, age 56, has been our Senior Vice President, Chief Human Resources Officer since June 2009. From October 2005 to June 2009, she was our Senior Vice President of Talent Management. Prior to joining us, she was Chief Learning Officer and Vice President, Workforce Development for Hewlett-Packard, a technology company, from November 2003 to August 2005.

C. Bradford (Brad) Richmond, age 55, has been our Senior Vice President and Chief Financial Officer since December 2006. From August 2005 to December 2006, he served as our Senior Vice President and Corporate Controller. He served as Senior Vice President Finance, Strategic Planning and Controller of Red Lobster from January 2003 to August 2005, and previously was Senior Vice President, Finance and Controller at Olive Garden from August 1998 to January 2003. He joined us in 1982 as a food and beverage analyst for Casa Gallardo, a restaurant concept formerly owned and operated by us, and from June 1985 to August 1998 held progressively more responsible finance and marketing analysis positions with our York Steak House, Red Lobster and Olive Garden operating companies in both the United States and Canada.

Teresa M. Sebastian, age 56, has been our Senior Vice President, General Counsel and Secretary since October 2010. In 2014, she assumed the additional role of Chief Compliance Officer. Prior to joining us, she served as Vice President, General Counsel and Corporate Secretary for Veyance Technologies, Inc., a manufacturer of industrial rubber products and exclusive manufacturer and marketer of

Table of Contents

Goodyear Engineered Products from May 2008 until September 2010. She also served as Senior Vice President and General Counsel for Information Resources, Inc. from May 2007 to May 2008, Assistant General Counsel and Assistant Corporate Secretary for DTE Energy Company from September 2001 to May 2007, and Senior Corporate Counsel for CMS Energy Corporation from September 1994 to September 2001.

Salli A. Setta, age 49, has been our President of Red Lobster since July 2013. She served as our Executive Vice President of Marketing at Red Lobster from April 2005 to July 2013 and our Senior Vice President Culinary & Beverage of Olive Garden from December 2000 until April 2005. She joined us in April 1990 as a sales promotion assistant at Olive Garden and held positions of increasing responsibility prior to becoming Vice President Brand Management of Olive Garden in September 1998.

Item 1A. RISK FACTORS

Various risks and uncertainties could affect our business. Any of the risks described below or elsewhere in this report or our other filings with the Securities and Exchange Commission could have a material impact on our business, financial condition or results of operations. It is not possible to predict or identify all risk factors. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations. Therefore, the following is not intended to be a complete discussion of all potential risks or uncertainties.

Unsuccessful implementation of our strategic plan could materially and adversely affect our financial condition and results of operations.

Our strategic plan to enhance shareholder value, including the proposed Red Lobster Sale (the “Red Lobster Sale”), may not be realized fully or may take longer to realize than expected. There can be no assurance that we will realize the anticipated benefits of the strategic plan, including any benefits from the Red Lobster Sale. Any inability to realize the anticipated benefits from the strategic plan could materially and adversely affect our financial condition and results of operations.

The delay or termination of the proposed Red Lobster Sale may adversely affect our financial condition and our business.

In May 2014, we entered into an agreement for the Red Lobster Sale. The closing of the transaction is subject to customary closing conditions. While closing of the transaction is expected in the first quarter of our fiscal 2015, there can be no assurance that the closing will in fact occur or that significant delays in closing the transaction will not result. An event, change or other circumstances could give rise to the termination of the agreement for the Red Lobster Sale. Certain shareholders have expressed opposition to the Red Lobster Sale. There can be no assurance regarding the outcome of any legal proceeding that may be instituted against us in connection with the Red Lobster Sale. A failure to close the transaction, significant delays in doing so or potential litigation may negatively impact the trading price of our securities and our financial condition and our business.

Our business could be negatively affected as a result of actions of activist shareholders, and such activism could impact the trading value of the Company’s securities.

Certain shareholders have expressed opposition to the Company’s strategic plan and their intent to take actions designed to prevent full implementation of our strategic plan and, in particular, the proposed Red Lobster Sale. Responding to actions by activist shareholders can be costly and time-consuming, disrupting our operations and diverting the attention of management and our employees. Such activities could interfere with our ability to execute our strategic plan. The perceived uncertainties as to our future direction also could affect the market price and volatility of our securities.

Certain activist shareholders have made, or indicated they will in the future make, strategic proposals, suggestions or requested changes concerning the Company's operations, strategy, management, businesses or other matters. We cannot predict, and no assurances can be given, as to the outcome or timing of any matters relating to the foregoing, and any such matters may impact the value of the Company's securities.

A potential proxy contest for the election of directors at our annual meeting could distract our management, divert our resources and, absent Board action, trigger a change of control under our indebtedness, resulting in acceleration and have a material adverse impact on our business, liquidity and financial condition.

On May 22, 2014, Starboard Value LP and its affiliates (“Starboard”) delivered a letter to us nominating 12 director candidates for election to the Board at our 2014 annual meeting of shareholders (the “2014 Annual Meeting”). It is possible that Starboard-nominated directors could constitute a majority of the Board following the 2014 Annual Meeting.



## Table of Contents

A proxy contest would require us to incur significant legal fees and proxy solicitation expenses and require significant time and attention by management and the Board. Further, any perceived uncertainties as to our future direction and control could result in the loss of potential business opportunities and may make it more difficult to attract and retain qualified personnel and business partners, any of which could adversely affect our business and operating results.

In addition, the terms of our revolving credit facility and our term loan agreement include change of control triggers regarding a turnover of a majority of our Board, resulting in a potential event of default. Such an event of default would also give rise to an event of default under our Indenture dated as of January 1, 1996, pursuant to which we have \$1.9 billion of debt currently outstanding. However, the terms of such change of control provisions generally enable the Board to take technical actions or make determinations that would avoid such change of control provisions from being triggered in the event a majority of the Board changes in connection with a proxy contest. In the event Starboard proceeds with its threatened election contest, the Board will undertake an appropriate review and consider what determinations or actions could or should be made to address the potential adverse consequences to the Company from a change of control, including with respect to any outstanding indebtedness.

Certain outstanding series of our debt require that we make a change of control offer upon a change of control triggering event. As with the change of control provisions in our revolving credit facility and term loan agreement, these provisions likewise generally enable the Board to take technical actions or make determinations that would avoid such change of control offers from being triggered. Our 6.200% Senior Notes due 2017, our 4.50% Senior Notes due 2021, our 3.350% Senior Notes due 2022 and our 6.800% Senior Notes due 2037 all require us to make a change of control offer at 101% of the principal amount thereof plus accrued interest when there is both (i) a “change of control” (as defined therein) and (ii) a “Below Investment Grade Rating Event” (as defined therein). Further, our 3.79% Senior Notes due 2019 and our 4.52% Senior Notes due 2024 (together, the “Private Notes”) also require that we make a change of control offer upon a “change of control” (as defined therein) at 100% of the principal amount thereof plus accrued interest. We have recently agreed to repurchase \$80 million (of \$80 million originally outstanding) and \$210 million (of \$220 million originally outstanding) aggregate principal amount of our 3.79% Senior Notes due 2019 and our 4.52% Senior Notes due 2024, respectively. Our agreement to repurchase the Private Notes is conditioned upon closing of the anticipated Red Lobster Sale. If we are obligated to make any change of control offer, we might not have sufficient funds to pay the required price for our notes following a change of control.

We are engaged in discussions with certain of our lenders with regard to these provisions.

Absent the technical Board action described above, acceleration of the obligations under certain of our indebtedness, or our obligation to make change of control offers pursuant to the terms of certain series of our notes could have a material adverse effect on our liquidity and ability to conduct our business and could adversely affect our business, results of operations and financial condition.

Further, a change in a majority of the Board may, under certain circumstances, result in a change of control under management continuity agreements we have with our executive management. Pursuant to the agreements, certain payments may be triggered following a change of control, but only upon a qualifying termination that occurs within 24 months of any such change of control.

A change in a majority of the Board may also result in a change of control under certain contracts with third parties, if we are unable to secure appropriate waivers or amendments to any such contracts. The occurrence of any of the foregoing events could adversely affect our business, results of operations and financial condition.

A failure to maintain food safety throughout the supply chain and food-borne illness concerns may have an adverse effect on our business.

Food safety is a top priority, and we dedicate substantial resources to ensuring that our guests enjoy safe, quality food products. However, food safety issues could be caused at the point of source or by food suppliers or distributors and,

as a result, be out of our control. In addition, regardless of the source or cause, any report of food-borne illnesses such as E. coli, hepatitis A, trichinosis or salmonella, and other food safety issues including food tampering or contamination, at one of our restaurants could adversely affect the reputation of our brands and have a negative impact on our sales. Even instances of food-borne illness, food tampering or food contamination occurring solely at restaurants of our competitors could result in negative publicity about the food service industry generally and adversely impact our sales. The occurrence of food-borne illnesses or food safety issues could also adversely affect the price and availability of affected ingredients, resulting in higher costs and lower margins. Litigation, including allegations of illegal, unfair or inconsistent employment practices, may adversely affect our business, financial condition and results of operations.

Table of Contents

Our business is subject to the risk of litigation by employees, guests, suppliers, shareholders, government agencies or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. These actions and proceedings may involve allegations of illegal, unfair or inconsistent employment practices, including wage and hour violations and employment discrimination; guest discrimination; food safety issues including poor food quality, food-borne illness, food tampering, food contamination, and adverse health effects from consumption of various food products or high-calorie foods (including obesity); other personal injury; violation of “dram shop” laws (providing an injured party with recourse against an establishment that serves alcoholic beverages to an intoxicated party who then causes injury to himself or a third party); trademark infringement; violation of the federal securities laws; or other concerns. The outcome of litigation, particularly class action lawsuits and regulatory actions, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend litigation may be significant. There may also be adverse publicity associated with litigation that could decrease guest acceptance of our brands, regardless of whether the allegations are valid or we ultimately are found liable. Litigation could impact our operations in other ways as well. Allegations of illegal, unfair or inconsistent employment practices, for example, could adversely affect employee acquisition and retention. As a result, litigation may adversely affect our business, financial condition and results of operations.

Unfavorable publicity, or a failure to respond effectively to adverse publicity, could harm our reputation and adversely impact our guest counts and sales.

The good reputation of our restaurant brands is a key factor in the success of our business. Actual or alleged incidents at any of our restaurants could result in negative publicity that could harm our brands. Even incidents occurring at restaurants operated by our competitors or in the supply chain generally could result in negative publicity that could harm the restaurant industry overall and, indirectly, our own brands. Negative publicity may result from allegations of illegal, unfair or inconsistent employment practices, employee dissatisfaction, guest discrimination, illness, injury, or any of the other matters discussed above that could give rise to litigation. Regardless of whether the allegations or complaints are valid, unfavorable publicity relating to a limited number of our restaurants, or only to a single restaurant, could adversely affect public perception of the entire brand. Negative publicity also may result from health concerns including food safety and flu outbreaks, publication of government or industry findings concerning food products, environmental disasters, crime incidents, data privacy breaches, scandals involving our employees, or operational problems at our restaurants, all of which could make our brands and menu offerings less appealing to our guests and negatively impact our guest counts and sales. Adverse publicity and its effect on overall consumer perceptions of our brands, or our failure to respond effectively to adverse publicity, could have a material adverse effect on our business.

We are subject to a number of risks relating to public policy changes and federal, state and local regulation of our business, including in the areas of health care reform, environmental matters, minimum wage, unionization, data privacy, menu labeling, immigration requirements and taxes, and an insufficient or ineffective response to government regulation may impact our cost structure, operational efficiencies and talent availability.

The restaurant industry is subject to extensive federal, state, local and international laws and regulations. The development and operation of restaurants depend to a significant extent on the selection and acquisition of suitable sites, which are subject to building, zoning, land use, environmental, traffic and other regulations and requirements. We are subject to licensing and regulation by state and local authorities relating to health, sanitation, safety and fire standards and the sale of alcoholic beverages. We are subject to laws and regulations relating to the preparation and sale of food, including regulations regarding product safety, nutritional content and menu labeling. We are subject to federal and state laws governing minimum wages, unionization and other labor issues. These include the Fair Labor Standards Act of 1938 and requirements concerning overtime, paid or family leave, tip credits, working conditions and safety standards. They also include the Immigration Reform and Control Act of 1986, which requires among other things the preparation of Form I-9 to verify that employees are authorized to accept employment in the United States.

We also are subject to federal and state laws which prohibit discrimination and other laws regulating the design and operation of facilities, such as the ADA. Compliance with these laws and regulations can be costly and increase our

exposure to litigation and governmental proceedings, and a failure or perceived failure to comply with these laws could result in negative publicity that could harm our reputation. New or changing laws and regulations relating to union organizing rights and activities may impact our operations at the restaurant level and increase our labor costs. The Affordable Care Act was enacted in March 2010. We have continued to evaluate the potential impacts of this law on our business, and accommodate various parts of the law and related rules and regulations as they take effect. There are no assurances that a combination of cost management and price increases can accommodate all of the costs associated with compliance. We did not receive tax-free subsidies for providing prescription drugs to retirees under Medicare Part D. Therefore, we have no deferred tax assets associated with our retiree medical plan that would be impacted by this law. The Affordable Care Act also requires restaurant companies such as ours to disclose calorie information on their menus. Although the FDA published proposed regulations to implement the nutritional menu labeling provisions, it has delayed release of final regulations. We do not expect to incur any

Table of Contents

material costs from compliance with this provision, but cannot anticipate any changes in guest behavior resulting from the implementation of this portion of the law, which could have an adverse effect on our sales or results of operations. We are also reviewing the potential impacts of new laws associated with health care passed by various state and local governments.

We are subject to a variety of federal, state and local laws and regulations relating to the use, storage, discharge, emission and disposal of hazardous materials. There also has been increasing focus by United States and overseas governmental authorities on other environmental matters, such as climate change, the reduction of greenhouse gases and water consumption. This increased focus may lead to new initiatives directed at regulating a yet to be specified array of environmental matters, such as the emission of greenhouse gases, where “cap and trade” initiatives could effectively impose a tax on carbon emissions. Legislative, regulatory or other efforts to combat climate change or other environmental concerns could result in future increases in the cost of raw materials, taxes, transportation and utilities, which could decrease our operating profits and necessitate future investments in facilities and equipment. We are subject to laws relating to information security, privacy, cashless payments and consumer credit, protection and fraud. An increasing number of governments and industry groups worldwide have established data privacy laws and standards for the protection of personal information, including social security numbers, financial information (including credit card numbers), and health information. Compliance with these laws and regulations can be costly, and any failure or perceived failure to comply with those laws could harm our reputation or lead to litigation, which could adversely affect our financial condition.

The impact of current laws and regulations, the effect of future changes in laws or regulations that impose additional requirements and the consequences of litigation relating to current or future laws and regulations, or an insufficient or ineffective response to significant regulatory or public policy issues, could increase our cost structure, operational efficiencies and talent availability, and therefore have an adverse effect on our results of operations. Failure to comply with the laws and regulatory requirements of federal, state and local authorities could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability. Compliance with these laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings.

We may be subject to increased labor and insurance costs.

Our restaurant operations are subject to United States and Canadian federal and state laws governing such matters as minimum wages, working conditions, overtime and tip credits. As federal and state minimum wage rates increase, we may need to increase not only the wages of our minimum wage employees, but also the wages paid to employees at wage rates that are above minimum wage. Labor shortages, increased employee turnover and health care mandates could also increase our labor costs. This in turn could lead us to increase prices which could impact our sales.

Conversely, if competitive pressures or other factors prevent us from offsetting increased labor costs by increases in prices, our profitability may decline. In addition, the current premiums that we pay for our insurance (including workers’ compensation, general liability, property, health, and directors’ and officers’ liability) may increase at any time, thereby further increasing our costs. The dollar amount of claims that we actually experience under our workers’ compensation and general liability insurance, for which we carry high per-claim deductibles, may also increase at any time, thereby further increasing our costs. Further, the decreased availability of property and liability insurance has the potential to negatively impact the cost of premiums and the magnitude of uninsured losses.

We rely heavily on information technology in our operations, and insufficient guest or employee facing technology, or a failure to maintain a continuous and secure cyber network, free from material failure, interruption or security breach could harm our ability to effectively operate our business and/or result in the loss of respected relationships with our guests or employees.

We rely heavily on information systems across our operations, including for marketing programs, employee engagement, management of our supply chain, point-of-sale processing system in our restaurants, and various other processes and transactions. Our ability to effectively manage our business and coordinate the production, distribution and sale of our products depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, problems with transitioning to upgraded or replacement systems, a material network

breach in the security of these systems as a result of a cyber attack, or any other failure to maintain a continuous and secure cyber network could result in substantial harm or inconvenience to us or an individual. This could include the theft of our intellectual property or trade secrets, or the improper use of personal information or other “identity theft.” Each of these situations or data privacy breaches may cause delays in guest service, reduce efficiency in our operations, require significant capital investments to remediate the problem, or result in negative publicity that could harm our reputation and we could be subjected to litigation or the imposition of penalties.

Our inability or failure to execute on a comprehensive business continuity plan following a major natural disaster such as a hurricane or manmade disaster, including terrorism, at our corporate facility could have a materially adverse impact on our business.

Table of Contents

Many of our corporate systems and processes and corporate support for our restaurant operations are centralized at one Florida location. We have disaster recovery procedures and business continuity plans in place to address most events of a crisis nature, including hurricanes and other natural disasters, and back up and off-site locations for recovery of electronic and other forms of data and information. However, if we are unable to fully implement our disaster recovery plans, we may experience delays in recovery of data, inability to perform vital corporate functions, tardiness in required reporting and compliance, failures to adequately support field operations and other breakdowns in normal communication and operating procedures that could have a material adverse effect on our financial condition, results of operation and exposure to administrative and other legal claims.

Health concerns arising from food-related pandemics, outbreaks of flu viruses or other diseases may have an adverse effect on our business.

The United States and other countries have experienced, or may experience in the future, outbreaks of viruses, such as norovirus, avian flu or “SARS”, and H1N1 or “swine flu”, or other diseases such as bovine spongiform encephalopathy, commonly known as “mad cow disease.” To the extent that a virus or disease is food-borne, or perceived to be food-borne, future outbreaks may adversely affect the price and availability of certain food products and cause our guests to eat less of a product, or could reduce public confidence in food handling and/or public assembly. For example, health concerns relating to the consumption of beef or to specific events such as an outbreak of “mad cow disease” may adversely impact sales at LongHorn Steakhouse and The Capital Grille restaurants that offer beef as a primary menu item. In addition, public concern over avian flu may cause fear about the consumption of chicken, eggs and other products derived from poultry. The inability to serve beef or poultry-based products would restrict our ability to provide a variety of menu items to our guests. If we change a restaurant menu in response to such concerns, we may lose guests who do not prefer the new menu, and we may not be able to attract a sufficient new guest base to produce the sales needed to make the restaurant profitable. We also may have different or additional competitors for our intended guests as a result of such a change and may not be able to successfully compete against such competitors. If a virus is transmitted by human contact, our employees or guests could become infected, or could choose, or be advised, to avoid gathering in public places, any of which could adversely affect our restaurant guest traffic, and our ability to adequately staff our restaurants, receive deliveries on a timely basis or perform functions at the corporate level. We also could be adversely affected if jurisdictions in which we have restaurants impose mandatory closures, seek voluntary closures or impose restrictions on operations. Even if such measures are not implemented and a virus or other disease does not spread significantly, the perceived risk of infection or significant health risk may adversely affect our business.

We face intense competition, and if we have an insufficient focus on competition and the consumer landscape, our business, financial condition and results of operations would be adversely affected.

The full service dining sector of the restaurant industry is intensely competitive with respect to pricing, service, location, personnel and type and quality of food, and there are many well-established competitors. We compete within each market with national and regional restaurant chains and locally-owned restaurants. We also face growing competition as a result of the trend toward convergence in grocery, deli and restaurant services, particularly in the supermarket industry which offers “convenient meals” in the form of improved entrées and side dishes from the deli section. We compete primarily on the quality, variety and value perception of menu items. The number and location of restaurants, type of brand, quality and efficiency of service, attractiveness of facilities and effectiveness of advertising and marketing programs are also important factors. We anticipate that intense competition will continue with respect to all of these factors. If we are unable to continue to compete effectively, our business, financial condition and results of operations would be adversely affected.

Our failure to drive both short-term and long-term profitable sales growth through brand relevance, operating excellence, and opening new restaurants of existing brands could result in poor financial performance.

As part of our business strategy, we intend to drive profitable sales growth by increasing same-restaurant sales at existing restaurants. This strategy involves numerous risks, and we may not be able to achieve our growth objectives. At existing brands, we may not be able to maintain brand relevance and restaurant operating excellence to achieve sustainable same-restaurant sales growth and warrant new unit growth. Existing brand short-term sales growth could be impacted if we are unable to drive near term guest count growth, and long-term sales growth could be impacted if

we fail to extend our existing brands in ways that are relevant to our guests. A failure to define and deliver clear, relevant brands that generate sustainable same-restaurant traffic growth and produce non-traditional sales and earnings growth opportunities, or to evolve in-restaurant and brand support cost structures so that competitively strong sales growth results in stable and improving profit margins, could have an adverse effect on our results of operations. In addition, we may not be able to support sustained new unit growth or open all of our planned new restaurants, and the new restaurants that we open may not be profitable or as profitable as our existing restaurants. New restaurants typically experience an adjustment period before sales levels and operating margins normalize, and even sales at successful newly-opened restaurants generally do not make a significant contribution to profitability in their initial months of operation. The opening of new restaurants can also have an adverse effect on sales levels at existing restaurants.



## Table of Contents

The ability to open and profitably operate restaurants is subject to various risks, such as the identification and availability of suitable and economically viable locations, the negotiation of acceptable lease or purchase terms for new locations, the need to obtain all required governmental permits (including zoning approvals and liquor licenses) on a timely basis, the need to comply with other regulatory requirements, the availability of necessary contractors and subcontractors, the ability to meet construction schedules and budgets, the ability to manage union activities such as picketing or hand billing which could delay construction, increases in labor and building material costs, the availability of financing at acceptable rates and terms, changes in weather or other acts of God that could result in construction delays and adversely affect the results of one or more restaurants for an indeterminate amount of time, our ability to hire and train qualified management personnel and general economic and business conditions. At each potential location, we compete with other restaurants and retail businesses for desirable development sites, construction contractors, management personnel, hourly employees and other resources. If we are unable to successfully manage these risks, we could face increased costs and lower than anticipated sales and earnings in future periods.

Our plans to expand our smaller brands Bahama Breeze, Seasons 52 and Eddie V's, and the testing of other new business ventures that have not yet proven their long-term viability, may not be successful, which could require us to make substantial further investments in those brands and new business ventures and result in losses and impairments. While each of our restaurant brands, as well as each of our individual restaurants, are subject to the risks and uncertainties described above, there is an enhanced level of risk and uncertainty related to the operation and expansion of our smaller brands such as Bahama Breeze, Seasons 52 and Eddie V's, and the lobster aquaculture farming activities. These brands and new business ventures have not yet proven their long-term viability or growth potential. We have made substantial investments in the development and expansion of each of these brands and further investment is required. While we have implemented a number of changes to operations at Bahama Breeze, and believe we have improved the guest experience and unit economics sufficiently to restart modest unit growth, there can be no assurance that these changes will continue to be successful or that additional new unit growth will occur. Seasons 52 and Eddie V's also are in the early stages of their development and will require additional resources to support further growth. Our other new business initiatives such as the sale of consumer packaged goods and lobster aquaculture farming have not yet proved their long-term viability and may not be successful.

In each case, these brands and business initiatives will continue to be subject to the risks and uncertainties that accompany any emerging restaurant brand or new business initiative.

A lack of availability of suitable locations for new restaurants or a decline in the quality of the locations of our current restaurants may adversely affect our sales and results of operations.

The success of our restaurants depends in large part on their locations. As demographic and economic patterns change, current locations may not continue to be attractive or profitable. Possible declines in neighborhoods where our restaurants are located or adverse economic conditions in areas surrounding those neighborhoods could result in reduced sales in those locations. In addition, desirable locations for new restaurant openings or for the relocation of existing restaurants may not be available at an acceptable cost when we identify a particular opportunity for a new restaurant or relocation. The occurrence of one or more of these events could have a significant adverse effect on our sales and results of operations.

We may experience higher-than-anticipated costs associated with the opening of new restaurants or with the closing, relocating and remodeling of existing restaurants, which may adversely affect our results of operations.

Our sales and expenses can be impacted significantly by the number and timing of the opening of new restaurants and the closing, relocating and remodeling of existing restaurants. We incur substantial pre-opening expenses each time we open a new restaurant and other expenses when we close, relocate or remodel existing restaurants. The expenses of opening, closing, relocating or remodeling any of our restaurants may be higher than anticipated. An increase in such expenses could have an adverse effect on our results of operations.

A failure to identify and execute innovative marketing and guest relationship tactics, ineffective or improper use of other marketing initiatives, and increased advertising and marketing costs, could adversely affect our results of operations.

If our competitors increase their spending on advertising and promotions, if our advertising, media or marketing expenses increase, or if our advertising and promotions become less effective than those of our competitors, or if we do not adequately leverage technology and data analytic capabilities needed to generate concise competitive insight, we could experience a material adverse effect on our results of operations. A failure to sufficiently innovate, develop guest relationship initiatives, or maintain adequate and effective advertising could inhibit our ability to maintain brand relevance and drive increased sales.

As part of our marketing efforts, we rely on search engine marketing and social media platforms to attract and retain guests, and will begin efforts to consolidate our brands into a single digital technology platform. These initiatives may not be successful,

Table of Contents

and pose a variety of other risks, as discussed below under the heading: "Our inability or failure to recognize, respond to and effectively manage the accelerated impact of social media could materially adversely impact our business". A failure to recruit, develop and retain effective leaders, the loss or shortage of personnel with key capacities and skills, or an inability to adequately monitor and proactively respond to employee dissatisfaction could jeopardize our ability to meet our growth targets.

Our future growth depends substantially on the contributions and abilities of key executives and other employees. Our future growth also depends substantially on our ability to recruit and retain high-quality employees to work in and manage our restaurants. We must continue to recruit, retain and motivate management and other employees in order to maintain our current business and support our projected growth. A failure to maintain appropriate organizational capacity and capability to support leadership excellence (adequate resources, innovative skill sets and expectations) and build adequate bench strength required for growth, a loss of key employees or a significant shortage of high-quality restaurant employees, and an inability to adequately monitor and proactively respond to employee dissatisfaction which could lead to poor guest satisfaction, higher turnover, litigation and unionization which could jeopardize our ability to meet our growth targets.

A failure to address cost pressures, including rising costs for commodities, health care and utilities used by our restaurants, and a failure to effectively deliver cost management activities and achieve economies of scale in purchasing, could compress our margins and adversely affect our sales and results of operations.

Our results of operations depend significantly on our ability to anticipate and react to changes in the price and availability of food, ingredients, health care, utilities, unemployment and other related costs over which we may have little control. Operating margins for our restaurants are subject to changes in the price and availability of food commodities, including shrimp, lobster, crab and other seafood, as well as beef, pork, chicken, cheese and produce.

The introduction of or changes to tariffs on imported shrimp or other food products could increase our costs and possibly impact the supply of those products. We attempt to leverage our size to achieve economies of scale in purchasing, but there can be no assurances that we can always do so effectively. We are subject to the general risks of inflation. Our restaurants' operating margins are also affected by fluctuations in the price of utilities such as electricity and natural gas, whether as a result of inflation or otherwise, on which the restaurants depend for their energy supply.

In addition, interruptions to the availability of gas, electric, water or other utilities, whether due to aging infrastructure, weather conditions, fire, animal damage, trees, digging accidents or other reasons largely out of our control, may adversely affect our operations. Our inability to anticipate and respond effectively to an adverse change in any of these factors could have a significant adverse effect on our sales and results of operations.

We may lose sales or incur increased costs if our restaurants experience shortages or interruptions in the delivery of food and other products from our third party vendors and suppliers.

Shortages or interruptions in the supply of food items and other supplies to our restaurants may be caused by inclement weather; natural disasters such as hurricanes, tornadoes, floods, droughts and earthquakes; the inability of our vendors to obtain credit in a tightened credit market or remain solvent given disruptions in the financial markets; or other conditions beyond our control. Such shortages or interruptions could adversely affect the availability, quality and cost of the items we buy and the operations of our restaurants. We may have a limited number of suppliers for certain of our products. Supply chain risk could increase our costs and limit the availability of products that are critical to our restaurant operations. If we raise prices as a result of increased food costs or shortages, it may negatively impact our sales. If we temporarily close a restaurant or remove popular items from a restaurant's menu, that restaurant may experience a significant reduction in sales during the time affected by the shortage or thereafter as a result of our guests changing their dining habits.

Adverse weather conditions and natural disasters could adversely affect our restaurant sales.

Adverse weather conditions can impact guest traffic at our restaurants, cause the temporary underutilization of outdoor patio seating and, in more severe cases such as hurricanes, tornadoes or other natural disasters, cause temporary closures, sometimes for prolonged periods, which would negatively impact our restaurant sales. Changes in weather could result in construction delays, interruptions to the availability of utilities, and shortages or interruptions in the supply of food items and other supplies, which could increase our costs. Some climatologists predict that the long-term effects of climate change and global warming may result in more severe, volatile weather or extended

droughts, which could increase the frequency and duration of weather impacts on our operations.

Volatility in the market value of derivatives we use to hedge exposures to fluctuations in commodity prices may cause volatility in our gross margins and net earnings.

We use or may use derivatives to hedge price risk for some of our principal ingredient and energy costs, including but not limited to coffee, butter, wheat, soybean oil, pork, beef, diesel fuel, gasoline and natural gas. Changes in the values of these

Table of Contents

derivatives are recorded in earnings currently, resulting in volatility in both gross margin and net earnings. These gains and losses are reported as a component of cost of sales in our Consolidated Statements of Earnings included in our consolidated financial statements. We may experience volatile earnings as a result of these market factors.

Certain economic and business factors specific to the restaurant industry and other general macroeconomic factors including unemployment, energy prices and interest rates that are largely beyond our control may adversely affect consumer behavior and our results of operations.

Our business results depend on a number of industry-specific and general economic factors, many of which are beyond our control. The full service dining sector of the restaurant industry is affected by changes in international, national, regional and local economic conditions, seasonal fluctuation of sales volumes, consumer spending patterns and consumer preferences, including changes in consumer tastes and dietary habits, and the level of consumer acceptance of our restaurant brands. The performance of individual restaurants may also be adversely affected by factors such as demographic trends, severe weather including hurricanes, traffic patterns and the type, number and location of competing restaurants.

General economic conditions may also adversely affect our results of operations. Recessionary economic cycles, a protracted economic slowdown, a worsening economy, increased unemployment, increased energy prices, rising interest rates, a downgrade of the U.S. government's long-term credit rating, the European debt crisis, or other industry-wide cost pressures could affect consumer behavior and spending for restaurant dining occasions and lead to a decline in sales and earnings. Job losses, foreclosures, bankruptcies and falling home prices could cause guests to make fewer discretionary purchases, and any significant decrease in our guest traffic or average profit per transaction will negatively impact our financial performance. In addition, if gasoline, natural gas, electricity and other energy costs increase, and credit card, home mortgage and other borrowing costs increase with rising interest rates, our guests may have lower disposable income and reduce the frequency with which they dine out, may spend less on each dining out occasion, or may choose more inexpensive restaurants.

Furthermore, we cannot predict the effects that actual or threatened armed conflicts, terrorist attacks, efforts to combat terrorism, heightened security requirements, or a failure to protect information systems for critical infrastructure, such as the electrical grid and telecommunications systems, could have on our operations, the economy or consumer confidence generally. Any of these events could affect consumer spending patterns or result in increased costs for us due to security measures.

Unfavorable changes in the above factors or in other business and economic conditions affecting our guests could increase our costs, reduce traffic in some or all of our restaurants or impose practical limits on pricing, any of which could lower our profit margins and have a material adverse effect on our financial condition and results of operations. Disruptions in the financial and credit markets may adversely impact consumer spending patterns, affect the availability and cost of credit and increase pension plan expenses.

Our ability to make scheduled payments or to refinance our debt and to obtain financing for acquisitions or other general corporate and commercial purposes will depend on our operating and financial performance, which in turn is subject to prevailing economic conditions and to financial, business and other factors beyond our control. Global credit markets and the financial services industry have been experiencing a period of unprecedented turmoil over the last few years, characterized by the bankruptcy, failure or sale of various financial institutions and an unprecedented level of intervention from the United States and other governments. These events may adversely impact the availability of credit already arranged, and the availability and cost of credit in the future. There can be no assurances that we will be able to arrange credit on terms we believe are acceptable or that permit us to finance our business with historical margins. The lack of credit, along with the macroeconomic factors previously discussed, may have an adverse impact on certain of our suppliers, landlords and other tenants in retail centers in which we are located. If these issues continue or worsen, they could further materially impact these parties, which in turn could negatively affect our financial results. Any new or continuing disruptions in the financial markets may also adversely affect the U.S. and world economy, which could negatively impact consumer spending patterns. There can be no assurances as to how or when this period of turmoil will be resolved. Changes in the capital markets could also have significant effects on our pension plan. Our pension income or expense is affected by factors including the market performance of

the assets in the master pension trust maintained for the pension plans for some of our employees, the weighted average asset allocation and long-term rate of return of our pension plan assets, the discount rate used to determine the service and interest cost components of our net periodic pension cost and assumed rates of increase in our employees' future compensation. If our pension plan assets do not achieve positive rates of return, or if our estimates and assumed rates are not accurate, our earnings may decrease because net periodic pension costs would rise and we could be required to provide additional funds to cover our obligations to employees under the pension plan.

We face a variety of risks associated with doing business with franchisees, business partners and vendors in foreign markets.

Our expansion into international markets could create risks to our brands and reputation. We believe that we have selected high-caliber international operating partners and franchisees with significant experience in restaurant operations, and are providing

Table of Contents

them with training and support. However, the probability of opening, ultimate success and quality of any franchise restaurant rests with the franchisee. If the franchisee does not successfully open or operate its restaurants in a manner consistent with our standards, or guests have negative experiences due to issues with food quality or operational execution, our brand values could suffer, which could have an adverse effect on our business.

There also is no assurance that international operations will be profitable or that international growth will continue. Our international operations are subject to all of the same risks associated with our domestic operations, as well as a number of additional risks. These include, among other things, international economic and political conditions, foreign currency fluctuations, and differing cultures and consumer preferences.

We also are subject to governmental regulations throughout the world that impact the way we do business with our international franchisees, vendors and conduct our affairs with lobster aquaculture farming. These include antitrust and tax requirements, anti-boycott regulations, import/export/customs regulations and other international trade regulations, the USA Patriot Act, the Foreign Corrupt Practices Act, and applicable local law. Failure to comply with any such legal requirements could subject us to monetary liabilities and other sanctions, which could harm our business, results of operations and financial condition.

Failure to protect our service marks or other intellectual property could harm our business.

We regard our Darden®, Darden Restaurants®, Olive Garden®, Red Lobster®, LongHorn Steakhouse®, The Capital Grille®, Yard House®, Bahama Breeze®, Seasons 52®, Eddie V's Prime Seafood® and Wildfish Seafood Grille® service marks, and other service marks and trademarks related to our restaurant businesses, as having significant value and being important to our marketing efforts. We rely on a combination of protections provided by contracts, copyrights, patents, trademarks, service marks and other common law rights, such as trade secret and unfair competition laws, to protect our restaurants and services from infringement. We have registered certain trademarks and service marks in the United States and foreign jurisdictions. However, we are aware of names and marks identical or similar to our service marks being used from time to time by other persons. Although our policy is to oppose any such infringement, further or unknown unauthorized uses or other misappropriation of our trademarks or service marks could diminish the value of our brands and adversely affect our business. In addition, effective intellectual property protection may not be available in every country in which we have or intend to open or franchise a restaurant. Although we believe we have taken appropriate measures to protect our intellectual property, there can be no assurance that these protections will be adequate, and defending or enforcing our service marks and other intellectual property could result in the expenditure of significant resources.

Impairment of the carrying value of our goodwill or other intangible assets could adversely affect our financial condition and consolidated results of operations.

Goodwill represents the difference between the purchase price of acquired companies and the related fair values of net assets acquired. We test goodwill for impairment annually and whenever events or changes in circumstances indicate that impairment may have occurred. We compare the carrying value of a reporting unit, including goodwill, to the fair value of the unit. Carrying value is based on the assets and liabilities associated with the operations of that reporting unit. If the carrying value is less than the fair value, no impairment exists. If the carrying value is higher than the fair value, there is an indication of impairment. A significant amount of judgment is involved in determining if an indication of impairment exists. Factors may include, among others: a significant decline in our expected future cash flows; a sustained, significant decline in our stock price and market capitalization; a significant adverse change in legal factors or in the business climate; unanticipated competition; the testing for recoverability of a significant asset group within a reporting unit; and slower growth rates. Any adverse change in these factors would have a significant impact on the recoverability of these assets and negatively affect our financial condition and consolidated results of operations. We compute the amount of impairment by comparing the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. We are required to record a non-cash impairment charge if the testing performed indicates that goodwill has been impaired.

We evaluate the useful lives of our other intangible assets, primarily the LongHorn Steakhouse®, The Capital Grille®, Yard House® and Eddie V's Prime Seafood® trademarks, to determine if they are definite or indefinite-lived. Reaching a determination on useful life requires significant judgments and assumptions regarding the future effects of

obsolescence, demand, competition, other economic factors (such as the stability of the industry, legislative action that results in an uncertain or changing regulatory environment, and expected changes in distribution channels), the level of required maintenance expenditures, and the expected lives of other related groups of assets.

As with goodwill, we test our indefinite-lived intangible assets (primarily trademarks) for impairment annually and whenever events or changes in circumstances indicate that their carrying value may not be recoverable. We estimate the fair value of the trademarks based on an income valuation model using the relief from royalty method, which requires assumptions related to projected sales from our annual long-range plan, assumed royalty rates that could be payable if we did not own the trademarks and a discount rate.



## Table of Contents

We cannot accurately predict the amount and timing of any impairment of assets. Should the value of goodwill or other intangible assets become impaired, there could be an adverse effect on our financial condition and consolidated results of operations.

Failure of our internal controls over financial reporting and future changes in accounting standards may cause adverse unexpected operating results, affect our reported results of operations or otherwise harm our business and financial results.

Our management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that we would prevent or detect a misstatement of our financial statements or fraud. Our growth and acquisition of other restaurant companies with procedures not identical to our own could place significant additional pressure on our system of internal control over financial reporting. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud. A significant financial reporting failure or material weakness in internal control over financial reporting could cause a loss of investor confidence and decline in the market price of our common stock.

A change in accounting standards can have a significant effect on our reported results and may affect our reporting of transactions before the change is effective. New pronouncements and varying interpretations of pronouncements have occurred and may occur in the future. Changes to existing accounting rules or the questioning of current accounting practices may adversely affect our reported financial results. Additionally, our assumptions, estimates and judgments related to complex accounting matters could significantly affect our financial results. Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including but not limited to, revenue recognition, fair value of investments, impairment of long-lived assets, leases and related economic transactions, derivatives, pension and post-retirement benefits, intangibles, self-insurance, income taxes, property and equipment, unclaimed property laws and litigation, and stock-based compensation are highly complex and involve many subjective assumptions, estimates and judgments by us. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments by us could significantly change our reported or expected financial performance.

Our inability or failure to recognize, respond to and effectively manage the accelerated impact of social media could materially adversely impact our business.

There has been a marked increase in the use of social media platforms and similar devices, including weblogs (blogs), social media websites, and other forms of Internet-based communications which allow individuals access to a broad audience of consumers and other interested persons. Many social media platforms immediately publish the content their subscribers and participants can post, often without filters or checks on accuracy of the content posted. Information posted on such platforms at any time may be adverse to our interests or may be inaccurate, each of which may harm our performance, prospects, or business. The harm may be immediate without affording us an opportunity for redress or correction. The dissemination of information online could harm our business, prospects, financial condition, and results of operations, regardless of the information's accuracy.

As part of our marketing efforts, we rely on search engine marketing and social media platforms such as Facebook® and Twitter® to attract and retain guests. We have initiated a multi-year effort to implement new technology platforms that will allow us to digitally engage with our guests and employees and strengthen our marketing and analytics capabilities in this increasingly connected society. These initiatives may not be successful, resulting in expenses incurred without the benefit of higher revenues or increased employee engagement. In addition, a variety of risks are associated with the use of social media, including the improper disclosure of proprietary information, negative comments about us, exposure of personally identifiable information, fraud, or out-of-date information. The inappropriate use of social media vehicles by our guests or employees could increase our costs, lead to litigation or result in negative publicity that could damage our reputation.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Restaurant Properties – Continuing Operations

As of May 25, 2014, we operated 1,501 restaurants in the United States and Canada (consisting of 837 Olive Garden, 464 LongHorn Steakhouse, 54 The Capital Grille, 52 Yard House, 38 Seasons 52, 37 Bahama Breeze, and 15 Eddie V's), in the following locations:

23

---

Table of Contents

|                          |                    |                     |                     |
|--------------------------|--------------------|---------------------|---------------------|
| Alabama (12)             | Illinois (48)      | Montana (2)         | Rhode Island (3)    |
| Alaska (2)               | Indiana (32)       | Nebraska (6)        | South Carolina (29) |
| Arkansas (31)            | Iowa (12)          | Nevada (15)         | South Dakota (3)    |
| Arizona (38)             | Kansas (20)        | New Hampshire (10)  | Tennessee (43)      |
| California (102)         | Kentucky (18)      | New Jersey (46)     | Texas (132)         |
| Colorado (20)            | Louisiana (16)     | New Mexico (7)      | Utah (15)           |
| Connecticut (15)         | Maine (9)          | New York (42)       | Vermont (2)         |
| Delaware (5)             | Maryland (31)      | North Carolina (53) | Virginia (44)       |
| District of Columbia (1) | Massachusetts (40) | North Dakota (6)    | Washington (22)     |
| Florida (172)            | Michigan (33)      | Ohio (69)           | West Virginia (9)   |
| Georgia (99)             | Minnesota (15)     | Oklahoma (13)       | Wisconsin (18)      |
| Hawaii (1)               | Mississippi (12)   | Oregon (9)          | Wyoming (2)         |
| Idaho (5)                | Missouri (34)      | Pennsylvania (72)   | Canada (6)          |

Of these 1,501 restaurants open on May 25, 2014, 586 were located on owned sites and 915 were located on leased sites. The leases are classified as follows:

|   |     |
|---|-----|
| Land-Only Leases (we own buildings and equipment) | 668 |
| Ground and Building Leases                        | 46  |
| Space/In-Line/Other Leases                        | 201 |
| Total   | 915 |

## Restaurant Properties - Discontinued Operations

As of May 25, 2014, we operated 706 Red Lobster restaurants in the United States and Canada in the following locations that are reported as a component of discontinued operations:

|                 |                 |                     |                   |
|-----------------|-----------------|---------------------|-------------------|
| Alabama (12)    | Indiana (21)    | Nevada (4)          | Tennessee (18)    |
| Arkansas (8)    | Iowa (8)        | New Jersey (17)     | Texas (61)        |
| Arizona (18)    | Kansas (7)      | New Mexico (7)      | Utah (5)          |
| California (44) | Kentucky (10)   | New York (31)       | Virginia (25)     |
| Colorado (15)   | Louisiana (4)   | North Carolina (17) | Washington (10)   |
| Connecticut (4) | Maryland (15)   | North Dakota (3)    | West Virginia (4) |
| Delaware (3)    | Michigan (27)   | Ohio (40)           | Wisconsin (8)     |
| Florida (64)    | Minnesota (12)  | Oklahoma (10)       | Wyoming (2)       |
| Georgia (32)    | Mississippi (6) | Oregon (5)          | Canada (27)       |
| Hawaii (1)      | Missouri (16)   | Pennsylvania (33)   |                   |
| Idaho (4)       | Montana (1)     | South Carolina (13) |                   |
| Illinois (27)   | Nebraska (5)    | South Dakota (2)    |                   |

Of these 706 restaurants open on May 25, 2014, 474 were located on owned sites and 232 were located on leased sites. The leases are classified as follows:

|   |     |
|---|-----|
| Land-Only Leases (we own buildings and equipment) | 172 |
| Ground and Building Leases                        | 25  |
| Space/In-Line/Other Leases                        | 35  |
| Total   | 232 |

## Properties – General

During fiscal 1999, we formed two subsidiary corporations, each of which elected to be taxed as a Real Estate Investment Trust (“REIT”) under Sections 856 through 860 of the Internal Revenue Code. These elections limit the activities of both

## Table of Contents

corporations to holding certain real estate assets. The formation of these two REITs is designed primarily to assist us in managing our real estate portfolio and possibly to provide a vehicle to access capital markets in the future. Both REITs were structured as non-public REITs.

During fiscal 2013, we merged one of the REIT entities into another subsidiary of Darden Restaurants, Inc. The second REIT was merged into GMRI, Inc., our wholly-owned subsidiary, during fiscal 2014. As a result of these mergers, all restaurant property that was previously owned by the merged REITs was returned to Darden corporate entities that operate the corresponding restaurants at the sites. For financial reporting purposes, the second REIT is included in our consolidated financial statements during a portion of fiscal 2014.

In connection with the sale and lease back of our former Restaurant Support Center buildings, we purchased several adjacent parcels of vacant land in Orange County, Florida, and relocated our headquarters to this site during the second quarter of fiscal 2010. The site includes a main headquarters building, data center and parking deck. The Restaurant Support Center campus at this new location offers a more collaborative and unified environment with additional room for future growth. During fiscal year 2013, we commenced the first phase of hotel/retail development on the adjacent parcels of land to our Restaurant Support Center buildings. The first phase of hotel/retail development includes construction of a 128-room hotel by an unaffiliated third party hotel operator. The hotel will be utilized as lodging for those attending training sessions at our Restaurant Support Center.

Except in limited instances, our present restaurant sites and other facilities are not subject to mortgages or encumbrances securing money borrowed by us from outside sources. In our opinion, our current buildings and equipment generally are in good condition, suitable for their purposes and adequate for our current needs. See also Note 5 “Land, Buildings and Equipment, Net” and Note 14 “Leases” under Notes to Consolidated Financial Statements in our 2014 Annual Report to Shareholders, which is incorporated herein by reference.

### Item 3. LEGAL PROCEEDINGS

See the discussion of legal proceedings contained in the third, fourth and fifth paragraphs of Note 19 “Commitments and Contingencies” under Notes to Consolidated Financial Statements in our 2014 Annual Report to Shareholders, which is incorporated herein by reference.

### Item 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

### Item MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND 5. ISSUER PURCHASES OF EQUITY SECURITIES

The principal United States market on which our common shares are traded is the New York Stock Exchange, where our shares are traded under the symbol DRI. As of June 30, 2014, there were approximately 41,859 registered holders of record of our common shares. The information concerning the dividends and high and low intraday sales prices for our common shares traded on the New York Stock Exchange for each full quarterly period during fiscal 2014 and 2013 contained in Note 21 “Quarterly Data (Unaudited)” under Notes to Consolidated Financial Statements in our 2014 Annual Report to Shareholders is incorporated herein by reference. We have not sold any equity securities during the last fiscal year that were not registered under the Securities Act of 1933, as amended.

The table below provides information concerning our repurchase of shares of our common stock during the quarter ended May 25, 2014. Since commencing our repurchase program in December 1995, we have repurchased a total of 171.9 million shares through May 25, 2014 under authorizations from our Board of Directors to repurchase an

aggregate of 187.4 million shares.

25

---

Table of Contents

| Period                                   | Total Number of Shares Purchased (1) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (2) |
|--|--------------------------------------|------------------------------|--|--|
| February 24, 2014 through March 30, 2014 | —                                    | —                            | —  | 15,453,642   |
| March 31, 2014 through April 27, 2014    | —                                    | —                            | —  | 15,453,642   |
| April 28, 2014 through May 25, 2014      | 47                                   | \$50.47                      | 47   | 15,453,595   |
| Total                                    | 47                                   | \$50.47                      | 47   | 15,453,595   |

(1) All of the shares purchased during the quarter ended May 25, 2014 were purchased as part of our repurchase program, the most recent authority for which was announced in a press release issued on December 20, 2010. There is no expiration date for our program. The number of shares purchased includes shares withheld for taxes on vesting of restricted stock, shares delivered or deemed to be delivered to us on tender of stock in payment for the exercise price of options and shares reacquired pursuant to tax withholding on option exercises. These shares are included as part of our repurchase program and reduce the repurchase authority granted by our Board. The number of shares repurchased excludes shares we reacquired pursuant to forfeiture of restricted stock.

(2) Repurchases are subject to prevailing market prices, may be made in open market or private transactions, and may occur or be discontinued at any time. There can be no assurance that we will repurchase any additional shares.

## Item 6. SELECTED FINANCIAL DATA

The information for fiscal 2010 through 2014 contained in the Five-Year Financial Summary in our 2014 Annual Report to Shareholders is incorporated herein by reference.

## Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information set forth in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2014 Annual Report to Shareholders is incorporated herein by reference.

## Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth in the section entitled "Quantitative and Qualitative Disclosures About Market Risk" contained within "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2014 Annual Report to Shareholders is incorporated herein by reference.

## Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Report of Management Responsibilities, Management's Report on Internal Control Over Financial Reporting, Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting, Report of Independent Registered Public Accounting Firm, Consolidated Statements of Earnings, Consolidated Statements of Comprehensive Income, Consolidated Balance Sheets, Consolidated Statements of Changes in Stockholders' Equity, Consolidated Statements of Cash Flows, and Notes to Consolidated Financial Statements in our 2014 Annual Report to Shareholders are incorporated herein by reference.

## Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in or disagreements with accountants on accounting and financial disclosure requiring disclosure under this Item.

**Item 9A. CONTROLS AND PROCEDURES**

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined

## Table of Contents

in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”) as of May 25, 2014, the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of May 25, 2014.

During the fiscal quarter ended May 25, 2014, there was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The annual report of our management on internal control over financial reporting, and the audit report of KPMG LLP, our independent registered public accounting firm, regarding our internal control over financial reporting included in our 2014 Annual Report to Shareholders, are incorporated herein by reference.

### Item 9B. OTHER INFORMATION

None.

## PART III

### Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information contained in the sections entitled “Proposal 1 – Election of Directors,” “Meetings of the Board of Directors and Its Committees,” “Corporate Governance and Board Administration” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive Proxy Statement for our 2014 Annual Meeting of Shareholders is incorporated herein by reference. Information regarding executive officers is contained in Part I above under the heading “Executive Officers of the Registrant.”

All of our employees are subject to our Code of Business Conduct and Ethics. Appendix A to the Code provides a special Code of Ethics with additional provisions that apply to our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions (the “Senior Financial Officers”). Appendix B to the Code provides a Code of Business Conduct and Ethics for members of our Board of Directors. These documents are posted on our internet website at [www.darden.com](http://www.darden.com) and are available in print free of charge to any shareholder who requests them. We will disclose any amendments to or waivers of these Codes for directors, executive officers or Senior Financial Officers on our website.

We also have adopted a set of Corporate Governance Guidelines and charters for all of our Board committees: the Executive Committee, Audit Committee, which was established in accordance with Section 5(a)(58)(A) of the Exchange Act, Compensation Committee, Nominating and Governance Committee and Finance Committee. The Corporate Governance Guidelines and committee charters are available on our website at [www.darden.com](http://www.darden.com) under the Investors - Corporate Governance tab and in print free of charge to any shareholder who requests them. Written requests for our Code of Business Conduct and Ethics, Corporate Governance Guidelines and committee charters should be addressed to Darden Restaurants, Inc., 1000 Darden Center Drive, Orlando, Florida 32837, Attention: Corporate Secretary.

### Item 11. EXECUTIVE COMPENSATION

The information contained in the sections entitled “Director Compensation,” “Executive Compensation,” “Compensation Discussion and Analysis,” “Compensation Committee Report” and “Corporate Governance and Board Administration” in our definitive Proxy Statement for our 2014 Annual Meeting of Shareholders is incorporated herein by reference.

### Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information contained in the sections entitled “Stock Ownership of Principal Shareholders,” “Stock Ownership of Management” and “Equity Compensation Plan Information” in our definitive Proxy Statement for our 2014 Annual Meeting of Shareholders is incorporated herein by reference.



Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information contained in the sections entitled “Related Party Transactions,” “Meetings of the Board of Directors and Its Committees” and “Corporate Governance and Board Administration” in our definitive Proxy Statement for our 2014 Annual Meeting of Shareholders is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

27

---

Table of Contents

The information contained in the section entitled “Independent Registered Public Accounting Firm Fees and Services” in our definitive Proxy Statement for our 2014 Annual Meeting of Shareholders is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements:

Report of Management Responsibilities.

Management’s Report on Internal Control over Financial Reporting.

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting.

Report of Independent Registered Public Accounting Firm.

Consolidated Statements of Earnings for the fiscal years ended May 25, 2014, May 26, 2013 and May 27, 2012.

Consolidated Balance Sheets at May 25, 2014 and May 26, 2013.

Consolidated Statements of Comprehensive Income for the fiscal years ended May 25, 2014, May 26, 2013 and May 27, 2012.

Consolidated Statements of Changes in Stockholders’ Equity for the fiscal years ended May 25, 2014, May 26, 2013 and May 27, 2012.

Consolidated Statements of Cash Flows for the fiscal years ended May 25, 2014, May 26, 2013 and May 27, 2012.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedules:

Not applicable.

3. Exhibits:

The exhibits listed in the accompanying Exhibit Index are filed as part of this Form 10-K and incorporated herein by reference. Pursuant to Item 601(b)(4)(iii) of Regulation S-K, copies of certain instruments defining the rights of holders of certain of our long-term debt are not filed, and in lieu thereof, we agree to furnish copies thereof to the Securities and Exchange Commission upon request. The Exhibit Index specifically identifies with an asterisk each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K. We will furnish copies of any exhibit listed on the Exhibit Index upon request upon the payment of a reasonable fee to cover our expenses in furnishing such exhibits.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: July 18, 2014

DARDEN RESTAURANTS, INC.

By: /s/ Clarence Otis, Jr.  
Clarence Otis, Jr., Chairman of the Board  
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature  | Title   | Date          |
|--|---|---------------|
| /s/ Clarence Otis, Jr.<br>Clarence Otis, Jr.                       | Director, Chairman of the Board and<br>Chief Executive Officer (Principal executive<br>officer)   | July 18, 2014 |
| /s/ C. Bradford Richmond<br>C. Bradford Richmond                   | Senior Vice President and Chief Financial Officer<br>(Principal financial and accounting officer) | July 18, 2014 |
| /s/ Michael W. Barnes*<br>Michael W. Barnes                        | Director  |               |
| /s/ Leonard L. Berry*<br>Leonard L. Berry                          | Director  |               |
| /s/ Christopher J. Fraleigh*<br>Christopher J. Fraleigh            | Director  |               |
| /s/ Victoria D. Harker*<br>Victoria D. Harker                      | Director  |               |
| /s/ David H. Hughes*<br>David H. Hughes                            | Director  |               |
| /s/ Charles A. Ledsinger, Jr.*<br>Charles A. Ledsinger, Jr.        | Director  |               |
| /s/ William M. Lewis, Jr.*<br>William M. Lewis, Jr.                | Director  |               |
| /s/ Cornelius McGillicuddy, III* **<br>Cornelius McGillicuddy, III | Director  |               |
| /s/ Michael D. Rose*<br>Michael D. Rose                            | Director  |               |
| /s/ Maria A. Sastre*<br>Maria A. Sastre                            | Director  |               |

/s/ William S. Simon\*

Director

William S. Simon

\*By: /s/ Teresa M. Sebastian

Teresa M. Sebastian, Attorney-In-Fact

July 18, 2014

\*\* Popularly known as Senator Connie Mack, III. Senator Mack signs legal documents, including this Form 10-K, under his legal name of Cornelius McGillicuddy, III.

Table of Contents

EXHIBIT INDEX

| Exhibit<br>Number | Title   |
|-------------------|---|
| 2(a)              | Asset and Stock Purchase Agreement, dated as of May 15, 2014, by and between Darden Restaurants, Inc. and RL Acquisition LLC (incorporated herein by reference to Exhibit 2.1 to our Current Report on Form 8-K/A filed May 23, 2014).  |
| 2(b)              | Agreement and Plan of Merger, dated as of July 12, 2012, by and among Darden Restaurants, Inc., Stout Acquisition Corp., Yard House USA, Inc., and certain stockholders of Yard House USA, Inc. (incorporated herein by reference to Exhibit 2.1 to our Current Report on Form 8-K filed July 12, 2012).  |
| 3(a)              | Articles of Incorporation as amended May 26, 2005 (incorporated by reference to Exhibit 3(a) to our Annual Report on Form 10-K (Commission File No. 000-19924) for the fiscal year ended May 29, 2005 filed July 29, 2005).   |
| 3(b)              | Bylaws as amended effective March 19, 2014 (incorporated by reference to Exhibit 3 to our Current Report on Form 8-K filed March 24, 2014).   |
| 4(a)              | Rights Agreement dated as of May 16, 2005, by and between Darden Restaurants, Inc. and Wachovia Bank, National Association, as Rights Agent (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed May 16, 2005).  |
| 4(b)              | Amendment to Rights Agreement dated as of June 2, 2006, by and between Darden Restaurants, Inc., Wachovia Bank, National Association and Wells Fargo Bank, National Association, as successor Rights Agent (incorporated by reference to Exhibit 4 to our Current Report on Form 8-K filed June 5, 2006).   |
| 4(c)              | Indenture dated as of January 1, 1996, between Darden Restaurants, Inc. and Wells Fargo Bank, National Association (as successor to Wells Fargo Bank Minnesota, National Association, formerly known as Norwest Bank Minnesota, National Association) (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-3 (Commission File No. 333-146582) filed October 9, 2007).  |
| 4(d)              | Officers' Certificate and Authentication Order, dated August 9, 2005, for the 6.000% Senior Notes due 2035 (which includes the form of Note) issued pursuant to the Indenture dated as of January 1, 1996, between Darden Restaurants, Inc. and Wells Fargo Bank, National Association (as successor to Wells Fargo Bank Minnesota, National Association, formerly known as Norwest Bank Minnesota, National Association), as Trustee (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed August 11, 2005). |
| 4(e)              | Officers' Certificate and Authentication Order, dated October 10, 2007, for the 6.200% Senior Notes due 2017 (which includes the form of Note) issued pursuant to the Indenture dated as of January 1, 1996, between Darden Restaurants, Inc. and Wells Fargo Bank, National Association (as successor to Wells Fargo Bank Minnesota, National Association, formerly known as Norwest Bank Minnesota, National Association), as Trustee (incorporated by reference to Exhibit 4.2 to our Current Report on                                |

Form 8-K filed October 16, 2007).

4(f) Officers' Certificate and Authentication Order, dated October 10, 2007, for the 6.800% Senior Notes due 2037 (which includes the form of Note) issued pursuant to the Indenture dated as of January 1, 1996, between Darden Restaurants, Inc. and Wells Fargo Bank, National Association (as successor to Wells Fargo Bank Minnesota, National Association, formerly known as Norwest Bank Minnesota, National Association), as Trustee (incorporated by reference to Exhibit 4.3 to our Current Report on Form 8-K filed October 16, 2007).

4(g) Officers' Certificate and Authentication Order, dated October 5, 2011, for the 4.50% Senior Notes due 2021 (which includes the form of Note) issued pursuant to the Indenture dated as of January 1, 1996, between Darden Restaurants, Inc. and Wells Fargo Bank, National Association (as successor to Wells Fargo Bank Minnesota, National Association, formerly known as Norwest Bank Minnesota, National Association), as Trustee (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed October 11, 2011).

4(h) Officers' Certificate and Authentication Order, dated October 4, 2012, for the 3.350% Senior Notes due 2022 (which includes the form of Note) issued pursuant to the Indenture dated as of January 1, 1996, between Darden Restaurants, Inc. and Wells Fargo Bank, National Association (as successor to Wells Fargo Bank Minnesota, National Association, formerly known as Norwest Bank Minnesota, National Association), as Trustee (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed October 4, 2012).

4(i) Note Purchase Agreement dated June 18, 2012, between Darden Restaurants, Inc. and the purchasers named therein (incorporated herein by reference to Exhibit 4.1 to our Current Report on Form 8-K filed June 20, 2012).

Table of Contents

- \*10(a) Darden Restaurants, Inc. Stock Option and Long-Term Incentive Plan of 1995, as amended March 19, 2003 (incorporated herein by reference to Exhibit 10(b) to our Quarterly Report on Form 10-Q (Commission File No. 000-19924) for the fiscal quarter ended February 23, 2003).
- \*10(b) Darden Restaurants, Inc. FlexComp Plan, as amended (incorporated herein by reference to Exhibit 10(a) to our Quarterly Report on Form 10-Q (Commission File No. 000-19924) for the quarter ended November 23, 2008).
- \*10(c) Darden Restaurants, Inc. Stock Plan for Directors, as amended (incorporated by reference to Exhibit 10(c) to our Quarterly Report on Form 10-Q (Commission File No. 000-19924) for the fiscal quarter ended November 23, 2008).
- \*10(d) Darden Restaurants, Inc. Compensation Plan for Non-Employee Directors, as amended (incorporated herein by reference to Exhibit 10(d) to our Quarterly Report on Form 10-Q (Commission File No. 000-19924) for the fiscal quarter ended November 23, 2008).
- \*10(e) Darden Restaurants, Inc. Management and Professional Incentive Plan, as amended (incorporated herein by reference to Exhibit 10(e) to our Annual Report on Form 10-K (Commission File No. 000-19924) for the fiscal year ended May 31, 2009, filed July 24, 2009).
- \*10(f) Amended and Restated Darden Restaurants, Inc. Benefits Trust Agreement dated as of March 23, 2011, between Darden Restaurants, Inc. and Wells Fargo Bank, National Association (as successor to Wells Fargo Bank Minnesota, National Association, formerly known as Norwest Bank Minnesota, National Association) (incorporated herein by reference to Exhibit 10 to our Quarterly Report on Form 10-Q (Commission File No. 000-19924) for the quarter ended February 27, 2011).
- \*10(g) Form of Amended and Restated Management Continuity Agreement between Darden Restaurants, Inc. and our executive officers (incorporated herein by reference to Exhibit 10(i) to our Annual Report on Form 10-K (Commission File No. 000-19924) for the fiscal year ended May 31, 2009, filed July 24, 2009).
- \*10(h) Darden Restaurants, Inc. Restaurant Management and Employee Stock Plan of 2000, as amended June 19, 2003 (incorporated by reference to Exhibit 10(l) to our Annual Report on Form 10-K (Commission File No. 000-19924) for the fiscal year ended May 25, 2003, filed August 22, 2003).
- \*10(i) Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (incorporated herein by reference to Exhibit 10 to our Current Report on Form 8-K filed September 20, 2013).
- 10(j) Credit Agreement, dated as of October 3, 2011, among Darden Restaurants, Inc., certain lenders party thereto and Bank of America, N.A., as administrative agent (incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed October 3, 2011).
- 10(k) First Amendment to Credit Agreement, dated as of October 24, 2013, among Darden Restaurants, Inc., certain lenders party thereto and Bank of America, N.A., as administrative agent (incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed October 30, 2013).
- \*10(l) Darden Restaurants, Inc. Director Compensation Program, as amended (incorporated herein by reference to Exhibit 10(b) to our Quarterly Report on Form 10-Q (Commission File No. 000-19924) for the fiscal quarter ended November 23, 2008).

- \*10(m) Form of Non-Qualified Stock Option Award Agreement under the Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (incorporated herein by reference to Exhibit 10(o) to our Annual Report on Form 10-K (Commission File No. 000-19924) for the fiscal year ended May 31, 2009, filed July 24, 2009).
- \*10(n) Form of fiscal 2010 Performance Stock Units Award Agreement under the Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (incorporated herein by reference to Exhibit 10(p) to our Annual Report on Form 10-K (Commission File No. 000-19924) for the fiscal year ended May 31, 2009, filed July 24, 2009).
- \*10(o) Form of fiscal 2014 Performance Stock Units Award Agreement under the Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (United States) (incorporated herein by reference to Exhibit 10(n) to our Annual Report on Form 10-K (Commission File No. 000-19924) for the fiscal year ended May 26, 2013, filed July 19, 2013).
- \*10(p) Form of Amendment to Exhibit A to the form of fiscal 2009 Performance Stock Unit Award Agreements under the Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (incorporated herein by reference to Exhibit 10(t) to our Annual Report on Form 10-K (Commission File No. 000-19924) for the fiscal year ended May 31, 2009, filed July 24, 2009).
- \*10(q) Employment Agreement dated April 28, 2003 between RARE Hospitality International, Inc. and Eugene I. Lee, Jr. (incorporated herein by reference from Exhibit 10.2 of the RARE Hospitality International, Inc. Quarterly Report on Form 10-Q (Commission File No. 000-19924) for the fiscal quarter ended June 29, 2003).



## Edgar Filing: DARDEN RESTAURANTS INC - Form 10-K

### Table of Contents

- \*10(r) First Amendment of Employment Agreement dated October 27, 2004 between RARE Hospitality International, Inc. and Eugene I. Lee, Jr. (incorporated herein by reference from Exhibit 10.2 of the RARE Hospitality International, Inc. Quarterly Report on Form 10-Q (Commission File No. 000-19924) for the fiscal quarter ended September 26, 2004).
- \*10(s) Second Amendment of Employment Agreement, dated October 27, 2005 between RARE Hospitality International, Inc. and Eugene I. Lee, Jr. (incorporated herein by reference from Exhibit 10.2 of the RARE Hospitality International, Inc. Quarterly Report on Form 10-Q (Commission File No. 000-19924) for the fiscal quarter ended September 25, 2005).
- \*10(t) Third Amendment of Employment Agreement, dated October 27, 2006 between RARE Hospitality International, Inc. and Eugene I. Lee, Jr. (incorporated herein by reference from Exhibit 10.2 of the RARE Hospitality International, Inc. Quarterly Report on Form 10-Q (Commission File No. 000-19924) for the fiscal quarter ended October 1, 2006).
- \*10(u) Fourth Amendment of Employment Agreement, dated December 15, 2006 between RARE Hospitality International, Inc. and Eugene I. Lee, Jr. (incorporated herein by reference from Exhibit 10(24) of the RARE Hospitality International, Inc. Annual Report filed on Form 10-K (Commission File No. 000-19924) for fiscal year ended December 31, 2006).
- \*10(v) Letter Agreement, dated August 16, 2007, between us and Eugene I. Lee, Jr. (incorporated herein by reference from Exhibit (e)(22) of the RARE Hospitality International, Inc. Schedule 14D-9 (Commission File No. 000-19924) filed August 31, 2007).
- \*10(w) RARE Hospitality International, Inc. Amended and Restated 2002 Long-Term Incentive Plan, as amended (incorporated herein by reference to Exhibit 10(aa) to our Annual Report on Form 10-K (Commission File No. 000-19924) for the fiscal year ended May 31, 2009, filed July 24, 2009).
- 10(x) Form of Non-Qualified Stock Option Award Agreement under the RARE Hospitality International, Inc. Amended and Restated 2002 Long-Term Incentive Plan, as amended (incorporated herein by reference to Exhibit 10(bb) to our Annual Report on Form 10-K (Commission File No. 000-19924) for the fiscal year ended May 31, 2009, filed July 24, 2009).
- 10(y) Term Loan Agreement, dated as of August 22, 2012, among Darden Restaurants, Inc. and certain lenders parties thereto and Bank of America, N.A., as administrative agent (incorporated herein by reference to Exhibit 99 to our Current Report on Form 8-K filed August 28, 2012).
- \*10(z) Agreement, dated November 22, 2013, between Darden Restaurants, Inc. and Andrew H. Madsen (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed November 27, 2013).
- \*10(aa) Letter Agreement, dated December 18, 2013, between Darden Restaurants, Inc. and C. Bradford Richmond (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed December 24, 2013).
- \*10(bb) Agreement, dated May 23, 2014, between Darden Restaurants, Inc. and David T. Pickens (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed May 30, 2014).
- 12 Computation of Ratio of Consolidated Earnings to Fixed Charges.

|         |   |
|---------|---|
| 13      | Portions of 2014 Annual Report to Shareholders.   |
| 21      | Subsidiaries of Darden Restaurants, Inc.  |
| 23      | Consent of Independent Registered Public Accounting Firm.   |
| 24      | Powers of Attorney.   |
| 31(a)   | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31(b)   | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32(a)   | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32(b)   | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document  |
| 101.SCH | XBRL Schema Document  |
| 101.CAL | XBRL Calculation Linkbase Document  |
| 101.DEF | XBRL Definition Linkbase Document   |

Table of Contents

101.LAB XBRL Label Linkbase Document

101.PRE XBRL Presentation Linkbase Document

\* Items marked with an asterisk are management contracts or compensatory plans or arrangements required to be filed as an exhibit pursuant to Item 15 of Form 10-K and Item 601(b)(10)(iii)(A) of Regulation S-K.

33