

DARDEN RESTAURANTS INC

FORM 10-K (Annual Report)

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Address	1000 DARDEN CENTER DRIVE ORLANDO, FL 32837
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**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 26, 2013

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

(State or other jurisdiction of
incorporation or organization)

59-3305930

(IRS Employer Identification No.)

1000 Darden Center Drive, Orlando, Florida

(Address of principal executive offices)

32837

(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
**Common Stock, without par value
and Preferred Stock Purchase Rights**

Name of each exchange
on which registered
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)

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 \$53.53 per share as reported on the New York Stock Exchange on November 23, 2012, was approximately: \$6,872,114,000.

Number of shares of Common Stock outstanding as of May 26, 2013 : 130,291,985 (excluding 1,335,036 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 18, 2013 , to be filed with the Securities and Exchange Commission no later than 120 days after May 26, 2013 , 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 26, 2013 are incorporated by reference into Parts I and II of this Report.

DARDEN RESTAURANTS, INC.
FORM 10-K
FISCAL YEAR ENDED MAY 26, 2013

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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 2014, 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”.

PART I

ITEM 1. BUSINESS

Introduction

Darden Restaurants, Inc. is the world's largest company-owned and operated full service restaurant company ¹, and served over 441 million meals in fiscal 2013. As of May 26, 2013, we operated through subsidiaries 2,138 restaurants in the United States and Canada. In the United States, we operated 2,105 restaurants in all 50 states, including 822 Olive Garden®, 678 Red Lobster®, 430 LongHorn Steakhouse®, 49 The Capital Grille®, 44 Yard House®, 33 Bahama Breeze®, 31 Seasons 52®, nine Eddie V's Prime Seafood®, six 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 Florida and three restaurants in California which are owned jointly by us and third parties, and managed by us, and five franchised restaurants in Puerto Rico. None of our restaurants in the United States, excluding Puerto Rico, are franchised. None of our restaurants in Canada are franchised. Of our 2,138 restaurants in the United States and Canada open on May 26, 2013, 1,048 were located on owned sites and 1,090 were located on leased sites. As of May 26, 2013, we also had 37 restaurants operated by independent third parties pursuant to area development and franchise agreements, including 23 Red Lobster restaurants in Japan, five LongHorn Steakhouse restaurants in Puerto Rico, four Red Lobster restaurants and two Olive Garden restaurants in the Middle East region (a Red Lobster in Dubai, a Red Lobster in Qatar, a Red Lobster and an Olive Garden in Kuwait, a Red Lobster and an Olive Garden in Abu Dhabi), and two Olive Garden restaurants and one The Capital Grille restaurant in Mexico City.

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. 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 2013, 2012 and 2011 fiscal years, which ended May 26, 2013, May 27, 2012 and May 29, 2011, 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 has grown from six restaurants in operation at the end of fiscal 1970 to 705 restaurants in the United States and Canada by the end of fiscal 2013. Olive Garden, an internally developed Italian restaurant brand, opened its first restaurant in Orlando, Florida in fiscal 1983, and by the end of fiscal 2013 had expanded to 828 restaurants in the United States and Canada. The number of Red Lobster and Olive Garden restaurants open at the end of fiscal 2013 increased by one and 36, respectively, as compared to the end of fiscal 2012.

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 2013, there were 33 Bahama Breeze restaurants in the United States, and the number of restaurants had increased by three as compared to the end of fiscal 2012.

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. Seasons 52 opened its first restaurant in Orlando, Florida in fiscal 2003. At the end of fiscal 2013, there were 31 Seasons 52 restaurants in the United States, and the number of restaurants had increased by eight as compared to the end of fiscal 2012.

¹ Source: Nation's Restaurant News, "Top 100 Companies Ranked by U.S. Foodservice Revenue," June 24, 2013 (based on U.S. food and beverage revenue from company-owned restaurants).

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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, 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. The acquired operations are included in our financial statements from the date of the acquisition. At the end of fiscal 2013, there were 430 LongHorn Steakhouse and 49 The Capital Grille restaurants in the United States, and the number of restaurants open had increased by 44 and three, respectively, as compared to the end of fiscal 2012.

In March 2011, we opened a test "synergy restaurant" that houses both a Red Lobster and Olive Garden restaurant in the same building. At the end of fiscal 2013, we had six synergy restaurants in operation in the United States.

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 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 2013, there were 12 Eddie V's restaurants in the United States.

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 2013, there were 44 Yard House restaurants in the United States.

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. The Specialty Restaurant Group is an integrated portfolio of small to medium size, full service restaurant brands. 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 located outside the United States and Canada operated by independent third parties pursuant to area development and franchise agreements. The final column in the table lists our total sales for the fiscal years indicated.

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

Fiscal Year	Red Lobster	Olive Garden	LongHorn Steakhouse	The Capital Grille	Bahama Breeze	Seasons 52	Eddie V's	Yard House	Total Restaurants (1)(4)	Total Company Sales (\$ in Millions) (2)(3)
1970	6								6	3.5
1971	24								24	9.1
1972	47								47	27.1
1973	70								70	48.0
1974	97								97	72.6
1975	137								137	108.5
1976	174								174	174.1
1977	210								210	229.2
1978	236								236	291.4
1979	244								244	337.5
1980	260								260	397.6
1981	291								291	528.4
1982	328								328	614.3
1983	360	1							361	718.5
1984	368	2							370	782.3

Fiscal Year	Red Lobster	Olive Garden	LongHorn Steakhouse	The Capital Grille	Bahama Breeze	Seasons 52	Eddie V's	Yard House	Total Restaurants (1)(4)	Total Company Sales (\$ in Millions) (2)(3)
1985	372	4							376	842.2
1986	401	14							415	917.3
1987	433	52							485	1,097.7
1988	443	92							535	1,300.8
1989	490	145							635	1,621.5
1990	521	208							729	1,927.7
1991	568	272							840	2,212.3
1992	619	341							960	2,542.0
1993	638	400							1,038	2,737.0
1994	675	458							1,133	2,963.0
1995	715	477							1,192	3,163.3
1996	729	487			1				1,217	3,191.8
1997	703	477			2				1,182	3,171.8
1998	682	466			3				1,151	3,261.6
1999	669	464			6				1,139	3,432.4
2000	654	469			11				1,134	3,671.3
2001	661	477			16				1,154	3,966.2
2002	667	496			22				1,185	4,303.5
2003	673	524			25	1			1,223	4,530.4
2004	680	543			23	1			1,247	4,794.7
2005	679	563			23	3			1,268	4,977.6
2006	682	582			23	5			1,292	5,353.6
2007	680	614			23	7			1,324	5,567.1
2008	680	653	305	32	23	7			1,700	6,626.5
2009	690	691	321	37	24	8			1,771	7,217.5
2010	694	723	331	40	25	11			1,824	7,113.1
2011	698	754	354	44	26	17			1,894	7,500.2
2012	704	792	386	46	30	23	11		1,994	7,998.7
2013	705	828	430	49	33	31	12	44	2,138	8,551.9

- (1) Includes only restaurants included in continuing operations. Excludes other restaurant brands operated by us in these years that are no longer owned by us, and restaurants that were included in discontinued operations.
- (2) From fiscal 1996 forward, includes only net sales from continuing operations and excludes sales related to all restaurants that were closed and considered discontinued operations. Periods prior to fiscal 1996 include total sales from all of our operations, including sales from restaurant brands that are no longer owned or operated by us. Total company sales from 1970 through fiscal 1995 were included in the consolidated operations of our former parent company, General Mills, Inc., prior to our spin-off as a separate publicly traded corporation in May 1995.
- (3) Financial Accounting Standards Board Accounting Standards Codification Topic 605 requires sales incentives to be classified as a reduction of sales. For purposes of this presentation, sales incentives have been reclassified as a reduction of sales for fiscal 1998 through 2013 . Sales incentives for fiscal years prior to 1998 have not been reclassified.
- (4) Includes one test synergy restaurant in 2011, two in 2012 and six in 2013 , housing two restaurant brands in the same building.

Strategy

The restaurant industry is generally considered to be comprised of two segments: quick service and full service. The full service segment 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.

To support future growth, we are striving to change in two important ways: we are modifying our organizational structure so we can better leverage our existing experience and expertise, and we are adding new expertise in additional areas that are critical to future success. In the past three years we have created enterprise-level marketing and restaurant operations units and established forward-looking strategy units in certain functions. We have initiatives focusing on our Specialty Restaurant Group, enterprise-level sales building, digital guest and employee engagement, health and wellness, and centers of excellence. To maintain strong brand relevance and strengthen guest experience and loyalty, we are moving forward with a multi-year program to build and leverage a single digital technology platform. We plan to grow by leveraging our expertise and new capabilities to increase same-restaurant sales and increase the number of restaurants in each of our existing brands. We also continue to pursue other avenues of new business development, including franchising our restaurants outside of the U.S. and Canada, testing "synergy restaurants" and other formats to expand our brands, and selling consumer packaged goods such as Olive Garden's salad dressing and Red Lobster's Cheddar Bay Biscuit Mix.

The total sales growth we envision should increase the cost-effectiveness of our 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. In fiscal 2014, we plan to continue to implement three transformational initiatives - further automating our supply chain, significantly reducing the use of energy, water and cleaning supplies in our restaurants and optimizing labor costs within our restaurants.

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. Ours 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

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 menu includes 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. For fiscal 2013 , the average check per person was approximately \$16.25 to \$16.75, with alcoholic beverages accounting for 7.5 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.

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 \$11.25 to \$33.75, 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 \$14.75. The price of most entrées includes salad, side items and as many of our signature Cheddar Bay Biscuits as a guest desires. During fiscal 2013, the average check per person was approximately \$20.25 to \$20.75, 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.

LongHorn Steakhouse

LongHorn Steakhouse restaurants are full service establishments serving both lunch and dinner in an attractive and inviting atmosphere reminiscent of the classic American West. With locations in 38 states, primarily in the Eastern half of the United States, 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 \$23.00, and most lunch menu entrée prices range from \$7.00 to \$15.00. The price of most entrées includes a side and/or salad and as much freshly baked bread as a guest desires. During fiscal 2013, the average check per person was approximately \$18.50 to \$19.00, with alcoholic beverages accounting for 9.6 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 has 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.

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 2013, the average check per person was approximately \$70.00 to \$72.50, with alcoholic beverages accounting for 29.8 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 known for great food, classic rock and a draft beer offering that features over 125 craft ales and lagers. The scratch kitchen showcases an eclectic American menu of more than 100 chef driven items with a range of appetizers, snacks, natural burgers and steaks, street tacos, salads, sandwiches, fresh fish and a generous selection of vegetarian dishes. The Chalkboard Beer program features unique, limited release brews. Handcrafted cocktails, chilled martinis, selected wines and sake round-out the extensive beer offering.

Yard House design elements create a contemporary, yet casual, "come as you are" environment. The center island bar sets the pulse of the restaurant. A glass enclosed keg room housing over 300 kegs, the unique beer delivery system, exhibition kitchen, original commissioned works of art and an abundance of flat screens lend to a social, high-energy atmosphere while a state of the art sound system plays a selection of modern and classic rock songs chosen from Yard House's extensive library of music. Most dinner menu entrée prices at Yard House range from \$9.00 to \$38.50, and most lunch entrée prices range from \$9.00 to \$17.00. Alcoholic beverages account for 39.2 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 restaurants bring 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. In fiscal 2007, Bahama Breeze wrote down the carrying value of five restaurants and closed nine, but we improved the guest experience and unit economics sufficiently at the remaining restaurants that we have restarted modest unit growth. We opened one Bahama Breeze restaurant during each of fiscal years 2009 through 2011, four during fiscal 2012, and three during fiscal 2013.

Most dinner menu entrée prices at Bahama Breeze range from \$9.00 to \$23.00 , and most lunch entrée prices range from \$7.50 to \$16.50 . During fiscal 2013 , the average check per person was approximately \$23.25 to \$23.75, with alcoholic beverages accounting for 22.1 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 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 entrée s 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. Seasons 52 also offers a variety of experiences. Its private dining rooms create the ideal environment for many social and business events, the Chef's Table provides a unique and intimate setting for chef-hosted customizable food and wine pairing events, while the piano bar, featuring live music every night, is a great place to unwind and enjoy the warm, inviting ambiance.

Most dinner menu entrée prices at Seasons 52 range from \$12.50 to \$30.00, and most lunch entrée prices range from \$9.00 to \$24.50. During fiscal 2013 , the average check per person was approximately \$40.25 to \$41.25, with alcoholic beverages accounting for 26.9 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

Inspired by the great classic restaurants of New Orleans, San Francisco and Boston, Eddie V's opened in 2000 with an emphasis on prime seafood creations, USDA prime beef and chops, and fresh oyster bar selections. The ambiance is sophisticated and contemporary, with live nightly music in the V-Lounge. 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 \$18.00 to \$49.00. During fiscal 2013, the average check per person was approximately \$87.00 to \$89.00, with alcoholic beverages accounting for 33.3 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.

Synergy Restaurants

In March 2011, we opened a test "synergy restaurant" that houses both a Red Lobster and Olive Garden restaurant in the same building, but with separate front doors, dining rooms and brand-specific menus. The shared building is designed to keep the guest experience the same while delivering cost efficiencies. We developed this concept to test expansion into smaller markets that would not meet our population density requirements to build a single brand. Future synergy restaurants may not be limited to Red Lobster and Olive Garden combinations, but could involve our other brands as well. We opened a second synergy test location during fiscal 2012 and four locations during fiscal 2013.

Recent and Planned Restaurant Growth

During fiscal 2013, we opened 104 net new restaurants in the United States and Canada. Our actual and projected net new openings in the U.S. and Canada from continuing operations by brand are shown below.

	Actual Net New Restaurant Openings Fiscal 2013	Projected Net New Restaurant Openings Fiscal 2014
Red Lobster	1	1
Olive Garden	36	15
LongHorn Steakhouse	44	37-40
Specialty Restaurant Group		
The Capital Grille	3	4-5
Bahama Breeze	3	3-4
Seasons 52	8	7-8
Eddie V's	1	1-2
Yard House (1)	4	7-8
Synergy restaurants	4	—
Totals	104	Approximately 80

(1) Excludes acquisition of 40 Yard House restaurants during fiscal 2013.

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, and to develop or acquire additional brands that can be expanded profitably. We continue to test new ideas and brands, and also to evaluate potential acquisition candidates to assess whether they would satisfy our strategic and financial objectives.

In connection with our growth objectives, on August 29, 2012, we acquired Yard House USA, Inc. ("Yard House") for \$585 million in an all-cash transaction. Yard House, which launched its first restaurant in 1996, now has 44 restaurants across 16 states.

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, 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, size and dining capacity of the five Red Lobster restaurants (two new restaurants and three relocations), 37 Olive Garden restaurants (36 new restaurants and one relocation) and the 48 LongHorn Steakhouse restaurants (45 new restaurants and three relocations) opened during fiscal 2013. The table excludes any rebuilt restaurants.

	Capital Investment(1)	Square Feet(2)	Dining Seats(3)	Dining Tables(4)
Red Lobster	\$4,219,000	5,979	208	47
Olive Garden	\$4,110,000	7,780	237	58
LongHorn Steakhouse	\$3,393,000	6,342	227	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 2010, we permanently closed three Red Lobster and three LongHorn Steakhouse restaurants. During fiscal 2011, we permanently closed one Red Lobster, two Olive Garden and two LongHorn Steakhouse restaurants. During fiscal 2012, we permanently closed one Red Lobster and two LongHorn Steakhouse restaurants. During fiscal 2013, we permanently closed one Red Lobster restaurant. 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 26, 2013, there was also one temporarily closed LongHorn Steakhouse restaurant which we expect to reopen during fiscal 2014.

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 Red Lobster and 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.

Since the completion of our new operations organizational structure during fiscal year 2013, each director of operations of Red Lobster, Olive Garden and LongHorn Steakhouse reports to either a Regional Vice President or a Managing Director. The new Regional Vice President and Managing Director roles, which typically supervise six to eight directors of operations, further strengthen our restaurant operations expertise by elevating the execution required to build guest loyalty and enhance our talent development capacity in the field. Three to four Regional Vice Presidents or Managing Directors 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 all levels of supervision to help ensure strict adherence to all aspects of our standards.

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. Red Lobster and Olive Garden leverage the efficiency of national network television advertising. Olive Garden supplements this with cable, local television and digital advertising, and Red Lobster with cable and digital advertising. LongHorn Steakhouse currently uses local television advertising, and began national cable television advertising in fiscal 2011. 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 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 will begin efforts to consolidate our brands into a single digital 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. In fiscal 2013, Red Lobster and Olive Garden continued to develop Spanish language advertising to increase awareness among and visits from Hispanic consumers.

Employees

At the end of fiscal 2013, we employed approximately 206,000 people in the United States and Canada. Of these employees, approximately 195,000 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 15 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 2013, we were recognized for the third consecutive year by FORTUNE magazine as one of the “100 Best Companies to Work For” in America. We are the largest employer on the list and remain the only full-service restaurant company to ever appear on the list. 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 46 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 2013, the diversity of our operations leadership teams exceed the industry averages by 11 percentage points for minority and 8 percentage points for female representation. At the officer level, over 21 percent of our officers are minorities and 26 percent are female. The percentages of minority and female officers 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 1999 we established a program called Darden Dimes to help fellow 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 2013, we 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 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 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. 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 26, 2013, we operate 2,138 restaurants in the United States and Canada all of which are owned by us, except six restaurants in California and Florida. 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. We also franchised five LongHorn Steakhouse restaurants in Puerto Rico to an unaffiliated franchisee as part of an agreement that was executed prior to our 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 26, 2013. 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 26, 2013, six restaurants (a Red Lobster in Dubai, a Red Lobster in Qatar, a Red Lobster and an Olive Garden in Kuwait, a Red Lobster and an Olive Garden in Abu Dhabi), had opened 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 26, 2013, two Olive Garden restaurants and one The Capital Grille restaurant had opened in Mexico City under this agreement. 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. The agreement calls for the operator to develop a minimum of 57 restaurants in Brazil, Colombia, the Dominican Republic and Panama. As of May 26, 2013, no restaurants had as yet opened under this agreement. 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. One agreement calls for the operator to develop the restaurants in Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica. The other agreement calls for the operator to develop the restaurants in Peru. 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.

We continue to explore additional avenues of new business development. During fiscal 2012, we began selling Olive Garden's Italian salad dressing and shredded cheese in Sam's Club[®] stores across the country. During fiscal 2013, we expanded the test to sell Red Lobster Cheddar Bay Biscuit Mix, Olive Garden Olive Oil and Olive Garden's salad croutons in Sam's Club stores and we began selling Olive Garden's salad dressing in Wal-Mart[®] stores. The products will be sold at Sam's Club and Wal-Mart stores exclusively for one year while we continue to evaluate this and other opportunities to market consumer packaged goods. We also are researching and developing proprietary technology for lobster aquaculture farming. Construction of a pilot lobster hatchery should be completed next fiscal year.

Seasonality

Our sales volumes fluctuate seasonally. During fiscal 2013, our average sales per restaurant were highest in the spring and winter, followed by the summer, and lowest in the fall. During fiscal 2012 and 2011, our average sales per restaurant were highest in the winter and spring, 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 2013, 10.6 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 2013 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 2013, 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.

We are reviewing the health care reform law enacted by Congress in March of 2010 ("Affordable Care Act"). As part of that review, we will evaluate the potential impacts of this new 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

Over the last several years, we have come to see that our commitment to sustainability is a central part of achieving our larger purpose. While we have long addressed various aspects of sustainability, such as seafood stewardship, in recent years we have strived to develop a more integrated and strategic approach to managing sustainability issues.

While global sustainability challenges necessitate a global response, we understand their potential impact to us, either through increased energy costs or commodity prices, the depletion of certain species of seafood and/or other disruptions to our food supply chain. In this challenge, we see opportunity. Conservation will be 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.

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 parents' 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 2013, the Foundation announced it was awarding more than \$1.9 million to nearly 850 nonprofit organizations in communities across the U.S. and Canada as part of its inaugural 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.

Executive Officers of the Registrant

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

Clarence Otis, Jr., age 57, 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 Securities, Inc. (now J.P. Morgan Securities, Inc.), an investment banking firm, where he had been Managing Director and Manager of Public Finance.

Andrew H. (Drew) Madsen, age 57, has been our President and Chief Operating Officer since November 2004, and a Director since September 2004. Mr. Madsen was our Senior Vice President and President of Olive Garden from March 2002 until

November 2004, and Executive Vice President of Marketing for Olive Garden from December 1998 to March 2002. From 1997 until joining us, he was President of International Master Publishers, Inc., a company that developed and marketed consumer information products such as magazines and compact discs. From 1993 until 1997, he held various positions at James River Corporation (now part of Koch Industries), including Vice President and General Manager for the Dixie consumer products unit. From 1980 until 1992, he held various marketing positions with our former parent company, General Mills, Inc. a manufacturer and marketer of consumer food products.

David C. George, age 57, 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 45, 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.

Eugene I. (Gene) Lee, Jr., age 52, has been 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.

Kim A. Lopdrup, age 55, has been our Senior Vice President, Business Development since June 2011. 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 52, 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 55, 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 55, 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.

David T. Pickens, age 58, has been our Chief Restaurant Operations Officer since July 2013. He served as President of Red Lobster from June 2011 to July 2013. Prior to that he served as our President of Olive Garden from December 2004 until June 2011. He joined us in 1973 as a Red Lobster hourly employee and progressed from manager trainee to regional operations manager, director of operations, and ultimately was promoted to a division Senior Vice President of Operations for Red Lobster. He joined Olive Garden in 1995 as Senior Vice President of Operations for the Orlando division and was promoted to Executive Vice President of Operations in September 1999, where he served until his promotion to President of Olive Garden in December 2004.

C. Bradford (Brad) Richmond, age 54, 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 55, has been our Senior Vice President, General Counsel and Secretary since October 2010. 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 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 48, 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.

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.

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 cost of labor.

The Affordable Care Act was enacted in March 2010. We have continued to evaluate the potential impacts of this new law on our business, and accommodate various parts of the law as they take effect. We estimate that the costs associated with the next phase of the implementation of the Affordable Care Act will impact our earnings in fiscal 2014. 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. We do not expect to incur any 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 states.

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 U.S. 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 an as yet unspecified 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.

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 materially adversely impact our business.

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, opening new restaurants of existing brands, and developing or acquiring new dining 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, continuing to expand our current portfolio of restaurant brands, and developing or acquiring additional brands that can be expanded profitably. 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.

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.

We also may not be able to identify, acquire and integrate additional brands or develop new business opportunities that are as profitable as our existing restaurants. Growth through acquisitions may involve additional risks. For example, we may pay too much for a brand relative to the actual economic return, be required to borrow funds to make our acquisition (which would increase our interest expense) or be unable to successfully integrate an acquired brand into our operations.

Failure to successfully integrate the Yard House business, and the additional indebtedness incurred to finance the Yard House acquisition, could adversely impact our stock price and future business and operations.

On August 29, 2012, we acquired Yard House. Our integration of Yard House's business into our operations is a complex and time-consuming process that may not be successful. The primary areas of focus for successfully combining the business of Yard House with our operations may include, among others: retaining and integrating management and other key employees; integrating information, communications and other systems; and managing the growth of the combined company.

Even if we successfully integrate the business of Yard House into our operations, there can be no assurance that we will realize the anticipated benefits. We acquired Yard House with the expectation that the acquisition would result in various benefits for the combined company including, among others, business and growth opportunities, and significant synergies from increased efficiency in purchasing, distribution and other restaurant and corporate support. Increased competition and/or deterioration in business conditions may limit our ability to expand this business. As such, we may not be able to realize the synergies, goodwill, business opportunities and growth prospects anticipated in connection with the acquisition.

The acquisition of Yard House created a consolidated indebtedness greater than our indebtedness prior to the acquisition. The increased indebtedness and higher debt-to-equity ratio of our company may have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions and increasing borrowing costs. Our level of indebtedness could have important consequences. For example, it may: require a portion of our cash flow from operations for the payment of principal of, and interest on, our indebtedness, thus reducing our ability to use our cash flow to fund working capital, capital expenditures and general corporate requirements; and limit our ability to obtain additional financing to fund working capital, capital expenditures, additional acquisitions or general corporate requirements, particularly if the ratings assigned to our debt securities by rating organizations are revised downward.

Our plans to expand our smaller brands Bahama Breeze, Seasons 52 and Eddie V's, and the testing of synergy restaurants and 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 testing of new restaurant formats such as synergy restaurants, and lobster aquaculture farming activities. These brands, test formats 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 test formats, 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 formats will continue to be subject to the risks and uncertainties that accompany any emerging restaurant brand or format.

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, 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 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 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 accounting treatments.

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 out of 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 provide 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.

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 also are initiating a multi-year effort to implement new technology platforms that should allow us to digitally engage with our guests and employees and strengthen our marketing and analytics capabilities. 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 our company, 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 26, 2013, we operated 2,138 restaurants in the U.S. and Canada (consisting of 828 Olive Garden, 705 Red Lobster, 430 LongHorn Steakhouse, 49 The Capital Grille, 44 Yard House, 33 Bahama Breeze, 31 Seasons 52, 12 Eddie V's, and six synergy restaurants), in the following locations:

Alabama (42)	Illinois (71)	Montana (3)	Rhode Island (3)
Alaska (2)	Indiana (52)	Nebraska (11)	South Carolina (41)
Arkansas (18)	Iowa (20)	Nevada (18)	South Dakota (5)
Arizona (53)	Kansas (27)	New Hampshire (10)	Tennessee (58)
California (140)	Kentucky (28)	New Jersey (61)	Texas (182)
Colorado (34)	Louisiana (20)	New Mexico (13)	Utah (20)
Connecticut (17)	Maine (9)	New York (70)	Vermont (2)
Delaware (8)	Maryland (45)	North Carolina (66)	Virginia (68)
District of Columbia (1)	Massachusetts (37)	North Dakota (8)	Washington (32)
Florida (229)	Michigan (58)	Ohio (107)	West Virginia (13)
Georgia (130)	Minnesota (26)	Oklahoma (23)	Wisconsin (26)
Hawaii (2)	Mississippi (18)	Oregon (14)	Wyoming (4)
Idaho (8)	Missouri (50)	Pennsylvania (102)	Canada (33)

Of these 2,138 restaurants open on May 26, 2013, 1,048 were located on owned sites and 1,090 were located on leased sites. The leases are classified as follows:

Land-Only Leases (we own buildings and equipment)	802
Ground and Building Leases	75
Space/In-Line/Other Leases	213
Total	<u>1,090</u>

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 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. As a result of this merger, all restaurant property that was previously owned by the merged REIT was returned to Darden corporate entities that operate the corresponding restaurants at the sites. The second REIT remains in existence at the end of fiscal 2013 and continues to operate as a non-public REIT. Through our subsidiary companies, we indirectly own 100 percent of all voting stock and greater than 99.5 percent of the total value of the REIT. For financial reporting purposes, the REIT is included in our consolidated financial statements.

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 serve as lodging headquarters 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 2013 Annual Report to Shareholders, which is incorporated herein by reference.

Item 3. LEGAL PROCEEDINGS

See the discussion of legal proceedings contained in the third and fourth paragraphs of Note 19 “Commitments and Contingencies” under Notes to Consolidated Financial Statements in our 2013 Annual Report to Shareholders, which is incorporated herein by reference.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND 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 28, 2013, there were approximately 41,679 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 2013 and 2012 contained in Note 21 “Quarterly Data (Unaudited)” under Notes to Consolidated Financial Statements in our 2013 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 26, 2013 . Since commencing our repurchase program in December 1995, we have repurchased a total of 171.9 million shares through May 26, 2013 under authorizations from our Board of Directors to repurchase an aggregate of 187.4 million shares.

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 25, 2013 through March 31, 2013	—	—	—	15,463,737
April 1, 2013 through April 28, 2013	210	\$51.68	210	15,463,527
April 29, 2013 through May 26, 2013	—	—	—	15,463,527
Total	210	\$51.68	210	15,463,527

- (1) All of the shares purchased during the quarter ended May 26, 2013 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 2009 through 2013 contained in the Five-Year Financial Summary in our 2013 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 2013 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 2013 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 2013 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 in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)) as of May 26, 2013, 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 26, 2013.

During the fiscal quarter ended May 26, 2013, 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 2013 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 Thirteen Directors From the Named Director Nominees,” “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 2013 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 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 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 2013 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 2013 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 2013 Annual Meeting of Shareholders is incorporated herein by reference.

Item 14.PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information contained in the section entitled “Independent Registered Public Accounting Firm Fees and Services” in our definitive Proxy Statement for our 2013 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 26, 2013, May 27, 2012 and May 29, 2011.

Consolidated Balance Sheets at May 26, 2013 and May 27, 2012.

Consolidated Statements of Comprehensive Income for the fiscal years ended May 26, 2013, May 27, 2012 and May 29, 2011.

Consolidated Statements of Changes in Stockholders' Equity for the fiscal years ended May 26, 2013, May 27, 2012 and May 29, 2011.

Consolidated Statements of Cash Flows for the fiscal years ended May 26, 2013, May 27, 2012 and May 29, 2011.

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.

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 19, 2013

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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Clarence Otis, Jr.</u> Clarence Otis, Jr.	Director, Chairman of the Board and Chief Executive Officer (Principal executive officer)	July 19, 2013
<u>/s/ C. Bradford Richmond</u> C. Bradford Richmond	Senior Vice President and Chief Financial Officer (Principal financial and accounting officer)	July 19, 2013
<u>/s/ Michael W. Barnes*</u> Michael W. Barnes	Director	
<u>/s/ Leonard L. Berry*</u> Leonard L. Berry	Director	
<u>/s/ Christopher J. (CJ) Fraleigh*</u> Christopher J. (CJ) Fraleigh	Director	
<u>/s/ Victoria D. Harker*</u> Victoria D. Harker	Director	
<u>/s/ David H. Hughes*</u> David H. Hughes	Director	
<u>/s/ Charles A. Ledsinger, Jr.*</u> Charles A. Ledsinger, Jr.	Director	
<u>/s/ William M. Lewis, Jr.*</u> William M. Lewis, Jr.	Director	
<u>/s/ Andrew H. Madsen*</u> Andrew H. Madsen	Director	
<u>/s/ Cornelius McGillicuddy, III* **</u> Cornelius McGillicuddy, III	Director	
<u>/s/ Michael D. Rose*</u> Michael D. Rose	Director	
<u>/s/ Maria A. Sastre*</u> Maria A. Sastre	Director	

/s/ William S. Simon*

Director

William S. Simon

* By: /s/ Teresa M. Sebastian

Teresa M. Sebastian, Attorney-In-Fact

July 19, 2013

** 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.

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Title</u>
2(a)	Agreement and Plan of Merger, dated as of August 16, 2007, among Darden Restaurants, Inc., Surf & Turf Merger Corp. and RARE Hospitality International, Inc. (incorporated herein by reference to Exhibit 2.01 to our Current Report on Form 8-K filed August 17, 2007).
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 for the fiscal year ended May 29, 2005 filed July 29, 2005).
3(b)	Bylaws as amended effective June 20, 2012 (incorporated by reference to Exhibit 3 to our Current Report on Form 8-K filed June 22, 2012).
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 October 10, 2007, for the 5.625% Senior Notes due 2012 (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 16, 2007).
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).
- *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 for the fiscal quarter ended February 23, 2003).

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- *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 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 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 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 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 for the quarter ended February 27, 2011, filed April 4, 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 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 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 17, 2010).
- 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) Darden Restaurants, Inc. Director Compensation Program, as amended (incorporated herein by reference to Exhibit 10(b) to our Quarterly Report on Form 10-Q for the fiscal quarter ended November 23, 2008).
- *10(l) 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 for the fiscal year ended May 31, 2009, filed July 24, 2009).
- *10(m) 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 for the fiscal year ended May 31, 2009, filed July 24, 2009).
- *10(n) Form of fiscal 2014 Performance Stock Units Award Agreement under the Darden Restaurants, Inc. 2002 Stock Incentive Plan, as amended (United States).
- *10(o) 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 for the fiscal year ended May 31, 2009, filed July 24, 2009).
- *10(p) 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).
- *10(q) 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(r) 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(s) 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).

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*10(t)	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(u)	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(v)	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 for the fiscal year ended May 31, 2009, filed July 24, 2009).
*10(w)	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 for the fiscal year ended May 31, 2009, filed July 24, 2009).
*10(x)	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).
12	Computation of Ratio of Consolidated Earnings to Fixed Charges.
13	Portions of 2013 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
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.

**DARDEN RESTAURANTS, INC.
2002 STOCK INCENTIVE PLAN****FY 2014 PERFORMANCE STOCK UNITS AWARD AGREEMENT
(United States)**

This Performance Stock Units Award Agreement is between Darden Restaurants, Inc., a Florida corporation (the “Company” or “Corporation”), and you, a person notified by the Company, and identified in the Company’s records, as the recipient of an Award of Performance Stock Units during the Company’s fiscal year 2014. This Agreement is effective as of the date of grant communicated to you and set forth in the Company’s records (the “Grant Date”).

The Company wishes to award to you Performance Stock Units representing the opportunity to earn a cash payment in lieu of the Company’s Common Stock, subject to the terms and conditions set forth in this Agreement, in order to carry out the purpose of the Company’s 2002 Stock Incentive Plan (the “Plan”).

Accordingly, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and you hereby agree as follows:

1. Award of Performance Stock Units.

The Company hereby grants to you, effective as of the Grant Date, an Award of Performance Stock Units for that number of Units communicated to you and set forth in the Company’s records (the “Performance Stock Units”), on the terms and conditions set forth in such communication, this Agreement and the Plan.

2. Rights with Respect to the Performance Stock Units.

The Performance Stock Units granted hereunder do not and shall not give you any of the rights and privileges of a shareholder of Common Stock. Your rights with respect to the Performance Stock Units shall remain forfeitable at all times prior to the date or dates on which such rights become vested, and the restrictions with respect to the Performance Stock Units lapse, in accordance with Section 3, 4 or 5 hereof. Your right to receive cash payments with respect to the Performance Stock Units is more particularly described in Section 8 hereof.

3. Vesting.

(a) Subject to the terms and conditions of this Agreement, the Performance Stock Units shall vest, and the restrictions with respect to the Performance Stock Units shall lapse, on the date and in the amount set forth in this Agreement if you remain continuously employed by the Company or an Affiliate of the Company until the date you become vested in accordance with the terms and conditions of this Agreement.

(b) One hundred percent (100%) of the total number of Performance Stock Units shall be targeted for vesting on the vesting date communicated to you and set forth in the Company's records (the "Vesting Date").

(c) The number of Performance Stock Units in which you actually vest, if any, following the end of the three fiscal years preceding the Vesting Date (the "Performance Period") shall be determined by multiplying the Performance Stock Units by the Vesting Percentage, calculated as set forth in Exhibit A to this Agreement, and may range from zero to one hundred fifty percent (150%) of the Performance Stock Units.

(d) The calculations under this Section 3 shall be made on or before the Vesting Date and any vesting resulting from such calculations shall be effective as of the Vesting Date. Any Performance Stock Units that do not vest on the Vesting Date pursuant to the terms of Section 3 or 5 shall be immediately and irrevocably forfeited, including the right to receive cash payments pursuant to Section 8 hereof, as of the Vesting Date.

(e) The Committee administering the Plan shall have the authority to make any determinations regarding questions arising from the application of the provisions of this Section 3, which determination shall be final, conclusive and binding on you and the Company.

4. Change of Control.

For the purpose of this Agreement, a "Change of Control" shall mean:

(a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then-outstanding shares of common stock of the Corporation (the "Outstanding Corporation Common Stock") or (ii) the combined voting power of the then-outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding Corporation Voting Securities"); provided, however, that, for purposes of this Section 4(a), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Corporation, (B) any acquisition by the Corporation, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any company controlled by, controlling or under common control with the Corporation (an "Affiliated Company") or (D) any acquisition pursuant to a transaction that complies with Sections 4(c)(i), 4(c)(ii) and 4(c)(iii);

(b) Individuals who, as of the date hereof, constitute the Board of Directors of the Corporation (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors of the Corporation (the "Board"); provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered

as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Corporation or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Corporation, or the acquisition of assets or securities of another entity by the Corporation or any of its subsidiaries (each, a “Business Combination”), in each case unless, following such Business Combination, (i) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Corporation Common Stock and the Outstanding Corporation Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Corporation or all or substantially all of the Corporation’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Corporation Common Stock and the Outstanding Corporation Voting Securities, as the case may be, (ii) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Corporation or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(d) Approval by the stockholders of the Corporation of a complete liquidation or dissolution of the Corporation.

(e) With respect to Section 5 hereof, the following definitions shall apply:

(1) Cause. Your employment may be terminated for Cause if the Committee administering the Plan, after you shall have been afforded a reasonable opportunity to appear in person together with counsel before the Committee and to present such evidence as you deem appropriate, determines that Cause exists. For

purposes of this Agreement, “Cause” means (i) an act or acts of fraud or misappropriation on your part which result in or are intended to result in your personal enrichment at the expense of the Corporation and which constitute a criminal offense under State or Federal laws or (ii) conviction of a felony.

(2) Good Reason . For purposes of this Agreement, “Good Reason” means:

a. without your express written consent (1) the assignment to you of any duties inconsistent in any substantial respect with your position, authority or responsibilities as in effect during the 90-day period immediately preceding the date of a Change of Control or (2) any other substantial adverse change in such position (including titles), authority or responsibilities; or

b. any failure by the Corporation to furnish you with base salary, target annual bonus opportunity, long-term incentive opportunity or aggregate employee benefits at a level equal to or exceeding those received by you from the Corporation during the 90-day period preceding the date of a Change of Control, other than (1) an insubstantial and inadvertent failure remedied by the Corporation promptly after receipt of notice thereof given by you or (2) with respect to aggregate employee benefits only, any such failure resulting from an across-the-board reduction in employee benefits applicable to all similarly situated employees of the Corporation generally; or

c. the Corporation’s requiring you to be based or to perform services at any office or location more than 30 miles from the office or location at which you were based as of immediately prior to the date of a Change of Control, except for travel reasonably required in the performance of your responsibilities.

For purposes of this Section 4(e)(2), any determination of “Good Reason” shall be made by the Committee administering the Plan and shall be conclusive. Your mental or physical incapacity following the occurrence of an event described above in clauses (a) through (c) shall not affect your ability to terminate employment for Good Reason and your death following termination for Good Reason shall not affect your estate’s entitlement to payments provided hereunder upon a termination of employment for Good Reason.

5. Forfeiture; Change of Control; Retirement.

(a) If you cease to be employed by the Company or an Affiliate of the Company prior to the vesting or forfeiture of the Performance Stock Units pursuant to Section 3 or 4 hereof, your rights to all of the Performance Stock Units shall be immediately and irrevocably forfeited, including the right to receive cash payments pursuant to Section 8 hereof, except that:

(i) If, within two years after the date of a Change of Control, the Company terminates your employment for any reason other than for Cause (as defined in Section 4(e)(1) above), death or Disability (as defined in Section 5(a)(vi) below) or you terminate employment for Good Reason, you shall become immediately and unconditionally vested in all of the Performance Stock Units. The restrictions with respect to such vested Performance Stock Units shall lapse. If a Change of Control occurs during the first fiscal year of the Performance Period, the Vesting Percentage shall be one hundred percent (100%). If a Change of Control occurs during the second fiscal year of the Performance Period, the Vesting Percentage shall be the greater of one hundred percent (100%) or the amount determined pursuant to Section 3(c), provided, however, that the PSU Rating and PSU Rating Average will only contain MIP Ratings from the first fiscal year of the Performance Period. If a Change of Control occurs during the third fiscal year of the Performance Period, the Vesting Percentage shall be the greater of one hundred percent (100%) or the amount determined pursuant to Section 3(c), provided, however, that the PSU Rating and PSU Rating Average will only contain MIP Ratings from the first and second fiscal years of the Performance Period. If you are a person otherwise described in this Section 5(a)(i) but you are also described in Section 5(a)(ii), 5(a)(iii) or 5(a)(vi), then you shall be entitled to vested Performance Stock Units as described in this Section 5(a)(i) in lieu of the amounts otherwise described in Section 5(a)(ii), 5(a)(iii) or 5(a)(vi). If you are otherwise described in Section 5(a)(ii), 5(a)(iii) or 5(a)(vi) and you voluntarily separate from service for a reason other than Good Reason within two years after the date of a Change of Control, then you shall be entitled to vested Performance Stock Units as described in Section 5(a)(ii), 5(a)(iii) or 5(a)(vi), as applicable, with the Vested Percentage described under this Section 5(a)(i).

(ii) Except as otherwise provided in Section 5(a)(i) above, if you retire on or after age 65 with five years of service with the Company or an Affiliate of the Company (pursuant to the method for crediting service under the Darden Savings Plan) (“Normal Retirement”) prior to the vesting or forfeiture of the Performance Stock Units pursuant to Section 3 hereof, you shall become immediately and unconditionally vested in all of the Performance Stock Units. The restrictions with respect to such vested Performance Stock Units shall lapse, and the Vesting Percentage shall be the amount determined pursuant to Section 3(c).

(iii) Except as otherwise provided in Section 5(a)(i) above, if you retire on or after age 55 with ten years of service with the Company or an Affiliate of the Company (pursuant to the method for crediting service under the Darden Savings Plan) (“Early Retirement”) prior to the vesting or forfeiture of the Performance Stock Units pursuant to Section 3 hereof, you shall become immediately and unconditionally vested in a pro rata portion of the Performance Stock Units based on your period of employment between the Grant Date and the date of your Early Retirement hereunder. The restrictions with respect to such vested Performance

Stock Units shall lapse, and the Vesting Percentage shall be the amount determined pursuant to Section 3 (c).

(iv) Except as otherwise provided in Section 5(a)(i) above, if your age and service with the Company or an Affiliate of the Company (pursuant to the method for crediting service under the Darden Savings Plan) is equal to or greater than 70 on the date your employment is involuntarily terminated without Cause (“Involuntary Termination”) prior to the vesting or forfeiture of the Performance Stock Units pursuant to Section 3 hereof, you shall become immediately and unconditionally vested in a pro rata portion of the Performance Stock Units based on your period of employment between the Grant Date and the date of your Involuntary Termination hereunder. The restrictions with respect to such vested Performance Stock Units shall lapse, and the Vesting Percentage shall be the amount determined pursuant to Section 3(c).

(v) If you die prior to the vesting or forfeiture of the Performance Stock Units pursuant to Section 3 or 4 hereof, you shall become immediately and unconditionally vested in all of the Performance Stock Units. The restrictions with respect to such Performance Stock Units shall lapse and the Vesting Percentage shall be one hundred percent (100%).

(vi) Except as otherwise provided in Section 5(a)(i) above, if you become Disabled (as defined below) prior to the vesting or forfeiture of the Performance Stock Units pursuant to Section 3 hereof, you shall become immediately and unconditionally vested in a pro rata portion of the Performance Stock Units based on your period of employment between the Grant Date and the date of your Disability hereunder. The restrictions with respect to such vested Performance Stock Units shall lapse, and the Vesting Percentage shall be the amount determined pursuant to Section 3(c). For purposes of this Agreement, “Disabled” or “Disability” means you have a disability due to illness or injury which is expected to be permanent in nature and which prevents you from performing the material duties required by your regular occupation, all as determined by the Committee administering the Plan.

(b) If you are an executive officer of the Company and filing reports with the Securities and Exchange Commission pursuant to Section 16 of the Securities Exchange Act of 1934, as amended, then this Performance Stock Units Award has been awarded subject to the Darden Restaurants, Inc. Management and Professional Incentive Plan (the “MIP”), and this Performance Stock Units Award shall be cancelled, forfeited and returned to the Company unless all of the requirements set forth in the MIP for the year to which the grant of this Performance Stock Units Award relates are satisfied.

6. Restriction on Transfer.

None of the Performance Stock Units may be sold, assigned, transferred, pledged, attached or otherwise encumbered, and no attempt to transfer the Performance Stock Units, whether voluntary

or involuntary, by operation of law or otherwise, shall vest the transferee with any interest or right in or with respect to the Performance Stock Units.

7. Financial Restatements.

This Section 7 only applies to you if at any time you were or are designated as an officer-level employee in the Company payroll system with the Peoplesoft identifier "OFC" or its equivalent. Notwithstanding the provisions of Sections 3, 4, 5 and 8 of this Agreement, if (a) the Company is required to restate its financial statements due to fraud and (b) the Committee administering the Plan determines that you have knowingly participated in such fraud, then the Committee may, in its sole and absolute discretion, at any time within two years following such restatement, require you to, and you shall immediately upon notice of such Committee determination, return to the Company any cash payments received by you or your personal representative under this Agreement during the period commencing two years before the beginning of the restated financial period and ending on the date of such Committee determination. In addition, all of your rights to Performance Stock Units that are not vested on the date that the Committee makes such determination shall be immediately and irrevocably forfeited. Notwithstanding anything to the contrary in this Section 7, the Committee shall have the authority and discretion to make any determination regarding the specific implementation of this Section 7 with respect to you.

8. Payment of Performance Stock Units.

(a) Except as described in Section 5(a)(v) (when the Performance Stock Units vest as a result of your death) or in Section 8(c) below, the Company shall make a cash payment to you promptly after the Vesting Date in an amount equal to the Fair Market Value of one share of Common Stock for each vested Performance Stock Unit (as adjusted by the Vested Percentage), subject to the payment of applicable withholding taxes pursuant to Section 10 hereof. The Company will pay the Fair Market Value of any fractional share of Common Stock relating to any vested Performance Stock Unit. In the event of your death after your retirement or termination of employment and before payment, the amount otherwise payable under this Section 8(a) shall be paid to your beneficiary or, if none, your estate as soon as practicable after your death.

(b) If the Performance Stock Units vest as a result of your death, your beneficiary or, if none, your estate shall be paid as soon as practicable after your death the amount described in Section 8(a) above. No transfer by will or the applicable laws of descent and distribution of any Performance Stock Units which vest by reason of your death shall be effective to bind the Company unless the Committee administering the Plan shall have been furnished with written notice of such transfer and a copy of the will or such other evidence as the Committee may deem necessary to establish the validity of the transfer.

(c) In the event of a Change in Control, the following payment provisions shall apply:

(i) Code Section 409A Change in Control. If you are a person described in Section 5(a)(i) and the Change in Control is a transaction described in Code Section 409A(a)(2)(A)(v) and the regulations and other guidance thereunder (i.e., a “Code Section 409A Change in Control”), or you are a person described in Sections 5(a)(ii), (iii), or (vi) and you separate from service (as determined in accordance with Code Section 409A and the regulations and other guidance thereunder) within two years of a Code Section 409A Change in Control, the Company shall make a cash payment to you as soon as practicable following your separation from service the amount specified in Section 8(a) above; provided, however, that any distribution to any “specified employee,” as determined in accordance with procedures adopted by the Company that reflect the requirements of Code Section 409A(a)(2)(B)(i) (and any applicable guidance thereunder), shall be made as soon as practicable after the first day of the seventh month following such separation from service (or, if earlier, the date of the specified employee’s death).

(ii) Non-Code Section 409A Change in Control. If you are a person described in Section 5(a)(i) and the Change in Control is not a Code Section 409A Change in Control, the Company shall make a cash payment to you of the amount specified in Section 8(a) above promptly after the Vesting Date. In the event of your death after your separation from service and before payment, the amount otherwise payable under this Section 8(c) shall be paid to your beneficiary or, if none, estate as soon as practicable after your death.

(d) On the date amounts under this Section 8 are paid to you (or your beneficiary or, if none, your estate in the event of your death after having vested in Performance Stock Units), the Company shall also make a cash payment to you equal to the amount of cash dividends that the Company paid per share of Common Stock to holders generally during the Performance Period, multiplied by (i) the number of Performance Stock Units and (ii) the Vesting Percentage, without interest, and less any tax withholding amount applicable to such payment. To the extent that the Performance Stock Units relating to the Performance Period are forfeited prior to vesting, such cash payment shall also be forfeited. If the Performance Stock Units vest as a result of your death, the Company shall make a cash payment to your beneficiary or, if none, your estate equivalent to the cash dividends that the Company paid per share of Common Stock to holders generally from the Grant Date to the date of your death, multiplied by the number of Performance Stock Units.

9. Adjustments.

In the event that the Committee administering the Plan shall determine that any dividend or other distribution (whether in the form of cash, shares of Common Stock, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares or other securities of the Company, issuance of warrants or other rights to purchase shares or other securities of the Company or other similar corporate transaction or event affects the Common Stock such that an adjustment of the Performance Stock Units is determined by the Committee administering the Plan to be appropriate

in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this Agreement, then the Committee shall, in such manner as it may deem equitable, in its sole discretion, adjust any or all of the number and type of shares subject to the Performance Stock Units.

10. Taxes.

(a) You acknowledge that you will consult with your personal tax advisor regarding the income tax consequences of the grant of the Performance Stock Units, the receipt of cash payments pursuant to Section 8 hereof, the vesting of the Performance Stock Units and the receipt of cash upon the vesting of the Performance Stock Units, and any other matters related to this Agreement. In order to comply with all applicable federal, state, local or foreign income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal, state, local or foreign payroll, withholding, income or other taxes, which are your sole and absolute responsibility, are withheld or collected from you.

(b) In accordance with the terms of the Plan, and such rules as may be adopted by the Committee administering the Plan, you may elect to satisfy any applicable tax withholding obligations arising from the vesting of the Performance Stock Units and the corresponding receipt of cash by (i) delivering cash (including check, draft, money order or wire transfer made payable to the order of the Company), (ii) delivering to the Company shares of Common Stock having a Fair Market Value equal to the amount of such taxes, or (iii) having the Company withhold a portion of the cash payment otherwise to be delivered pursuant to Section. Your election must be made on or before the date that the amount of tax to be withheld is determined.

11. Restrictive Covenants.

(a) Non-Disclosure .

(i) During the course of your employment, before and after the execution of this Agreement, and as consideration for the restrictive covenants entered into by you herein, you have received and will continue to receive some or all of the Company's various Trade Secrets (as defined under applicable law) and confidential or proprietary information, which includes the following whether in physical or electronic form: (1) data and compilations of data related to Business Opportunities, (2) computer software, hardware, network and internet technology utilized, modified or enhanced by the Company or by employee in furtherance of employee's duties with the Company; (3) compilations of data concerning Company products, services, customers, and end users including but not limited to compilations concerning projected sales, new project timelines, inventory reports, sales, and cost and expense reports; (4) compilations of information about the Company's employees and independent contracting consultants; (5) the Company's financial information, including, without limitation, amounts charged to customers and amounts charged to the Company by its vendors, suppliers, and service providers; (6) proposals

submitted to the Company's customers, potential customers, wholesalers, distributors, vendors, suppliers and service providers; (7) the Company's marketing strategies and compilations of marketing data; (8) compilations of data or information concerning, and communications and agreements with, vendors, suppliers and licensors to the Company and other sources of technology, products, services or components used in the Company's business; (9) the Company's research and development records and data; and, (10) any summary, extract or analysis of such information together with information that has been received or disclosed to the Company by any third party as to which the Company has an obligation to treat as confidential ("Confidential Information"). "Business Opportunities" means all ideas, concepts or information received or developed (in whatever form) by employee concerning any business, transaction or potential transaction that constitutes or may constitute an opportunity for the Company to earn a fee or income, specifically including those relationships that were initiated, nourished or developed at the Company's expense. Confidential Information does not include data or information: (1) which has been voluntarily disclosed to the public by the Company, except where such public disclosure has been made by you without authorization from the Company; (2) which has been independently developed and disclosed by others; or (3) which has otherwise entered the public domain through lawful means.

(ii) All Confidential Information, Trade Secrets, and all physical and electronic embodiments thereof are confidential and are and will remain the sole and exclusive property of the Company. During the term of employment and for a period of five (5) years following the termination of your employment with the Company for any reason, with or without cause, and upon the initiative of either you or the Company, you agree that you shall protect any such Confidential Information and Trade Secrets and shall not, except in connection with the performance of your remaining duties for the Company, use, disclose or otherwise copy, reproduce, distribute or otherwise disseminate any such Confidential Information or Trade Secrets, or any physical or electronic embodiments thereof, to any third party. Provided, however, that you may make disclosures required by a valid order or subpoena issued by a court or administrative agency of competent jurisdiction, in which event you will promptly notify the Company of such order or subpoena to provide the Company an opportunity to protect its interests.

(iii) Upon request by the Company and, in any event, upon termination of the your employment with the Company for any reason, you will promptly deliver to the Company (within twenty-four (24) hours) all property belonging to the Company, including but without limitation, all Confidential Information, Trade Secrets and all electronic and physical embodiments thereof, all Company files, customer lists, management reports, memoranda, research, Company forms, financial data and reports and other documents (including but not limited to all such data and documents in electronic form) supplied to or created by you in connection with your employment with the Company (including all copies of the foregoing) in your possession or control, and all of the Company's equipment and other materials

in your possession or control. You agree to allow the Company, at its request, to verify return of Company property and documents and information and/or permanent deletion of the same, through inspection of personal computers, personal storage media, third party websites, third party e-mail systems, personal digital assistant devices, cell phones and/or social networking sites on which Company information was stored during your employment with the Company.

(iv) Nothing contained herein shall be in derogation or a limitation of the rights of the Company to enforce its rights or your duties under the applicable law relating to Trade Secrets.

(b) Non-Competition. You agree that, while employed by the Company and for a period of twenty-four (24) months following the termination of your employment with the Company for any reason, with or without cause, whether upon the initiative of either you or the Company (the "Restricted Period"), you will not provide or perform the same or substantially similar services, that you provided to the Company, on behalf of any Direct Competitor, directly (i.e., as an officer or employee) or indirectly (i.e., as an independent contractor, consultant, advisor, board member, agent, shareholder, investor, joint venturer, or partner), anywhere within the United States of America (the "Territory"). "Direct Competitor" means any individual, partnership, corporation, limited liability company, association, or other group, however organized, who competes with the Company in the full service restaurant business.

(i) If you are a resident of California and subject to its laws, the restrictions set forth in paragraph (b) above shall not apply to you.

(ii) Nothing in this provision shall divest you from the right to acquire as a passive investor (with no involvement in the operations or management of the business) up to 1% of any class of securities which is: (i) issued by any Direct Competitor, and (ii) publicly traded on a national securities exchange or over-the-counter market.

(c) Non-Solicitation. You agree that you shall not at any time during your employment and during the Restricted Period, on behalf of yourself or any other Person, directly or by assisting others, solicit, induce, encourage or cause any of the Company's vendors, suppliers, licensees, or other Persons with whom the Company has a contractual relationship and with whom you have had Material Contact during the last two years of your employment, to cease doing business with the Company or to do business with a Direct Competitor. "Material Contact" means contact between you and a Person: (1) with whom or which you dealt on behalf of the Company; (2) whose dealings with the Company were coordinated or supervised by you; (3) about whom you obtained Confidential Information in the ordinary course of business as a result of your association with the Company; or (4) who receives products or services authorized by the Company, the sale or provision of which results or resulted in compensation, commission, or earnings for you within two years prior to the date of the termination of your employment with the Company. "Person" means

any individual, firm, partnership, association, corporation, limited liability entity, trust, venture or other business organization, entity or enterprise.

(d) Non-Recruitment. You agree that during the course of employment and during the Restricted Period, you will not, on behalf of yourself or any other Person, directly or by assisting others, solicit, induce, persuade, or encourage, or attempt to solicit, induce, persuade, or encourage, any individual employed by the Company, with whom you have worked, to terminate such employee's position with the Company, whether or not such employee is a full-time or temporary employee of the Company and whether or not such employment is pursuant to a written agreement, for a determined period, or at will. The provision of this paragraph shall only apply to those individuals employed by the Company at the time of solicitation or attempted solicitation. If you are a resident of California and subject to its laws, the restrictions set forth in paragraph (c) above and this paragraph (d) shall be limited to apply only where Employee uses or discloses Confidential Information or Trade Secrets when engaging in the restricted activities.

(e) Acknowledgements. You acknowledge that the Company is in the business of marketing, developing and establishing its restaurant brands and concepts on a nationwide basis and that the Company makes substantial investments and has established substantial goodwill associated with its restaurant brands and concepts, supplier relationships and marketing programs throughout the United States. You therefore acknowledge that the Territory in which the Company's Business is conducted is, at the very least, throughout the United States. You further acknowledge and agree that it is fair and reasonable for the Company to take steps to protect its Confidential Information, Trade Secrets, good will, business relationships, employees, economic advantages, and/or other legitimate business interests from the risk of misappropriation of or harm to its Confidential Information, Trade Secrets, good will, business relationships, employees, economic advantages, and/or other legitimate business interests. You acknowledge that the consideration, including this Award Agreement, continued employment, specialized training, and the Confidential Information and Trade Secrets provided to you, gives rise to the Company's interest in restraining you from competing with the Company and that any limitations as to time, geographic scope and scope of activity to be restrained are reasonable and do not impose a greater restraint than is necessary to protect Company's Confidential Information, Trade Secrets, good will, business relationships, employees, economic advantages, and/or other legitimate business interests, and will not prevent you from earning a livelihood.

(f) Survival of Covenants. The provisions and restrictive covenants in this Section of this Agreement shall survive the expiration or termination of this Agreement for any reason. You agree not to challenge the enforceability or scope of the provisions and restrictive covenants in this Section. You further agree to notify all future persons, or businesses, with which you become affiliated or employed by, of the provisions and restrictions set forth in this Section, prior to the commencement of any such affiliation or employment.

(g) Injunctive Relief. You acknowledge that if you breach or threaten to breach any of the provisions of this Agreement, your actions will cause irreparable harm and damage to the Company which cannot be compensated by damages alone. Accordingly, if you breach or threaten to breach any of the provisions of this Agreement, the Company shall be entitled to injunctive relief, in addition to any other rights or remedies the Company may have. You hereby waive the requirement for a bond by the Company as a condition to seeking injunctive relief. The existence of any claim or cause of action by you against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of your agreements under this Agreement.

(h) Forfeiture. In the event that you violate the terms of this Section, you understand and agree that in addition to the Company's rights to obtain injunctive relief and damages for such violation, any and all rights to any award under this Agreement, whether vested or unvested, shall be forfeited and extinguished.

12. General Provisions.

(a) Interpretations. This Agreement is subject in all respects to the terms of the Plan. A copy of the Plan is available upon your request. Terms used herein which are defined in the Plan shall have the respective meanings given to such terms in the Plan, unless otherwise defined herein. In the event that any provision of this Agreement is inconsistent with the terms of the Plan, the terms of the Plan shall govern. Any question of administration or interpretation arising under this Agreement shall be determined by the Committee administering the Plan, and such determination shall be final, conclusive and binding upon all parties in interest. To the extent that any Award granted by the Company is subject to Code Section 409A, such Award shall be subject to terms and conditions that comply with the requirements of Code Section 409A to avoid adverse tax consequences under Code Section 409A.

(b) No Right to Employment. Nothing in this Agreement or the Plan shall be construed as giving you the right to be retained as an employee of the Company or any Affiliate of the Company. In addition, the Company or an Affiliate of the Company may at any time dismiss you from employment, free from any liability or any claim under this Agreement, unless otherwise expressly provided in this Agreement.

(c) Reservation of Shares. The Company shall at all times prior to the vesting of the Performance Stock Units reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of this Agreement.

(d) Securities Matters. The Company shall not be required to deliver any shares of Common Stock until the requirements of any federal or state securities or other laws, rules or regulations (including the rules of any securities exchange) as may be determined by the Company to be applicable are satisfied.

(e) Headings. Headings are given to the sections and subsections of this Agreement solely as a convenience to facilitate reference. Such headings shall not be

deemed in any way material or relevant to the construction or interpretation of this Agreement or any provision hereof.

(f) Arbitration. Except for injunctive relief as set forth herein, the parties agree that any dispute between the parties regarding this Agreement shall be submitted to binding arbitration in Orlando, Florida pursuant to the Darden dispute resolution program.

(g) Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Florida (without giving effect to the conflict of law principles thereof). Employee agrees that the state and federal courts of Florida shall have jurisdiction over any litigation between you and the Company regarding this Agreement, and you expressly submit to the exclusive jurisdiction and venue of the federal and state courts sitting in Orange County, Florida.

(h) Notices. You should send all written notices regarding this Agreement or the Plan to the Company at the following address:

Darden Restaurants, Inc.
Supervisor, Stock Compensation Plans
1000 Darden Center Drive
Orlando, FL 32837

(i) Award Agreement and Related Documents. This Performance Stock Unit Agreement shall have no force or effect unless you have been notified by the Company, and identified in the Company's records, as the recipient of a Performance Stock Unit grant. **YOU MUST REVIEW AND ACKNOWLEDGE ACCEPTANCE OF THE TERMS OF THIS AGREEMENT, INCLUDING SPECIFICALLY THE RESTRICTIVE COVENANTS, BY EXECUTING THIS AGREEMENT ELECTRONICALLY VIA YOUR ESTABLISHED ACCOUNT ON THE MORGAN STANLEY SMITH BARNEY WEBSITE WITHIN 60 DAYS OF THE DATE OF GRANT; PROVIDED, HOWEVER, THAT THE COMMITTEE MAY, AT ITS DISCRETION, EXTEND THIS DATE. FAILURE TO ACCEPT THE REFERENCED TERMS AND TO EXECUTE THIS AGREEMENT ELECTRONICALLY WILL PRECLUDE YOU FROM RECEIVING YOUR PERFORMANCE STOCK UNIT GRANT.** In connection with your Performance Stock Unit grant and this Award Agreement, the following additional documents were made available to you electronically, and paper copies are available on request directed to the Company's Compensation Department: (i) the Plan; and (ii) a Prospectus relating to the Plan.

EXHIBIT A

VESTING OF PERFORMANCE STOCK UNITS

The Performance Stock Units that shall vest, if any, following the end of the Performance Period shall be determined by multiplying the number of Performance Stock Units granted by the “Vesting Percentage,” as determined below, provided that the maximum Vesting Percentage for the Performance Period shall be 150%.

PSU Rating for each of the three fiscal years covered by the Performance Period = 50% (MIP Rating for Earnings Per Share) + 50% (MIP Rating for Sales)

PSU Rating Average = a simple average of the PSU Ratings for the three fiscal years covered by the Performance Period

The “Vesting Percentage” shall be determined according to the following grid:

PSU Rating Average	Vesting Percentage
0.00	0%
0.50	25%
1.00	50%
1.40	100%
1.60	125%
1.80 or Greater	150%

The MIP Ratings and Vesting Percentage shall be as determined by the Company.

The Vesting Percentage shall be interpolated based on the PSU Rating Average in the above table. The Vesting Percentage shall be rounded to the nearest 1.0%, with .5% being rounded up. The number of Performance Stock Units that vest pursuant to the Vesting Percentage shall be rounded to the nearest whole number, with .5 being rounded up. For example, a PSU Rating Average of 1.15 would result in a Vesting Percentage of 69%

DARDEN RESTAURANTS, INC.
COMPUTATION OF RATIO OF CONSOLIDATED EARNINGS TO FIXED CHARGES
(Dollar amounts in millions)

	Fiscal Year Ended				
	May 26, 2013	May 27, 2012	May 29, 2011	May 30, 2010	May 31, 2009
Consolidated earnings from continuing operations before income taxes	\$ 522.4	\$ 638.0	\$ 647.6	\$ 543.6	\$ 512.5
Plus fixed charges:					
Gross interest expense ⁽¹⁾	129.8	106.4	97.5	99.6	117.6
40% of restaurant and equipment minimum rent expense	63.1	52.4	48.2	44.7	40.8
Total fixed charges	192.9	158.8	145.7	144.3	158.4
Less capitalized interest	(3.0)	(3.9)	(3.0)	(4.4)	(9.3)
Consolidated earnings from continuing operations before income taxes available to cover fixed charges	\$ 712.3	\$ 792.9	\$ 790.3	\$ 683.5	\$ 661.6
Ratio of consolidated earnings from continuing operations to fixed charges	3.7	5.0	5.4	4.7	4.2

(1) Gross interest expense includes interest recognized in connection with our unrecognized income tax benefits

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis below for Darden Restaurants, Inc. (Darden, the Company, we, us or our) should be read in conjunction with our consolidated financial statements and related financial statement notes found elsewhere in this report. We operate on a 52/53 week fiscal year, which ends on the last Sunday in May. Fiscal 2013, 2012 and 2011 each consisted of 52 weeks of operation.

OVERVIEW OF OPERATIONS

Our business operates in the full-service dining segment of the restaurant industry, primarily in the United States. At May 26, 2013, we operated 2,138 Olive Garden[®], Red Lobster[®], LongHorn Steakhouse[®], The Capital Grille[®], Yard House[®], Bahama Breeze[®], Seasons 52[®], Eddie V's Prime Seafood[®] and Wildfish Seafood Grille[®] restaurants in the United States and Canada. 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 that are owned jointly by us and third parties, and managed by us, and five franchised restaurants in Puerto Rico. We also have area development and franchise agreements with unaffiliated operators to develop and operate our brands in Japan, the Middle East and Latin America. Pursuant to these agreements, as of May 26, 2013, 37 franchised restaurants were in operation in Japan, the Middle East, Puerto Rico and Mexico.

On August 29, 2012, we completed the acquisition of Yard House USA, Inc. (Yard House) for \$585.0 million in cash. The acquired operations of Yard House included 40 restaurants that are included in the results of operations in our consolidated financial statements from the date of acquisition.

Our mission is to be the best in full-service dining, now and for generations. We believe we can achieve this goal by continuing to build on our strategy to be a multi-brand restaurant growth company, which is grounded in:

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

We seek to increase profits by leveraging our fixed and semi-fixed costs with sales from new restaurants and increased guest traffic and sales at existing restaurants. To evaluate our operations and assess our financial performance, we monitor a number of operating measures, with a special focus on two key factors:

- Same-restaurant sales – which is a year-over-year comparison of each period's sales volumes for restaurants open at least 16 months, including recently acquired restaurants, regardless of when the restaurants were acquired; and
- Restaurant earnings – which is restaurant-level profitability (restaurant sales, less restaurant-level cost of sales, marketing and depreciation).

Increasing same-restaurant sales can improve restaurant earnings because these incremental sales provide better leverage of our fixed and semi-fixed restaurant-level costs. A restaurant brand can generate same-restaurant sales increases through increases in guest traffic, increases in the average guest check, or a combination of the two. The average guest check can be impacted by menu price changes and by the mix of menu items sold. For each restaurant brand, we gather daily sales data and regularly analyze the guest traffic counts and the mix of menu items sold to aid in developing menu pricing, product offerings and promotional strategies. We view same-restaurant guest counts as a measure of the long-term health of a restaurant brand, while increases in average check and menu mix may contribute more significantly to near-term profitability. We focus on balancing our pricing and product offerings with other initiatives to produce sustainable same-restaurant sales growth.

We compute same-restaurant sales using restaurants open at least 16 months because this period is generally required for new restaurant sales levels to normalize. Sales at newly opened restaurants generally do not make a significant contribution to profitability in their initial months of operation due to operating inefficiencies. Our sales and expenses can be impacted significantly by the number and timing of new restaurant openings and closings, relocation and remodeling of existing restaurants. Pre-opening expenses each period reflect the costs associated with opening new restaurants in current and future periods.

Fiscal 2013 Financial Highlights

Our sales from continuing operations were \$8.55 billion in fiscal 2013 compared to \$8.00 billion in fiscal 2012 . The 6.9 percent increase was primarily driven by the addition of 104 net new company-owned restaurants plus the addition of 40 Yard House purchased restaurants and a 2.1 percent blended same-restaurant sales increase for The Capital Grille, Bahama Breeze and Seasons 52, partially offset by the 1.3 percent blended same-restaurant sales decrease for Olive Garden, Red Lobster and LongHorn Steakhouse.

Net earnings from continuing operations for fiscal 2013 were \$412.6 million (\$3.14 per diluted share) compared with net earnings from continuing operations for fiscal 2012 of \$476.5 million (\$3.58 per diluted share). Net earnings from continuing operations for fiscal 2013 decreased 13.4 percent and diluted net earnings per share from continuing operations decreased 12.3 percent compared with fiscal 2012 .

Our net losses from discontinued operations were \$0.7 million (\$0.01 per diluted share) for fiscal 2013 , compared with net losses from discontinued operations of \$1.0 million (\$0.01 per diluted share) for fiscal 2012 . When combined with results from continuing operations, our diluted net earnings per share were \$3.13 and \$3.57 for fiscal 2013 and 2012 , respectively.

Outlook and Strategy

We expect blended U.S. same-restaurant sales in fiscal 2014 to range from flat to an increase of 2.0 percent for Olive Garden, Red Lobster and LongHorn Steakhouse. Including the impact from operations of Yard House, we expect fiscal 2014 total sales to increase between 6.0 percent and 8.0 percent. We expect food and beverage expenses to be higher as a percent of sales based on our expectations of food cost inflation. We also expect restaurant labor expenses to be higher as a percent of sales based on our expectations that manager incentive compensation will return to normal levels and the anticipated costs associated with implementation of the Affordable Care Act. We expect our remaining expense line items, restaurant expenses, selling, general and administrative expenses and depreciation expense, to be relatively flat as a percent of sales. We expect diluted net earnings per share from continuing operations for fiscal 2014 to be below fiscal 2013 by 3.0 percent to 5.0 percent. In fiscal 2014 , we expect to add approximately 80 net new restaurants, and we expect capital expenditures will be between \$600.0 million and \$650.0 million, including approximately \$15.0 million in information technology initiatives.

In June 2013 , we announced a quarterly dividend of \$0.55 per share, payable on August 1, 2013 . Previously, our quarterly dividend was \$0.50 per share, or \$2.00 per share on an annual basis. Based on the \$0.55 quarterly dividend declaration, our expected annual dividend is \$2.20 per share, a 10.0 percent increase. Dividends are subject to the approval of the Company's Board of Directors and, accordingly, the timing and amount of our dividends are subject to change.

To support future growth, we are striving to change in two important ways: we are modifying our organizational structure so we can better leverage our existing experience and expertise, and we are adding new expertise in additional areas that are critical to future success. In the past three years we have created enterprise-level marketing and restaurant operations units and established forward-looking strategy units in certain functions. We have initiatives focusing on our Specialty Restaurant Group, enterprise-level sales building, digital guest and employee engagement, health and wellness, and centers of excellence. To maintain strong brand relevance and strengthen guest experience and loyalty, we are moving forward with a multi-year program to build and leverage a single digital technology platform. We plan to grow by leveraging our expertise and new capabilities to increase same-restaurant sales and increase the number of restaurants in each of our existing brands. We also continue to pursue other avenues of new business development, including franchising our restaurants outside of the U.S. and Canada, testing "synergy restaurants" and other formats to expand our brands, and selling consumer packaged goods such as Olive Garden's salad dressing and Red Lobster's Cheddar Bay Biscuit Mix.

The total sales growth we envision should increase the cost-effectiveness of our 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. In fiscal 2014, we plan to continue to implement three transformational initiatives - further automating our supply chain, significantly reducing the use of energy, water and cleaning supplies in our restaurants and optimizing labor costs within our restaurants.

There are significant risks and challenges that could impact our operations and ability to increase sales and earnings. The full-service restaurant industry is intensely competitive and sensitive to economic cycles and other business factors, including changes in consumer tastes and dietary habits. Other risks and uncertainties are discussed and referenced in the subsection below entitled "Forward-Looking Statements."

RESULTS OF OPERATIONS FOR FISCAL 2013 , 2012 AND 2011

The following table sets forth selected operating data as a percent of sales from continuing operations for the fiscal years ended May 26, 2013 , May 27, 2012 and May 29, 2011 . This information is derived from the consolidated statements of earnings found elsewhere in this report.

	Fiscal Years		
	2013	2012	2011
Sales	100.0%	100.0 %	100.0%
Costs and expenses:			
Cost of sales:			
Food and beverage	30.7	30.8	29.0
Restaurant labor	31.5	31.3	32.0
Restaurant expenses	15.7	15.0	15.1
Total cost of sales, excluding restaurant depreciation and amortization of 4.4%, 4.1% and 3.9%, respectively	77.9%	77.1 %	76.1%
Selling, general and administrative	9.9	9.2	9.9
Depreciation and amortization	4.6	4.4	4.2
Interest, net	1.5	1.3	1.2
Total costs and expenses	93.9%	92.0 %	91.4%
Earnings before income taxes	6.1	8.0	8.6
Income taxes	1.3	2.0	2.2
Earnings from continuing operations	4.8	6.0	6.4
Losses from discontinued operations, net of taxes	—	(0.1)	—
Net earnings	4.8%	5.9 %	6.4%

The following table details the number of company-owned restaurants currently reported in continuing operations that were open at the end of fiscal 2013 , compared with the number open at the end of fiscal 2012 and the end of fiscal 2011 .

	May 26, 2013	May 27, 2012	May 29, 2011
Red Lobster – USA	678	677	670
Red Lobster – Canada	27	27	28
Total	705	704	698
Olive Garden – USA	822	786	748
Olive Garden – Canada	6	6	6
Total	828	792	754
LongHorn Steakhouse	430	386	354
The Capital Grille	49	46	44
Bahama Breeze	33	30	26
Seasons 52	31	23	17
Eddie V's ⁽¹⁾	12	11	—
Yard House ⁽¹⁾	44	—	—
Other ⁽²⁾	6	2	1
Total	2,138	1,994	1,894

(1) Includes the 11 Eddie V's and Wildfish restaurants acquired on November 14, 2011 and the 40 Yard House restaurants acquired on August, 29, 2012.

(2) Represents synergy restaurants that combine two existing brands in one building.

SALES

Sales from continuing operations were \$8.55 billion in fiscal 2013 , \$8.00 billion in fiscal 2012 and \$7.50 billion in fiscal 2011 . The 6.9 percent increase in sales from continuing operations for fiscal 2013 was driven by the addition of 104 net new company-owned restaurants plus the addition of 40 Yard House purchased restaurants and a 2.1 percent blended same-restaurant sales increase for The Capital Grille, Bahama Breeze and Seasons 52, partially offset by the 1.3 percent blended same-restaurant sales decrease for Olive Garden, Red Lobster and LongHorn Steakhouse.

Olive Garden's sales of \$3.68 billion in fiscal 2013 were 2.9 percent above last fiscal year, driven primarily by revenue from 36 net new restaurants partially offset by a U.S. same-restaurant sales decrease of 1.5 percent . The decrease in U.S. same-restaurant sales resulted from a 2.8 percent decrease in same-restaurant guest counts partially offset by a 1.3 percent increase in average check. Average annual sales per restaurant for Olive Garden were \$4.6 million in fiscal 2013 compared to \$4.7 million in fiscal 2012 .

Red Lobster's sales of \$2.62 billion in fiscal 2013 were 1.7 percent below last fiscal year, driven primarily by a U.S. same-restaurant sales decrease of 2.2 percent partially offset by revenue from one net new restaurant. The decrease in U.S. same-restaurant sales resulted from a 1.8 percent decrease in same-restaurant guest counts combined with a 0.4 percent decrease in average guest check. Average annual sales per restaurant for Red Lobster were \$3.7 million in fiscal 2013 compared to \$3.8 million in fiscal 2012 .

LongHorn Steakhouse's sales of \$1.23 billion in fiscal 2013 were 10.3 percent above last fiscal year, driven primarily by revenue from 44 net new restaurants combined with a same-restaurant sales increase of 1.2 percent . The increase in same-restaurant sales resulted from a 1.1 percent increase in same-restaurant guest counts combined with a 0.1 percent increase in average guest check. Average annual sales per restaurant for LongHorn Steakhouse were \$3.0 million in fiscal 2013 and fiscal 2012 .

In total, The Capital Grille, Bahama Breeze, Seasons 52, Eddie V's and Yard House generated sales of \$986.4 million in fiscal 2013 , which were 58.3 percent above last fiscal year, primarily driven by the Yard House acquisition. Additionally, Seasons 52 added 8 new restaurants, Yard House added 4 new restaurants, The Capital Grille added 3 new restaurants, Bahama Breeze added 3 new restaurants, and Eddie V's added 1 new restaurant. Sales growth also reflected same-restaurant sales increases of 3.3 percent at The Capital Grille, 1.2 percent at Seasons 52 and 0.2 percent at Bahama Breeze. Average annual sales per restaurant for The Capital Grille were \$7.0 million in fiscal 2013 compared to \$6.8 million in fiscal 2012 . Average annual sales per restaurant for Bahama Breeze were \$5.5 million in fiscal 2013 compared to \$5.6 million in fiscal 2012 . Average annual sales per restaurant for Seasons 52 were \$6.2 million in fiscal 2013 compared to \$6.4 million in fiscal 2012 . Average annual sales per restaurant for Eddie V's were \$5.8 million in fiscal 2013 compared to \$5.9 million in fiscal 2012 .

The 6.6 percent increase in sales from continuing operations for fiscal 2012 was driven by the addition of 89 net new company-owned restaurants plus the addition of 11 Eddie V's purchased restaurants, and the 1.8 percent blended same-restaurant sales increase for Olive Garden, Red Lobster and LongHorn Steakhouse.

Olive Garden's sales of \$3.58 billion in fiscal 2012 were 2.5 percent above fiscal 2011, driven primarily by revenue from 38 net new restaurants partially offset by a U.S. same-restaurant sales decrease of 1.2 percent. The decrease in U.S. same-restaurant sales resulted from a 1.3 percent decrease in same-restaurant guest counts partially offset by a 0.1 percent increase in average check. Average annual sales per restaurant for Olive Garden were \$4.7 million in fiscal 2012 compared to \$4.8 million in fiscal 2011.

Red Lobster's sales of \$2.67 billion in fiscal 2012 were 5.9 percent above fiscal 2011, driven primarily by a U.S. same-restaurant sales increase of 4.6 percent combined with revenue from six net new restaurants. The increase in U.S. same-restaurant sales resulted from a 2.2 percent increase in same-restaurant guest counts combined with a 2.4 percent increase in average guest check. Average annual sales per restaurant for Red Lobster were \$3.8 million in fiscal 2012 compared to \$3.6 million in fiscal 2011.

LongHorn Steakhouse's sales of \$1.12 billion in fiscal 2012 were 13.5 percent above fiscal 2011, driven primarily by revenue from 32 net new restaurants combined with a same-restaurant sales increase of 5.3 percent. The increase in same-restaurant sales resulted from a 4.8 percent increase in same-restaurant guest counts combined with a 0.5 percent increase in average guest check. Average annual sales per restaurant for LongHorn Steakhouse were \$3.0 million in fiscal 2012 compared to \$2.9 million in fiscal 2011.

In total, The Capital Grille, Bahama Breeze, Seasons 52 and Eddie V's generated sales of \$623.0 million in fiscal 2012, which were 24.1 percent above fiscal 2011, primarily driven by 2 net new restaurants at The Capital Grille, 4 new restaurants at Bahama Breeze, 6 new restaurants at Seasons 52 and the addition of 11 Eddie V's purchased restaurants. Additionally, sales growth reflected same-restaurant sales increases of 5.3 percent at The Capital Grille, 3.4 percent at Bahama Breeze and 3.8 percent at Seasons 52. Average annual sales per restaurant for The Capital Grille were \$6.8 million in fiscal 2012 compared to \$6.5 million in fiscal 2011. Average annual sales per restaurant for Bahama Breeze were \$5.6 million in fiscal 2012 compared to \$5.5 million in fiscal 2011. Average annual sales per restaurant for Seasons 52 were \$6.4 million in fiscal 2012 compared to \$6.3 million in fiscal 2011.

COSTS AND EXPENSES

Total costs and expenses from continuing operations were \$8.03 billion in fiscal 2013 , \$7.36 billion in fiscal 2012 and \$6.85 billion in fiscal 2011 . As a percent of sales, total costs and expenses from continuing operations were 93.9 percent in fiscal 2013 , 92.0 percent in fiscal 2012 and 91.4 percent in fiscal 2011 .

Food and beverage costs increased \$168.0 million , or 6.8 percent , from \$2.46 billion in fiscal 2012 to \$2.63 billion in fiscal 2013 . Food and beverage costs increased \$287.0 million , or 13.2 percent , from \$2.17 billion in fiscal 2011 to \$2.46 billion in fiscal 2012 . As a percent of sales, food and beverage costs decreased from fiscal 2012 to fiscal 2013 primarily as a result of pricing leverage and lower seafood costs, partially offset by higher beef costs and unfavorable menu-mix. As a percent of sales, food and beverage costs increased from fiscal 2011 to fiscal 2012 primarily as a result of higher seafood and other food commodity costs and unfavorable menu-mix, partially offset by pricing.

Restaurant labor costs increased \$196.0 million , or 7.8 percent , from \$2.50 billion in fiscal 2012 to \$2.70 billion in fiscal 2013 . Restaurant labor costs increased \$105.1 million , or 4.4 percent , from \$2.40 billion in fiscal 2011 to \$2.50 billion in fiscal 2012 . As a percent of sales, restaurant labor costs increased in fiscal 2013 primarily as a result of wage-rate inflation and lost sales leverage, partially offset by lower manager incentive compensation. As a percent of sales, restaurant labor costs decreased in fiscal 2012 primarily as a result of sales leveraging, improved wage-rate management and lower manager incentive compensation, partially offset by an increase in FICA taxes on higher reported tips. The increase in FICA tax expense on higher reported tips is fully offset in our consolidated earnings from continuing operations by a corresponding income tax credit, which reduces income tax expense. Manager incentive compensation paid out at approximately 65.0 percent of the targeted amount in fiscal 2013, as compared to 84.0 percent and 93.0 percent in fiscal 2012 and 2011 , respectively.

Restaurant expenses (which include utilities, repairs and maintenance, credit card, lease, property tax, workers' compensation, new restaurant pre-opening and other restaurant-level operating expenses) increased \$133.8 million , or 11.1 percent , from \$1.20 billion in fiscal 2012 to \$1.33 billion in fiscal 2013 . Restaurant expenses increased \$71.6 million , or 6.3 percent , from \$1.13 billion in fiscal 2011 to \$1.20 billion in fiscal 2012 . As a percent of sales, restaurant expenses increased in fiscal 2013 as compared to fiscal 2012 primarily as a result of Yard House's higher restaurant expenses as a percentage of sales compared to our consolidated average prior to the acquisition. Additionally, restaurant expenses as a percentage of sales increased due to lost sales leverage, partially offset by lower utilities expenses. As a percent of sales, restaurant expenses decreased in fiscal 2012 as compared to fiscal 2011 primarily due to sales leveraging and lower credit card fees partially offset by higher workers' compensation costs.

Selling, general and administrative expenses increased \$101.0 million , or 13.5 percent , from \$746.8 million in fiscal 2012 to \$847.8 million in fiscal 2013 . Selling, general and administrative expenses increased \$4.1 million , or 0.6 percent , from \$742.7 million in fiscal 2011 to \$746.8 million in fiscal 2012 . As a percent of sales, selling, general and administrative expenses increased from fiscal 2012 to fiscal 2013 primarily due to higher media costs and acquisition and integration costs associated with the Yard House acquisition, partially offset by sales leverage and lower performance-based compensation. As a percent of sales, selling, general and administrative expenses decreased from fiscal 2011 to fiscal 2012 primarily due to sales leveraging, lower performance incentive compensation and favorable market-driven changes in fair value related to our non-qualified deferred compensation plans, partially offset by higher media costs.

Depreciation and amortization expense increased \$45.7 million , or 13.1 percent , from \$349.1 million in fiscal 2012 to \$394.8 million in fiscal 2013 . Depreciation and amortization expense increased \$32.3 million , or 10.2 percent , from \$316.8 million in fiscal 2011 to \$349.1 million in fiscal 2012 . As a percent of sales, depreciation and amortization expense increased in fiscal 2013 primarily due to an increase in depreciable assets related to new restaurants and remodel activities. As a percent of sales, depreciation and amortization expense increased in fiscal 2012 primarily due to an increase in depreciable assets related to new restaurants and remodel activities, partially offset by sales leveraging.

Net interest expense increased \$24.3 million , or 23.9 percent , from \$101.6 million in fiscal 2012 to \$125.9 million in fiscal 2013 . Net interest expense increased \$8.0 million , or 8.5 percent , from \$93.6 million in fiscal 2011 to \$101.6 million in fiscal 2012 . As a percent of sales, net interest expense increased in fiscal 2013 compared to fiscal 2012 due to higher average debt balances in fiscal 2013 principally driven by the acquisition of Yard House. As a percent of sales, net interest expense increased in fiscal 2012 compared to fiscal 2011 due to higher average debt balances in fiscal 2012 , partially offset by sales leveraging.

INCOME TAXES

The effective income tax rates for fiscal 2013 , 2012 and 2011 continuing operations were 21.0 percent , 25.3 percent and 26.1 percent , respectively. The decrease in our effective rate for fiscal 2013 is primarily attributable to an increase in the impact of FICA tax credits for employee reported tips due to a decrease in our earnings before income taxes and the impact of market-driven changes in the value of our trust-owned life insurance that are excluded for tax purposes, partially offset by a decrease in federal income tax credits related to the HIRE Act. The decrease in our effective rate for fiscal 2012 is primarily attributable to an increase in federal income tax credits related to the HIRE Act, an increase in the impact of FICA tax credits for employee reported tips, partially offset by the impact of market-driven changes in the value of our trust-owned life insurance that are excluded for tax purposes.

NET EARNINGS AND NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS

Net earnings from continuing operations for fiscal 2013 were \$412.6 million (\$3.14 per diluted share) compared with net earnings from continuing operations for fiscal 2012 of \$476.5 million (\$3.58 per diluted share) and net earnings from continuing operations for fiscal 2011 of \$478.7 million (\$3.41 per diluted share).

Net earnings from continuing operations for fiscal 2013 decreased 13.4 percent and diluted net earnings per share from continuing operations decreased 12.3 percent compared with fiscal 2012 , primarily due to higher selling, general and administrative expenses, restaurant expenses, depreciation and amortization expenses and net interest expense as a percent of sales, partially offset by increased sales and a lower effective income tax rate. Costs associated with the Yard House acquisition adversely affected diluted net earnings per share from continuing operations by approximately \$0.09.

Net earnings from continuing operations for fiscal 2012 decreased 0.5 percent and diluted net earnings per share from continuing operations increased 5.0 percent compared with fiscal 2011 . The decrease in net earnings from continuing operations was primarily due to higher food and beverage costs and depreciation and amortization expense as a percent of sales, which were partially offset by increased sales, lower restaurant labor expenses, and selling, general and administrative expenses as a percent of sales, and a lower effective income tax rate. While net earnings from continuing operations decreased, diluted net earnings per share from continuing operations increased for fiscal 2012 due to a reduction in the average diluted shares outstanding primarily as a result of the cumulative impact of our continuing repurchase of our common stock.

LOSSES FROM DISCONTINUED OPERATIONS

On an after-tax basis, losses from discontinued operations for fiscal 2013 were \$0.7 million (\$0.01 per diluted share) compared with losses from discontinued operations for fiscal 2012 of \$1.0 million (\$0.01 per diluted share) and fiscal 2011 of \$2.4 million (\$0.02 per diluted share).

SEASONALITY

Our sales volumes fluctuate seasonally. During fiscal 2013 , our average sales per restaurant were highest in the spring and winter, followed by the summer, and lowest in the fall. During fiscal 2012 and 2011 , our average sales per restaurant were highest in the winter and spring, 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.

IMPACT OF INFLATION

We attempt to minimize the annual effects of inflation through appropriate planning, operating practices and menu price increases. We do not believe inflation had a significant overall effect on our annual results of operations during fiscal 2013 or fiscal 2011. However, we experienced higher than normal inflationary costs during fiscal 2012 and were able to partially reduce the annual impact utilizing these strategies.

CRITICAL ACCOUNTING POLICIES

We prepare our consolidated financial statements in conformity with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates.

Our significant accounting policies are more fully described in Note 1 to the consolidated financial statements. However, certain of our accounting policies that are considered critical are those we believe are both most important to the portrayal of our financial condition and operating results and require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions. We consider the following policies to be most critical in understanding the judgments that are involved in preparing our consolidated financial statements.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost less accumulated depreciation. Building components are depreciated over estimated useful lives ranging from 7 to 40 years using the straight-line method. Leasehold improvements, which are reflected on our consolidated balance sheets as a component of buildings in land, buildings and equipment, net, are amortized over the lesser of the expected lease term, including cancelable option periods, or the estimated useful lives of the related assets using the straight-line method. Equipment is depreciated over estimated useful lives ranging from 2 to 10 years, also using the straight-line method.

Our accounting policies regarding land, buildings and equipment, including leasehold improvements, include our judgments regarding the estimated useful lives of these assets, the residual values to which the assets are depreciated or amortized, the determination of what constitutes expected lease term and the determination as to what constitutes enhancing the value of or increasing the life of existing assets. These judgments and estimates may produce materially different amounts of reported depreciation and amortization expense if different assumptions were used. As discussed further below, these judgments may also impact our need to recognize an impairment charge on the carrying amount of these assets as the cash flows associated with the assets are realized, or as our expectations of estimated future cash flows change.

Leases

We are obligated under various lease agreements for certain restaurants. For operating leases, we recognize rent expense on a straight-line basis over the expected lease term, including option periods as described below. Capital leases are recorded as an asset and an obligation at an amount equal to the present value of the minimum lease payments during the lease term.

Within the provisions of certain of our leases, there are rent holidays and escalations in payments over the base lease term, as well as renewal periods. The effects of the holidays and escalations have been reflected in rent expense on a straight-line basis over the expected lease term, which includes cancelable option periods we are reasonably assured to exercise because failure to exercise such options would result in an economic penalty to the Company. The lease term commences on the date when we have the right to control the use of the leased property, which is typically before rent payments are due under the terms of the lease. The leasehold improvements and property held under capital leases for each restaurant facility are amortized on the straight-line method over the shorter of the estimated life of the asset or the same expected lease term used for lease accounting purposes. Many of our leases have renewal periods totaling 5 to 20 years, exercisable at our option, and require payment of property taxes, insurance and maintenance costs in addition to the rent payments. The consolidated financial statements reflect the same lease term for amortizing leasehold improvements as we use to determine capital versus operating lease classifications and in calculating straight-line rent expense for each restaurant. Percentage rent expense is generally based upon sales levels and is accrued when we determine that it is probable that such sales levels will be achieved. Landlord allowances are recorded based on contractual terms and are included in accounts receivable, net and as a deferred rent liability and amortized as a reduction of rent expense on a straight-line basis over the expected lease term.

Our judgments related to the probable term for each restaurant affect the classification and accounting for leases as capital versus operating, the rent holidays and escalation in payments that are included in the calculation of straight-line rent and the term over which leasehold improvements for each restaurant facility are amortized. These judgments may produce materially different amounts of depreciation, amortization and rent expense than would be reported if different assumed lease terms were used.

Impairment of Long-Lived Assets

Land, buildings and equipment and certain other assets, including definite-lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the assets. Identifiable cash flows are measured at the lowest level for which they are largely independent of the cash flows of other groups of assets and liabilities, generally at the restaurant level. If these assets are determined to be impaired, the amount of impairment recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Fair value is generally determined by appraisals or sales prices of comparable assets. Restaurant sites and certain other assets to be disposed of are reported at the lower of their carrying amount or fair value, less estimated costs to sell. Restaurant sites and certain other assets to be disposed of are included in assets held for sale within prepaid expenses and other current assets in our consolidated balance sheets when certain criteria are met. These criteria include the requirement that the likelihood of disposing of these assets within one year is probable. For assets that meet the held-for-sale criteria, we separately evaluate whether those assets also meet the requirements to be reported as discontinued operations. Principally, if we discontinue cash flows and no longer have any significant continuing involvement with respect to the operations of the assets, we classify the assets and related results of operations as discontinued. We consider guest transfer (an increase in guests at another location as a result of the closure of a location) as continuing cash flows and evaluate the significance of expected guest transfer when evaluating a restaurant for discontinued operations reporting. To the extent we dispose of enough assets where classification between continuing operations and discontinued operations would be material to our consolidated financial statements, we utilize the reporting provisions for discontinued operations. Assets whose disposal is not probable within one year remain in land, buildings and equipment until their disposal within one year is probable.

We account for exit or disposal activities, including restaurant closures, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 420, Exit or Disposal Cost Obligations. Such costs include the cost of disposing of the assets as well as other facility-related expenses from previously closed restaurants. These costs are generally expensed as incurred. Additionally, at the date we cease using a property under an operating lease, we record a liability for the net present value of any remaining lease obligations, net of estimated sublease income. Any subsequent adjustments to that liability as a result of lease termination or changes in estimates of sublease income are recorded in the period incurred. Upon disposal of the assets, primarily land, associated with a closed restaurant, any gain or loss is recorded in the same caption within our consolidated statements of earnings as the original impairment.

The judgments we make related to the expected useful lives of long-lived assets and our ability to realize undiscounted cash flows in excess of the carrying amounts of these assets are affected by factors such as the ongoing maintenance and improvements of the assets, changes in economic conditions, changes in usage or operating performance, desirability of the restaurant sites and other factors, such as our ability to sell our assets held for sale. As we assess the ongoing expected cash flows and carrying amounts of our long-lived assets, significant adverse changes in these factors could cause us to realize a material impairment loss. During fiscal 2013, we recognized long-lived asset impairment charges of \$0.8 million (\$0.5 million net of tax), primarily related to the write-down of assets held for disposition based on updated valuations. During fiscal 2012, we recognized long-lived asset impairment charges of \$0.5 million (\$0.3 million net of tax), primarily related to the permanent closure of one Red Lobster restaurant, and the write-down of assets held for disposition based on updated valuations. During fiscal 2011 we recognized long-lived asset impairment charges of \$4.7 million (\$2.9 million net of tax), primarily related to the permanent closure of two Red Lobster restaurants, the write-down of another Red Lobster restaurant based on an evaluation of expected cash flows, and the write-down of assets held for disposition based on updated valuations. These costs are included in selling, general and administrative expenses as a component of earnings from continuing operations in the accompanying consolidated statements of earnings for fiscal 2013, 2012 and 2011. Impairment charges were measured based on the amount by which the carrying amount of these assets exceeded their fair value.

Valuation and Recoverability of Goodwill and Trademarks

We review our goodwill and trademarks for impairment annually, as of the first day of our fiscal fourth quarter, or more frequently if indicators of impairment exist. Goodwill and trademarks are not subject to amortization and have been assigned to reporting units for purposes of impairment testing. The reporting units are our restaurant brands. At May 26, 2013 and May 27, 2012, we had goodwill of \$908.3 million and \$538.6 million, respectively. At May 26, 2013 and May 27, 2012, we had trademarks of \$573.8 million and \$464.9 million, respectively.

A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators 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 could have a significant impact on the recoverability of these assets and could have a material impact on our consolidated financial statements.

The goodwill impairment test involves a two-step process. The first step is a comparison of each reporting unit's fair value to its carrying value. We estimate fair value using the best information available, including market information and discounted cash flow projections (also referred to as the income approach). The income approach uses a reporting unit's projection of estimated operating results and cash flows that is discounted using a weighted-average cost of capital that reflects current market conditions. The projection uses management's best estimates of economic and market conditions over the projected period including growth rates in sales, costs and number of units, estimates of future expected changes in operating margins and cash expenditures. Other significant estimates and assumptions include terminal value growth rates, future estimates of capital expenditures and changes in future working capital requirements. We validate our estimates of fair value under the income approach by comparing the values to fair value estimates using a market approach. A market approach estimates fair value by applying cash flow and sales multiples to the reporting unit's operating performance. The multiples are derived from comparable publicly traded companies with similar operating and investment characteristics of the reporting units.

If the fair value of the reporting unit is higher than its carrying value, goodwill is deemed not to be impaired, and no further testing is required. If the carrying value of the reporting unit is higher than its fair value, there is an indication that impairment may exist and the second step must be performed to measure the amount of impairment loss. The amount of impairment is determined by comparing the implied fair value of reporting unit goodwill to the carrying value of the goodwill in the same manner as if the reporting unit was being acquired in a business combination. Specifically, we would allocate the fair value to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that would calculate the implied fair value of goodwill. If the implied fair value of goodwill is less than the recorded goodwill, we would record an impairment loss for the difference.

Consistent with our accounting policy for goodwill and trademarks, we performed our annual impairment test of our goodwill and trademarks as of the first day of our fiscal fourth quarter. As of the beginning of our fiscal fourth quarter, we had eight reporting units, six of which had goodwill: Red Lobster, Olive Garden, LongHorn Steakhouse, The Capital Grille, Eddie V's, and Yard House. As part of our process for performing the step one impairment test of goodwill, we estimated the fair value of our reporting units utilizing the income and market approaches described above to derive an enterprise value of the Company. We reconciled the enterprise value to our overall estimated market capitalization. The estimated market capitalization considers recent trends in our market capitalization and an expected control premium, based on comparable recent and historical transactions. Based on the results of the step one impairment test, no impairment of goodwill was indicated. As we finalized the purchase price allocation for Yard House during our fourth fiscal quarter of 2013, we excluded the goodwill allocated to Yard House from our step one impairment test, however, we did perform a qualitative assessment of the goodwill allocated to Yard House in accordance with ASC Topic 350, Intangibles - Goodwill and Other, and no indicators of impairment were identified.

Given the significance of goodwill relative to the size of the LongHorn Steakhouse (\$49.5 million), The Capital Grille (\$401.7 million) and Eddie V's (\$22.1 million) reporting units, we also performed sensitivity analyses on our estimated fair value of these reporting units using the income approach. A key assumption in our fair value estimate is the weighted-average cost of capital utilized for discounting our cash flow estimates in our income approach. We selected a weighted-average cost of capital of 11.0 percent for LongHorn Steakhouse and The Capital Grille, and 17.0 percent for Eddie V's. An increase in the weighted-average cost of capital of approximately 436 basis points, approximately 263 basis points and approximately 200 basis points would result in an impairment of a portion of the goodwill of LongHorn Steakhouse, The Capital Grille and Eddie V's, respectively. The estimated fair values of LongHorn Steakhouse, The Capital Grille, and Eddie V's exceeded their carrying values by approximately 108 percent, 45 percent and 47 percent, respectively.

The fair value of trademarks are estimated and compared to the carrying value. We estimate the fair value of trademarks 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. We recognize an impairment loss when the estimated fair value of the trademarks is less than the carrying value. We completed our impairment test and concluded as of the date of the test, there was no impairment of the trademarks for LongHorn Steakhouse, The Capital Grille and Eddie V's. The estimated fair value of LongHorn Steakhouse's trademark exceeded its carrying value of \$307.0 million by approximately 91 percent. The estimated fair value of The Capital Grille's trademark exceeded its carrying value of \$147.0 million by approximately 56 percent. The estimated fair value of Eddie V's trademark exceeded its carrying value of \$10.5 million by approximately 50 percent. As we finalized the purchase price allocation for Yard House during our fourth fiscal quarter of 2013, we excluded the trademark related to Yard House from our annual impairment test, however, we did perform a qualitative assessment of the Yard House trademark in accordance with ASC Topic 350, Intangibles - Goodwill and Other, and no indicators of impairment were identified. A key assumption in our fair value estimate is the discount rate utilized in the

relief-from-royalty method. We selected a discount rate of 12.0 percent for LongHorn Steakhouse and The Capital Grille, and 18.0 percent for Eddie V's. An increase in the discount rate of approximately 679 basis points, 371 basis points and 463 basis points would result in impairment of a portion of the trademarks of LongHorn Steakhouse, The Capital Grille and Eddie V's, respectively.

We determined that there was no goodwill or trademark impairment as of the first day of our fiscal 2013 fourth quarter and no additional indicators of impairment were identified through the end of our fiscal fourth quarter that would require us to test further for impairment. However, declines in our market capitalization (reflected in our stock price) as well as in the market capitalization of other companies in the restaurant industry, declines in sales at our restaurants, and significant adverse changes in the operating environment for the restaurant industry may result in a future impairment loss.

Changes in circumstances, existing at the measurement date or at other times in the future, or in the numerous estimates associated with management's judgments and assumptions made in assessing the fair value of our goodwill, could result in an impairment loss of a portion or all of our goodwill or trademarks. If we recorded an impairment loss, our financial position and results of operations would be adversely affected and our leverage ratio for purposes of our credit agreement would increase. A leverage ratio exceeding the maximum permitted under our credit agreement would be a default under our credit agreement. At May 26, 2013, a write-down of goodwill, other indefinite-lived intangible assets, or any other assets in excess of approximately \$810.0 million would have been required to cause our leverage ratio to exceed the permitted maximum. As our leverage ratio is determined on a quarterly basis and due to the seasonal nature of our business, a lesser amount of impairment in future quarters could cause our leverage ratio to exceed the permitted maximum.

We evaluate the useful lives of our other intangible assets, primarily intangible assets associated with our acquisitions, 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.

Insurance Accruals

Through the use of insurance program deductibles and self-insurance, we retain a significant portion of expected losses under our workers' compensation, certain employee medical and general liability programs. However, we carry insurance for individual workers' compensation and general liability claims that exceed \$0.5 million. Accrued liabilities have been recorded based on our estimates of the anticipated ultimate costs to settle all claims, both reported and not yet reported.

Our accounting policies regarding these insurance programs include our judgments and independent actuarial assumptions about economic conditions, the frequency or severity of claims and claim development patterns and claim reserve, management and settlement practices. Unanticipated changes in these factors may produce materially different amounts of reported expense under these programs.

Unearned Revenues

Unearned revenues represent our liability for gift cards that have been sold but not yet redeemed. We recognize sales from our gift cards when the gift card is redeemed by the customer. Although there are no expiration dates or dormancy fees for our gift cards, based on our historical gift card redemption patterns, we can reasonably estimate the amount of gift cards for which redemption is remote, which is referred to as "breakage." We recognize breakage within sales for unused gift card amounts in proportion to actual gift card redemptions, which is also referred to as the "redemption recognition" method. The estimated value of gift cards expected to go unused is recognized over the expected period of redemption as the remaining gift card values are redeemed. Utilizing this method, we estimate both the amount of breakage and the time period of redemption. If actual redemption patterns vary from our estimates, actual gift card breakage income may differ from the amounts recorded. We update our estimate of our breakage rate periodically and apply that rate to gift card redemptions. Changing our breakage-rate assumption on unredeemed gift cards by 10.0 percent of the current rate would result in an adjustment in our unearned revenues of approximately \$28.0 million.

Income Taxes

We estimate certain components of our provision for income taxes. These estimates include, among other items, depreciation and amortization expense allowable for tax purposes, allowable tax credits for items such as taxes paid on reported employee tip income, effective rates for state and local income taxes and the tax deductibility of certain other items. We adjust our annual effective income tax rate as additional information on outcomes or events becomes available.

FASB ASC Topic 740, Income Taxes, requires that a position taken or expected to be taken in a tax return be recognized (or derecognized) in the financial statements when it is more likely than not (i.e., a likelihood of more than 50 percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

We provide for federal and state income taxes currently payable as well as for those deferred because of temporary differences between reporting income and expenses for financial statement purposes versus tax purposes. Federal income tax credits are recorded as a reduction of income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. Interest recognized on reserves for uncertain tax positions is included in interest, net in our consolidated statements of earnings. A corresponding liability for accrued interest is included as a component of other current liabilities on our consolidated balance sheets. Penalties, when incurred, are recognized in selling, general and administrative expenses.

We base our estimates on the best available information at the time that we prepare the provision. We generally file our annual income tax returns several months after our fiscal year end. For U.S. federal income tax purposes, we participate in the Internal Revenue Service's (IRS) Compliance Assurance Process (CAP) whereby our U.S. federal income tax returns are reviewed by the IRS both prior to and after their filing. During fiscal 2013, we were placed on CAP Maintenance by the IRS, signaling our strong relationship of transparency and trust with the IRS team. The U.S. federal income tax returns that we filed through the fiscal year ended May 29, 2011 have been audited by the IRS. In the first quarter of fiscal 2013, the IRS issued a partial acceptance letter for the fiscal year ended May 27, 2012 tax return. The outstanding item as of the end of the current fiscal year relates to our deductibility of the Domestic Manufacturing Deduction under IRC Section 199, and is expected to be completed by the second quarter of fiscal 2014. The IRS commenced examination of our U.S. federal income tax returns for May 26, 2013 in the first quarter of fiscal 2013. The examination is anticipated to be completed by the second quarter of fiscal 2015. Income tax returns are subject to audit by state and local governments, generally years after the returns are filed. These returns could be subject to material adjustments or differing interpretations of the tax laws. The major jurisdictions in which the Company files income tax returns include the U.S. federal jurisdiction, Canada, and all states in the U.S. that have an income tax. With a few exceptions, the Company is no longer subject to U.S. federal income tax examinations by tax authorities for years before fiscal 2012, and state and local, or non-U.S. income tax examinations by tax authorities for years before fiscal 2009.

Included in the balance of unrecognized tax benefits at May 26, 2013 is \$18.6 million related to tax positions for which it is reasonably possible that the total amounts could change during the next 12 months based on the outcome of examinations. The \$18.6 million relates to items that would impact our effective income tax rate.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows generated from operating activities provide us with a significant source of liquidity, which we use to finance the purchases of land, buildings and equipment for new restaurants, remodel existing restaurants, pay dividends to our shareholders and repurchase shares of our common stock. Since substantially all of our sales are for cash and cash equivalents, and accounts payable are generally due in 5 to 30 days, we are able to carry current liabilities in excess of current assets. In addition to cash flows from operations, we use a combination of long-term and short-term borrowings to fund our capital needs.

We currently manage our business and financial ratios to maintain an investment grade bond rating, which has historically allowed flexible access to financing at reasonable costs. Currently, our publicly issued long-term debt carries "Baa2" (Moody's Investors Service), "BBB" (Standard & Poor's) and "BBB" (Fitch) ratings. Our commercial paper has ratings of "P-2" (Moody's Investors Service), "A-2" (Standard & Poor's) and "F-2" (Fitch). These ratings are as of the date of the filing of this annual report and have been obtained with the understanding that Moody's Investors Service, Standard & Poor's and Fitch will continue to monitor our credit and make future adjustments to these ratings to the extent warranted. The ratings are

not a recommendation to buy, sell or hold our securities, may be changed, superseded or withdrawn at any time and should be evaluated independently of any other rating.

We maintain a \$750.0 million revolving Credit Agreement (Revolving Credit Agreement), with Bank of America, N.A. (BOA) as administrative agent, and the lenders and other agents party thereto. The Revolving Credit Agreement is a senior unsecured credit commitment to the Company and contains customary representations and affirmative and negative covenants (including limitations on liens and subsidiary debt and a maximum consolidated lease adjusted total debt to total capitalization ratio of 0.75 to 1.00) and events of default customary for credit facilities of this type. As of May 26, 2013, we were in compliance with the covenants under the Revolving Credit Agreement.

The Revolving Credit Agreement matures on October 3, 2016, and the proceeds may be used for commercial paper back-up, working capital and capital expenditures, the refinancing of certain indebtedness, certain acquisitions and general corporate purposes. Loans under the Revolving Credit Agreement bear interest at a rate of LIBOR plus a margin determined by reference to a ratings-based pricing grid (Applicable Margin), or the base rate (which is defined as the higher of the BOA prime rate or the Federal Funds rate plus 0.500 percent) plus the Applicable Margin. Assuming a “BBB” equivalent credit rating level, the Applicable Margin under the Revolving Credit Agreement will be 1.075 percent for LIBOR loans and 0.075 percent for base rate loans.

As of May 26, 2013, we had no outstanding balances under the Revolving Credit Agreement. As of May 26, 2013, \$164.5 million of commercial paper was outstanding, which was backed by this facility. After consideration of commercial paper backed by the Revolving Credit Agreement, as of May 26, 2013, we had \$585.5 million of credit available under the Revolving Credit Agreement.

On October 4, 2012, we issued \$450.0 million aggregate principal amount of unsecured 3.350 percent senior notes due November 2022 (the New Senior Notes) under a registration statement filed with the Securities and Exchange Commission (SEC) on October 6, 2010. Discount and issuance costs, which totaled \$4.7 million, are being amortized over the term of the New Senior Notes using the straight-line method, the results of which approximate the effective interest method. Interest on the New Senior Notes is payable semi-annually in arrears on May 1 and November 1 of each year, and commenced May 1, 2013. We may redeem the New Senior Notes at any time in whole or from time to time in part, at the principal amount plus a make-whole premium. If we experience a change in control triggering event, unless we have previously exercised our right to redeem the New Senior Notes, we may be required to purchase the New Senior Notes from the holders at a purchase price equal to 101 percent of their principal amount plus accrued and unpaid interest.

On August 22, 2012, we entered into a Term Loan Agreement (the Term Loan Agreement) with BOA, as administrative agent, and the lenders and other agents party thereto. During the second quarter of fiscal 2013, we made borrowings under this agreement in a total aggregate principal amount of \$300.0 million. The Term Loan Agreement is a senior unsecured term loan commitment to the Company and contains customary representations, events of default and affirmative and negative covenants (including limitations on liens and subsidiary debt and a maximum consolidated lease adjusted total debt to total capitalization ratio of 0.75 to 1.00) for facilities of this type.

The Term Loan Agreement matures on August 22, 2017, and the proceeds may be used for the refinancing of certain indebtedness, certain acquisitions and general corporate purposes. The loans under the Term Loan Agreement are subject to annual amortization of principal of 5 percent, 5 percent, 5 percent and 85 percent, payable on the second, third, fourth and fifth anniversaries, respectively, of the effective date of the Term Loan Agreement. Additional information regarding terms and conditions of the Term Loan Agreement is incorporated by reference from Note 9 to our consolidated financial statements in Part II, Item 8 of this report.

On August 28, 2012, we closed on the issuance of \$80.0 million unsecured 3.790 percent senior notes due August 2019 and \$220.0 million unsecured 4.520 percent senior notes due August 2024, pursuant to a Note Purchase Agreement dated June 18, 2012. The Note Purchase Agreement contains customary representations, events of default and affirmative and negative covenants (including limitations on liens and priority debt and a maximum consolidated total debt to capitalization ratio of 0.75 to 1.00, as such may be adjusted in certain circumstances) for facilities of this type.

On May 15, 2013 we repaid, prior to maturity, a \$4.9 million unsecured commercial bank loan which was used to support a loan from us to the Employee Stock Ownership Plan portion of the Darden Savings Plan.

At May 26, 2013, our long-term debt consisted principally of:

- \$100.0 million of unsecured 7.125 percent debentures due in February 2016;

- \$300.0 million unsecured, variable-rate term loan maturing in August 2017;
- \$500.0 million of unsecured 6.200 percent senior notes due in October 2017;
- \$80.0 million of unsecured 3.790 percent senior notes due in August 2019;
- \$400.0 million of unsecured 4.500 percent senior notes due in October 2021;
- \$450.0 million of unsecured 3.350 percent senior notes due in November 2022;
- \$220.0 million of unsecured 4.520 percent senior notes due in August 2024;
- \$150.0 million of unsecured 6.000 percent senior notes due in August 2035; and
- \$300.0 million of unsecured 6.800 percent senior notes due in October 2037

The interest rates on our \$500.0 million 6.200 percent senior notes due October 2017 and \$300.0 million 6.800 percent senior notes due October 2037 are subject to adjustment from time to time if the debt rating assigned to such series of notes is downgraded below a certain rating level (or subsequently upgraded). The maximum adjustment is 2.000 percent above the initial interest rate and the interest rate cannot be reduced below the initial interest rate. As of May 26, 2013, no adjustments to these interest rates had been made.

All of our long-term debt currently outstanding is expected to be repaid entirely at maturity with interest being paid semi-annually over the life of the debt. The aggregate maturities of long-term debt for each of the five fiscal years subsequent to May 26, 2013 and thereafter are \$0.0 million in fiscal 2014, \$15.0 million in fiscal 2015, \$115.0 million in fiscal 2016, \$15.0 million in fiscal 2017, \$755.0 million in fiscal 2018 and \$1.6 billion thereafter.

From time to time we enter into interest rate derivative instruments to manage interest rate risk inherent in our operations. See Note 10 to our consolidated financial statements in Part II, Item 8 of this report, incorporated herein by reference.

Through our shelf registration statement on file with the SEC, depending on conditions prevailing in the public capital markets, we may issue unsecured debt securities from time to time in one or more series, which may consist of notes, debentures or other evidences of indebtedness in one or more offerings.

We may from time to time repurchase our outstanding debt in privately negotiated transactions. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements and other factors.

A summary of our contractual obligations and commercial commitments at May 26, 2013 , is as follows:

(in millions)	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Short-term debt	\$ 164.5	\$ 164.5	\$ —	\$ —	\$ —
Long-term debt ⁽¹⁾	3,817.8	119.0	369.0	974.5	2,355.3
Operating leases	1,163.3	186.0	341.7	268.9	366.7
Purchase obligations ⁽²⁾	635.4	581.1	54.3	—	—
Capital lease obligations ⁽³⁾	89.5	5.4	11.2	11.6	61.3
Benefit obligations ⁽⁴⁾	477.4	25.1	79.2	90.4	282.7
Unrecognized income tax benefits ⁽⁵⁾	31.1	19.1	6.5	5.5	—
Total contractual obligations	\$ 6,379.0	\$ 1,100.2	\$ 861.9	\$ 1,350.9	\$ 3,066.0

(in millions)	Amount of Commitment Expiration per Period				
Other Commercial Commitments	Total Amounts Committed	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Standby letters of credit ⁽⁶⁾	\$ 127.6	\$ 127.6	\$ —	\$ —	\$ —
Guarantees ⁽⁷⁾	4.2	1.1	1.9	0.8	0.4
Total commercial commitments	\$ 131.8	\$ 128.7	\$ 1.9	\$ 0.8	\$ 0.4

- (1) Includes interest payments associated with existing long-term debt, including the current portion. Variable-rate interest payments associated with the term loan were estimated based on an average interest rate of 2.1 percent. Excludes issuance discount of \$5.7 million .
- (2) Includes commitments for food and beverage items and supplies, capital projects, information technology and other miscellaneous commitments.
- (3) Includes total imputed interest of \$35.1 million over the life of the capital lease obligations.
- (4) Includes expected contributions associated with our defined benefit plans and payments associated with our postretirement benefit plan and our non-qualified deferred compensation plan through fiscal 2023 .
- (5) Includes interest on unrecognized income tax benefits of \$1.2 million , \$0.5 million of which relates to contingencies expected to be resolved within one year.
- (6) Includes letters of credit for \$107.0 million of workers' compensation and general liabilities accrued in our consolidated financial statements, letters of credit for \$0.6 million of lease payments included in the contractual operating lease obligation payments noted above and other letters of credit totaling \$20.0 million .
- (7) Consists solely of guarantees associated with leased properties that have been assigned to third parties. We are not aware of any non-performance under these arrangements that would result in our having to perform in accordance with the terms of the guarantees.

Our fixed-charge coverage ratio, which measures the number of times each year that we earn enough to cover our fixed charges, amounted to 3.7 times and 5.0 times, on a continuing operations basis, for the fiscal years ended May 26, 2013 and May 27, 2012, respectively. Our adjusted debt to adjusted total capital ratio (which includes 6.25 times the total annual minimum rent of \$ 164.3 million and \$ 136.6 million for the fiscal years ended May 26, 2013 and May 27, 2012, respectively, as components of adjusted debt and adjusted total capital) was 65 percent and 62 percent at May 26, 2013 and May 27, 2012, respectively. We include the lease-debt equivalent and contractual lease guarantees in our adjusted debt to adjusted total capital ratio reported to shareholders, as we believe its inclusion better represents the optimal capital structure that we target from period to period and because it is consistent with the calculation of the covenant under our Revolving Credit Agreement.

Based on these ratios, we believe our financial condition is strong. The composition of our capital structure is shown in the following table.

(In millions, except ratios)	May 26, 2013	May 27, 2012
CAPITAL STRUCTURE		
Short-term debt	\$ 164.5	\$ 262.7
Current portion long-term debt	—	350.0
Long-term debt, excluding unamortized discounts	2,501.9	1,459.1
Capital lease obligations	54.4	56.0
Total debt	\$ 2,720.8	\$ 2,127.8
Stockholders' equity	2,059.5	1,842.0
Total capital	\$ 4,780.3	\$ 3,969.8
CALCULATION OF ADJUSTED CAPITAL		
Total debt	\$ 2,720.8	\$ 2,127.8
Lease-debt equivalent	1,026.9	853.8
Guarantees	4.2	5.4
Adjusted debt	\$ 3,751.9	\$ 2,987.0
Stockholders' equity	2,059.5	1,842.0
Adjusted total capital	\$ 5,811.4	\$ 4,829.0
CAPITAL STRUCTURE RATIOS		
Debt to total capital ratio	57%	54%
Adjusted debt to adjusted total capital ratio	65%	62%

Net cash flows provided by operating activities from continuing operations were \$949.5 million, \$762.2 million and \$894.7 million in fiscal 2013, 2012 and 2011, respectively. Net cash flows provided by operating activities include net earnings from continuing operations of \$412.6 million, \$476.5 million and \$478.7 million in fiscal 2013, 2012 and 2011, respectively. Net cash flows provided by operating activities from continuing operations increased in fiscal 2013 primarily due to the timing of inventory purchases as a result of our strategy initiated in fiscal 2012 to take ownership of our inventory earlier in the supply chain to ensure a more secure and efficient supply of inventory to our restaurants. Net cash flows provided by operating activities reflect income tax payments of \$98.5 million, \$123.5 million and \$126.4 million in fiscal 2013, 2012 and 2011, respectively. The lower tax payments in fiscal 2013, as compared with tax payments in fiscal 2012 and 2011, primarily relates to the recognition of tax benefits related to the timing of deductions for fixed-asset related expenditures and the application of the overpayment of income taxes in prior years to fiscal 2013 tax liabilities.

Net cash flows used in investing activities from continuing operations were \$1,290.4 million, \$721.6 million and \$552.7 million in fiscal 2013, 2012 and 2011, respectively. Net cash flows used in investing activities from continuing operations included capital expenditures incurred principally for building new restaurants, remodeling existing restaurants, replacing equipment, and technology initiatives. Capital expenditures related to continuing operations were \$685.6 million in fiscal 2013, compared to \$639.7 million in fiscal 2012 and \$547.7 million in fiscal 2011. The increasing trend of expenditures in fiscal 2013 and 2012 results primarily from increases in remodel and new restaurant activity over the past two years. Additionally, net cash used in the acquisitions of Yard House in fiscal 2013 and Eddie V's in fiscal 2012 was \$577.4 million and \$58.5 million, respectively.

Net cash flows provided by financing activities from continuing operations were \$355.4 million in fiscal 2013 , compared to net cash flows used in financing activities from continuing operations of \$40.4 million and \$521.0 million in fiscal 2012 and 2011 , respectively. During fiscal 2013 , we closed on the issuance of \$300.0 million of senior notes, received funding from a \$300.0 million term loan and completed the offering of \$450.0 million of senior notes, resulting in net proceeds of \$445.3 million, which were used to effectively refinance the \$350.0 million of long-term notes that we repaid at maturity during fiscal 2013 . Repayments of long-term debt were \$355.9 million , \$2.1 million and \$226.8 million in fiscal 2013 , 2012 and 2011 , respectively. Net repayments of short-term debt were \$98.1 million in fiscal 2013 while net proceeds from the issuance of short-term debt were \$77.2 million and \$185.5 million in fiscal 2012 and 2011 , respectively. For fiscal 2013 , net cash flows used in financing activities included our repurchase of 1.0 million shares of our common stock for \$52.4 million , compared to 8.2 million shares of our common stock for \$375.1 million in fiscal 2012 and 8.6 million shares of our common stock for \$385.5 million in fiscal 2011 . As of May 26, 2013 , our Board of Directors had authorized us to repurchase up to 187.4 million shares of our common stock and a total of 171.9 million shares had been repurchased under the authorization. The repurchased common stock reduces stockholders' equity. As of May 26, 2013 , our unused authorization was 15.5 million shares. We received proceeds primarily from the issuance of common stock upon the exercise of stock options of \$64.4 million , \$70.2 million and \$63.0 million in fiscal 2013 , 2012 and 2011 , respectively. Net cash flows used in financing activities also included dividends paid to stockholders of \$258.2 million , \$223.9 million and \$175.5 million in fiscal 2013 , 2012 and 2011 , respectively. The increase in dividend payments reflects the increase in our annual dividend rate from \$1.28 per share in fiscal 2011 , to \$1.72 per share in fiscal 2012 and to \$2.00 per share in fiscal 2013 . In June 2013 , our Board of Directors approved an increase in the quarterly dividend to \$0.55 per share, which indicates an annual dividend of \$2.20 per share in fiscal 2014 .

Our defined benefit and other postretirement benefit costs and liabilities are determined using various actuarial assumptions and methodologies prescribed under FASB ASC Topic 715, Compensation - Retirement Benefits and Topic 712, Compensation - Nonretirement Postemployment Benefits. We use certain assumptions including, but not limited to, the selection of a discount rate, expected long-term rate of return on plan assets and expected health care cost trend rates. We set the discount rate assumption annually for each plan at its valuation date to reflect the yield of high-quality fixed-income debt instruments, with lives that approximate the maturity of the plan benefits. At May 26, 2013 , our discount rate was 4.6 percent and 4.7 percent, respectively, for our defined benefit and postretirement benefit plans. The expected long-term rate of return on plan assets and health care cost trend rates are based upon several factors, including our historical assumptions compared with actual results, an analysis of current market conditions, asset allocations and the views of leading financial advisers and economists. Our assumed expected long-term rate of return on plan assets for our defined benefit plan was 9.0 percent for each of the fiscal years reported. At May 26, 2013 , the expected health care cost trend rate assumed for our postretirement benefit plan for fiscal 2014 was 7.1 percent . The rate gradually decreases to 5.0 percent through fiscal 2021 and remains at that level thereafter. We made plan contributions of approximately \$2.4 million, \$22.2 million and \$12.9 million in fiscal years 2013 , 2012 and 2011 , respectively.

The expected long-term rate of return on plan assets component of our net periodic benefit cost is calculated based on the market-related value of plan assets. Our target asset fund allocation is 40 percent U.S. equities, 35 percent high-quality, long-duration fixed-income securities, 20 percent international equities and 5 percent real estate securities. We monitor our actual asset fund allocation to ensure that it approximates our target allocation and believe that our long-term asset fund allocation will continue to approximate our target allocation. In developing our expected rate of return assumption, we have evaluated the actual historical performance and long-term return projections of the plan assets, which give consideration to the asset mix and the anticipated timing of the pension plan outflows. We employ a total return investment approach whereby a mix of equity and fixed income investments are used to maximize the long-term return of plan assets for what we consider a prudent level of risk. Our historical 10-year, 15-year and 20-year rates of return on plan assets, calculated using the geometric method average of returns, are approximately 9.5 percent , 8.0 percent and 9.4 percent , respectively, as of May 26, 2013 .

We have recognized net actuarial losses, net of tax, as a component of accumulated other comprehensive income (loss) for the defined benefit plans and postretirement benefit plan as of May 26, 2013 of \$69.0 million and \$1.3 million , respectively. These net actuarial losses represent changes in the amount of the projected benefit obligation and plan assets resulting from differences in the assumptions used and actual experience. The amortization of the net actuarial loss component of our fiscal 2014 net periodic benefit cost for the defined benefit plans and postretirement benefit plan is expected to be approximately \$9.1 million and \$0.0 million , respectively.

We believe our defined benefit and postretirement benefit plan assumptions are appropriate based upon the factors discussed above. However, other assumptions could also be reasonably applied that could differ from the assumptions used. A quarter-percentage point change in the defined benefit plans' discount rate and the expected long-term rate of return on plan assets would increase or decrease earnings before income taxes by \$0.6 million and \$0.5 million , respectively. A quarter-percentage point change in our postretirement benefit plan discount rate would increase or decrease earnings before income taxes by \$0.1

million. A one-percentage point increase in the health care cost trend rates would increase the accumulated postretirement benefit obligation (APBO) by \$6.6 million at May 26, 2013 and the aggregate of the service cost and interest cost components of net periodic postretirement benefit cost by \$0.5 million for fiscal 2013 . A one-percentage point decrease in the health care cost trend rates would decrease the APBO by \$5.2 million at May 26, 2013 and the aggregate of the service cost and interest cost components of net periodic postretirement benefit cost by \$0.4 million for fiscal 2013 . These changes in assumptions would not significantly impact our funding requirements. We expect to contribute approximately \$0.4 million to our defined benefit pension plans and approximately \$0.7 million to our postretirement benefit plan during fiscal 2014 .

We are not aware of any trends or events that would materially affect our capital requirements or liquidity. We believe that our internal cash-generating capabilities, the potential issuance of unsecured debt securities under our shelf registration statement and short-term commercial paper should be sufficient to finance our capital expenditures, debt maturities, stock repurchase program and other operating activities through fiscal 2014 .

OFF-BALANCE SHEET ARRANGEMENTS

We are not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, sales or expenses, results of operations, liquidity, capital expenditures or capital resources.

FINANCIAL CONDITION

Our total current assets were \$764.9 million at May 26, 2013 , compared with \$757.6 million at May 27, 2012 . The increase was primarily due to an increase in cash and cash equivalents, and an increase in deferred income taxes related to current period activity of taxable timing differences, partially offset by lower inventory levels related to the timing of inventory purchases.

Our total current liabilities were \$1.42 billion at May 26, 2013 , compared with \$1.77 billion at May 27, 2012 . The decrease was primarily due to the repayment of \$350.0 million of long-term debt during fiscal 2013 which was included in current liabilities as current portion of long-term debt at May 27, 2012 and a decrease in short-term debt, partially offset by an increase in unearned revenues associated with gift card sales in excess of current-period redemptions and an increase in accounts payable.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of market risks, including fluctuations in interest rates, foreign currency exchange rates, compensation and commodity prices. To manage this exposure, we periodically enter into interest rate and foreign currency exchange instruments, equity forwards and commodity instruments for other than trading purposes (see Notes 1 and 10 to our consolidated financial statements, in Part II, Item 8 of this report, incorporated herein by reference).

We use the variance/covariance method to measure value at risk, over time horizons ranging from one week to one year, at the 95 percent confidence level. At May 26, 2013 , our potential losses in future net earnings resulting from changes in foreign currency exchange rate instruments, commodity instruments, equity forwards and floating rate debt interest rate exposures were approximately \$47.4 million over a period of one year (including the impact of the interest rate swap agreements discussed in Note 10 to our consolidated financial statements in Part II, Item 8 of this report, incorporated herein by reference). The value at risk from an increase in the fair value of all of our long-term fixed rate debt, over a period of one year, was approximately \$160.7 million. The fair value of our long-term debt during fiscal 2013 averaged \$2.41 billion, with a high of \$2.79 billion and a low of \$1.98 billion. Our interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows by targeting an appropriate mix of variable and fixed rate debt.

APPLICATION OF NEW ACCOUNTING STANDARDS

In February 2013, the FASB issued Accounting Standards Update (ASU) 2013-02, Comprehensive Income (Topic 220), *Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income* . This update requires companies to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, companies are required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. This update is effective for us in our first quarter of fiscal 2014 and will be applied prospectively. Other than requiring additional disclosures, adoption of this new guidance will not have a significant impact on our consolidated financial statements.

In July 2012, the FASB issued ASU 2012-02, Intangibles - Goodwill and Other (Topic 350), *Testing Indefinite Lived Intangible Assets for Impairment*. This update simplifies the guidance for testing the decline in the realizable value (impairment) of indefinite-lived intangible assets other than goodwill and allows companies the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test. Companies electing to perform a qualitative assessment are no longer required to calculate the fair value of an indefinite-lived intangible asset unless the company determines, based on a qualitative assessment, that it is “more likely than not” that the asset is impaired. This update is effective for annual and interim impairment tests performed in fiscal years beginning after September 15, 2012, which will require us to adopt these provisions in fiscal 2014; however, early adoption is permitted. We do not believe adoption of this new guidance will have a significant impact on our consolidated financial statements.

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 2014, 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 Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended May 26, 2013, which are summarized as follows:

- Food safety and food-borne illness concerns throughout the supply chain;
- Litigation, including allegations of illegal, unfair or inconsistent employment practices;
- Unfavorable publicity, or a failure to respond effectively to adverse publicity;
- 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;
- Labor and insurance costs;
- 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;
- Our inability or failure to execute a comprehensive business continuity plan following a major natural disaster such as a hurricane or manmade disaster, including terrorism;
- Health concerns arising from food-related pandemics, outbreaks of flu viruses or other diseases;
- Intense competition, or an insufficient focus on competition and the consumer landscape;
- Our failure to drive both short-term and long-term profitable sales growth through brand relevance, operating excellence, opening new restaurants of existing brands and developing or acquiring new dining brands;
- Failure to successfully integrate the Yard House business, and the risks associated with the additional indebtedness incurred to finance the Yard House acquisition;
- Our plans to expand our smaller brands Bahama Breeze, Seasons 52 and Eddie V's, and the testing of synergy restaurants and other new business ventures, that have not yet proven their long-term viability;
- A lack of suitable new restaurant locations or a decline in the quality of the locations of our current restaurants;
- Higher-than-anticipated costs to open, close, relocate or remodel restaurants;
- A failure to identify and execute innovative marketing and customer relationship tactics, ineffective or improper use of social media or other marketing initiatives, and increased advertising and marketing costs;
- A failure to recruit, develop and retain effective leaders or the loss or shortage of key personnel, or an inability to adequately monitor and respond to employee dissatisfaction;
- 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;

- The impact of shortages or interruptions in the delivery of food and other products from third-party vendors and suppliers;
- Adverse weather conditions and natural disasters;
- Volatility in the market value of derivatives we use to hedge commodity prices;
- Economic and business factors specific to the restaurant industry and other general macroeconomic factors including unemployment, energy prices and interest rates that are largely out of our control;
- Disruptions in the financial markets that may impact consumer spending patterns, affect the availability and cost of credit and increase pension plan expenses;
- Risks associated with doing business with franchisees, business partners and vendors in foreign markets;
- Failure to protect our service marks or other intellectual property;
- Impairment of the carrying value of our goodwill or other intangible assets;
- A failure of our internal controls over financial reporting and future changes in accounting standards; and
- An inability or failure to recognize, respond to and effectively manage the accelerated impact of social media.

Any of the risks described above or elsewhere in this report or our other filings with the SEC 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 above is not intended to be a complete discussion of all potential risks or uncertainties.

REPORT OF MANAGEMENT'S RESPONSIBILITIES

The management of Darden Restaurants, Inc. is responsible for the fairness and accuracy of the consolidated financial statements. The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, using management's best estimates and judgments where appropriate. The financial information throughout this report is consistent with our consolidated financial statements.

Management has established a system of internal controls that provides reasonable assurance that assets are adequately safeguarded and transactions are recorded accurately, in all material respects, in accordance with management's authorization. We maintain a strong audit program that independently evaluates the adequacy and effectiveness of internal controls. Our internal controls provide for appropriate segregation of duties and responsibilities and there are documented policies regarding utilization of our assets and proper financial reporting. These formally stated and regularly communicated policies set high standards of ethical conduct for all employees.

The Audit Committee of the Board of Directors meets at least quarterly to determine that management, internal auditors and the independent registered public accounting firm are properly discharging their duties regarding internal control and financial reporting. The independent registered public accounting firm, internal auditors and employees have full and free access to the Audit Committee at any time.

KPMG LLP, an independent registered public accounting firm, is retained to audit our consolidated financial statements and the effectiveness of our internal control over financial reporting. Their reports follow.

/s/ Clarence Otis, Jr.

Clarence Otis, Jr.

Chairman of the Board and Chief Executive Officer

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). The Company's internal control over financial reporting is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of May 26, 2013 . In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* . Management has concluded that, as of May 26, 2013 , the Company's internal control over financial reporting was effective based on these criteria.

The Company's independent registered public accounting firm KPMG LLP, has issued an audit report on the effectiveness of our internal control over financial reporting, which follows.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Darden Restaurants, Inc.

We have audited Darden Restaurants, Inc.'s internal control over financial reporting as of May 26, 2013, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Darden Restaurants, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Darden Restaurants, Inc. maintained, in all material respects, effective internal control over financial reporting as of May 26, 2013, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Darden Restaurants, Inc. and subsidiaries as of May 26, 2013 and May 27, 2012, and the related consolidated statements of earnings, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended May 26, 2013, and our report dated July 19, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Orlando, Florida
July 19, 2013
Certified Public Accountants

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Darden Restaurants, Inc.

We have audited the accompanying consolidated balance sheets of Darden Restaurants, Inc. and subsidiaries as of May 26, 2013 and May 27, 2012 , and the related consolidated statements of earnings, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended May 26, 2013 . These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Darden Restaurants, Inc. and subsidiaries as of May 26, 2013 and May 27, 2012 , and the results of their operations and their cash flows for each of the years in the three-year period ended May 26, 2013 , in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Darden Restaurants, Inc.'s internal control over financial reporting as of May 26, 2013 , based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated July 19, 2013 expressed an unqualified opinion on the effectiveness of Darden Restaurants, Inc.'s internal control over financial reporting.

/s/ KPMG LLP

Orlando, Florida
July 19, 2013
Certified Public Accountants

DARDEN RESTAURANTS, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
(In millions, except per share data)

	May 26, 2013	May 27, 2012	May 29, 2011
Sales	\$ 8,551.9	\$ 7,998.7	\$ 7,500.2
Costs and expenses:			
Cost of sales:			
Food and beverage	2,628.6	2,460.6	2,173.6
Restaurant labor	2,698.0	2,502.0	2,396.9
Restaurant expenses	1,334.4	1,200.6	1,129.0
Total cost of sales, excluding restaurant depreciation and amortization of \$373.7, \$326.9 and \$295.6, respectively	\$ 6,661.0	\$ 6,163.2	\$ 5,699.5
Selling, general and administrative	847.8	746.8	742.7
Depreciation and amortization	394.8	349.1	316.8
Interest, net	125.9	101.6	93.6
Total costs and expenses	\$ 8,029.5	\$ 7,360.7	\$ 6,852.6
Earnings before income taxes	522.4	638.0	647.6
Income taxes	109.8	161.5	168.9
Earnings from continuing operations	\$ 412.6	\$ 476.5	\$ 478.7
Losses from discontinued operations, net of tax benefit of \$0.4, \$0.7, and \$1.5, respectively	(0.7)	(1.0)	(2.4)
Net earnings	\$ 411.9	\$ 475.5	\$ 476.3
Basic net earnings per share:			
Earnings from continuing operations	\$ 3.20	\$ 3.66	\$ 3.50
Losses from discontinued operations	(0.01)	(0.01)	(0.02)
Net earnings	\$ 3.19	\$ 3.65	\$ 3.48
Diluted net earnings per share:			
Earnings from continuing operations	\$ 3.14	\$ 3.58	\$ 3.41
Losses from discontinued operations	(0.01)	(0.01)	(0.02)
Net earnings	\$ 3.13	\$ 3.57	\$ 3.39
Average number of common shares outstanding:			
Basic	129.0	130.1	136.8
Diluted	131.6	133.2	140.3
Dividends declared per common share	\$ 2.00	\$ 1.72	\$ 1.28

See accompanying notes to consolidated financial statements.

DARDEN RESTAURANTS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	May 26, 2013	May 27, 2012	May 29, 2011
Net earnings	\$ 411.9	\$ 475.5	\$ 476.3
Other comprehensive income (loss):			
Foreign currency adjustment	(0.2)	(1.2)	1.8
Change in fair value of marketable securities, net of tax expense (benefit) of \$0.1, \$0.1 and \$(0.1), respectively	(0.2)	(0.1)	0.2
Change in fair value of derivatives and amortization of unrecognized gains and losses on derivatives, net of tax expense (benefit) of \$0.6, \$27.8 and \$4.8, respectively	(4.1)	(45.6)	(5.2)
Net unamortized gain (loss) arising during period, including amortization of unrecognized net actuarial loss, net of tax expense (benefit) of \$(11.3), \$24.8 and \$(9.0), respectively	18.3	(39.9)	14.5
Other comprehensive income (loss)	\$ 13.8	\$ (86.8)	\$ 11.3
Total comprehensive income	\$ 425.7	\$ 388.7	\$ 487.6

See accompanying notes to consolidated financial statements.

DARDEN RESTAURANTS, INC.
CONSOLIDATED BALANCE SHEETS
(In millions)

	May 26, 2013	May 27, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 88.2	\$ 70.5
Receivables, net	85.4	71.4
Inventories	356.9	404.1
Prepaid income taxes	6.4	12.2
Prepaid expenses and other current assets	83.4	74.9
Deferred income taxes	144.6	124.5
Total current assets	\$ 764.9	\$ 757.6
Land, buildings and equipment, net	4,391.1	3,951.3
Goodwill	908.3	538.6
Trademarks	573.8	464.9
Other assets	298.8	231.8
Total assets	\$ 6,936.9	\$ 5,944.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 296.5	\$ 260.7
Short-term debt	164.5	262.7
Accrued payroll	150.5	154.3
Accrued income taxes	16.5	—
Other accrued taxes	67.6	60.4
Unearned revenues	270.5	231.7
Current portion of long-term debt	—	349.9
Other current liabilities	450.3	454.4
Total current liabilities	\$ 1,416.4	\$ 1,774.1
Long-term debt, less current portion	2,496.2	1,453.7
Deferred income taxes	356.4	312.9
Deferred rent	230.5	204.4
Obligations under capital leases, net of current installments	52.5	54.4
Other liabilities	325.4	302.7
Total liabilities	\$ 4,877.4	\$ 4,102.2
Stockholders' equity:		
Common stock and surplus, no par value. Authorized 500.0 shares; issued 131.6 and 289.0 shares, respectively; outstanding 130.3 and 129.0 shares, respectively	1,207.6	2,518.8
Preferred stock, no par value. Authorized 25.0 shares; none issued and outstanding	—	—
Retained earnings	998.9	3,172.8
Treasury stock, 1.3 and 160.0 shares, at cost, respectively	(8.1)	(3,695.8)
Accumulated other comprehensive income (loss)	(132.8)	(146.6)
Unearned compensation	(6.1)	(7.2)
Total stockholders' equity	\$ 2,059.5	\$ 1,842.0
Total liabilities and stockholders' equity	\$ 6,936.9	\$ 5,944.2

See accompanying notes to consolidated financial statements.

DARDEN RESTAURANTS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In millions, except per share data)

	Common Stock And Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Unearned Compensation	Total Stockholders' Equity
Balances at May 30, 2010	\$ 2,297.9	\$ 2,621.9	\$ (2,943.5)	\$ (71.1)	\$ (11.2)	\$ 1,894.0
Net earnings	—	476.3	—	—	—	476.3
Other comprehensive income	—	—	—	11.3	—	11.3
Dividends declared (\$1.28 per share)	—	(176.3)	—	—	—	(176.3)
Stock option exercises (2.3 shares)	53.1	—	2.6	—	—	55.7
Stock-based compensation	33.9	—	—	—	—	33.9
ESOP note receivable repayments	—	—	—	—	1.8	1.8
Income tax benefits credited to equity	17.7	—	—	—	—	17.7
Repurchases of common stock (8.6 shares)	—	—	(385.5)	—	—	(385.5)
Issuance of treasury stock under Employee Stock Purchase Plan and other plans (0.2 shares)	6.2	—	1.1	—	—	7.3
Balances at May 29, 2011	\$ 2,408.8	\$ 2,921.9	\$ (3,325.3)	\$ (59.8)	\$ (9.4)	\$ 1,936.2
Net earnings	—	475.5	—	—	—	475.5
Other comprehensive income	—	—	—	(86.8)	—	(86.8)
Dividends declared (\$1.72 per share)	—	(224.6)	—	—	—	(224.6)
Stock option exercises (2.2 shares)	59.4	—	3.5	—	—	62.9
Stock-based compensation	26.5	—	—	—	—	26.5
ESOP note receivable repayments	—	—	—	—	2.1	2.1
Income tax benefits credited to equity	17.9	—	—	—	—	17.9
Repurchases of common stock (8.2 shares)	—	—	(375.1)	—	—	(375.1)
Issuance of treasury stock under Employee Stock Purchase Plan and other plans (0.2 shares)	6.2	—	1.1	—	0.1	7.4
Balances at May 27, 2012	\$ 2,518.8	\$ 3,172.8	\$ (3,695.8)	\$ (146.6)	\$ (7.2)	\$ 1,842.0
Net earnings	—	411.9	—	—	—	411.9
Other comprehensive income	—	—	—	13.8	—	13.8
Dividends declared (\$2.00 per share)	0.4	(259.6)	—	—	—	(259.2)
Stock option exercises (2.0 shares)	55.2	—	1.8	—	—	57.0
Stock-based compensation	24.3	—	—	—	—	24.3
ESOP note receivable repayments	—	—	—	—	1.1	1.1
Income tax benefits credited to equity	13.6	—	—	—	—	13.6
Repurchases of common stock (1.0 shares)	—	(0.1)	(52.3)	—	—	(52.4)
Issuance of treasury stock under Employee Stock Purchase Plan and other plans (0.2 shares)	6.7	—	0.7	—	—	7.4
Treasury shares retirement (159.3 shares)	(1,411.4)	(2,326.1)	3,737.5	—	—	—
Balances at May 26, 2013	\$ 1,207.6	\$ 998.9	\$ (8.1)	\$ (132.8)	\$ (6.1)	\$ 2,059.5

See accompanying notes to consolidated financial statements.

DARDEN RESTAURANTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Fiscal Year Ended		
	May 26, 2013	May 27, 2012	May 29, 2011
Cash flows - operating activities			
Net earnings	\$ 411.9	\$ 475.5	\$ 476.3
Losses from discontinued operations, net of tax	0.7	1.0	2.4
Adjustments to reconcile net earnings from continuing operations to cash flows:			
Depreciation and amortization	394.8	349.1	316.8
Asset impairment charges, net	0.8	0.5	4.7
Amortization of loan costs	13.0	6.7	2.8
Stock-based compensation expense	49.3	56.1	66.6
Change in current assets and liabilities	40.1	(191.4)	12.2
Contributions to pension and postretirement plan	(3.2)	(22.7)	(13.2)
Loss on disposal of land, buildings and equipment	8.1	7.1	6.9
Change in cash surrender value of trust-owned life insurance	(16.8)	4.1	(13.7)
Deferred income taxes	(2.1)	36.1	28.8
Change in deferred rent	26.8	18.5	17.1
Change in other assets and liabilities	17.1	15.8	(15.4)
Income tax benefits from exercise of stock-based compensation credited to goodwill	0.1	0.6	0.2
Other, net	8.9	5.2	2.2
Net cash provided by operating activities of continuing operations	\$ 949.5	\$ 762.2	\$ 894.7
Cash flows - investing activities			
Purchases of land, buildings and equipment	(685.6)	(639.7)	(547.7)
Proceeds from disposal of land, buildings and equipment	0.4	3.3	7.0
Purchases of marketable securities	(12.9)	(32.1)	(6.5)
Proceeds from sale of marketable securities	26.0	21.3	5.1
Cash used in business acquisitions, net of cash acquired	(577.4)	(58.5)	—
Increase in other assets	(40.9)	(15.9)	(10.6)
Net cash used in investing activities of continuing operations	\$ (1,290.4)	\$ (721.6)	\$ (552.7)
Cash flows - financing activities			
Proceeds from issuance of common stock	64.4	70.2	63.0
Income tax benefits credited to equity	13.6	17.9	17.7
Dividends paid	(258.2)	(223.9)	(175.5)
Purchases of common stock	(52.4)	(375.1)	(385.5)
ESOP note receivable repayments	1.1	2.1	1.8
Proceeds from issuance of short-term debt	2,670.3	2,321.0	1,454.9
Repayments of short-term debt	(2,768.4)	(2,243.8)	(1,269.4)
Repayments of long-term debt	(355.9)	(2.1)	(226.8)
Proceeds from issuance of long-term debt	1,050.0	400.0	—
Payment of debt issuance costs	(7.4)	(5.1)	—
Principal payments on capital leases	(1.7)	(1.6)	(1.2)
Net cash provided by (used in) financing activities of continuing operations	\$ 355.4	\$ (40.4)	\$ (521.0)
Cash flows - discontinued operations			
Net cash used in operating activities of discontinued operations	(0.2)	(0.5)	(2.1)
Net cash provided by investing activities of discontinued operations	3.4	0.3	2.8
Net cash provided by (used in) discontinued operations	\$ 3.2	\$ (0.2)	\$ 0.7
Increase (decrease) in cash and cash equivalents	17.7	—	(178.3)
Cash and cash equivalents - beginning of year	70.5	70.5	248.8
Cash and cash equivalents - end of year	\$ 88.2	\$ 70.5	\$ 70.5
Cash flows from changes in current assets and liabilities			

Receivables, net	(9.4)	(6.1)	(5.9)
Inventories	50.6	(103.0)	(79.3)
Prepaid expenses and other current assets	(11.7)	(6.6)	(5.0)
Accounts payable	10.8	(10.2)	5.5
Accrued payroll	(9.3)	(13.3)	5.3
Prepaid/accrued income taxes	22.5	(16.3)	4.7
Other accrued taxes	6.4	(3.9)	2.3
Unearned revenues	36.4	31.1	27.3
Other current liabilities	(56.2)	(63.1)	57.3
Change in current assets and liabilities	\$ 40.1	\$ (191.4)	\$ 12.2

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations and Principles of Consolidation

The accompanying consolidated financial statements include the operations of Darden Restaurants, Inc. and its wholly owned subsidiaries (Darden, the Company, we, us or our). We own and operate the Olive Garden[®], Red Lobster[®], LongHorn Steakhouse[®], The Capital Grille[®], Yard House[®], Bahama Breeze[®], Seasons 52[®], Eddie V's Prime Seafood[®] and Wildfish Seafood Grille[®] restaurant brands located in the United States and Canada. 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 that are owned jointly by us and third parties, and managed by us, and five franchised restaurants in Puerto Rico. We also have area development and franchise agreements with unaffiliated operators to develop and operate our brands in Japan, the Middle East and Latin America. Pursuant to these agreements, as of May 26, 2013, 37 franchised restaurants were in operation in Japan, the Middle East, Puerto Rico and Mexico. All significant inter-company balances and transactions have been eliminated in consolidation.

Basis of Presentation

On August 29, 2012, we completed the acquisition of Yard House USA, Inc. (Yard House) for \$585.0 million in cash. The acquired operations of Yard House included 40 restaurants that are included in the results of operations in our consolidated financial statements from the date of acquisition.

The assets and liabilities of Yard House were recorded at their respective fair values as of the date of acquisition. The following table summarizes the final allocation of the purchase price as of May 26, 2013 :

(in millions)	Final
Current assets	\$ 16.0
Buildings and equipment	152.2
Trademark	109.3
Other assets	9.8
Goodwill	369.8
Total assets acquired	\$ 657.1
Current liabilities	40.8
Other liabilities	31.3
Total liabilities assumed	\$ 72.1
Net assets acquired	\$ 585.0

The excess of the purchase price over the aggregate fair value of net assets acquired was allocated to goodwill. Of the \$369.8 million recorded as goodwill, \$37.9 million is expected to be deductible for tax purposes. The portion of the purchase price attributable to goodwill represents benefits expected as a result of the acquisition, including sales and unit growth opportunities in addition to supply-chain and administrative cost synergies. The trademark has an indefinite life based on the expected use of the asset and the regulatory and economic environment within which it is being used. The trademark represents a highly respected brand with positive connotations and we intend to cultivate and protect the use of this brand. Goodwill and indefinite-lived trademarks are not amortized but are reviewed annually for impairment or more frequently if indicators of impairment exist. Buildings and equipment will be depreciated over a period of 7 months to 21 years. Other assets and liabilities include values associated with favorable and unfavorable market leases that will be amortized over a weighted-average period of 16 years.

As a result of the acquisition and related integration efforts, we incurred expenses of approximately \$12.3 million (net of tax) during the fiscal year ended May 26, 2013 which are included in restaurant expenses, selling, general and administrative expenses and depreciation expense in our consolidated statements of earnings. Pro-forma financial information for the combined entities for periods prior to the acquisition is not presented due to the immaterial impact of the financial results of Yard House on our consolidated financial statements.

During fiscal 2007 and 2008 we closed or sold all Smokey Bones Barbeque & Grill (Smokey Bones) and Rocky River Grillhouse restaurants and we closed nine Bahama Breeze restaurants. These restaurants and their related activities have been

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

classified as discontinued operations. Therefore, for fiscal 2013 , 2012 and 2011 , all impairment losses and disposal costs, gains and losses on disposition attributable to these restaurants have been aggregated in a single caption entitled “Losses from discontinued operations, net of tax benefit” on the accompanying consolidated statements of earnings.

Unless otherwise noted, amounts and disclosures throughout these notes to consolidated financial statements relate to our continuing operations.

Fiscal Year

We operate on a 52/53 week fiscal year, which ends on the last Sunday in May. Fiscal 2013 , 2012 and 2011 consisted of 52 weeks of operation.

Use of Estimates

We prepare our consolidated financial statements in conformity with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents include highly liquid investments such as U.S. Treasury bills, taxable municipal bonds and money market funds that have an original maturity of three months or less. Amounts receivable from credit card companies are also considered cash equivalents because they are both short term and highly liquid in nature and are typically converted to cash within three days of the sales transaction.

Receivables, Net

Receivables, net of the allowance for doubtful accounts, represent their estimated net realizable value. Provisions for doubtful accounts are recorded based on historical collection experience and the age of the receivables. Receivables are written off when they are deemed uncollectible. See Note 3 – Receivables, Net for additional information.

Inventories

Inventories consist of food and beverages and are valued at the lower of weighted-average cost or market.

Marketable Securities

Available-for-sale securities are carried at fair value. Classification of marketable securities as current or noncurrent is dependent upon management’s intended holding period, the security’s maturity date, or both. Unrealized gains and losses, net of tax, on available-for-sale securities are carried in accumulated other comprehensive income (loss) within the consolidated financial statements and are reclassified into earnings when the securities mature or are sold.

Land, Buildings and Equipment, Net

Land, buildings and equipment are recorded at cost less accumulated depreciation. Building components are depreciated over estimated useful lives ranging from 7 to 40 years using the straight-line method. Leasehold improvements, which are reflected on our consolidated balance sheets as a component of buildings in land, buildings and equipment, net, are amortized over the lesser of the expected lease term, including cancelable option periods, or the estimated useful lives of the related assets using the straight-line method. Equipment is depreciated over estimated useful lives ranging from 2 to 10 years also using the straight-line method. See Note 5 – Land, Buildings and Equipment, Net for additional information. Gains and losses on the disposal of land, buildings and equipment are included in selling, general and administrative expenses in our accompanying consolidated statements of earnings. Depreciation and amortization expense from continuing operations associated with buildings and equipment and losses on disposal of land, buildings and equipment were as follows:

(in millions)	Fiscal Year		
	2013	2012	2011
Depreciation and amortization on buildings and equipment	\$ 387.2	\$ 340.6	\$ 308.7
Losses on disposal of land, buildings and equipment	8.1	7.1	6.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Capitalized Software Costs and Other Definite-Lived Intangibles

Capitalized software, which is a component of other assets, is recorded at cost less accumulated amortization. Capitalized software is amortized using the straight-line method over estimated useful lives ranging from 3 to 10 years. The cost of capitalized software and related accumulated amortization was as follows:

(in millions)	May 26, 2013	May 27, 2012
Capitalized software	\$ 107.9	\$ 84.3
Accumulated amortization	(67.5)	(63.4)
Capitalized software, net of accumulated amortization	\$ 40.4	\$ 20.9

We have other definite-lived intangible assets, including assets related to the value of below-market leases resulting from our acquisitions, that are included as a component of other assets on our consolidated balance sheets. We also have definite-lived intangible liabilities related to the value of above-market leases resulting from our acquisitions, that are included in other liabilities on our consolidated balance sheets. Definite-lived intangibles are amortized on a straight-line basis over estimated useful lives of 1 to 20 years. The cost and related accumulated amortization was as follows:

(in millions)	May 26, 2013	May 27, 2012
Other definite-lived intangibles	\$ 19.1	\$ 13.2
Accumulated amortization	(7.6)	(6.2)
Other definite-lived intangible assets, net of accumulated amortization	\$ 11.5	\$ 7.0

(in millions)	May 26, 2013	May 27, 2012
Below-market leases	\$ 29.2	\$ 24.0
Accumulated amortization	(7.8)	(7.1)
Below-market leases, net of accumulated amortization	\$ 21.4	\$ 16.9

(in millions)	May 26, 2013	May 27, 2012
Above-market leases	\$ (21.4)	\$ (8.6)
Accumulated amortization	3.5	2.3
Above-market leases, net of accumulated amortization	\$ (17.9)	\$ (6.3)

Amortization expense associated with capitalized software and other definite-lived intangibles included in depreciation and amortization in our accompanying consolidated statements of earnings was as follows:

(in millions)	Fiscal Year		
	2013	2012	2011
Amortization expense - capitalized software	\$ 6.4	\$ 7.8	\$ 7.7
Amortization expense - other definite-lived intangibles	1.2	0.7	0.4

Amortization expense associated with above- and-below-market leases included in restaurant expenses as a component of rent expense in our consolidated statements of earnings was as follows:

(in millions)	Fiscal Year		
	2013	2012	2011
Restaurant expense - below-market leases	\$ 1.8	\$ 1.8	\$ 2.2
Restaurant expense - above-market leases	(1.2)	(0.5)	(0.5)

Amortization of capitalized software and other definite-lived intangible assets will be approximately \$10.4 million annually for fiscal 2014 through 2018 .

Trust-Owned Life Insurance

We have a trust that purchased life insurance policies covering certain of our officers and other key employees (trust-owned life insurance or TOLI). The trust is the owner and sole beneficiary of the TOLI policies. The policies were purchased to offset a

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

portion of our obligations under our non-qualified deferred compensation plan. The cash surrender value for each policy is included in other assets while changes in cash surrender values are included in selling, general and administrative expenses.

Liquor Licenses

The costs of obtaining non-transferable liquor licenses that are directly issued by local government agencies for nominal fees are expensed as incurred. The costs of purchasing transferable liquor licenses through open markets in jurisdictions with a limited number of authorized liquor licenses are capitalized as indefinite-lived intangible assets and included in other assets. Liquor licenses are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Annual liquor license renewal fees are expensed over the renewal term.

Goodwill and Trademarks

We review our goodwill and trademarks for impairment annually, as of the first day of our fourth fiscal quarter or more frequently if indicators of impairment exist. Goodwill and trademarks are not subject to amortization and have been assigned to reporting units for purposes of impairment testing. The reporting units are our restaurant brands. Our goodwill and trademark balances are allocated as follows:

(in millions)	May 26, 2013	May 27, 2012
Goodwill:		
The Capital Grille	\$ 401.7	\$ 401.8
LongHorn Steakhouse	49.5	49.5
Olive Garden (1)	30.2	30.2
Red Lobster (1)	35.0	35.0
Eddie V's	22.1	22.1
Yard House	369.8	—
Total Goodwill	\$ 908.3	\$ 538.6
Trademarks:		
The Capital Grille	\$ 147.0	\$ 147.0
LongHorn Steakhouse	307.0	307.0
Eddie V's	10.5	10.9
Yard House	109.3	—
Total Trademarks	\$ 573.8	\$ 464.9

- (1) Goodwill related to Olive Garden and Red Lobster is associated with the RARE Hospitality International, Inc. (RARE) acquisition and the direct benefits derived by Olive Garden and Red Lobster as a result of the RARE acquisition.

A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators 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 could have a significant impact on the recoverability of these assets and could have a material impact on our consolidated financial statements.

The goodwill impairment test involves a two-step process. The first step is a comparison of each reporting unit's fair value to its carrying value. We estimate fair value using the best information available, including market information and discounted cash flow projections (also referred to as the income approach). The income approach uses a reporting unit's projection of estimated operating results and cash flows that is discounted using a weighted-average cost of capital that reflects current market conditions. The projection uses management's best estimates of economic and market conditions over the projected period including growth rates in sales, costs and number of units, estimates of future expected changes in operating margins and cash expenditures. Other significant estimates and assumptions include terminal value growth rates, future estimates of capital expenditures and changes in future working capital requirements. We validate our estimates of fair value under the income approach by comparing the values to fair value estimates using a market approach. A market approach estimates fair value by applying cash flow and sales multiples to the reporting unit's operating performance. The multiples are derived from comparable publicly traded companies with similar operating and investment characteristics of the reporting units. If the fair value of the reporting unit is higher than its carrying value, goodwill is deemed not to be impaired, and no further testing is

required. If the carrying value of the reporting unit is higher than its fair value, there is an indication that impairment may exist and the second step must be performed to measure the amount of impairment loss. The amount of impairment is determined by comparing the implied fair value of reporting unit goodwill to the carrying value of the goodwill in the same manner as if the reporting unit was being acquired in a business combination. Specifically, fair value is allocated to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that would calculate the implied fair value of goodwill. If the implied fair value of goodwill is less than the recorded goodwill, we would record an impairment loss for the difference.

Consistent with our accounting policy for goodwill and trademarks we performed our annual impairment test of our goodwill and trademarks as of the first day of our fiscal 2013 fourth quarter. As of the beginning of our fiscal fourth quarter, we had eight reporting units, six of which had goodwill: Red Lobster, Olive Garden, LongHorn Steakhouse, The Capital Grille, Eddie V's and Yard House. As part of our process for performing the step one impairment test of goodwill, we estimated the fair value of our reporting units utilizing the income and market approaches described above to derive an enterprise value of the Company. We reconciled the enterprise value to our overall estimated market capitalization. The estimated market capitalization considers recent trends in our market capitalization and an expected control premium, based on comparable recent and historical transactions. Based on the results of the step one impairment test, no impairment of goodwill was indicated. As we finalized the purchase price allocation for Yard House during our fourth fiscal quarter of 2013, we excluded the goodwill allocated to Yard House from our step one impairment test, however, we did perform a qualitative assessment of the goodwill allocated to Yard House in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 350, Intangibles - Goodwill and Other, and no indicators of impairment were identified.

The fair value of trademarks are estimated and compared to the carrying value. We estimate the fair value of trademarks 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. We recognize an impairment loss when the estimated fair value of the trademarks is less than its carrying value. We completed our impairment test and concluded as of the date of the test, there was no impairment of the trademarks for LongHorn Steakhouse, The Capital Grille and Eddie V's. As we finalized the purchase price allocation for Yard House during our fourth fiscal quarter of 2013, we excluded the trademark related to Yard House from our annual impairment test, however, we did perform a qualitative assessment of the Yard House trademark in accordance with ASC Topic 350, Intangibles - Goodwill and Other, and no indicators of impairment were identified.

We determined that there was no goodwill or trademark impairment as of the first day of our fourth fiscal quarter and no additional indicators of impairment were identified through the end of our fourth fiscal quarter that would require us to test further for impairment. However, declines in our market capitalization (reflected in our stock price) as well as in the market capitalization of other companies in the restaurant industry, declines in sales at our restaurants, and significant adverse changes in the operating environment for the restaurant industry may result in future impairment.

Changes in circumstances, existing at the measurement date or at other times in the future, or in the numerous estimates associated with management's judgments and assumptions made in assessing the fair value of our goodwill, could result in an impairment loss of a portion or all of our goodwill or trademarks. If we recorded an impairment loss, our financial position and results of operations would be adversely affected and our leverage ratio for purposes of our credit agreement would increase. A leverage ratio exceeding the maximum permitted under our credit agreement would be a default under our credit agreement. At May 26, 2013, a write down of goodwill, other indefinite-lived intangible assets, or any other assets in excess of approximately \$810.0 million would have been required to cause our leverage ratio to exceed the permitted maximum. As our leverage ratio is determined on a quarterly basis and due to the seasonal nature of our business, a lesser amount of impairment in future quarters could cause our leverage ratio to exceed the permitted maximum.

We evaluate the useful lives of our other intangible assets, to determine if they are definite or indefinite-lived. 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.

Impairment or Disposal of Long-Lived Assets

Land, buildings and equipment and certain other assets, including definite-lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the assets. Identifiable cash flows are measured at the lowest level for which they are largely independent of the cash flows of other groups of assets and liabilities, generally at the restaurant level. If

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

such assets are determined to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Fair value is generally determined based on appraisals or sales prices of comparable assets. Restaurant sites and certain other assets to be disposed of are reported at the lower of their carrying amount or fair value, less estimated costs to sell. Restaurant sites and certain other assets to be disposed of are included in assets held for disposal within prepaid expenses and other current assets in our consolidated balance sheets when certain criteria are met. These criteria include the requirement that the likelihood of disposing of these assets within one year is probable. Assets not meeting the “held for sale” criteria remain in land, buildings and equipment until their disposal is probable within one year.

We account for exit or disposal activities, including restaurant closures, in accordance with Financial Accounting Standards Board FASB Accounting Standards Codification ASC Topic 420, Exit or Disposal Cost Obligations. Such costs include the cost of disposing of the assets as well as other facility-related expenses from previously closed restaurants. These costs are generally expensed as incurred. Additionally, at the date we cease using a property under an operating lease, we record a liability for the net present value of any remaining lease obligations, net of estimated sublease income. Any subsequent adjustments to that liability as a result of lease termination or changes in estimates of sublease income are recorded in the period incurred. Upon disposal of the assets, primarily land, associated with a closed restaurant, any gain or loss is recorded in the same caption within our consolidated statements of earnings as the original impairment.

Insurance Accruals

Through the use of insurance program deductibles and self-insurance, we retain a significant portion of expected losses under our workers’ compensation, certain employee medical and general liability programs. However, we carry insurance for individual workers’ compensation and general liability claims that exceed \$0.5 million. Accrued liabilities have been recorded based on our estimates of the anticipated ultimate costs to settle all claims, both reported and not yet reported.

Revenue Recognition

Sales, as presented in our consolidated statements of earnings, represents food and beverage product sold and is presented net of discounts, coupons, employee meals, and complimentary meals and gift cards. Revenue from restaurant sales is recognized when food and beverage products are sold. Sales taxes collected from customers and remitted to governmental authorities are presented on a net basis within sales in our consolidated statements of earnings.

Revenue from the sale of franchises is recognized as income when substantially all of our material obligations under the franchise agreement have been performed. Continuing royalties, which are a percentage of net sales of franchised restaurants, are accrued as income when earned. Revenue from the sale of consumer packaged goods includes ongoing royalty fees based on a percentage of licensed retail product sales and is recognized upon the sale of product by our licensed manufacturers to retail outlets.

Unearned Revenues

Unearned revenues represent our liability for gift cards that have been sold but not yet redeemed. We recognize sales from our gift cards when the gift card is redeemed by the customer. Although there are no expiration dates or dormancy fees for our gift cards, based on our analysis of our historical gift card redemption patterns, we can reasonably estimate the amount of gift cards for which redemption is remote, which is referred to as “breakage.” We recognize breakage within sales for unused gift card amounts in proportion to actual gift card redemptions, which is also referred to as the “redemption recognition” method. The estimated value of gift cards expected to remain unused is recognized over the expected period of redemption as the remaining gift card values are redeemed, generally over a period of 10 years. Utilizing this method, we estimate both the amount of breakage and the time period of redemption. If actual redemption patterns vary from our estimates, actual gift card breakage income may differ from the amounts recorded. We update our estimates of our redemption period and our breakage rate periodically and apply that rate to gift card redemptions.

Food and Beverage Costs

Food and beverage costs include inventory, warehousing, related purchasing and distribution costs and gains and losses on certain commodity derivative contracts. Vendor allowances received in connection with the purchase of a vendor’s products are recognized as a reduction of the related food and beverage costs as earned. Advance payments are made by the vendors based on estimates of volume to be purchased from the vendors and the terms of the agreement. As we make purchases from the vendors each period, we recognize the pro rata portion of allowances earned as a reduction of food and beverage costs for that period. Differences between estimated and actual purchases are settled in accordance with the terms of the agreements. Vendor agreements are generally for a period of one year or more and payments received are initially recorded as long-term liabilities. Amounts expected to be earned within one year are recorded as current liabilities.

Income Taxes

We provide for federal and state income taxes currently payable as well as for those deferred because of temporary differences between reporting income and expenses for financial statement purposes versus tax purposes. Federal income tax credits are recorded as a reduction of income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. Interest recognized on reserves for uncertain tax positions is included in interest, net in our consolidated statements of earnings. A corresponding liability for accrued interest is included as a component of other current liabilities on our consolidated balance sheets. Penalties, when incurred, are recognized in selling, general and administrative expenses.

ASC Topic 740, Income Taxes, requires that a position taken or expected to be taken in a tax return be recognized (or derecognized) in the financial statements when it is more likely than not (i.e., a likelihood of more than 50 percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. See Note 16 - Income Taxes for additional information.

Income tax benefits credited to equity relate to tax benefits associated with amounts that are deductible for income tax purposes but do not affect earnings. These benefits are principally generated from employee exercises of non-qualified stock options and vesting of employee restricted stock awards.

Derivative Instruments and Hedging Activities

We enter into derivative instruments for risk management purposes only, including derivatives designated as hedging instruments as required by FASB ASC Topic 815, Derivatives and Hedging, and those utilized as economic hedges. We use financial and commodities derivatives to manage interest rate, compensation, commodities pricing and foreign currency exchange rate risks inherent in our business operations. Our use of derivative instruments is currently limited to interest rate hedges; equity forwards contracts; commodities futures and options contracts and foreign currency forward contracts. These instruments are generally structured as hedges of the variability of cash flows related to forecasted transactions (cash flow hedges). However, we do at times enter into instruments designated as fair value hedges to reduce our exposure to changes in fair value of the related hedged item. We do not enter into derivative instruments for trading or speculative purposes, where changes in the cash flows or fair value of the derivative are not expected to offset changes in cash flows or fair value of the hedged item. However, we have entered into equity forwards to economically hedge changes in the fair value of employee investments in our non-qualified deferred compensation plan and certain commodity futures contracts to economically hedge changes in the value of certain inventory purchases, for which we have not applied hedge accounting. All derivatives are recognized on the balance sheet at fair value. For those derivative instruments for which we intend to elect hedge accounting, on the date the derivative contract is entered into, we document all relationships between hedging instruments and hedged items, as well as our risk-management objective and strategy for undertaking the various hedge transactions. This process includes linking all derivatives designated as cash flow hedges to specific assets and liabilities on the consolidated balance sheet or to specific forecasted transactions. We also formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

To the extent our derivatives are effective in offsetting the variability of the hedged cash flows, and otherwise meet the cash flow hedge accounting criteria required by Topic 815 of the FASB ASC, changes in the derivatives' fair value are not included in current earnings but are included in accumulated other comprehensive income (loss), net of tax. These changes in fair value will be reclassified into earnings at the time of the forecasted transaction. Ineffectiveness measured in the hedging relationship is recorded currently in earnings in the period in which it occurs. To the extent our derivatives are effective in mitigating changes in fair value, and otherwise meet the fair value hedge accounting criteria required by Topic 815 of the FASB ASC, gains and losses in the derivatives' fair value are included in current earnings, as are the gains and losses of the related hedged item. To the extent the hedge accounting criteria are not met, the derivative contracts are utilized as economic hedges and changes in the fair value of such contracts are recorded currently in earnings in the period in which they occur. Cash flows related to derivatives are included in operating activities. See Note 10 – Derivative Instruments and Hedging Activities for additional information.

Leases

For operating leases, we recognize rent expense on a straight-line basis over the expected lease term, including cancelable option periods where failure to exercise the options would result in an economic penalty to the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Differences between amounts paid and amounts expensed are recorded as deferred rent. Capital leases are recorded as an asset and an obligation at an amount equal to the present value of the minimum lease payments during the lease term. Within the provisions of certain of our leases, there are rent holidays and escalations in payments over the base lease term, as well as renewal periods. The effects of the holidays and escalations have been reflected in rent expense on a straight-line basis over the expected lease term, which includes cancelable option periods where failure to exercise such options would result in an economic penalty to the Company. The lease term commences on the date when we have the right to control the use of the leased property, which is typically before rent payments are due under the terms of the lease. Many of our leases have renewal periods totaling 5 to 20 years, exercisable at our option and require payment of property taxes, insurance and maintenance costs in addition to the rent payments. The consolidated financial statements reflect the same lease term for amortizing leasehold improvements as we use to determine capital versus operating lease classifications and in calculating straight-line rent expense for each restaurant. Percentage rent expense is generally based on sales levels and is accrued at the point in time we determine that it is probable that such sales levels will be achieved. Amortization expense related to capital leases is included in depreciation and amortization expense in our consolidated statements of earnings. Landlord allowances are recorded based on contractual terms and are included in accounts receivable, net and as a deferred rent liability and amortized as a reduction of rent expense on a straight-line basis over the expected lease term.

Pre-Opening Expenses

Non-capital expenditures associated with opening new restaurants are expensed as incurred.

Advertising

Production costs of commercials are charged to operations in the fiscal period the advertising is first aired. The costs of programming and other advertising, promotion and marketing programs are charged to operations in the fiscal period incurred. Advertising expense related to continuing operations, included in selling, general and administrative expenses was as follows:

(in millions)	Fiscal Year		
	2013	2012	2011
Advertising expense	\$ 409.2	\$ 357.2	\$ 340.2

Stock-Based Compensation

We recognize the cost of employee service received in exchange for awards of equity instruments based on the grant date fair value of those awards. We utilize the Black-Scholes option pricing model to estimate the fair value of stock option awards. We recognize compensation expense on a straight-line basis over the employee service period for awards granted. The dividend yield has been estimated based upon our historical results and expectations for changes in dividend rates. The expected volatility was determined using historical stock prices. The risk-free interest rate was the rate available on zero coupon U.S. government obligations with a term approximating the expected life of each grant. The expected life was estimated based on the exercise history of previous grants, taking into consideration the remaining contractual period for outstanding awards. The weighted-average fair value of non-qualified stock options and the related assumptions used in the Black-Scholes model to record stock-based compensation are as follows:

	Stock Options Granted in Fiscal Year		
	2013	2012	2011
Weighted-average fair value	\$ 12.22	\$ 14.31	\$ 12.88
Dividend yield	4.0%	3.5%	3.0%
Expected volatility of stock	39.7%	39.4%	39.1%
Risk-free interest rate	0.8%	2.1%	2.2%
Expected option life (in years)	6.5	6.5	6.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Net Earnings per Share

Basic net earnings per share are computed by dividing net earnings by the weighted-average number of common shares outstanding for the reporting period. Diluted net earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Outstanding stock options and restricted stock granted by us represent the only dilutive effect reflected in diluted weighted-average shares outstanding. These stock-based compensation instruments do not impact the numerator of the diluted net earnings per share computation.

The following table presents the computation of basic and diluted net earnings per common share:

(in millions, except per share data)	Fiscal Year		
	2013	2012	2011
Earnings from continuing operations	\$ 412.6	\$ 476.5	\$ 478.7
Losses from discontinued operations	(0.7)	(1.0)	(2.4)
Net earnings	<u>\$ 411.9</u>	<u>\$ 475.5</u>	<u>\$ 476.3</u>
Average common shares outstanding – Basic	129.0	130.1	136.8
Effect of dilutive stock-based compensation	2.6	3.1	3.5
Average common shares outstanding – Diluted	<u>131.6</u>	<u>133.2</u>	<u>140.3</u>
Basic net earnings per share:			
Earnings from continuing operations	\$ 3.20	\$ 3.66	\$ 3.50
Losses from discontinued operations	(0.01)	(0.01)	(0.02)
Net earnings	<u>\$ 3.19</u>	<u>\$ 3.65</u>	<u>\$ 3.48</u>
Diluted net earnings per share:			
Earnings from continuing operations	\$ 3.14	\$ 3.58	\$ 3.41
Losses from discontinued operations	(0.01)	(0.01)	(0.02)
Net earnings	<u>\$ 3.13</u>	<u>\$ 3.57</u>	<u>\$ 3.39</u>

Restricted stock and options to purchase shares of our common stock excluded from the calculation of diluted net earnings per share because the effect would have been anti-dilutive, are as follows:

(in millions)	Fiscal Year Ended		
	May 26, 2013	May 27, 2012	May 29, 2011
Anti-dilutive restricted stock and options	2.8	2.6	1.2

Comprehensive Income

Comprehensive income includes net earnings and other comprehensive income (loss) items that are excluded from net earnings under U.S. generally accepted accounting principles. Other comprehensive income (loss) items include foreign currency translation adjustments, the effective unrealized portion of changes in the fair value of cash flow hedges, unrealized gains and losses on our marketable securities classified as held for sale and recognition of the funded status related to our pension and other postretirement plans. See Note 13 - Stockholders' Equity for additional information.

Foreign Currency

The Canadian dollar is the functional currency for our Canadian restaurant operations. Assets and liabilities denominated in Canadian dollars are translated into U.S. dollars using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rates prevailing throughout the period. Translation gains and losses are reported as a separate component of other comprehensive income (loss). Aggregate cumulative translation losses were \$1.8 million and \$1.6 million at May 26, 2013 and May 27, 2012, respectively. Gains and losses from foreign currency transactions recognized in our consolidated statements of earnings were not significant for fiscal 2013, 2012 or 2011.

Segment Reporting

As of May 26, 2013, we operated the Olive Garden, Red Lobster, LongHorn Steakhouse, The Capital Grille, Yard House, Bahama Breeze, Seasons 52 and Eddie V's restaurant brands in North America as operating segments. The brands operate principally in the U.S. within the full-service dining industry, providing similar products to similar customers. The brands also possess similar economic characteristics, resulting in similar long-term expected financial performance characteristics. Sales

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

from external customers are derived principally from food and beverage sales. We do not rely on any major customers as a source of sales. We believe we meet the criteria for aggregating our operating segments into a single reporting segment.

Application of New Accounting Standards

In February 2013, the FASB issued Accounting Standards Update (ASU) 2013-02, Comprehensive Income (Topic 220), *Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income*. This update requires companies to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, companies are required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. This update is effective for us in our first quarter of fiscal 2014 and will be applied prospectively. Other than requiring additional disclosures, adoption of this new guidance will not have a significant impact on our consolidated financial statements.

In July 2012, the FASB issued ASU 2012-02, Intangibles - Goodwill and Other (Topic 350), *Testing Indefinite Lived Intangible Assets for Impairment*. This update simplifies the guidance for testing the decline in the realizable value (impairment) of indefinite-lived intangible assets other than goodwill and allows companies the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test. Companies electing to perform a qualitative assessment are no longer required to calculate the fair value of an indefinite-lived intangible asset unless the company determines, based on a qualitative assessment, that it is "more likely than not" that the asset is impaired. This update is effective for annual and interim impairment tests performed in fiscal years beginning after September 15, 2012, which will require us to adopt these provisions in fiscal 2014; however, early adoption is permitted. We do not believe adoption of this new guidance will have a significant impact on our consolidated financial statements.

NOTE 2 – DISCONTINUED OPERATIONS

For fiscal 2013, 2012 and 2011, all gains and losses on disposition, impairment charges and disposal costs related to the closure and disposition of Smokey Bones and Rocky River Grillhouse restaurants and closure of nine Bahama Breeze restaurants in fiscal 2007 and 2008 have been aggregated to a single caption entitled losses from discontinued operations, net of tax benefit in our consolidated statements of earnings and are comprised of the following:

(in millions)	Fiscal Year		
	2013	2012	2011
Sales	\$ —	\$ —	\$ —
Losses before income taxes	(1.1)	(1.7)	(3.9)
Income tax benefit	0.4	0.7	1.5
Net losses from discontinued operations	\$ (0.7)	\$ (1.0)	\$ (2.4)

As of May 26, 2013 and May 27, 2012, we had \$3.1 million and \$5.6 million, respectively, of assets associated with the closed restaurants reported as discontinued operations, which are included in land, buildings and equipment, net on the accompanying consolidated balance sheets.

NOTE 3 - RECEIVABLES, NET

Receivables, net are primarily comprised of amounts owed to us from the sale of gift cards in national retail outlets, allowances due from landlords based on lease terms and receivables from national storage and distribution companies with which we contract to provide services that are billed to us on a per-case basis. In connection with these services, certain of our inventory items are conveyed to these storage and distribution companies to transfer ownership and risk of loss prior to delivery of the inventory to our restaurants. We reacquire these items when the inventory is subsequently delivered to our restaurants. These transactions do not impact the consolidated statements of earnings. Receivables from the sale of gift cards in national retail outlets, landlord allowances, national storage and distribution companies and our overall allowance for doubtful accounts are as follows:

(in millions)	May 26, 2013	May 27, 2012
Retail outlet gift card sales	\$ 37.5	\$ 33.4
Landlord allowances due	26.5	9.4
Storage and distribution	5.8	6.5
Allowance for doubtful accounts	(0.3)	(0.3)

NOTE 4 –ASSET IMPAIRMENTS

During fiscal 2013 , we recognized long-lived asset impairment charges of \$0.8 million (\$0.5 million net of tax), primarily related to the write-down of assets held for disposition based on updated valuations. During fiscal 2012 , we recognized long-lived asset impairment charges of \$0.5 million (\$0.3 million net of tax), primarily related to the permanent closure of one Red Lobster restaurant, and the write-down of assets held for disposition based on updated valuations. During fiscal 2011 we recognized long-lived asset impairment charges of \$4.7 million (\$2.9 million net of tax), primarily related to the permanent closure of two Red Lobster restaurants, the write-down of another Red Lobster restaurant based on an evaluation of expected cash flows, and the write-down of assets held for disposition based on updated valuations. These costs are included in selling, general and administrative expenses as a component of earnings from continuing operations in the accompanying consolidated statements of earnings for fiscal 2013 , 2012 and 2011 . Impairment charges were measured based on the amount by which the carrying amount of these assets exceeded their fair value. Fair value is generally determined based on appraisals or sales prices of comparable assets and estimates of future cash flows.

The results of operations for all restaurants permanently closed in fiscal 2013 , 2012 and 2011 that would otherwise have met the criteria for discontinued operations reporting are not material to our consolidated financial position, results of operations or cash flows and, therefore, have not been presented as discontinued operations.

NOTE 5 - LAND, BUILDINGS AND EQUIPMENT, NET

The components of land, buildings and equipment, net, are as follows:

(in millions)	May 26, 2013	May 27, 2012
Land	\$ 888.1	\$ 854.1
Buildings	4,474.5	3,959.7
Equipment	1,860.9	1,701.2
Assets under capital leases	67.7	68.1
Construction in progress	149.7	142.5
Total land, buildings and equipment	\$ 7,440.9	\$ 6,725.6
Less accumulated depreciation and amortization	(3,030.2)	(2,758.3)
Less amortization associated with assets under capital leases	(19.6)	(16.0)
Land, buildings and equipment, net	\$ 4,391.1	\$ 3,951.3

NOTE 6 - OTHER ASSETS

The components of other assets are as follows:

(in millions)	May 26, 2013	May 27, 2012
Trust-owned life insurance ⁽¹⁾	\$ 85.7	\$ 68.9
Capitalized software costs, net ⁽²⁾	40.4	20.9
Liquor licenses	49.6	47.3
Acquired below-market leases, net	21.4	16.9
Loan costs, net	19.1	15.3
Marketable securities	22.3	33.0
Deferred-tax charge ⁽³⁾	21.3	—
Insurance-related	18.0	16.7
Miscellaneous	21.0	12.8
Total other assets	\$ 298.8	\$ 231.8

(1) The increase is attributable to market-driven changes in the value of our trust-owned life insurance.

(2) The increase is attributable to upgrades to our information technology platform in support of technology initiatives.

(3) The deferred tax charge is related to U.S. federal and state income taxes paid on the sale of intellectual property related to our foreign franchise and lobster aquaculture business to foreign subsidiaries in fiscal 2013.

NOTE 7 – SHORT-TERM DEBT

As of May 26, 2013 , amounts outstanding as short-term debt, which consist of unsecured commercial paper borrowings, bearing an interest rate of 0.20 percent , were \$164.5 million . As of May 27, 2012 , amounts outstanding as short-term debt, which consist of unsecured commercial paper borrowings, bearing an interest rate of 0.32 percent , were \$262.7 million .

NOTE 8 - OTHER CURRENT LIABILITIES

The components of other current liabilities are as follows:

(in millions)	May 26, 2013	May 27, 2012
Non-qualified deferred compensation plan	\$ 224.3	\$ 201.4
Sales and other taxes	74.3	60.6
Insurance-related	40.8	35.2
Employee benefits	44.7	59.7
Derivative liabilities	2.2	45.3
Accrued interest	17.7	15.6
Miscellaneous	46.3	36.6
Total other current liabilities	\$ 450.3	\$ 454.4

NOTE 9 - LONG-TERM DEBT

The components of long-term debt are as follows:

(in millions)	May 26, 2013	May 27, 2012
5.625% senior notes due October 2012	\$ —	\$ 350.0
7.125% debentures due February 2016	100.0	100.0
Variable-rate term loan (1.44% at May 26, 2013) due August 2017	300.0	—
6.200% senior notes due October 2017	500.0	500.0
3.790% senior notes due August 2019	80.0	—
4.500% senior notes due October 2021	400.0	400.0
3.350% senior notes due November 2022	450.0	—
4.520% senior notes due August 2024	220.0	—
6.000% senior notes due August 2035	150.0	150.0
6.800% senior notes due October 2037	300.0	300.0
ESOP loan	—	5.9
Total long-term debt	\$ 2,500.0	\$ 1,805.9
Fair value hedge	1.9	3.2
Less issuance discount	(5.7)	(5.5)
Total long-term debt less issuance discount	\$ 2,496.2	\$ 1,803.6
Less current portion	—	(349.9)
Long-term debt, excluding current portion	\$ 2,496.2	\$ 1,453.7

We maintain a \$750.0 million revolving Credit Agreement (Revolving Credit Agreement), with Bank of America, N.A. (BOA) as administrative agent, and the lenders and other agents party thereto. The Revolving Credit Agreement is a senior unsecured credit commitment to the Company and contains customary representations and affirmative and negative covenants (including limitations on liens and subsidiary debt and a maximum consolidated lease adjusted total debt to total capitalization ratio of 0.75 to 1.00) and events of default customary for credit facilities of this type. As of May 26, 2013, we were in compliance with the covenants under the Revolving Credit Agreement.

The Revolving Credit Agreement matures on October 3, 2016, and the proceeds may be used for commercial paper back-up, working capital and capital expenditures, the refinancing of certain indebtedness, certain acquisitions and general corporate purposes. Loans under the Revolving Credit Agreement bear interest at a rate of LIBOR plus a margin determined by reference to a ratings-based pricing grid (Applicable Margin), or the base rate (which is defined as the higher of the BOA prime rate or the Federal Funds rate plus 0.500 percent) plus the Applicable Margin. Assuming a “BBB” equivalent credit rating level, the Applicable Margin under the Revolving Credit Agreement will be 1.075 percent for LIBOR loans and 0.075 percent for base rate loans.

As of May 26, 2013, we had no outstanding balances under the Revolving Credit Agreement. As of May 26, 2013, \$164.5 million of commercial paper was outstanding, which was backed by this facility. After consideration of commercial paper backed by the Revolving Credit Agreement, as of May 26, 2013, we had \$585.5 million of credit available under the Revolving Credit Agreement.

On October 4, 2012, we issued \$450.0 million aggregate principal amount of unsecured 3.350 percent senior notes due November 2022 (the New Senior Notes) under a registration statement filed with the Securities and Exchange Commission on October 6, 2010. Discount and issuance costs, which totaled \$4.7 million, are being amortized over the term of the New Senior Notes using the straight-line method, the results of which approximate the effective interest method. Interest on the New Senior Notes is payable semi-annually in arrears on May 1 and November 1 of each year and commenced May 1, 2013. We may redeem the New Senior Notes at any time in whole or from time to time in part, at the principal amount plus a make-whole premium. If we experience a change in control triggering event, unless we have previously exercised our right to redeem the New Senior Notes, we may be required to purchase the New Senior Notes from the holders at a purchase price equal to 101 percent of their principal amount plus accrued and unpaid interest.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

On August 22, 2012, we entered into a Term Loan Agreement (the Term Loan Agreement) with BOA, as administrative agent, and the lenders and other agents party thereto. During the second quarter of fiscal 2013, we made borrowings under this agreement in a total aggregate principal amount of \$300.0 million. The Term Loan Agreement is a senior unsecured term loan commitment to the Company and contains customary representations, events of default and affirmative and negative covenants (including limitations on liens and subsidiary debt and a maximum consolidated lease adjusted total debt to total capitalization ratio of 0.75 to 1.00) for facilities of this type.

The Term Loan Agreement matures on August 22, 2017, and the proceeds may be used for the refinancing of certain indebtedness, certain acquisitions and general corporate purposes. The loans under the Term Loan Agreement are subject to annual amortization of principal of 5 percent, 5 percent, 5 percent and 85 percent, payable on the second, third, fourth and fifth anniversaries, respectively, of the effective date of the Term Loan Agreement. Interest rates on borrowings under the Term Loan Agreement will be based on LIBOR plus a fixed spread as described in the Term Loan Agreement and, in part, upon our credit ratings. Pricing for interest and fees under the Term Loan Agreement may be modified in the event of a change in the rating of our long-term senior unsecured debt.

On August 28, 2012, we closed on the issuance of \$80.0 million unsecured 3.790 percent senior notes due August 2019 and \$220.0 million unsecured 4.520 percent senior notes due August 2024, pursuant to a Note Purchase Agreement dated June 18, 2012. The Note Purchase Agreement contains customary representations, events of default and affirmative and negative covenants (including limitations on liens and priority debt and a maximum consolidated total debt to capitalization ratio of 0.75 to 1.00, as such may be adjusted in certain circumstances) for facilities of this type.

On May 15, 2013 we repaid, prior to maturity, a \$4.9 million unsecured commercial bank loan which was used to support a loan from us to the Employee Stock Ownership Plan portion of the Darden Savings Plan.

The interest rates on our \$500.0 million 6.200 percent senior notes due October 2017 and \$300.0 million 6.800 percent senior notes due October 2037 are subject to adjustment from time to time if the debt rating assigned to such series of notes is downgraded below a certain rating level (or subsequently upgraded). The maximum adjustment is 2.000 percent above the initial interest rate and the interest rate cannot be reduced below the initial interest rate. As of May 26, 2013, no adjustments to these interest rates had been made.

All of our long-term debt currently outstanding is expected to be repaid entirely at maturity with interest being paid semi-annually over the life of the debt. The aggregate maturities of long-term debt for each of the five fiscal years subsequent to May 26, 2013, and thereafter are as follows:

(in millions)	
Fiscal Year	Amount
2014	\$ —
2015	15.0
2016	115.0
2017	15.0
2018	755.0
Thereafter	1,600.0
Long-term debt	\$ 2,500.0

NOTE 10 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We use financial and commodities derivatives to manage interest rate, equity-based compensation and commodities pricing and foreign currency exchange rate risks inherent in our business operations. By using these instruments, we expose ourselves, from time to time, to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. We minimize this credit risk by entering into transactions with high-quality counterparties. We currently do not have any provisions in our agreements with counterparties that would require either party to hold or post collateral in the event that the market value of the related derivative instrument exceeds a certain limit. As such, the maximum amount of loss due to counterparty credit risk we would incur at May 26, 2013, if counterparties to the derivative instruments failed completely to perform, would approximate the values of derivative instruments currently recognized as assets on our consolidated balance sheet. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

commodity prices, or the market price of our common stock. We minimize this market risk by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

The notional values of our derivative contracts designated as hedging instruments and derivative contracts not designated as hedging instruments are as follows:

(in millions)	May 26, 2013	May 27, 2012
Derivative contracts designated as hedging instruments:		
Commodities	\$ 18.2	\$ 8.7
Foreign currency	20.3	19.4
Interest rate swaps	100.0	550.0
Equity forwards	24.9	21.7
Derivative contracts not designated as hedging instruments:		
Equity forwards	\$ 49.1	\$ 50.0
Commodities	0.6	—

We periodically enter into commodity futures, swaps and option contracts (collectively, commodity contracts) to reduce the risk of variability in cash flows associated with fluctuations in the price we pay for natural gas, soybean oil, milk, diesel fuel and butter. For certain of our commodity purchases, changes in the price we pay for these commodities are highly correlated with changes in the market price of these commodities. For these commodity purchases, we designate commodity contracts as cash flow hedging instruments. For the remaining commodity purchases, changes in the price we pay for these commodities are not highly correlated with changes in the market price, generally due to the timing of when changes in the market prices are reflected in the price we pay. For these commodity purchases, we utilize commodity contracts as economic hedges. Our commodity contracts currently extend through June 2014 .

We periodically enter into foreign currency forward contracts to reduce the risk of fluctuations in exchange rates specifically related to forecasted transactions or payments made in a foreign currency either for commodities and items used directly in our restaurants or for forecasted payments of services. Our foreign currency forward contracts currently extend through May 2014 .

We entered into forward-starting interest rate swap agreements with \$300.0 million of notional value to hedge a portion of the risk of changes in the benchmark interest rate prior to the issuance of the New Senior Notes October 2012 , as changes in the benchmark interest rate would cause variability in our forecasted interest payments. These derivative instruments were designated as cash flow hedges. These instruments were settled at the issuance of the New Senior Notes for a cumulative loss of approximately \$55.0 million , which was recorded in accumulated other comprehensive income (loss) and will be reclassified into earnings as an adjustment to interest expense on the New Senior Notes (or similar debt) as the forecasted transaction occurs.

We entered into interest rate swap agreements with \$250.0 million of notional value to limit the risk of changes in fair value of a portion of the \$350.0 million 5.625 percent senior notes due October 2012 and a portion of the \$400.0 million 4.500 percent senior notes due October 2021 attributable to changes in the benchmark interest rate, between inception of the interest rate swap agreements and maturity of the related debt. The swap agreements effectively swap the fixed rate obligations for floating rate obligations, thereby mitigating changes in fair value of the related debt prior to maturity. The swap agreements were designated as fair value hedges of the related debt and met the requirements to be accounted for under the short-cut method, resulting in no ineffectiveness in the hedging relationship. Concurrent with the repayment at maturity of the \$350.0 million senior notes due October 2012 , we settled \$150.0 million of notional value of these swaps. During fiscal 2013 , 2012 and 2011 , \$3.0 million , \$3.3 million and \$3.6 million , respectively, was recorded as a reduction to interest expense related to the net swap settlements.

We enter into equity forward contracts to hedge the risk of changes in future cash flows associated with the unvested, unrecognized Darden stock units. The equity forward contracts will be settled at the end of the vesting periods of their underlying Darden stock units, which range between four and five years. The contracts were initially designated as cash flow hedges to the extent the Darden stock units are unvested and, therefore, unrecognized as a liability in our financial statements. As of May 26, 2013 , we were party to equity forward contracts that were indexed to 1.2 million shares of our common stock, at varying forward rates between \$29.28 per share and \$52.66 per share, extending through August 2017 . The forward contracts can only be net settled in cash. As the Darden stock units vest, we will de-designate that portion of the equity forward contract that no longer qualifies for hedge accounting and changes in fair value associated with that portion of the equity forward contract will be recognized in current earnings. We periodically incur interest on the notional value of the contracts and receive dividends on the underlying shares. These amounts are recognized currently in earnings as they are incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

We entered into equity forward contracts to hedge the risk of changes in future cash flows associated with recognized, cash-settled performance stock units and employee-directed investments in Darden stock within the non-qualified deferred compensation plan. The equity forward contracts are indexed to 0.5 million shares of our common stock at forward rates between \$47.07 and \$51.95 per share, can only be net settled in cash and expire between fiscal 2014 and 2016. We did not elect hedge accounting with the expectation that changes in the fair value of the equity forward contracts would offset changes in the fair value of the performance stock units and Darden stock investments in the non-qualified deferred compensation plan within selling, general and administrative expenses in our consolidated statements of earnings.

The fair value of our derivative contracts designated as hedging instruments and derivative contracts that are not designated as hedging instruments are as follows:

(in millions)	Balance Sheet Location	Derivative Assets		Derivative Liabilities	
		May 26, 2013	May 27, 2012	May 26, 2013	May 27, 2012
Derivative contracts designated as hedging instruments					
Commodity contracts	(1)	\$ 0.1	\$ 0.3	\$ (0.3)	\$ (0.4)
Equity forwards	(1)	—	0.9	(0.6)	—
Interest rate related	(1)	1.9	3.2	—	(44.9)
Foreign currency forwards	(1)	0.6	0.5	—	—
		\$ 2.6	\$ 4.9	\$ (0.9)	\$ (45.3)
Derivative contracts not designated as hedging instruments					
Commodity contracts	(1)	\$ —	\$ —	\$ —	\$ —
Equity forwards	(1)	—	1.9	(1.3)	—
		\$ —	\$ 1.9	\$ (1.3)	\$ —
Total derivative contracts		\$ 2.6	\$ 6.8	\$ (2.2)	\$ (45.3)

- (1) Derivative assets and liabilities are included in receivables, net, prepaid expenses and other current assets, and other current liabilities, as applicable, on our consolidated balance sheets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The effects of derivative instruments in cash flow hedging relationships in the consolidated statements of earnings are as follows:

(in millions)	Amount of Gain (Loss) Recognized in AOCI (Effective Portion)			Location of Gain (Loss) Reclassified from AOCI to Earnings	Amount of Gain (Loss) Reclassified from AOCI to Earnings (Effective Portion)			Location of Gain (Loss) Recognized in Earnings (Ineffective Portion)	(1) Amount of Gain (Loss) Recognized in Earnings (Ineffective Portion)		
	Fiscal Year				Fiscal Year				Fiscal Year		
	2013	2012	2011		2013	2012	2011		2013	2012	2011
Commodity	\$ 0.7	\$ (2.2)	\$ (0.2)	(2)	\$ 0.4	\$ (1.7)	\$ (0.9)	(2)	\$ —	\$ —	\$ —
Equity	(2.8)	(0.7)	2.6	(3)	0.2	—	—	(3)	1.1	0.6	0.2
Interest rate	(10.1)	(75.2)	(12.2)	Interest, net	(8.3)	(2.9)	0.7	Interest, net	—	(0.7)	(0.5)
Foreign currency	(0.5)	0.9	(0.1)	(4)	—	0.8	0.4	(4)	—	—	—
	\$ (12.7)	\$ (77.2)	\$ (9.9)		\$ (7.7)	\$ (3.8)	\$ 0.2		\$ 1.1	\$ (0.1)	\$ (0.3)

- (1) Generally, all of our derivative instruments designated as cash flow hedges have some level of ineffectiveness, which is recognized currently in earnings. However, as these amounts are generally nominal and our consolidated financial statements are presented “in millions,” these amounts may appear as zero in this tabular presentation.
- (2) Location of the gain (loss) reclassified from AOCI to earnings as well as the gain (loss) recognized in earnings for the ineffective portion of the hedge is food and beverage costs and restaurant expenses, which are components of cost of sales.
- (3) Location of the gain (loss) reclassified from AOCI to earnings as well as the gain (loss) recognized in earnings for the ineffective portion of the hedge is restaurant labor expenses, which is a component of cost of sales, and selling, general and administrative expenses.
- (4) Location of the gain (loss) reclassified from AOCI to earnings as well as the gain (loss) recognized in earnings for the ineffective portion of the hedge is food and beverage costs, which is a component of cost of sales, and selling, general and administrative expenses.

The effects of derivative instruments in fair value hedging relationships in the consolidated statements of earnings are as follows:

(in millions)	Amount of Gain (Loss) Recognized in Earnings on Derivatives			Location of Gain (Loss) Recognized in Earnings on Derivatives	Hedged Item in Fair Value Hedge Relationship	Amount of Gain (Loss) Recognized in Earnings on Related Hedged Item			Location of Gain (Loss) Recognized in Earnings on Related Hedged Item
	Fiscal Year					Fiscal Year			
	2013	2012	2011			2013	2012	2011	
Interest rate	\$ (1.3)	\$ (0.4)	\$ 0.2	Interest, net	Debt	\$ 1.3	\$ 0.4	\$ (0.2)	Interest, net

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The effects of derivatives not designated as hedging instruments in the consolidated statements of earnings are as follows:

(in millions)	Location of Gain (Loss) Recognized in Earnings	Amount of Gain (Loss) Recognized in Earnings		
		Fiscal Year		
		2013	2012	2011
Commodity contracts	Cost of sales (1)	\$ (0.1)	\$ (7.9)	\$ 0.6
Equity forwards	Cost of sales (2)	1.6	2.3	3.3
Equity forwards	Selling, general and administrative	1.4	6.0	3.3
		\$ 2.9	\$ 0.4	\$ 7.2

- (1) Location of the gain (loss) recognized in earnings is food and beverage costs and restaurant expenses, which are components of cost of sales.
- (2) Location of the gain (loss) recognized in earnings is restaurant labor expenses, which is a component of cost of sales.

Based on the fair value of our derivative instruments designated as cash flow hedges as of May 26, 2013, we expect to reclassify \$9.8 million of net losses on derivative instruments from accumulated other comprehensive income (loss) to earnings during the next 12 months based on the timing of our forecasted commodity purchases, the maturity of equity forwards and the amortization of losses on interest rate related instruments. However, the amounts ultimately realized in earnings will be dependent on the fair value of the contracts on the settlement dates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 11 – FAIR VALUE MEASUREMENTS

The fair values of cash equivalents, receivables, net, accounts payable and short-term debt approximate their carrying amounts due to their short duration.

The following tables summarize the fair values of financial instruments measured at fair value on a recurring basis at May 26, 2013 and May 27, 2012 :

Items Measured at Fair Value at May 26, 2013

(in millions)		Fair Value of Assets (Liabilities)	Quoted Prices in Active Market for Identical Assets (Liabilities) (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed-income securities:					
Corporate bonds	(1)	\$ 10.0	\$ —	\$ 10.0	\$ —
U.S. Treasury securities	(2)	8.7	8.7	—	—
Mortgage-backed securities	(1)	5.6	—	5.6	—
Derivatives:					
Commodities futures, swaps & options	(3)	(0.2)	—	(0.2)	—
Equity forwards	(4)	(1.9)	—	(1.9)	—
Interest rate swaps	(5)	1.9	—	1.9	—
Foreign currency forwards	(6)	0.6	—	0.6	—
Total		\$ 24.7	\$ 8.7	\$ 16.0	\$ —

Items Measured at Fair Value at May 27, 2012

(in millions)		Fair Value of Assets (Liabilities)	Quoted Prices in Active Market for Identical Assets (Liabilities) (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed-income securities:					
Corporate bonds	(1)	\$ 14.5	\$ —	\$ 14.5	\$ —
U.S. Treasury securities	(2)	13.3	13.3	—	—
Mortgage-backed securities	(1)	9.9	—	9.9	—
Derivatives:					
Commodities futures, swaps & options	(3)	(0.1)	—	(0.1)	—
Equity forwards	(4)	2.8	—	2.8	—
Interest rate locks & swaps	(5)	(41.7)	—	(41.7)	—
Foreign currency forwards	(6)	0.5	—	0.5	—
Total		\$ (0.8)	\$ 13.3	\$ (14.1)	\$ —

- (1) The fair value of these securities is based on closing market prices of the investments, when applicable, or, alternatively, valuations utilizing market data and other observable inputs, inclusive of the risk of nonperformance.
- (2) The fair value of our U.S. Treasury securities is based on closing market prices.
- (3) The fair value of our commodities futures, swaps and options is based on closing market prices of the contracts, inclusive of the risk of nonperformance.
- (4) The fair value of our equity forwards is based on the closing market value of Darden stock, inclusive of the risk of nonperformance.
- (5) The fair value of our interest rate lock and swap agreements is based on current and expected market interest rates, inclusive of the risk of nonperformance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (6) The fair value of our foreign currency forward contracts is based on closing forward exchange market prices, inclusive of the risk of nonperformance.

The carrying value and fair value of long-term debt as of May 26, 2013, was \$2.50 billion and \$2.40 billion, respectively. The carrying value and fair value of long-term debt, including the amounts included in current liabilities, as of May 27, 2012, was \$1.80 billion and \$1.99 billion, respectively. The fair value of long-term debt is determined based on market prices or, if market prices are not available, the present value of the underlying cash flows discounted at our incremental borrowing rates.

Adjustments to the fair values of non-financial assets measured at fair value on a non-recurring basis as of May 26, 2013 and May 27, 2012 were generally related to impairments of property to be disposed of and were not material.

NOTE 12 - FINANCIAL INSTRUMENTS

Marketable securities are carried at fair value and consist of available-for-sale securities related to insurance funding requirements for our workers' compensation and general liability claims. The following table summarizes cost and market value for our securities that qualify as available-for-sale as of May 26, 2013:

(in millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Available-for-sale securities	\$ 24.1	\$ 0.2	\$ —	\$ 24.3

Earnings include insignificant realized gains and loss from sales of available-for-sale securities. At May 26, 2013, the scheduled maturities of our available-for-sale securities are as follows:

(in millions)	Cost	Market Value
Less than 1 year	\$ 2.0	\$ 2.0
1 to 3 years	13.9	14.1
3 to 5 years	8.2	8.2
Total	\$ 24.1	\$ 24.3

NOTE 13 - STOCKHOLDERS' EQUITY

Treasury Stock

Repurchased common stock has historically been reflected as a reduction of stockholders' equity. On December 17, 2010, our Board of Directors authorized an additional share repurchase authorization totaling 25.0 million shares in addition to the previous authorization of 162.4 million shares. Share repurchase authorizations and cumulative share repurchases under these authorizations, are as follows:

(in millions)	May 26, 2013
Share repurchase authorizations	187.4
Cumulative shares repurchased	171.9

The total shares and related cost of our common stock we repurchased was as follows:

(in millions)	Fiscal Year					
	2013		2012		2011	
	Shares	Cost	Shares	Cost	Shares	Cost
Repurchases of common stock	1.0	\$ 52.4	8.2	\$ 375.1	8.6	\$ 385.5

In the second quarter of fiscal 2013, we retired a portion of our treasury stock totaling 159.3 million shares and restored them to authorized but unissued shares of common stock. The retired treasury stock had a carrying amount of approximately \$3.74 billion. Upon formal retirement and in accordance with FASB ASC Topic 505, Equity, we reduced our common stock and surplus account based on the estimated weighted average cost of the common shares and reduced our treasury stock account based on the repurchase price. The difference between the repurchase price and the estimated average cost was recorded as a

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

reduction to retained earnings. The remaining shares will be utilized to satisfy future issuances under certain of our employee stock compensation programs. We expect that all shares of common stock acquired in the future will be restored to authorized but unissued shares of common stock.

Stockholders' Rights Plan

Under our Rights Agreement dated May 16, 2005, each share of our common stock has associated with it one right to purchase one thousandth of a share of our Series A Participating Cumulative Preferred Stock at a purchase price of \$120 per share, subject to adjustment under certain circumstances to prevent dilution. The rights are exercisable when, and are not transferable apart from our common stock until, a person or group has acquired 15 percent or more, or makes a tender offer for 15 percent or more, of our common stock. If the specified percentage of our common stock is then acquired, each right will entitle the holder (other than the acquiring company) to receive, upon exercise, common stock of either us or the acquiring company having a value equal to two times the exercise price of the right. The rights are redeemable by our Board of Directors under certain circumstances and expire on May 25, 2015.

Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), net of tax, are as follows:

(in millions)	Foreign Currency Translation Adjustment	Unrealized Gains (Losses) on Marketable Securities	Unrealized Gains (Losses) on Derivatives	Benefit Plan Funding Position	Accumulated Other Comprehensive Income (Loss)
Balances at May 29, 2011	\$ (0.4)	\$ 0.5	\$ (4.1)	\$ (55.8)	\$ (59.8)
Gain (loss)	(1.2)	(0.1)	(47.9)	(45.6)	(94.8)
Reclassification realized in net earnings	—	—	2.3	5.7	8.0
Balances at May 27, 2012	\$ (1.6)	\$ 0.4	\$ (49.7)	\$ (95.7)	\$ (146.6)
Gain (loss)	(0.2)	(0.2)	(8.8)	11.4	2.2
Reclassification realized in net earnings	—	—	4.7	6.9	11.6
Balances at May 26, 2013	\$ (1.8)	\$ 0.2	\$ (53.8)	\$ (77.4)	\$ (132.8)

NOTE 14 – LEASES

An analysis of rent expense incurred related to restaurants in continuing operations is as follows:

(in millions)	Fiscal Year		
	2013	2012	2011
Restaurant minimum rent	\$ 157.7	\$ 130.9	\$ 120.6
Restaurant percentage rent	6.6	5.6	5.3
Restaurant rent averaging expense	16.6	12.9	11.1
Transportation equipment	3.8	3.5	3.2
Office equipment	0.9	0.6	0.4
Office space	1.5	1.0	0.9
Warehouse space	0.4	0.6	0.5
Total rent expense	\$ 187.5	\$ 155.1	\$ 142.0

The annual future lease commitments under capital lease obligations and noncancelable operating leases, including those related to restaurants reported as discontinued operations, for each of the five fiscal years subsequent to May 26, 2013 and thereafter is as follows:

(in millions)

Fiscal Year	Capital	Operating
2014	\$ 5.4	\$ 186.0
2015	5.5	178.6
2016	5.7	163.1
2017	5.7	144.4
2018	5.9	124.5
Thereafter	61.3	366.7
Total future lease commitments	\$ 89.5	\$ 1,163.3
Less imputed interest (at 6.5%)	(35.1)	
Present value of future lease commitments	\$ 54.4	
Less current maturities	(1.9)	
Obligations under capital leases, net of current maturities	\$ 52.5	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 15 - INTEREST, NET

The components of interest, net are as follows:

(in millions)	Fiscal Year		
	2013	2012	2011
Interest expense	\$ 126.2	\$ 102.7	\$ 93.7
Imputed interest on capital leases	3.6	3.7	3.8
Capitalized interest	(3.0)	(3.9)	(3.0)
Interest income	(0.9)	(0.9)	(0.9)
Interest, net	\$ 125.9	\$ 101.6	\$ 93.6

Capitalized interest was computed using our average borrowing rate. Interest paid, net of amounts capitalized was as follows:

(in millions)	Fiscal Year		
	2013	2012	2011
Interest paid, net of amounts capitalized	\$ 112.5	\$ 94.8	\$ 98.3

NOTE 16 - INCOME TAXES

Total income tax expense was allocated as follows:

(in millions)	Fiscal Year		
	2013	2012	2011
Earnings from continuing operations	\$ 109.8	\$ 161.5	\$ 168.9
Losses from discontinued operations	(0.4)	(0.7)	(1.5)
Total consolidated income tax expense	\$ 109.4	\$ 160.8	\$ 167.4

The components of earnings before income taxes from continuing operations and the provision for income taxes thereon are as follows:

(in millions)	Fiscal Year		
	2013	2012	2011
Earnings from continuing operations before income taxes:			
U.S.	\$ 509.4	\$ 621.4	\$ 631.4
Foreign	13.0	16.6	16.2
Earnings from continuing operations before income taxes	\$ 522.4	\$ 638.0	\$ 647.6
Income taxes:			
Current:			
Federal	\$ 86.7	\$ 97.0	\$ 121.9
State and local	20.4	26.0	17.5
Foreign	3.5	2.4	0.1
Total current	\$ 110.6	\$ 125.4	\$ 139.5
Deferred (principally U.S.):			
Federal	6.9	37.6	28.3
State and local	(7.7)	(1.5)	1.1
Total deferred	\$ (0.8)	\$ 36.1	\$ 29.4
Total income taxes	\$ 109.8	\$ 161.5	\$ 168.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Income taxes paid were as follows:

(in millions)	Fiscal Year		
	2013	2012	2011
Income taxes paid	\$ 98.5	\$ 123.5	\$ 126.4

The following table is a reconciliation of the U.S. statutory income tax rate to the effective income tax rate from continuing operations included in the accompanying consolidated statements of earnings:

	Fiscal Year		
	2013	2012	2011
U.S. statutory rate	35.0 %	35.0 %	35.0 %
State and local income taxes, net of federal tax benefits	1.6	2.5	1.8
Benefit of federal income tax credits	(12.9)	(11.1)	(8.3)
Other, net	(2.7)	(1.1)	(2.4)
Effective income tax rate	21.0 %	25.3 %	26.1 %

As of May 26, 2013, we had estimated current prepaid state income taxes of \$6.4 million, which is included on our accompanying consolidated balance sheets as prepaid income taxes, and estimated current federal income taxes payable of \$16.5 million, which is included on our accompanying consolidated balance sheets as accrued income taxes.

As of May 26, 2013, we had unrecognized tax benefits of \$29.9 million, which represents the aggregate tax effect of the differences between tax return positions and benefits recognized in our consolidated financial statements, all of which would favorably affect the effective tax rate if resolved in our favor. A reconciliation of the beginning and ending amount of unrecognized tax benefits follows:

(in millions)	
Balances at May 27, 2012	\$ 15.7
Additions related to current-year tax positions	16.9
Reductions to tax positions due to settlements with taxing authorities	(1.1)
Reductions to tax positions due to statute expiration	(1.6)
Balances at May 26, 2013	\$ 29.9

We recognize accrued interest related to unrecognized tax benefits in interest expense. Penalties, when incurred, are recognized in selling, general and administrative expense. Interest expense associated with unrecognized tax benefits, excluding the release of accrued interest related to prior year matters due to settlement or the lapse of the statute of limitations was as follows:

(in millions)	Fiscal Year		
	2013	2012	2011
Interest expense on unrecognized tax benefits	\$ 0.5	\$ 0.4	\$ 1.6

At May 26, 2013, we had \$1.2 million accrued for the payment of interest associated with unrecognized tax benefits.

For U.S. federal income tax purposes, we participate in the Internal Revenue Service's (IRS) Compliance Assurance Process (CAP) whereby our U.S. federal income tax returns are reviewed by the IRS both prior to and after their filing. During fiscal 2013, we were placed on CAP Maintenance by the IRS, signaling our strong relationship of transparency and trust with the IRS team. The U.S. federal income tax returns that we filed through the fiscal year ended May 29, 2011 have been audited by the IRS. In the first quarter of fiscal 2013, the IRS issued a partial acceptance letter for the fiscal year ended May 27, 2012 tax return. The outstanding item as of the end of the current fiscal year relates to our deductibility of the Domestic Manufacturing Deduction under IRC Section 199, and is expected to be completed by the second quarter of fiscal 2014. The IRS commenced examination of our U.S. federal income tax returns for May 26, 2013 in the first quarter of fiscal 2013. The examination is anticipated to be completed by the second quarter of fiscal 2015. Income tax returns are subject to audit by state and local governments, generally years after the returns are filed. These returns could be subject to material adjustments or differing interpretations of the tax laws. The major jurisdictions in which the Company files income tax returns include the U.S. federal jurisdiction, Canada, and all states in the U.S. that have an income tax. With a few exceptions, the Company is no longer

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

subject to U.S. federal income tax examinations by tax authorities for years before fiscal 2012, and state and local, or non-U.S. income tax examinations by tax authorities for years before fiscal 2009.

Included in the balance of unrecognized tax benefits at May 26, 2013 is \$18.6 million related to tax positions for which it is reasonably possible that the total amounts could change during the next 12 months based on the outcome of examinations. The \$18.6 million relates to items that would impact our effective income tax rate.

The tax effects of temporary differences that give rise to deferred tax assets and liabilities are as follows:

(in millions)	May 26, 2013	May 27, 2012
Accrued liabilities	\$ 85.5	\$ 65.9
Compensation and employee benefits	212.9	221.2
Deferred rent and interest income	83.3	61.3
Net operating loss, credit and charitable contribution carryforwards	50.7	18.4
Other	6.8	10.2
Gross deferred tax assets	\$ 439.2	\$ 377.0
Valuation allowance	(15.4)	(5.2)
Deferred tax assets, net of valuation allowance	\$ 423.8	\$ 371.8
Trademarks and other acquisition related intangibles	(205.6)	(175.3)
Buildings and equipment	(403.2)	(363.3)
Capitalized software and other assets	(19.4)	(15.1)
Other	(7.4)	(6.5)
Gross deferred tax liabilities	\$ (635.6)	\$ (560.2)
Net deferred tax liabilities	\$ (211.8)	\$ (188.4)

Some of our net operating loss, credit and charitable contribution carryforwards have the potential to expire beginning in fiscal 2014. We have taken these potential expirations into consideration when evaluating the need for valuation allowances against these deferred tax assets. A valuation allowance for deferred tax assets is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Realization is dependent upon the generation of future taxable income or the reversal of deferred tax liabilities during the periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

NOTE 17 - RETIREMENT PLANS

Defined Benefit Plans and Postretirement Benefit Plan

Substantially all of our employees are eligible to participate in a retirement plan. We sponsor non-contributory defined benefit pension plans, which have been frozen, for a group of salaried employees in the United States, in which benefits are based on various formulas that include years of service and compensation factors; and for a group of hourly employees in the United States, in which a fixed level of benefits is provided. Pension plan assets are primarily invested in U.S. and International equities as well as long-duration bonds and real estate investments. Our policy is to fund, at a minimum, the amount necessary on an actuarial basis to provide for benefits in accordance with the requirements of the Employee Retirement Income Security Act of 1974, as amended and the Internal Revenue Code (IRC), as amended by the Pension Protection Act of 2006. We also sponsor a contributory postretirement benefit plan that provides health care benefits to our salaried retirees. Fundings related to the defined benefit pension plans and postretirement benefit plans, which are funded on a pay-as-you-go basis, were as follows:

(in millions)	Fiscal Year		
	2013	2012	2011
Defined benefit pension plans funding	\$ 2.4	\$ 22.2	\$ 12.9
Postretirement benefit plan funding	0.8	0.5	0.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

We expect to contribute approximately \$0.4 million to our defined benefit pension plans and approximately \$0.7 million to our postretirement benefit plan during fiscal 2014 .

We are required to recognize the over-or-under-funded status of the plans as an asset or liability as measured by the difference between the fair value of the plan assets and the benefit obligation and any unrecognized prior service costs and actuarial gains and losses as a component of accumulated other comprehensive income (loss), net of tax.

The following provides a reconciliation of the changes in the plan benefit obligation, fair value of plan assets and the funded status of the plans as of May 26, 2013 and May 27, 2012 :

(in millions)	Defined Benefit Plans		Postretirement Benefit Plan	
	2013	2012	2013	2012
Change in Benefit Obligation:				
Benefit obligation at beginning of period	\$ 274.4	\$ 215.8	\$ 29.6	\$ 27.0
Service cost	4.7	5.1	0.8	0.8
Interest cost	9.9	9.6	1.3	1.5
Participant contributions	—	—	0.4	0.3
Benefits paid	(11.2)	(9.8)	(1.2)	(0.8)
Actuarial loss (gain)	(1.0)	53.7	(1.0)	0.8
Benefit obligation at end of period	\$ 276.8	\$ 274.4	\$ 29.9	\$ 29.6
Change in Plan Assets:				
Fair value at beginning of period	\$ 203.5	\$ 187.4	\$ —	\$ —
Actual return on plan assets	39.4	3.7	—	—
Employer contributions	2.4	22.2	0.8	0.5
Participant contributions	—	—	0.4	0.3
Benefits paid	(11.2)	(9.8)	(1.2)	(0.8)
Fair value at end of period	\$ 234.1	\$ 203.5	\$ —	\$ —
Reconciliation of the Plans' Funded Status:				
Unfunded status at end of period	\$ (42.7)	\$ (70.9)	\$ (29.9)	\$ (29.6)

The following is a detail of the balance sheet components of each of our plans and a reconciliation of the amounts included in accumulated other comprehensive income (loss):

(in millions)	Defined Benefit Plans		Postretirement Benefit Plan	
	May 26, 2013	May 27, 2012	May 26, 2013	May 27, 2012
Components of the Consolidated Balance Sheets:				
Non-current liabilities	42.7	70.9	29.9	29.6
Net amounts recognized	\$ 42.7	\$ 70.9	\$ 29.9	\$ 29.6
Amounts Recognized in Accumulated Other Comprehensive Income (Loss), net of tax:				
Prior service (cost) credit	\$ (0.2)	\$ (0.2)	\$ 0.1	\$ 0.1
Net actuarial loss	(69.0)	(87.4)	(1.3)	(1.9)
Net amounts recognized	\$ (69.2)	\$ (87.6)	\$ (1.2)	\$ (1.8)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following is a summary of our accumulated and projected benefit obligations:

(in millions)	May 26, 2013	May 27, 2012
Accumulated benefit obligation for all pension plans	\$ 267.6	\$ 265.0
Pension plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligation	267.6	265.0
Fair value of plan assets	234.1	203.5
Projected benefit obligations for all plans with projected benefit obligations in excess of plan assets	276.8	274.4

The following table presents the weighted-average assumptions used to determine benefit obligations and net expense:

	Defined Benefit Plans		Postretirement Benefit Plan	
	2013	2012	2013	2012
Weighted-average assumptions used to determine benefit obligations at May 26 and May 27 (1)				
Discount rate	4.60%	4.35%	4.74%	4.52%
Rate of future compensation increases	4.04%	4.22%	N/A	N/A
Weighted-average assumptions used to determine net expense for fiscal years ended May 26 and May 27 (2)				
Discount rate	4.35%	5.37%	4.52%	5.46%
Expected long-term rate of return on plan assets	9.00%	9.00%	N/A	N/A
Rate of future compensation increases	4.22%	3.75%	N/A	N/A

(1) Determined as of the end of fiscal year.

(2) Determined as of the beginning of fiscal year.

We set the discount rate assumption annually for each of the plans at their valuation dates to reflect the yield of high-quality fixed-income debt instruments, with lives that approximate the maturity of the plan benefits. The expected long-term rate of return on plan assets and health care cost trend rates are based upon several factors, including our historical assumptions compared with actual results, an analysis of current market conditions, asset fund allocations and the views of leading financial advisers and economists.

For fiscal 2013, 2012 and 2011, we have used an expected long-term rate of return on plan assets for our defined benefit plan of 9.0 percent. In developing our expected rate of return assumption, we have evaluated the actual historical performance and long-term return projections of the plan assets, which give consideration to the asset mix and the anticipated timing of the pension plan outflows. We employ a total return investment approach whereby a mix of equity and fixed-income investments are used to maximize the long-term return of plan assets for what we consider a prudent level of risk. Our historical 10-year, 15-year and 20-year rates of return on plan assets, calculated using the geometric method average of returns, are approximately 9.5 percent, 8.0 percent and 9.4 percent, respectively, as of May 26, 2013. Our Benefit Plans Committee sets the investment policy for the Defined Benefit Plans and oversees the investment allocation, which includes setting long-term strategic targets. Our overall investment strategy is to achieve appropriate diversification through a mix of equity investments, which may include U.S., International, and private equities, as well as long-duration bonds and real estate investments. Our target asset fund allocation is 40 percent U.S. equities, 35 percent high-quality, long-duration fixed-income securities, 20 percent international equities, 5 percent real estate securities. The investment policy establishes a re-balancing band around the established targets within which the asset class weight is allowed to vary. Equity securities, international equities and fixed-income securities include investments in various industry sectors. Investments in real estate securities follow different strategies designed to maximize returns, allow for diversification and provide a hedge against inflation. Our current positioning is neutral on investment style between value and growth companies and large and small cap companies. We monitor our actual asset fund allocation to ensure that it approximates our target allocation and believe that our long-term asset fund allocation will continue to approximate our target allocation. Investments held in the U.S. commingled fund, U.S. corporate securities, an international commingled fund, U.S. government fixed-income securities, an emerging markets commingled fund and a real estate commingled fund represented approximately 41.5 percent, 18.1 percent, 14.3 percent, 7.1 percent, 5.9 percent and 4.9 percent, respectively, of total plan assets and represents the only significant concentrations of risk related to a single entity, sector, country, commodity or investment fund. No other single sector concentration of assets exceeded 5.0 percent of total plan assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The discount rate and expected return on plan assets assumptions have a significant effect on amounts reported for defined benefit pension plans. A quarter percentage point change in the defined benefit plans' discount rate and the expected long-term rate of return on plan assets would increase or decrease earnings before income taxes by \$0.6 million and \$0.5 million, respectively.

The assumed health care cost trend rate increase in the per-capita charges for postretirement benefits was 7.1 percent for fiscal 2014. The rate gradually decreases to 5.0 percent through fiscal 2021 and remains at that level thereafter.

The assumed health care cost trend rate has a significant effect on amounts reported for retiree health care plans. A one percentage point increase or decrease in the assumed health care cost trend rate would affect the service and interest cost components of net periodic postretirement benefit cost by \$0.5 million and \$0.4 million, respectively, and would increase or decrease the accumulated postretirement benefit obligation by \$6.6 million and \$5.2 million, respectively.

Components of net periodic benefit cost included in continuing operations are as follows:

(in millions)	Defined Benefit Plans			Postretirement Benefit Plan		
	2013	2012	2011	2013	2012	2011
Service cost	\$ 4.7	\$ 5.1	\$ 5.9	\$ 0.8	\$ 0.8	\$ 0.9
Interest cost	9.9	9.6	9.5	1.3	1.5	2.3
Expected return on plan assets	(19.4)	(17.8)	(16.6)	—	—	—
Amortization of unrecognized prior service cost	0.1	0.1	0.1	(0.1)	(0.1)	—
Recognized net actuarial loss	8.8	8.2	4.5	—	—	1.3
Net pension and postretirement cost (benefit)	\$ 4.1	\$ 5.2	\$ 3.4	\$ 2.0	\$ 2.2	\$ 4.5

The amortization of the net actuarial loss component of our fiscal 2014 net periodic benefit cost for the defined benefit plans and postretirement benefit plan is expected to be approximately \$9.1 million and \$0.0 million, respectively.

The fair values of the defined benefit pension plans assets at their measurement dates of May 26, 2013 and May 27, 2012, are as follows:

Items Measured at Fair Value at May 26, 2013					
(in millions)		Fair Value of Assets (Liabilities)	Quoted Prices in Active Market for Identical Assets (Liabilities) (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity:					
U.S. Commingled Funds	(1)	\$ 97.2	\$ —	\$ 97.2	\$ —
International Commingled Funds	(2)	33.4	—	33.4	—
Emerging Market Commingled Funds	(3)	13.8	—	13.8	—
Real Estate Commingled Funds	(4)	11.6	—	11.6	—
Fixed-Income:					
U.S. Treasuries	(5)	16.3	16.3	—	—
U.S. Corporate Securities	(5)	42.5	—	42.5	—
International Securities	(5)	8.2	—	8.2	—
Public Sector Utility Securities	(5)	9.4	—	9.4	—
Cash & Accruals		1.7	1.7	—	—
Total		\$ 234.1	\$ 18.0	\$ 216.1	\$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Items Measured at Fair Value at May 27, 2012

(in millions)		Fair Value of Assets (Liabilities)	Quoted Prices in Active Market for Identical Assets (Liabilities) (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity:					
U.S. Commingled Funds	(1)	\$ 80.5	\$ —	\$ 80.5	\$ —
International Commingled Funds	(2)	26.8	—	26.8	—
Emerging Market Commingled Funds	(3)	11.3	—	11.3	—
Real Estate Commingled Funds	(4)	10.0	—	10.0	—
Fixed-Income:					
U.S. Treasuries	(5)	20.0	20.0	—	—
U.S. Corporate Securities	(5)	37.7	—	37.7	—
International Securities	(5)	2.7	—	2.7	—
Public Sector Utility Securities	(5)	10.4	—	10.4	—
Cash & Accruals		4.1	4.1	—	—
Total		\$ 203.5	\$ 24.1	\$ 179.4	\$ —

- (1) U.S. commingled funds are comprised of investments in funds that purchase publicly traded U.S. common stock for total return purposes. Investments are valued at unit values provided by the investment managers which are based on the fair value of the underlying investments. There are no redemption restrictions associated with these funds.
- (2) International commingled funds are comprised of investments in funds that purchase publicly traded non-U.S. common stock for total return purposes. Investments are valued at unit values provided by the investment managers which are based on the fair value of the underlying investments. There are no redemption restrictions associated with these funds.
- (3) Emerging market commingled funds and developed market securities are comprised of investments in funds that purchase publicly traded common stock of non-U.S. companies for total return purposes. Funds are valued at unit values provided by the investment managers which are based on the fair value of the underlying investments. There are no redemption restrictions associated with these funds.
- (4) Real estate commingled funds are comprised of investments in funds that purchase publicly traded common stock of real estate securities for purposes of total return. These investments are valued at unit values provided by the investment managers which are based on the fair value of the underlying investments. There are no redemption restrictions associated with these funds.
- (5) Fixed-income securities are comprised of investments in government and corporate debt securities. These securities are valued by the trustee at closing prices from national exchanges or pricing vendors on the valuation date.

The following table presents the changes in Level 3 investments for the defined benefit pension plans at May 27, 2012:

(in millions)	Private Equity Partnerships	Private Equity Securities	Energy & Real Estate Public Sector	Real Asset Private Funds	Total
Beginning balance at May 29, 2011	\$ 25.6	\$ —	\$ 4.3	\$ 10.8	\$ 40.7
Actual return on plan assets:					
Relating to assets still held at the reporting date	—	—	—	—	—
Relating to assets sold during the period	0.3	—	—	—	0.3
Purchases, sales, and settlements	(25.9)	—	(4.3)	(10.8)	(41.0)
Transfers in and/or out of Level 3	—	—	—	—	—
Ending balance at May 27, 2012	\$ —	\$ —	\$ —	\$ —	\$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following benefit payments are expected to be paid between fiscal 2014 and fiscal 2023 :

(in millions)	Defined Benefit Plans	Postretirement Benefit Plan
2014	\$ 11.1	\$ 0.7
2015	11.3	0.8
2016	11.8	0.9
2017	12.6	0.9
2018	13.5	1.0
2018-2023	79.4	6.5

Postemployment Severance Plan

We accrue for postemployment severance costs in our consolidated financial statements and recognize actuarial gains and losses related to our postemployment severance accrual as a component of accumulated other comprehensive income (loss). As of May 26, 2013 and May 27, 2012 , \$6.1 million and \$4.8 million , respectively, of unrecognized actuarial losses related to our postemployment severance plan were included in accumulated other comprehensive income (loss) on a net of tax basis.

Defined Contribution Plan

We have a defined contribution (401(k)) plan covering most employees age 21 and older. We match contributions for participants with at least one year of service up to 6 percent of compensation, based on our performance. The match ranges from a minimum of \$0.25 to \$1.20 for each dollar contributed by the participant. The plan had net assets of \$719.0 million at May 26, 2013 and \$664.9 million at May 27, 2012 . Expense recognized in fiscal 2013 , 2012 and 2011 was \$0.9 million , \$0.9 million and \$0.7 million , respectively. Employees classified as “highly compensated” under the IRC are not eligible to participate in this plan. Instead, highly compensated employees are eligible to participate in a separate non-qualified deferred compensation (FlexComp) plan. This plan allows eligible employees to defer the payment of part of their annual salary and all or part of their annual bonus and provides for awards that approximate the matching contributions and other amounts that participants would have received had they been eligible to participate in our defined contribution and defined benefit plans. Amounts payable to highly compensated employees under the FlexComp plan totaled \$224.3 million and \$201.4 million at May 26, 2013 and May 27, 2012 , respectively. These amounts are included in other current liabilities.

The defined contribution plan includes an Employee Stock Ownership Plan (ESOP). The ESOP borrowed \$16.9 million from us at a variable rate of interest in July 1996. At May 26, 2013 , the ESOP’s original debt to us had a balance of \$4.9 million with a variable rate of interest of 0.55 percent and is due to be repaid no later than December 2014 . At the end of fiscal 2005, the ESOP borrowed an additional \$1.6 million (Additional Loan) from us at a variable interest rate and acquired an additional 0.05 million shares of our common stock, which were held in suspense within the ESOP at that time. At May 26, 2013 , the Additional Loan had a balance of \$1.3 million with a variable interest rate of 0.55 percent and is due to be repaid no later than December 2018. Compensation expense is recognized as contributions are accrued. Fluctuations in our stock price impact the amount of expense to be recognized. Contributions to the plan, plus the dividends accumulated on unallocated shares held by the ESOP, are used to pay principal, interest and expenses of the plan. As loan payments are made, common stock is allocated to ESOP participants. In each of the fiscal years 2013 , 2012 and 2011 , the ESOP incurred interest expense of \$0.0 million , \$0.0 million and \$0.1 million , respectively, and used dividends received of \$1.0 million , \$1.9 million and \$1.4 million , respectively, and contributions received from us of \$0.1 million , \$0.5 million and \$0.1 million , respectively, to pay principal and interest on our debt.

ESOP shares are included in weighted-average common shares outstanding for purposes of calculating net earnings per share with the exception of those shares acquired under the Additional Loan which are accounted for in accordance with FASB ASC Subtopic 718-40, Employee Stock Ownership Plans. Fluctuations in our stock price are recognized as adjustments to common stock and surplus when the shares are committed to be released. The ESOP shares acquired under the additional loan are not considered outstanding until they are committed to be released and, therefore, unreleased shares have been excluded for purposes of calculating basic and diluted net earnings per share. As of May 26, 2013 , the ESOP shares included in the basic and diluted net earnings per share calculation totaled 4.4 million shares, representing 3.5 million allocated shares and 0.9 million suspense shares.

NOTE 18 - STOCK-BASED COMPENSATION

We maintain two active stock option and stock grant plans under which new awards may still be issued, known as the Darden Restaurants, Inc. 2002 Stock Incentive Plan (2002 Plan) and the RARE Hospitality International, Inc. Amended and Restated 2002 Long-Term Incentive Plan (RARE Plan). We also have four other stock option and stock grant plans under which we no longer can grant new awards, although awards outstanding under the plans may still vest and be exercised in accordance with their terms: the Stock Plan for Directors (Director Stock Plan); the Director Compensation Plan; the Stock Option and Long-Term Incentive Plan of 1995 (1995 Plan) and the Restaurant Management and Employee Stock Plan of 2000 (2000 Plan). All of the plans are administered by the Compensation Committee of the Board of Directors. The 2002 Plan provides for the issuance of up to 18.3 million common shares in connection with the granting of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units (RSUs), stock awards and other stock-based awards including performance stock units and Darden stock units to key employees and non-employee directors. The RARE Plan provides for the issuance of up to 3.9 million common shares in connection with the granting of non-qualified stock options, incentive stock options and restricted stock to employees. Awards under the RARE Plan are only permitted to be granted to employees who were employed by RARE as of the date of acquisition and continued their employment with the Company. The Director Stock Plan provided for the issuance of up to 0.375 million common shares out of our treasury in connection with the granting of non-qualified stock options, restricted stock and RSUs to non-employee directors. No new awards could be granted under the Director Stock Plan after September 30, 2000. The Director Compensation Plan provided for the issuance of 0.1 million common shares out of our treasury to non-employee directors. No new awards may be granted under the Director Compensation Plan after September 30, 2005. The 1995 Plan provided for the issuance of up to 33.3 million common shares in connection with the granting of non-qualified stock options, restricted stock or RSUs to key employees. The 2000 Plan provided for the issuance of up to 5.4 million shares of common stock out of our treasury as non-qualified stock options, restricted stock or RSUs. Under all of these plans, stock options are granted at a price equal to the fair value of the shares at the date of grant for terms not exceeding 10 years and have various vesting periods at the discretion of the Compensation Committee. Outstanding options generally vest over one to four years. Restricted stock and RSUs granted under the 1995 Plan, the 2000 Plan and the 2002 Plan generally vest over periods ranging from three to five years and no sooner than one year from the date of grant. Performance Stock Units granted under the 2002 Plan generally vest over a three -year period, and vested amounts may range from 0.0 to 150.0 percent of targeted amounts depending on the achievement of certain sales and diluted net earnings per share performance measures. Darden stock units granted under the 2002 Plan generally vest over a five -year period, with no performance vesting feature.

On December 15, 2005, the Board of Directors approved the Director Compensation Program, effective as of October 1, 2005, for Non-Employee Directors. The Director Compensation Program provides for payments to non-employee directors of: (a) an annual retainer and meeting fees for special Board meetings and committee meetings; (b) an additional annual retainer for the Lead Director and committee chairs; and (c) an annual award of common stock with a fair value of \$0.1 million on the date of grant upon election or re-election to the Board. Directors may elect to have their cash compensation paid in any combination of current or deferred cash, common stock or salary replacement options. Deferred cash compensation may be invested on a tax-deferred basis in the same manner as deferrals under our non-qualified deferred compensation plan. Prior to the date of grant, directors may elect to have their annual stock award paid in the form of common stock or cash, or a combination thereof, or deferred. To the extent directors elect to receive cash or cash settled awards, the value of the awards are carried as a liability on our consolidated balance sheet at fair value until such time as it is settled. All stock options and other stock or stock-based awards that are part of the compensation paid or deferred pursuant to the Director Compensation Program are awarded under the 2002 Plan.

Stock-based compensation expense included in continuing operations was as follows:

(in millions)	Fiscal Year		
	2013	2012	2011
Stock options	\$ 18.4	\$ 19.0	\$ 20.7
Restricted stock/restricted stock units	2.6	4.3	9.9
Darden stock units	19.9	17.1	17.1
Performance stock units	5.1	12.6	15.6
Employee stock purchase plan	1.8	1.8	1.9
Director compensation program/other	1.5	1.3	1.4
	\$ 49.3	\$ 56.1	\$ 66.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table presents a summary of our stock option activity as of and for the year ended May 26, 2013 :

	Options (in millions)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (Yrs)	Aggregate Intrinsic Value (in millions)
Outstanding beginning of period	12.3	\$36.05	5.58	\$209.3
Options granted	1.7	49.03		
Options exercised	(2.0)	28.96		
Options canceled	(0.4)	45.11		
Outstanding end of period	11.6	\$38.81	5.47	162.6
Exercisable	6.9	\$33.84	3.73	\$130.7

The total intrinsic value of options exercised during fiscal 2013 , 2012 and 2011 was \$47.1 million , \$49.7 million and \$49.9 million , respectively. Cash received from option exercises during fiscal 2013 , 2012 and 2011 was \$57.0 million , \$62.9 million and \$55.7 million , respectively. Stock options have a maximum contractual period of 10 years from the date of grant. We settle employee stock option exercises with authorized but unissued shares of Darden common stock or treasury shares we have acquired through our ongoing share repurchase program.

As of May 26, 2013 , there was \$32.8 million of unrecognized compensation cost related to unvested stock options granted under our stock plans. This cost is expected to be recognized over a weighted-average period of 2.4 years. The total fair value of stock options that vested during fiscal 2013 was \$19.6 million .

Restricted stock and RSUs are granted at a value equal to the market price of our common stock on the date of grant. Restrictions lapse with regard to restricted stock, and RSUs are settled in shares, at the end of their vesting periods, which is generally four years.

The following table presents a summary of our restricted stock and RSU activity as of and for the fiscal year ended May 26, 2013 :

	Shares (in millions)	Weighted-Average Grant Date Fair Value Per Share
Outstanding beginning of period	0.3	\$39.63
Shares granted	0.1	50.23
Shares vested	(0.2)	36.49
Outstanding end of period	0.2	\$35.13

As of May 26, 2013 , there was \$5.1 million of unrecognized compensation cost related to unvested restricted stock and RSUs granted under our stock plans. This cost is expected to be recognized over a weighted-average period of 2.9 years. The total fair value of restricted stock and RSUs that vested during fiscal 2013 , 2012 and 2011 was \$5.5 million , \$10.0 million and \$9.1 million , respectively.

Darden stock units are granted at a value equal to the market price of our common stock on the date of grant and will be settled in cash at the end of their vesting periods, which range between four and five years, at the then market price of our common stock. Compensation expense is measured based on the market price of our common stock each period, is amortized over the vesting period and the vested portion is carried as a liability on our accompanying consolidated balance sheets. We also entered into equity forward contracts to hedge the risk of changes in future cash flows associated with the unvested, unrecognized Darden stock units granted (see Note 10 – Derivative Instruments and Hedging Activities for additional information).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table presents a summary of our Darden stock unit activity as of and for the fiscal year ended May 26, 2013 :

(All units settled in cash)	Units (in millions)	Weighted-Average Fair Value Per Unit
Outstanding beginning of period	2.1	\$53.06
Units granted	0.6	50.76
Units vested	(0.3)	51.92
Units canceled	(0.2)	42.86
Outstanding end of period	2.2	\$52.83

As of May 26, 2013 , our total Darden stock unit liability was \$61.1 million , including \$19.9 million recorded in other current liabilities and \$41.2 million recorded in other liabilities on our consolidated balance sheets. As of May 27, 2012 , our total Darden stock unit liability was \$50.3 million , including \$11.1 million recorded in other current liabilities and \$39.2 million recorded in other liabilities on our consolidated balance sheets.

Based on the value of our common stock as of May 26, 2013 , there was \$43.0 million of unrecognized compensation cost related to Darden stock units granted under our incentive plans. This cost is expected to be recognized over a weighted-average period of 2.8 years. Darden stock units with a fair value of \$13.4 million vested during fiscal 2013 .

The following table presents a summary of our performance stock unit activity as of and for the fiscal year ended May 26, 2013 :

	Units (in millions)	Weighted-Average Fair Value Per Unit
Outstanding beginning of period	1.1	\$39.33
Units granted	0.3	49.58
Units vested	(0.4)	51.97
Units canceled	(0.1)	42.03
Outstanding end of period	0.9	\$36.83

All performance stock units outstanding as of May 26, 2013 will be settled in cash upon vesting. As of May 26, 2013 , our total performance stock unit liability was \$16.8 million , including \$9.0 million recorded in other current liabilities and \$7.8 million recorded in other liabilities on our consolidated balance sheets. As of May 27, 2012 , our total performance stock unit liability was \$31.3 million , including \$18.9 million recorded in other current liabilities and \$12.4 million recorded in other liabilities on our consolidated balance sheets.

Performance stock units cliff vest 3 years from the date of grant, where 0.0 percent to 150.0 percent of the entire grant is earned or forfeited at the end of 3 years. The number of units that actually vests will be determined for each year based on the achievement of Company performance criteria set forth in the award agreement and may range from 0.0 percent to 150.0 percent of the annual target. All awards will be settled in cash. The awards are measured based on the market price of our common stock each period, are amortized over the service period and the vested portion is carried as a liability in our accompanying consolidated balance sheets. As of May 26, 2013 , there was \$11.1 million of unrecognized compensation cost related to unvested performance stock units granted under our stock plans. This cost is expected to be recognized over a weighted-average period of 1.7 years. The total fair value of performance stock units that vested in fiscal 2013 was \$21.5 million .

We maintain an Employee Stock Purchase Plan to provide eligible employees who have completed one year of service (excluding senior officers subject to Section 16(b) of the Securities Exchange Act of 1934, and certain other employees who are employed less than full time or own 5 percent or more of our capital stock or that of any subsidiary) an opportunity to invest up to \$5.0 thousand per calendar quarter to purchase shares of our common stock, subject to certain limitations. Under the plan, up to an aggregate of 3.6 million shares are available for purchase by employees at a purchase price that is 85.0 percent of the fair market value of our common stock on either the first or last trading day of each calendar quarter, whichever is lower. Cash received from employees pursuant to the plan during fiscal 2013 , 2012 and 2011 was \$7.3 million , \$7.2 million and \$7.4 million , respectively.

NOTE 19 - COMMITMENTS AND CONTINGENCIES

As collateral for performance on contracts and as credit guarantees to banks and insurers, we were contingently liable for guarantees of subsidiary obligations under standby letters of credit. At May 26, 2013 and May 27, 2012, we had \$107.0 million and \$99.2 million, respectively, of standby letters of credit related to workers' compensation and general liabilities accrued in our consolidated financial statements. At May 26, 2013 and May 27, 2012, we had \$20.6 million and \$20.3 million, respectively, of standby letters of credit related to contractual operating lease obligations and other payments. All standby letters of credit are renewable annually.

At May 26, 2013 and May 27, 2012, we had \$4.2 million and \$5.4 million, respectively, of guarantees associated with leased properties that have been assigned to third parties. These amounts represent the maximum potential amount of future payments under the guarantees. The fair value of these potential payments discounted at our pre-tax cost of capital at May 26, 2013 and May 27, 2012, amounted to \$3.4 million and \$4.1 million, respectively. We did not accrue for the guarantees, as the likelihood of the third parties defaulting on the assignment agreements was deemed to be less than probable. In the event of default by a third party, the indemnity and default clauses in our assignment agreements govern our ability to recover from and pursue the third party for damages incurred as a result of its default. We do not hold any third-party assets as collateral related to these assignment agreements, except to the extent that the assignment allows us to repossess the building and personal property. These guarantees expire over their respective lease terms, which range from fiscal 2015 through fiscal 2021.

We are subject to private lawsuits, administrative proceedings and claims that arise in the ordinary course of our business. A number of these lawsuits, proceedings and claims may exist at any given time. These matters typically involve claims from guests, employees and others related to operational issues common to the restaurant industry, and can also involve infringement of, or challenges to, our trademarks. While the resolution of a lawsuit, proceeding or claim may have an impact on our financial results for the period in which it is resolved, we believe that the final disposition of the lawsuits, proceedings and claims in which we are currently involved, either individually or in the aggregate, will not have a material adverse effect on our financial position, results of operations or liquidity. The following is a brief description of the more significant of these matters.

In September 2012, a collective action under the Fair Labor Standards Act was filed in the United States District Court for the Southern District of Florida, *Alequin v. Darden Restaurants, Inc.*, in which named plaintiffs claim that the Company required or allowed certain employees at Olive Garden, Red Lobster, LongHorn Steakhouse, Bahama Breeze and Seasons 52 to work off the clock and required them to perform tasks unrelated to their tipped duties while taking a tip credit against their hourly rate of pay. The plaintiffs seek an unspecified amount of alleged back wages, liquidated damages, and attorneys' fees. In July 2013, the District Court conditionally certified a nationwide class of servers and bartenders who worked in the aforementioned restaurants at any point from September 6, 2009 through September 6, 2012. Unlike a class action, a collective action requires potential class members to "opt in" rather than "opt out," and members of the class will have 90 days to opt in following the issuance of a notice. The Company will have an opportunity to seek to have the class de-certified and/or seek to have the case dismissed on its merits. We believe that our wage and hour policies comply with the law and that we have meritorious defenses to the substantive claims and strong defenses supporting de-certification. An estimate of the possible loss, if any, or the range of loss cannot be made at this stage of the proceeding.

NOTE 20 – SUBSEQUENT EVENT

On June 19, 2013, the Board of Directors declared a cash dividend of \$0.55 per share to be paid August 1, 2013 to all shareholders of record as of the close of business on July 10, 2013.

NOTE 21 - QUARTERLY DATA (UNAUDITED)

The following table summarizes unaudited quarterly data for fiscal 2013 and fiscal 2012 :

(in millions, except per share data)	Fiscal 2013 - Quarters Ended				
	Aug. 26	Nov. 25	Feb. 24	May 26	Total
Sales	\$ 2,034.8	\$ 1,960.0	\$ 2,258.2	\$ 2,299.0	\$ 8,551.9
Earnings before income taxes	146.3	43.1	173.2	159.8	522.4
Earnings from continuing operations	111.0	33.7	134.5	133.3	412.6
Losses from discontinued operations, net of tax	(0.2)	(0.1)	(0.1)	(0.1)	(0.7)
Net earnings	110.8	33.6	134.4	133.2	411.9
Basic net earnings per share:					
Earnings from continuing operations	0.87	0.26	1.04	1.03	3.20
Losses from discontinued operations	(0.01)	—	—	—	(0.01)
Net earnings	0.86	0.26	1.04	1.03	3.19
Diluted net earnings per share:					
Earnings from continuing operations	0.85	0.26	1.02	1.01	3.14
Losses from discontinued operations	—	—	—	—	(0.01)
Net earnings	0.85	0.26	1.02	1.01	3.13
Dividends paid per share	0.50	0.50	0.50	0.50	2.00
Stock price:					
High	54.09	57.93	54.19	54.21	57.93
Low	48.39	50.00	44.11	44.81	44.11

(in millions, except per share data)	Fiscal 2012 - Quarters Ended				
	Aug. 28	Nov. 27	Feb. 26	May 27	Total
Sales	\$ 1,942.0	\$ 1,831.5	\$ 2,159.7	\$ 2,065.6	\$ 7,998.7
Earnings before income taxes	147.0	72.5	217.8	200.7	638.0
Earnings from continuing operations	106.8	54.1	164.1	151.6	476.5
Losses from discontinued operations, net of tax	(0.2)	(0.4)	—	(0.4)	(1.0)
Net earnings	106.6	53.7	164.1	151.2	475.5
Basic net earnings per share:					
Earnings from continuing operations	0.80	0.42	1.28	1.18	3.66
Losses from discontinued operations	—	(0.01)	—	—	(0.01)
Net earnings	0.80	0.41	1.28	1.18	3.65
Diluted net earnings per share:					
Earnings from continuing operations	0.78	0.41	1.25	1.15	3.58
Losses from discontinued operations	—	(0.01)	—	—	(0.01)
Net earnings	0.78	0.40	1.25	1.15	3.57
Dividends paid per share	0.43	0.43	0.43	0.43	1.72
Stock price:					
High	53.81	49.20	51.90	55.84	55.84
Low	43.85	40.69	41.65	48.49	40.69

Five-Year Financial Summary

Financial Review 2013

	Fiscal Year Ended				
	May 26, 2013	May 27, 2012	May 29, 2011	May 30, 2010	May 31, 2009(2)
(Dollars in millions, except per share data)					
Operating Results (3)					
Sales	\$ 8,551.9	\$ 7,998.7	\$ 7,500.2	\$ 7,113.1	\$ 7,217.5
Costs and expenses:					
Cost of sales:					
Food and beverage	2,628.6	2,460.6	2,173.6	2,051.2	2,200.3
Restaurant labor	2,698.0	2,502.0	2,396.9	2,350.6	2,308.2
Restaurant expenses	1,334.4	1,200.6	1,129.0	1,082.2	1,128.4
Total cost of sales, excluding restaurant depreciation and amortization (4)	\$ 6,661.0	\$ 6,163.2	\$ 5,699.5	\$ 5,484.0	\$ 5,636.9
Selling, general and administrative (1)	847.8	746.8	742.7	690.7	677.6
Depreciation and amortization	394.8	349.1	316.8	300.9	283.1
Interest, net	125.9	101.6	93.6	93.9	107.4
Total costs and expenses	\$ 8,029.5	\$ 7,360.7	\$ 6,852.6	\$ 6,569.5	\$ 6,705.0
Earnings before income taxes	522.4	638.0	647.6	543.6	512.5
Income taxes	109.8	161.5	168.9	136.6	140.7
Earnings from continuing operations	\$ 412.6	\$ 476.5	\$ 478.7	\$ 407.0	\$ 371.8
(Losses) earnings from discontinued operations, net of tax (benefit) expense of \$(0.4), (0.7), \$(1.5), \$(1.5) and \$0.2	(0.7)	(1.0)	(2.4)	(2.5)	0.4
Net earnings	\$ 411.9	\$ 475.5	\$ 476.3	\$ 404.5	\$ 372.2
Basic net earnings per share:					
Earnings from continuing operations	\$ 3.20	\$ 3.66	\$ 3.50	\$ 2.92	\$ 2.71
(Losses) earnings from discontinued operations	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ —
Net earnings	\$ 3.19	\$ 3.65	\$ 3.48	\$ 2.90	\$ 2.71
Diluted net earnings per share:					
Earnings from continuing operations	\$ 3.14	\$ 3.58	\$ 3.41	\$ 2.86	\$ 2.65
(Losses) earnings from discontinued operations	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ —
Net earnings	\$ 3.13	\$ 3.57	\$ 3.39	\$ 2.84	\$ 2.65
Average number of common shares outstanding:					
Basic	129.0	130.1	136.8	139.3	137.4
Diluted	131.6	133.2	140.3	142.4	140.4

Financial Position

Total assets	\$ 6,936.9	\$ 5,944.2	\$ 5,466.6	\$ 5,276.1	\$ 5,056.6
Land, buildings and equipment, net	\$ 4,391.1	\$ 3,951.3	\$ 3,622.0	\$ 3,403.7	\$ 3,306.7
Working capital (deficit)	\$ (651.5)	\$ (1,016.5)	\$ (623.0)	\$ (519.6)	\$ (493.8)
Long-term debt, less current portion	\$ 2,496.2	\$ 1,453.7	\$ 1,407.3	\$ 1,408.7	\$ 1,632.3
Stockholders' equity	\$ 2,059.5	\$ 1,842.0	\$ 1,936.2	\$ 1,894.0	\$ 1,606.0
Stockholders' equity per outstanding share	\$ 15.81	\$ 14.28	\$ 14.38	\$ 13.47	\$ 11.53

Five-Year Financial Summary (continued)

(Dollars in millions, except per share data)	Fiscal Year Ended				
	May 26, 2013	May 27, 2012	May 29, 2011	May 30, 2010	May 31, 2009(2)
Other Statistics					
Cash flows from operations (3)	\$ 949.5	\$ 762.2	\$ 894.7	\$ 903.4	\$ 783.5
Capital expenditures (3)	\$ 685.6	\$ 639.7	\$ 547.7	\$ 432.1	\$ 535.3
Dividends paid	\$ 258.2	\$ 223.9	\$ 175.5	\$ 140.0	\$ 110.2
Dividends paid per share	\$ 2.00	\$ 1.72	\$ 1.28	\$ 1.00	\$ 0.80
Advertising expense (3)	\$ 409.2	\$ 357.2	\$ 340.2	\$ 311.9	\$ 308.3
Stock price:					
High	\$ 57.93	\$ 55.84	\$ 52.12	\$ 49.01	\$ 40.26
Low	\$ 44.11	\$ 40.69	\$ 37.08	\$ 29.94	\$ 13.54
Close	\$ 52.83	\$ 53.06	\$ 50.92	\$ 42.90	\$ 36.17
Number of employees	206,578	181,468	178,380	174,079	178,692
Number of restaurants (3)	2,138	1,994	1,894	1,824	1,773

- (1) Includes asset impairment charges of \$0.8 million , \$0.5 million , \$4.7 million , \$6.2 million and \$12.0 million, respectively.
- (2) Fiscal year 2009 consisted of 53 weeks while all other fiscal years consisted of 52 weeks.
- (3) Consistent with our consolidated financial statements, information has been presented on a continuing operations basis. Accordingly, the activities related to Smokey Bones, Rocky River Grillhouse and the nine Bahama Breeze restaurants closed or sold in fiscal 2007 and 2008 have been excluded.
- (4) Excludes restaurant depreciation and amortization of \$373.7 million , \$326.9 million , \$295.6 million , \$283.4 million and \$267.1 million, respectively.

SUBSIDIARIES OF DARDEN RESTAURANTS, INC.

As of May 26, 2013, we had seven "significant subsidiaries", as defined in Regulation S-X, Rule 1-02(w), identified as follows:

GMRI, Inc., a Florida corporation, doing business as Olive Garden, Red Lobster, Bahama Breeze and Seasons 52.

RARE Hospitality International, Inc., a Georgia corporation, doing business as Olive Garden, LongHorn Steakhouse and The Capital Grille.

N and D Restaurants, Inc., a Florida corporation, doing business as Olive Garden, Red Lobster, Bahama Breeze, Seasons 52, Eddie V's Prime Seafood and Wildfish Seafood Grille.

Darden SW, LLC, a Florida limited liability company, doing business as Olive Garden, Red Lobster, Seasons 52, Eddie V's Prime Seafood and Wildfish Seafood Grille.

Florida SE, Inc., a Florida corporation, doing business as Olive Garden, Red Lobster, LongHorn Steakhouse, Bahama Breeze, Seasons 52, Eddie V's Prime Seafood.

Yard House USA, Inc., a Delaware corporation, doing business as Yard House.

RARE Hospitality Management, Inc., a Delaware corporation, doing business as LongHorn Steakhouse and The Capital Grille. (a)

In addition, we also had the following subsidiaries:

Darden Corporation, a Florida corporation. (b)

(a) One wholly-owned subsidiary operating in the same line of business in the United States has been omitted.

(b) One wholly-owned subsidiary operating in the same line of business in the United States has been omitted.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Darden Restaurants, Inc.:

We consent to the incorporation by reference in the registration statements on Form S-3 (No. 333-169789) and on Form S-8 (Nos. 333-178876, 333-57410, 333-91579, 333-105056, 333-124363, 333-122560, 333-148260, 333-146464, 333-156557 and 333-169788) of Darden Restaurants, Inc. of our reports dated July 19, 2013, with respect to the consolidated balance sheets of Darden Restaurants, Inc. and subsidiaries as of May 26, 2013 and May 27, 2012, and the related consolidated statements of earnings, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended May 26, 2013 and the effectiveness of internal control over financial reporting as of May 26, 2013, which reports are included in the 2013 Annual Report to Shareholders included as an exhibit to this annual report on Form 10-K of Darden Restaurants, Inc.

/s/ KPMG LLP

Orlando, Florida
July 19, 2013
Certified Public Accountants

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that the undersigned constitutes and appoints Teresa M. Sebastian, Clarence Otis, Jr. and C. Bradford Richmond, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for and in his or her name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K for the fiscal year ended May 26, 2013 and any and all amendments thereto and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as might or could be done in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, this Power of Attorney has been signed effective as of the 18th day of June, 2013, by the following persons.

By: /s/ Michael W. Barnes
Michael W. Barnes

By: /s/ Leonard L. Berry
Leonard L. Berry

By: /s/ Christopher J. Fraleigh
Christopher J. Fraleigh

By: /s/ Victoria D. Harker
Victoria D. Harker

By: /s/ David H. Hughes
David H. Hughes

By: /s/ Charles A. Ledsinger, Jr.
Charles A. Ledsinger, Jr.

By: /s/ William M. Lewis, Jr.
William M. Lewis, Jr.

By: /s/ Cornelius McGillicuddy, III
Cornelius McGillicuddy, III

By: /s/ Andrew H. Madsen
Andrew H. Madsen

By: /s/ Clarence Otis, Jr.
Clarence Otis, Jr.

By: /s/ Michael D. Rose
Michael D. Rose

By: /s/ Maria A. Sastre
Maria A. Sastre

By: /s/ William S. Simon
William S. Simon

**CERTIFICATION PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Clarence Otis, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Darden Restaurants, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of this annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Clarence Otis, Jr.

Clarence Otis, Jr.

Chairman and Chief Executive Officer

July 19, 2013

**CERTIFICATION PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, C. Bradford Richmond, certify that:

1. I have reviewed this Annual Report on Form 10-K of Darden Restaurants, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of this annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ C. Bradford Richmond

C. Bradford Richmond

Senior Vice President and Chief Financial Officer

July 19, 2013

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Darden Restaurants, Inc. ("Company") on Form 10-K for the year ended May 26, 2013 , as filed with the Securities and Exchange Commission ("Report"), I, Clarence Otis, Jr., Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Clarence Otis, Jr.

Clarence Otis, Jr.

Chairman and Chief Executive Officer

July 19, 2013

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Darden Restaurants, Inc. ("Company") on Form 10-K for the year ended May 26, 2013 , as filed with the Securities and Exchange Commission ("Report"), I, C. Bradford Richmond, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ C. Bradford Richmond

C. Bradford Richmond

Senior Vice President and Chief Financial Officer

July 19, 2013